

# Exhibit 5



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## Buy Online, Pick Up In-Store

**Executive Summary:** While only a small number of multichannel retailers allow customers to buy online and pick up in-store, a majority of online consumers rate this service as important. Consumers avoid shipping fees, see and touch products before taking them home, and satisfy a need for immediate gratification when the product is in stock.

### Retailers in North America Who Have Order Online/Pick Up In-Store Capabilities, August 2009 (% of respondents)



*Note: numbers may not add up to 100% due to rounding*  
Source: RIS and AMR Research, "2009 Cross-Channel Tech Trends Study" sponsored by IBM, October 1, 2009

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Retailers face complex hurdles when implementing an in-store pickup program. Nevertheless, many plan to launch this service because it builds customer loyalty and stimulates additional spending when customers go to the store to collect their online orders.

Smart retailers prominently promote the service on their Website, keep customers informed about the status of their orders, and clearly state the procedures for using the service.

### Key Questions

- How do consumers and retailers benefit from buy online, pick up in-store programs?
- What major hurdles do retailers face in offering these programs?
- What are the best practices for successfully running these programs?
- How are retailers innovating in offering these programs?

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## The eMarketer View

### What is a buy online, pick up in-store service?

**Buy online, pick up in-store is a cross-channel service that comes in two variations. The first service, in-store fulfillment, is where the retailer pulls a customer's online order from existing in-store inventory. This requires that the retailer have instant visibility into store inventory. Customers are generally able to go to the store to pick up their online purchases within a few hours of placing their order. Best Buy and Nordstrom offer this option.**

**The second service, ship-to-store, is used for products that are not already carried in retailers' stores. The retailer, in this case, fulfills a customer's online order by shipping it from the warehouse to the store where it is picked up by the customer. Customers wait anywhere from one day to two weeks for their item to arrive in-store. Wal-Mart and Staples offer this option.**

Cross-channel services are gaining ground with consumers. The percentage of consumers who rated buy online, pick up in-store as a very important service doubled to 35% in January 2009 versus the year before, according to research from Sterling Commerce. This and other multichannel services (e.g., buy online, return to store; check local store inventory online; and Web ordering from in-store) tie together some of the best attributes of e-commerce and store shopping.

The online channel excels as a source of customer product reviews, personalized recommendations and 24/7 shopping convenience. Stores are the place to go to see and touch products, get answers to specific questions from knowledgeable sales associates and satisfy an immediate need for a product.

**“Cross-channel is leveraging the strengths of each channel to create an overall customer experience that is greater than the sum of its parts. It's 1+1=3.”** —Kevin Ertell, VP, retail strategy, ForeSee Results, as quoted in his blog, *Retail: Shaken Not Stirred*, September 2009

Cross-channel services are a potent weapon for traditional retailers to use to challenge Amazon and other Web-only retailers for market share. Traditional retailers have looked on enviously as Amazon posted 20% sales growth for the first nine months of 2009. Meanwhile total retail sales declined 10% during the same period, according to the US Census Bureau.

**“Multichannel is not a nice thing to do if you have some spare time. Multichannel is a necessity to be able to defend against Amazon and the other Internet pure-plays.”**

—Fiona Dias, executive VP, partner strategy and marketing, GSI Commerce, *in an interview with eMarketer*, November 2009

Traditional retailers have been intensifying their online efforts this year. The Economist noted that during the nine months through October, Saks' online sales grew 9% while its store sales fell 19%. Retailers have also shown signs of fighting back during the 2009 holiday shopping season. Wal-Mart attacked Amazon on several product fronts with promotions offering rock-bottom prices.

To lure online bargain hunters to their stores, a number of prominent multichannel retailers including Best Buy and JCPenney launched Black Friday promotions on their Websites well before the big shopping day. The strategy worked. In a follow-up analysis, comScore reported that Best Buy and Wal-Mart were among the most heavily visited Websites on Black Friday.

## Overview

As of August 2009, approximately 34% of retailers offered some type of buy online, pick up in-store program, according to a Retail Info Systems News (RIS) survey conducted by AMR Research.

Another 44% of respondents expected to implement this service by the end of 2010.

### Retailers in North America Who Have Order Online/Pick Up In-Store Capabilities, August 2009 (% of respondents)

No, but we plan to implement by the end of 2010

36.6%

No, and we have no plans to implement this functionality

22.0%

Yes, we offer in-store pickup from in-store inventory or by shipping

17.1%

Yes, we offer in-store pickup from store inventory only

12.2%

No, but we plan to implement by the end of 2009

7.3%

Yes, we offer in-store pickup via "ship-to-store" process only

4.9%

Note: numbers may not add up to 100% due to rounding  
Source: RIS and AMR Research, "2009 Cross-Channel Tech Trends Study" sponsored by IBM, October 1, 2009

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Janet Sherlock, research director/retail at AMR Research, noted while reviewing the results of the study that retailers are often limited to deploying one or the other in-store pickup option because they do not have the system capabilities to handle both.

Among consumers who had tried a buy online, pick up in-store service, most were satisfied with the results, according to Forrester Research data reported in a July 2009 Internet Retailer article. Forrester found that 88% of US online shoppers were familiar with the concept of buying online and picking up in-store. Among these individuals, 37% had tried the service, and 77% of those who had tried it were satisfied with the experience.

Order online and pick up in-store was not as important to online shoppers as features that aid product evaluation, improve site usability or communicate purchasing incentives, comScore found in an April 2009 survey. Still, some 49% of respondents said an in-store pickup service was either "slightly important" or "very important."

### Website Features that Are Important When Shopping Online According to US Internet Users, April 2009 (% of respondents)

	Slightly important	Very important
Product details	23%	64%
Purchasing incentives	25%	60%
Site navigation	35%	46%
Product reviews	33%	42%
Finding the item in the store	30%	39%
Searching in-store inventory	30%	38%
Side-by-side product comparison	37%	31%
Order online and pick up in-store	26%	23%
Online chat support	18%	13%

Source: comScore, "State of the US Online Retail Economy in Q1 2009," May 14, 2009

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Buy online, pick up in-store is not as important to consumers as returning items to a store that were bought online or via a call center. Nevertheless, the number of respondents who said buy online, pick up in-store is "very important" doubled in January 2009 (35%) compared with a year earlier (17%), according to Sterling Commerce. All together 67% of respondents in 2009 said the ability to pick up items at a store after purchasing them online was either "important" or "very important."

### Level of Importance of Cross-Channel Shopping Enhancements According to US Consumers, January 2008 & January 2009 (% of respondents)

	January 2008			January 2009		
	Very important	Important	Not important	Very important	Important	Not important
To be able to return merchandise to a store even if it was purchased online or via a call center	41%	40%	18%	57%	24%	17%
To be able to pick up merchandise at a store after purchasing online	17%	39%	42%	35%	32%	31%
For call center and store personnel to have a record of what you've purchased from that retailer in the past, regardless of whether it was in the store, online or via a call center	-	-	-	33%	28%	38%

Source: Sterling Commerce, "The Multi-Channel Shopping Experience" conducted by Opinion Research Corporation, provided to eMarketer, January 2009

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## Consumer Benefits and Usage

Through a retailer's buy online, pick up in-store service consumers can:

- Avoid shipping fees
- Satisfy an immediate need for a product
- See and touch a product in-store before taking it home
- Avoid time spent shopping in the store and checking out, since the item is already paid for
- Be confident that the product is available and waiting for them
- Eliminate concerns about letting a package sit on a doorstep while away

### What benefits do customers receive from a buy online, pick up in-store program?



**Ace Hardware.** "The value of ship-to-store comes into play with what we're selling online. Consumers are buying some large items like patio furniture and grills. So the savings to them is significant to ship it to Ace for free versus by UPS to their home, which can get rather expensive."

—Mark Lowe, eCommerce marketing supervisor, Ace Hardware, in an interview with eMarketer, November 2009



**GSI Commerce.** "The reason why consumers love buy online, pick up in-store or ship-to-store, or even find in-store, is that they're trying to save time. They don't want to be driving around aimlessly trying to find a product. They want to know it's there and it's waiting for them."

—Fiona Dias, executive VP, partner strategy and marketing, GSI Commerce, in an interview with eMarketer, November 2009

that was easy.™

**Staples.** "Oftentimes it's for customers that might be mobile professionals working out of their office, traveling around town quite a bit—a real estate professional, a sales rep, a consultant that would prefer to have a Staples store on their path during their workday. It's just part of their routine to swing by Staples, and if we have something ready for them there, all the better."

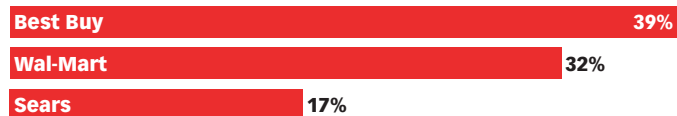
—Pete Howard, senior VP, Staples Business Delivery, in an interview with eMarketer, November 2009

Retailers offering a pick up in-store service have metrics to prove strong customer usage:

- **Ace Hardware.** 73% of Web orders are shipped to stores and 80% of online revenue goes to ship-to-store (eMarketer interview, November 2009).
- **Borders.** Every week, 25,000 to 30,000 customers use the option to reserve online and pay in-store (Internet Retailer, January 2009).
- **Wal-Mart.** 40% of Web orders are shipped to a store (Internet Retailer, November 2009).

Further evidence of the demand for buy online, pick up in-store comes from a June 2009 analysis conducted by Compete. Best Buy (39%), Wal-Mart (32%), and Sears (17%) are all seeing a portion of their online sales going to in-store pickup.

### Percent of Online Sales Picked Up In-Store for Select US Multichannel Retailers, June 2009



Source: Compete as cited in company blog, July 27, 2009

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Compete concludes that for retailers with these types of numbers, buy online, pick up in-store translates to a lot more foot traffic in-store and likely a lower online shopping cart abandonment rate.

# Retailer Considerations

## Benefits

Retailers cite a number of benefits from offering buy online, pick up in-store. On a tactical level, it increases the opportunity for cross-sells and upsells. On a strategic level, it attracts new customers, leads to higher customer satisfaction and builds customer loyalty.

- **Ace Hardware.** 33% of customers purchased additional items when collecting online orders. (eMarketer interview, November 2009)
- **Borders.** 35% of customers purchased additional items when collecting online orders (Internet Retailer, January 2009)

## What benefits do retailers receive from a buy online, pick up in-store program?



**Ace Hardware.** “We had a strong year on the Web in 2008 and shoppers and Ace store owners like the order online/pickup in-store option. The program drives customers to AceHardware.com and our network of stores and increases customer loyalty.”

—Mark Lowe, eCommerce marketing supervisor, Ace Hardware, as quoted in *Internet Retailer*, May 2009

## NORDSTROM

**Nordstrom.** “Capabilities like buy online/pickup in-store and the ability for salespeople to find inventory anywhere in the company help serve the needs of our customers better through all our channels.”

—Blake Nordstrom, president, Nordstrom, as quoted in *Internet Retailer*, May 2009

that was easy.”

**Staples.** “If you have a laptop delivery to a store, we will let you know we have a special, for instance, on anti-virus software, or we will make sure you get the right USB cables if they’re not included in the package. We make sure that you leave on the way back to your home or office with everything you need to successfully use the product that you bought.”

—Pete Howard, senior VP, Staples Business Delivery, in an interview with *eMarketer*, November 2009

But Evan Schuman, editor of the *StorefrontBacktalk* blog, believes retailers are not maximizing their opportunities. In a June 2009 *CBSNews.com* column, Mr. Schuman questioned why retailers make so little effort to get in-store pickup customers to buy additional items, and suggested that they offer an in-store coupon good only at the time of pickup. Make its value high enough to be persuasive, he added.

## Hurdles

Retailers that want to effectively execute a buy online, pick up in-store program face daunting technology and personnel issues. Some retailers face inherent problems due to their particular business model.

## Systems

The big technology challenge for retailers is to know instantly what inventory is in stock in all of their stores and be able to share that information in real time with their e-commerce site.

Fiona Dias of GSI Commerce told eMarketer that retailers selling high-value goods, such as consumer electronics or jewelry, must know what inventory they have in their stores to quickly identify theft problems.

For retailers selling low-value products, such as Wal-Mart and Target, it is not as critical to have inventory visibility, so many have not bothered to develop this capability. This explains why consumer electronics retailers have been able to offer buy online, in-store fulfillment, yet big discount retailers have opted for buy online, ship-to-store.

With the ship-to-store option, retailers can get away with not knowing what they have in stock, though this can be highly inefficient. Ship-to-store becomes costly and causes storage problems if a large item such as a kayak or outdoor grill is shipped to a store when the same item is already in stock. Thus, ship-to-store does not obviate the need for visibility into local store inventory.

Retailers must also modify their Websites as part of developing an in-store pickup program. This entails promoting the service on various pages on the site and adding the pickup option to the checkout screen.

## Personnel

Once the technology issues are solved, the personnel issues come into play. With the in-store fulfillment option, deciding who should pull stock off the shelf—a sales associate, customer service representative or warehouse employee—is a major consideration. Store employees must be trained to run the program and to capitalize on cross-sell and upsell opportunities. Since employees are already very busy, they must be given incentives to gain their full cooperation. To run an effective incentives program, measurement and reporting processes must be put in place.



Wal-Mart epitomizes the personnel issue some retailers face. For buy online, in-store fulfillment to work, store employees have to leave their post, go pick up products from the floor and bring them back to a customer service desk or some other designated location. Wal-Mart has the lowest labor-per-square-foot model of just about any retailer, according to Ms. Dias. They have employees that greet customers at the door and operate checkout counters, but few that work the floor. So for Wal-Mart, the labor involved in picking items off the shelf would be the biggest hurdle to running a buy online, in-store fulfillment program.

### Process

Retailers must ensure their stores have enough stock to cover in-store purchases and in-store fulfillment demand. But this is neither practical nor efficient, wrote Jason Billingsley, co-founder of Elastic Path Software, in a February 2009 posting on the Shop.org blog. He suggested that retailers choose one regional store to offer buy online, pick up in-store, or that one store act as a regional supply hub if the lead times are sufficient. This way a retailer can optimize inventory at the regional and store levels.

With ship-to-store, retailers need to make sure they have enough store space to stage online orders waiting for pickup.

**In an eMarketer interview**, Lauren Freedman, president of the e-tailing group, gave the example of a furniture retailer that is unlikely to have a huge back room to store couches and tables ordered online. To this point, Ms. Dias of GSI Commerce told eMarketer that the reason Target does not offer ship-to-store service is because it has not figured out how to turn sales space into a storage area.

Retailers also need to create distribution center procedures to handle customer orders headed for stores. The distribution center needs to inform the store that packages are coming, the store has to acknowledge receipt and customers need to be notified.

## What challenges do retailers face in deploying a buy online, pick up in-store program?



**Ace Hardware.** "Due to our business nature, we're a dealer-owned cooperative, so all of our stores are independently owned and operated. Not all of them are on the same point-of-sale system, so we don't currently have access to real-time inventory for all of our stores."

—Mark Lowe, eCommerce marketing supervisor, Ace Hardware, *in an interview with eMarketer*, November 2009



**the e-tailing group.** "If you're a big furniture store and you're shipping in couches and tables, you might not have the real estate within the store environment to handle that. It's not like everyone has huge back rooms."

—Lauren Freedman, president, the e-tailing group, *in an interview with eMarketer*, November 2009



**GSI Commerce.** "Everybody thinks the biggest issue with multichannel programs is technology. In some part it is, because you've got to know where your entire inventory is, and you've got to be able to share that real time. But once you get over that hurdle, then everything else is about people. It's about people in stores. Most associates in stores are extremely busy and they've got lots of things to do."

—Fiona Dias, executive VP, partner strategy and marketing, GSI Commerce, *in an interview with eMarketer*, November 2009



**REI.** Before REI launched its pickup service, it "had to create a procedure in its distribution center to handle consumer orders destined for stores. In addition, the shipping schedule to stores had to be made available to the e-commerce site so it could tell customers when items would arrive. Stores had to be informed packages were coming, and the stores had to acknowledge receipt so customers could be notified—all new procedures."

—Brad Brown, VP of e-commerce and Web strategy, REI, as quoted in *Internet Retailer*, November 2008

**Business model challenges**

Some retailers have inherent difficulties offering an in-store pickup program. Apparel retailers face complex problems tracking inventory for items such as sweaters, which run in multiple colors and sizes. Nordstrom is an exception in this category—the retailer is still relatively new at offering pickup service.

Orvis, an outdoor gear and apparel retailer, could offer in its stores only a small percentage of what was available on its Website. Thus a ship-to-store service would be more feasible than an in-store fulfillment option. However, the retailer questioned how far customers would be willing to travel to an Orvis store to save the few dollars it costs to ship a shirt. Orvis concluded that ship-to-store did not make sense.

On the other hand, REI found it cost little more to add Web orders to trucks already traveling from two warehouses to 99 stores. Thus a ship-to-store service made economic sense, and REI customers avoid shipping fees on big items such as kayaks and car-top equipment carriers.

**In-Store Pickup Service Elements**

In planning the details of an in-store pickup program, retailers make many process decisions that set customer expectations and keep customers informed of the status of their orders.

**In-Store Pickup Service Elements**

Process	Elements to consider
Location on retail site where service is promoted	<ul style="list-style-type: none"> <li>• Retail store locator</li> <li>• Homepage</li> <li>• Product page</li> <li>• Category page</li> <li>• Shopping cart</li> <li>• Customer service area</li> </ul>
Confirmation and notification messaging	<ul style="list-style-type: none"> <li>• Onsite thank you confirmation</li> <li>• Order confirmation e-mail</li> <li>• Store pickup notification e-mail</li> <li>• Shipped-to-store notification</li> </ul>
Online order process notification	<ul style="list-style-type: none"> <li>• Store location/contact information</li> <li>• Store hours</li> <li>• Pickup instructions</li> <li>• Time allowed for pickup</li> </ul>
Store location where customers pick up an online order	<ul style="list-style-type: none"> <li>• Front register</li> <li>• Designated pickup center</li> <li>• Customer service desk</li> <li>• Loading dock</li> </ul>

Source: eMarketer based on the e-tailing group, "The Web as The Cross-Channel Hub: 5th Annual Cross-Channel Shopping Survey," September 2009

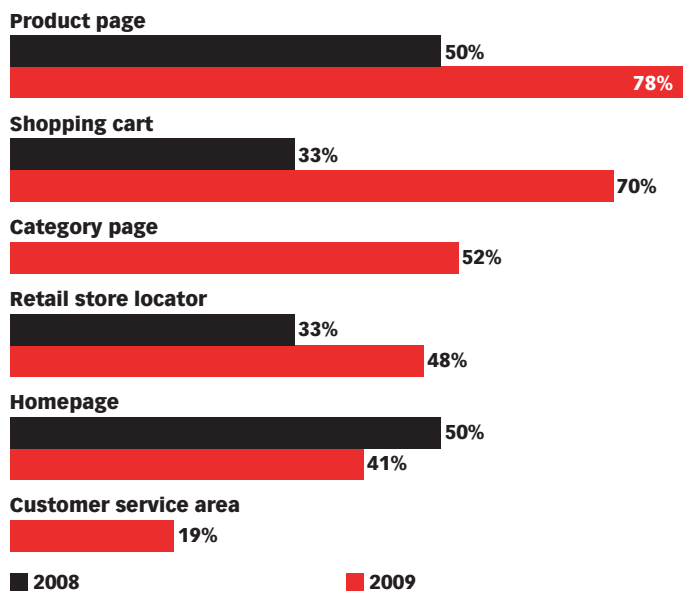
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**Location on Retail Website Where Service Is Promoted**

A 2009 e-tailing group study found that the product page on a Website is the most common place for retailers to inform customers about a buy online, pick up in-store option. This makes sense because shoppers are in a decision-making mode there. The shopping cart level is also an important decision-making place. Surprisingly, only 41% of retailers introduce this service on their homepage, where customers form their first impressions.

**Location on Retail Site Where US Multichannel Retailers Promote In-Store Pickup, 2008 & 2009 (% of respondents)**



Source: the e-tailing group, "5th Annual Cross-Channel Research & Shopping Survey" as cited in press release, September 30, 2009

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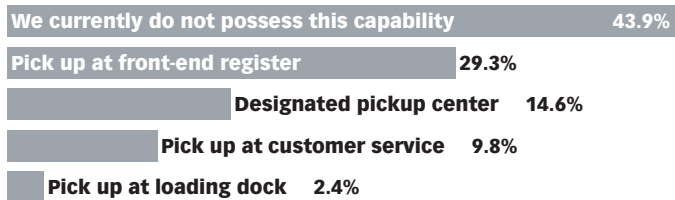
**Store Location Where Customers Pick Up Online Orders**

An August 2009 RIS study found that the most common place for in-store pickup was at the front-end register. For customers who already paid online, waiting in a register line behind paying customers removes some of the convenience of this service.



To streamline the process, other retailers use designated pickup centers or customer service desks. An even less common option is to pick up an order at the retailer's loading dock, which makes sense for heavy items.

### Ways that Customers Can Pick Up Online Orders In-Store According to Retailers in North America, August 2009 (% of respondents)



Source: RIS and AMR Research, "2009 Cross-Channel Tech Trends Study" sponsored by IBM, October 1, 2009

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The Container Store's program allows online customers to call 5 minutes ahead to request an employee be ready to load the merchandise on arrival. Sears is trialing a service that also allows online customers to pick up their order at a Sears warehouse without having to leave their car.

### Buy versus Reserve Online Prior to In-Store Pickup

While the majority of retailers with an in-store pickup program require the customer to pay online, some have the option to reserve online and pay for the product in-store at pickup time. This appeals to customers who feel uncomfortable giving credit card information online or want to see an item before buying it. For retailers, this option makes it easier for customers to make additional purchases, since they pay for the reserved item and other purchases together.

Finish Line, a seller of athletic apparel, offers the reserve option. And the Apple store offers a reserve and pick up option that let customers choose products on its Website and collect them between December 15 and 24. Since Apple already offers free shipping on many purchases, this program seems designed to encourage customers to make additional purchases in the store.

## Conclusions

Retailers can improve their buy online, pick up in-store services if they make sure to develop them with their customers in mind. Here are some steps retailers can take to make their programs easier for customers:

- Promote in-store pickup services at different places on your Website. Most retailers promote the service on their product and shopping pages. However, they should also introduce the service on their homepage—the arrival point for many online shoppers—according to Lauren Freedman, president of the e-tailing group.
- Provide a firm date when merchandise will be ready for pickup. Linda Bustos, in a September 2009 posting on the Get Elastic blog, praised Wal-Mart for estimating the arrival date for ship-to-store deliveries. Instead of saying "7-10 days," the retailer uses an absolute date, sparing customers from having to do some mental gymnastics.
- Confirmation e-mails that inform customers their online purchase is ready for pickup should contain vital information, according to Ms. Bustos. She suggests including the store location, hours of operation, telephone number and even a Google Map.
- Branding an in-store pickup program with a unique name and icon helps customers remember the service, suggests Ms. Freedman. Wal-Mart brands its service "Site-to-Store." The Container Store's service goes by the name "Go Shop! Click & Pickup." Sears' trial service is dubbed "MyGofer."

## Related Information and Links

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