



Prep Now for Changing Demands

Hard-to-predict holiday consumer demand can drive a retail merchandiser crazy. In 2013, we saw it drive carriers bonkers, too. And when merchandisers and carriers both lose their grip on demand and fulfillment management, customers are left high-and-dry—like the millions who went to bed on Dec. 24 still waiting for gifts that were “guaranteed” for on-time delivery by the following day. Precise prediction of consumer demand and shopping behavior during the holidays, especially in an increasingly omni-channel retail environment, is a tough business. In addition to perennial unknowns like weather and the economy, merchants are heading into the 2014 holiday season wondering if last year’s disappointment with online fulfillment performance will impact shopping patterns this year.

New research from CFI Group quantifies just how intense an increase we see in consumer expectations in the weeks leading up to Christmas, and just how concerned they are about the fulfillment status of holiday orders. The June 2014 survey of more than 500 shoppers sheds light on what motivates consumer purchase and fulfillment decisions, and what merchants stand to lose if they get it wrong.

Holiday E-commerce Expectations: In-Stock and On-Time

While online holiday shopping surpassed all expectations in 2013, merchandisers’ struggles allocating to demand and understaffed carriers’ inability to fulfill orders by Christmas morning appear to

have collectively rattled consumers’ e-commerce confidence. A full 56% of shoppers indicate they’re concerned about orders being cancelled or back-ordered during the holiday season. Worse, three out of four consumers say they’ll shop another website or brand when a product they want is back ordered or temporarily out of stock.

Generally—at least, early in the holiday season—shoppers find it more important to receive the merchandise they order online *on time* than to receive it the next day. Most consumers (55%) choose standard 5-7 day shipping for holiday gifts, although 88% said speed of delivery is more important during the holiday season than at any other time of the year.

3 OUT OF 4

consumers say they’ll shop another website or brand when a product they want is back ordered or temporarily out of stock.



Holiday Purchase Decision Motivation

In-stock availability and on-time delivery are clearly the primary motivators of holiday e-commerce spending, but fast delivery appears an opportunity for merchants to establish customer experience differentiation. While 5-7 day standard shipping is the typical choice of consumers, more than 40% said that offering 2-3 day shipping would encourage them to consummate the purchase.

Even when speed of delivery isn’t an issue, guaranteed on-time delivery most definitely is. In fact, 96% of consumers said guaranteed delivery dates are an important factor when deciding which online retailers to shop during the holidays.

Another important feature to those who have used it is the ability to order online and have merchandise shipped to a local store for pick-up. While the majority of consumers who make online purchases have their orders shipped directly to their homes, those who have tried buy online/pick-up in store are rabid fans; 94% of them say it's an important feature when choosing which retailers they'll shop. For the 57% of consumers who have used buy online/pick-up in store services, their primary motivation is the merchant's offer to save on shipping costs. A quarter of consumers said the feature is important for keeping their purchases a secret from other members of the household, and just 19% said they use the service as a means of achieving expedited delivery. Given consumers' fervent use of the service, tapping into the potential of buy online/pick-up in store can reap significant customer loyalty and cross-sell/up-sell rewards for merchants.



Consumer Reaction to Unsatisfactory Online Fulfillment Experiences

When online holiday purchases arrive late, customer loyalty hangs in the balance. While only 11% of consumers call a late holiday purchase arrival grounds for refusing to shop a particular brand again, a full 46% say late delivery will cause them to look somewhere else first. Even among consumers who say they will continue shopping with a retailer who suffers a late delivery infraction, there's a caveat. A third of shoppers say they'll keep shopping with the brand, but they'll expect the best price/promotion available in return for their continued allegiance.

Regardless of which outcome the shopper lands on, there will be consequences. According to the survey, those consequences will likely come to bear in the call center. Customers told us they are 26% more likely to reach out to retailers during the holidays, and more than half of that outreach takes place by phone. The most frequent reason cited for contacting customer service during the holidays is to ask shipping or delivery questions (42%), more than even product information inquiries (38%).

But an ill-equipped call center can only serve to exacerbate an already bad situation. When consumers call customer service during the holidays, 57% of them are greeted with a wait time they deem longer than that experienced at any other point in the year.

Interactive chat and online self-service could mitigate some of the risk posed by bad call center experiences. Nearly a quarter

of consumers said they prefer interactive chat for customer service issue resolution, citing speed (39%) and convenience (30%) as the benefits of the service. Asked if they use a self-service option to assist with questions (when that option is available), nearly half said they try self-service as a first attempt at customer service question resolution.

Ramping up call center, live chat, and self-service efforts in advance of the holiday onslaught can pay dividends in December, when customer service is fielding an inordinate number of requests.

Conclusion

With a few months to go before the official start of the 2014 holiday shopping season, it's time to ensure your fulfillment and call center systems

are ready for the anything-goes consumer demand brought on by the holidays.

Based on our findings, CFI Group suggests:

- **Lowering the costs of customer service through adoption of live chat and self-service solutions.** Live chat not only reduces customer service costs, it can drive sales and loyalty by providing needed information conveniently and in real-time.
- **Driving add-on brick-and-mortar sales opportunities through promotion of buy online/pick-up in store.** When shoppers enter the store to collect their orders, be sure that in-store displays near the online pickup desk encourage add-on sales.
- **Reducing the risk of driving customers to competitors' sites due to sub-par fulfillment performance.** Meeting expectations for merchandise availability, guaranteed delivery dates, and customer contact options are important competitive differentiators that should be reiterated throughout the purchase process.

After a rough 2013 holiday season for online order fulfillment, the upcoming holiday season will be pivotal to the restoration of e-commerce consumer confidence. As your buyers and merchandisers spend the summer months ordering, planning, and allocating holiday inventory, don't overlook the fulfillment and customer service strategies that so clearly influence the sale and delivery of that inventory.

Contact CFI Group for more insights into holiday shopping trends and consumer expectations.