

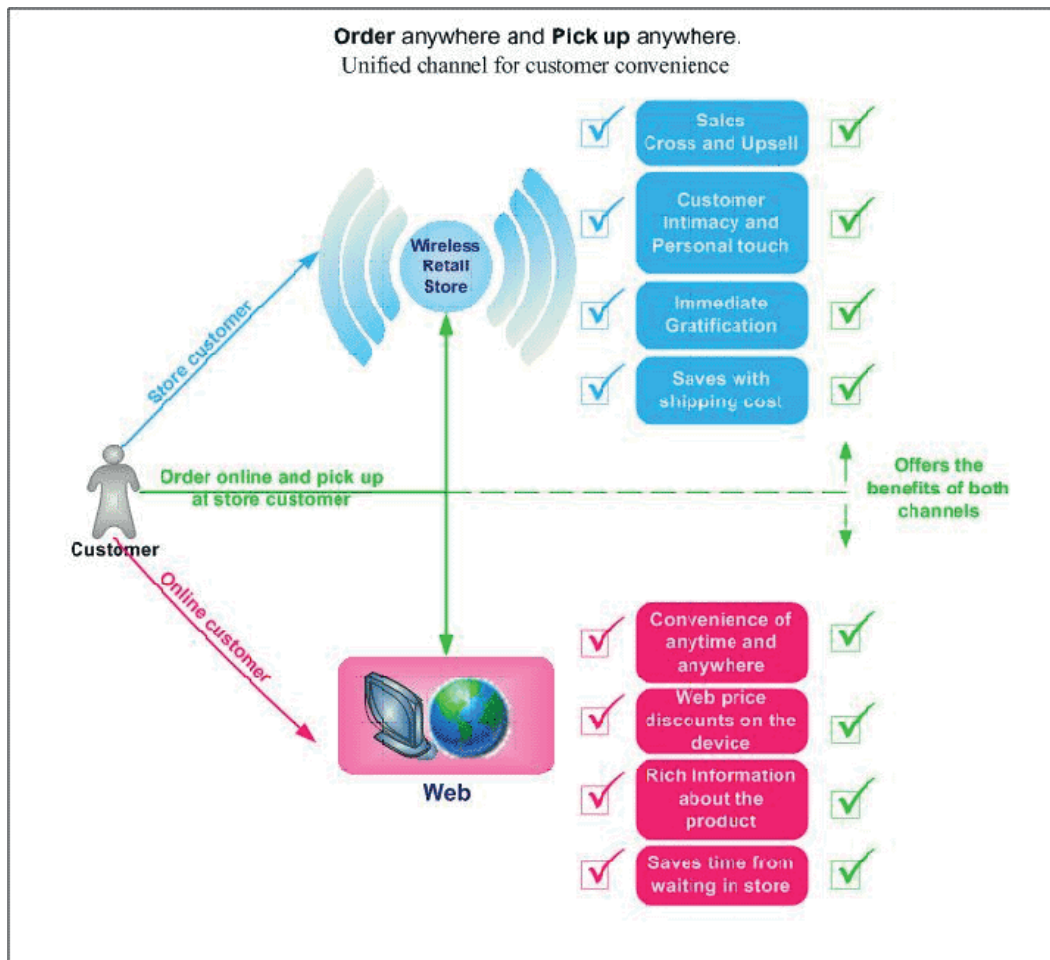
White Paper



Transforming Wireless Retailing with a 'Click meets Brick' strategy

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Traditionally, wireless service providers used the retail store for customer acquisition. Subsequently, they gravitated towards the web store to capitalize on the wide reach and low overhead costs of doing business on the Internet. Infosys proposes a synthesis of the web store and retail store through Order-on-the-Web, Pick up-in-the-Store (store pick up) to revolutionize wireless sales.



In the past, wireless service providers adopted the ‘store’ model for the sale of equipment – A retail location with inventory and sales personnel selling equipment and walking customers through the process of activating a new wireless connection. The overhead cost per device sold in a retail store is relatively higher for the service provider due to labor and other costs related to maintaining a retail location (rent, mortgage, cost of the supply chain, etc.). For most wireless providers, the overhead cost is between 120%-140% of the cost of equipment.

Web Store: A Convenient Shopping Experience

The Internet provides the service provider with an alternative distribution model. The customer can visit the provider’s website, choose the equipment and place an order. The service provider maintains an optimum inventory in a centralized location from where the equipment can be shipped to the customer. The retailer can maximize profitability through the pervasive reach of the Internet. In addition, the overhead cost is low as the cost of employee and retail space per device sold is lesser. Most wireless retailers promote the web store through online-only promotions and differential pricing on the web making it cheaper for customers to shop on the web.

Pick up Store: Human Interface

From the customer’s perspective, online shopping lacks instant gratification as it involves *shipping time*. Customers are not accustomed to wait for two to (up to) seven days that some service providers take to ship devices.

In addition, some service providers either pass on the shipping cost to customers, or charge for expedited shipping delivery making online shopping more expensive. A majority of retailers have seen sales grow when free shipping is offered as an incentive on the web.

From the wireless provider's perspective, the web store is often perceived as competition. Most stores have sales quotas that they need to meet, with the store employees receiving commissions based on store sales. A web sale creates competition within the service provider's organization.

The service provider's web operations group must develop strategies to *up-sell* and create *impulse buy opportunities on the web*, which is easier to achieve in a retail environment.

When the customer can place an order on the web and pick it up at one of the retail locations, it is a win-win situation for the customer, web operations and retail operations. Store pick up can be an additional option to existing shipping methods already available on the website.

The customer has the option of picking up the device from the nearest location. Reducing shipping time means the customer can start talking on the device sooner. The customer can avail of differential pricing on the web and web specials (if any) that the service provider offers. Since the customer does not pay for shipping, (s)he may purchase a more expensive device, or add accessories to the order.

Since the actual shopping experience takes place on the web, the average time spent by the customer at the retail location reduces by more than 50%. Consequently, it minimizes the time taken by customers waiting in a queue at the store leading to higher customer satisfaction. It also opens up an opportunity for the service provider to explore a more efficient staffing model at the stores.

The service provider can open smaller and smarter stores with a smaller storefront and larger inventory area to function as pick up locations. Since these stores are cheaper to build and operate, the service provider can expand the chain of stores faster. It can be adopted as an entry-level strategy for *green-field* markets.

A final human interface in the retail environment during the actual pick up process provides opportunities to up-sell to the customer.

Benefits of Store Pick up	
Customer	Wireless service provider
Gets the benefit of Web Special pricing	No competition between the web store and regular stores
Saves on shipping cost	Higher operating capacity at stores due to lower time spent per order
No waiting required for the phone to be shipped	Possibility of opening pick up only stores with lower operating costs
Complete information about the product and services on the web	Potential of higher sales due to savings of shipping cost for the customer
	Up-sell opportunities created by a final human interface

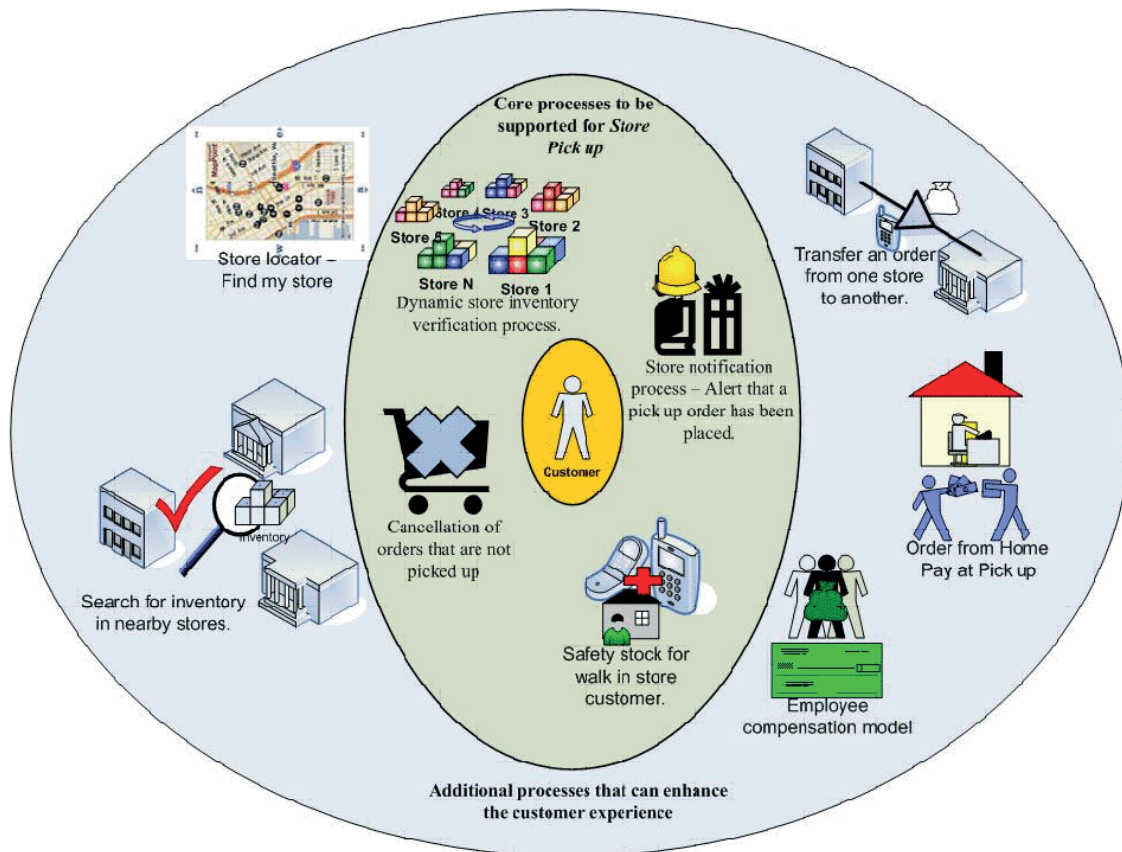
Time spent per order for a walk-in customer - 20 minutes

Time spent per order for a Pick up only customer (including packaging, payment and delivery) - 10 minutes

		Traditional store with walk-in customers, assuming employees focused on sales only	Offering pick up in a traditional store, assuming 50% of orders are fulfilled through pick up	Pick up only stores where 100% of orders are fulfilled through pick up
Operating expenses	Average time per order (in minutes)	20	15	10
	Average employee cost per order @ US\$ 30 per hour	10	7.5	5
	Sales capacity (no. of orders per day), assuming 10 employees working for 10 hours a day	300	400	600
	Due to lower time spent on a store pick up customer, the capacity of traditional stores can be increased by 100% using store pick up.			

Capital expenses		Traditional store with walk-in customers, assuming employees focused on sales only	More efficient pick up only stores, smaller in size and fewer employees
	Number of employees required to process 300 orders a day	10	5
	Store front area in sq. ft. required to process 300 orders a day	1,000	500
	Employee cost per year @ US\$ 30 per hour	US\$ 810,000	US\$ 405,000
	Rent for the store per month @ US\$ 85 per sq. ft.	US\$ 1,020,000	US\$ 510,000
	Capital expenses on stores can be reduced by 50% while keeping capacity constant, by offering store pick up.		

The business processes involved in the ‘web order-store pick up’ model can be classified into core processes and additional enablers. The image below illustrates the process map.



Core Processes to support Store Pick up

1. Store inventory verification

Most web stores either do not perform dynamic inventory verification per order, or check inventory only at a centralized warehouse.

The option for store pick up challenges the traditional model. The web store needs to verify that the merchandise is actually present at the location chosen by the customer.

The point in the shopping experience at which the customer is offered the choice between having the order shipped or picked up and the pick up location is critical in the inventory verification process.

2. Store notification process

The retail store requires a process to notify the store employees when a pick up order is placed. Such a process will ensure that the order can be packed and kept ready for delivery by the time the customer walks into the store.

3. Cancellation of orders that are not picked up

If a customer who places an order does not pick it up within the stipulated time, the store requires a process to cancel an order, return an item to inventory and refund the money.

4. Safety stock for store customers

When the store inventory runs low, the item should no longer be available on the web for pick up at that particular store. In such a situation, a conventional walk-in store customer can be preferred over a web customer.

Additional processes to enhance the customer experience

5. Store locator – Find my store

The online customer should have the option of searching for the most convenient store, based on the available stores on the web. The web search can display results in terms of driving distance, store timings and available inventory.

6. Search for inventory at nearby stores

If the device that the customer is looking for is not available at the store that the customer chooses, the customer should be offered a list of stores that stocks the item in the vicinity.

7. Transfer order from one store to another

Service providers must be able to manage exceptions such as the customer placing an order at the wrong store or requesting to have it shipped when (s)he meant to pick it up or vice versa. Service providers should have a process whereby an order can be transferred from one store to another as long as the inventory is available at the destination.

8. Pay at pick up

A customer should be offered the option of choosing to pay for the order at pick up rather than paying for it on the web. It will increase sales among people who do not have credit cards and those who are reluctant to use credit cards on the web.

9. Employee compensation model for web orders

Service providers should have a strategy to compensate store employees for orders picked up at the stores. It can be based on dividing the compensation equally between the store employees, or based on the customer feedback of the experience during the pick up process.

Electronics retailers and booksellers in the U.S. have successfully implemented web order, store pick up. Leading telecom service providers are gravitating towards this concept. Verizon has recently implemented this model.

Summing up:

A process that allows wireless customers to place an order on the web and pick it up at the store enables the service provider to combine personal touch with the convenience of technology.

About the Authors

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