

## Not Your Regular Mall-Based Stores: Part Three—Solving for Online Fulfillment Challenges



### NOT YOUR REGULAR MALL-BASED STORES PART THREE—SOLVING FOR ONLINE FULFILLMENT CHALLENGES

This report is the last in a three-part series in which Coresight Research and Fillogic explore new strategies for retailers to fulfill online orders using their mall-based stores. We present solutions to the key challenges that retailers face in offering multiple online fulfillment options, including the ship-from-store (SFS) model.

- **Challenges at the enterprise (organizational) and store levels:** A June 2021 Coresight Research survey of executives at US mall-based retailers found that difficulty managing the supply chain and inefficient resource planning and management feature among the top four challenges for mall-based retailers at both the enterprise and store levels.
- **Product returns:** Managing reverse logistics during the pandemic-induced spike in e-commerce has put extra pressure on retailers. High levels of returns erode profitability at the product, store and enterprise levels. Nearly half of all survey respondents cited the high cost of returns, including return shipping/handling and processing costs, as a key returns-related challenge.
- **The SFS model:** The top three challenges in implementing the SFS model are the inability to process e-commerce orders, the lack of a single accurate view of inventory, and high capital investment.
- **Partnering with third-party logistics service providers:** A key way to tackle challenges in implementing store-based fulfillment options is to partner with logistics solutions providers that leverage technologies to improve operational efficiency, minimize returns and improve inventory visibility and management—all of which boost profitability for the retailer. According to our survey, 88.0% of mall-based retailers have partnered, are currently partnering, or plan to partner with technology companies that offer retail and logistics services. Furthermore, 45.3% of respondents are focusing, or plan to focus, their logistics budget toward partnering with tech-enabled logistics service providers.

## Coresight Research x Fillogic: Not Your Regular Mall-Based Stores—Part Three

As part of efforts to provide customers with seamless shopping experiences and improve sales and profits, retailers are increasingly offering multichannel order-fulfillment options. Coresight Research has identified the sharpening of last-mile strategies as a [key trend to watch in retail](#).

Although services such as BOPIS (buy online, pick up in store), curbside pickup, ship to store and SFS are attractive to customers, there are many challenges for retailers in integrating these options into their existing business models. Third-party logistics providers support retailers in successfully implementing, and realizing the full benefits of, multichannel fulfillment services.

We explore the opportunity that shipping from mall-based stores provides retailers in our three-part series entitled “*Not Your Regular Mall-Based Stores*.” In this report—the third and final in the series—we discuss the key challenges retailers face when incorporating online fulfillment capabilities, and present solutions to these challenges. We leverage findings from a June 2021 Coresight Research survey of 150 executives at US mall-based retailers.

This report is sponsored by Fillogic, a logistics-as-a-service platform provider that converts underutilized space at retail centers into tech-enabled, micro distribution hubs.

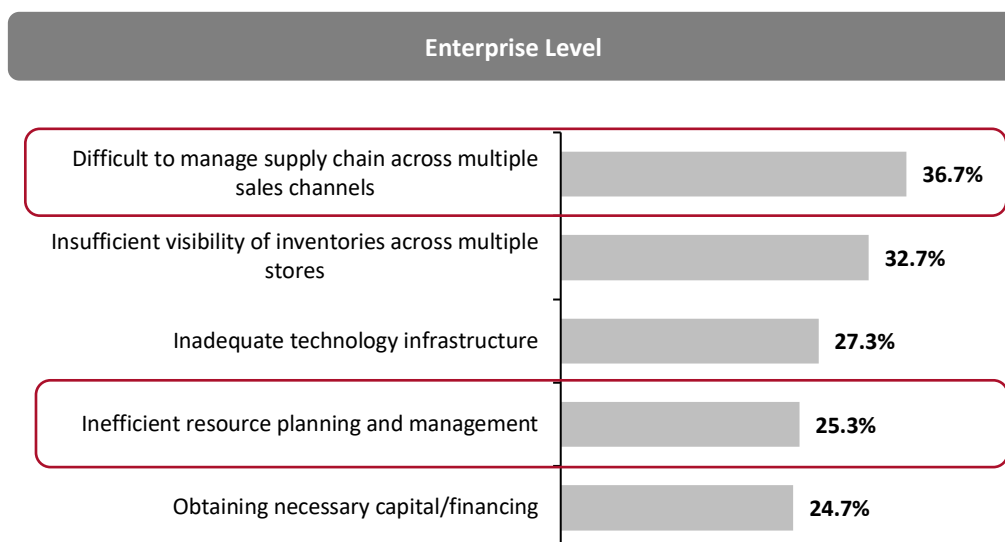
### Solving for Online Fulfillment Challenges: In Detail

#### Fulfillment-Related Challenges at the Enterprise and Store Levels

At an enterprise (organizational) level, more than one-third of mall-based retailers find it challenging to manage the supply chain across various sales channels when implementing and operating multiple fulfillment options—making it the topmost challenge, according to our proprietary survey (see Figure 1).

At the store level, inefficient resource planning and management is the primary challenge for retailers in offering multiple fulfillment options, cited by 36.0% of survey respondents.

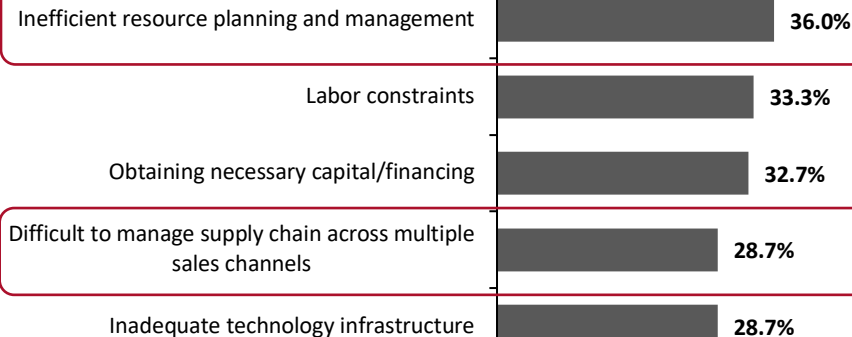
**Figure 1. Top Five Challenges Faced by Mall-Based Retailers in Implementing and Operating Multiple Fulfillment Options, at the Enterprise Level (Top) and Store Level (Bottom) (% of Respondents)**





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## Store Level



**Difficulty managing the supply chain and inefficient resource planning and management feature among the top four challenges for retailers at both the enterprise and store levels**

Respondents were asked to select their top three challenges

Base: 150 US mall-based retail executives

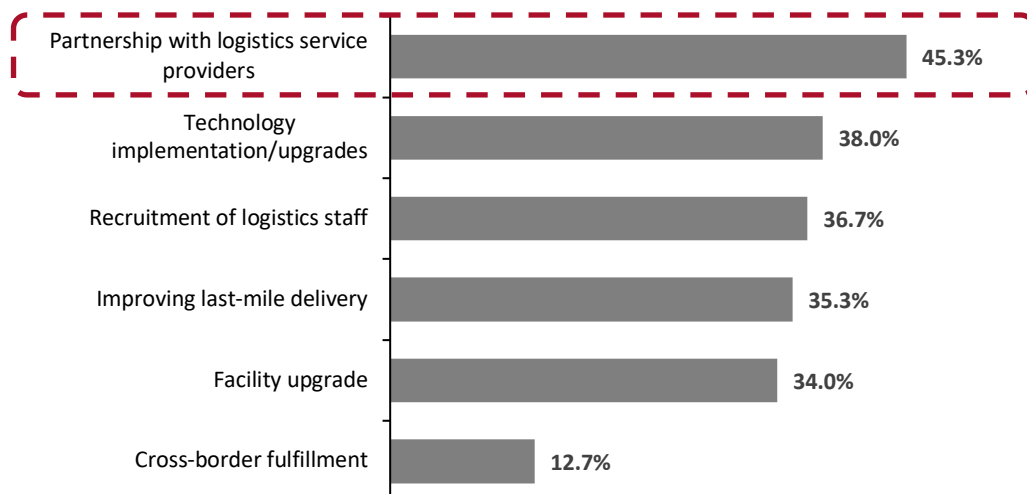
Source: Coresight Research

### How Can Partnerships with Third-Party Logistics Providers Help?

Partnering with third-party logistic providers can aid retailers in resource planning and supply chain management, enabling retailers to spend less time on e-commerce logistics and supply chain efficiency and more time on strategic business initiatives and enhancing their top line.

According to our survey, 88.0% of respondents have partnered, are currently partnered with, or plan to partner with technology companies that offer retail and logistics services. Furthermore, 45.3% of mall-based retailers are focusing, or plan to focus, their logistics budget toward partnering with tech-enabled logistics service providers (see Figure 2).

**Figure 2. Areas in Which Retailers Are Focusing, or Plan To Focus, Their Logistics Budget (% of Respondents)**



Respondents could select multiple options

Base: 150 US mall-based retail executives

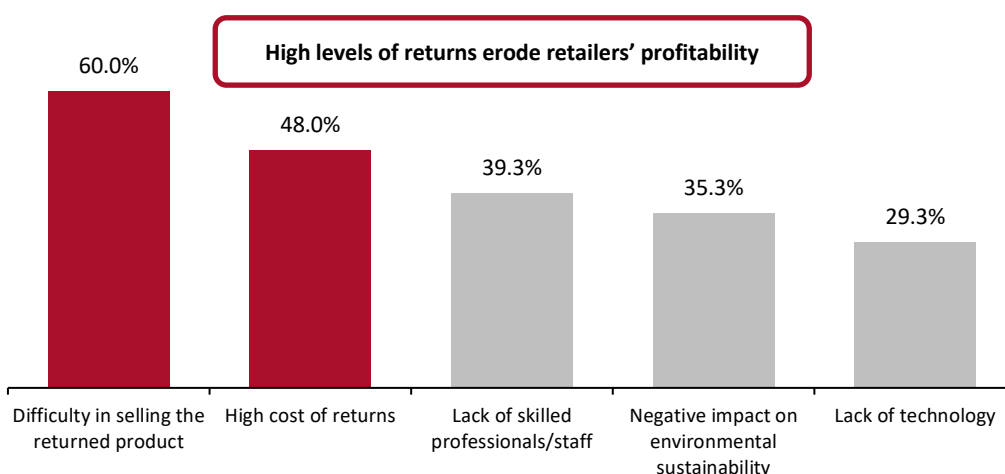
Source: Coresight Research

## Product Returns

When implementing online fulfillment strategies, additional challenges arise with product returns—and managing reverse logistics has put extra pressure on retailers during the pandemic-induced spike in e-commerce. According to Coresight Research's proprietary survey data from March 2021, 42.4% of respondents returned unwanted products in the prior 12 months, with clothing being the most returned product category. (Read our separate report on [US retail returns](#).)

High levels of returns erode profitability at the product, store and enterprise levels. Negative returns experiences undermine the overall customer-retailer relationship and impact the lifetime value of a customer. Returns also incur high shipping, handling and processing costs—particularly in e-commerce. According to our June survey, nearly half of all mall-based retailers cited high costs as a key returns-related challenge—second only to difficulties in selling returned products, which also negatively impacts revenues (see Figure 3).

**Figure 3. Product Returns: Top Five Challenges Faced by Retailers (% of Respondents)**



*Respondents were asked to select their top three challenges*

*Base: 150 US mall-based retail executives*

*Source: Coresight Research*

## Solutions

To minimize the impacts of reverse logistics on revenues, retailers should make efforts to reduce product returns by helping consumers purchase products they will want to keep. For example, retailers should support shoppers in choosing clothing sizes: Customers are less likely to return clothing items that fit, and shoppers that are confident when making a purchase are also less likely to buy multiples of a product with the intention of returning those that don't fit.

Basic tools that can be used to boost consumer confidence in their purchases and thus reduce returns include consumer reviews, sizing guides and diverse imagery; global retailers have started displaying pictures with models of different skin tones and body types to give shoppers a better idea of how a product would look on them.

However, technology can empower retailers to tackle high returns more effectively. Advanced tools use individuals' past shopping behaviors to inform personalized product and sizing recommendations. Online retailers including Stitch Fix and Trunk Club have adopted artificial intelligence (AI)-driven clienteling tools to recommend the right products to their customers.

Another way for retailers to solve reverse logistics issues is by partnering with post-purchase specialist solutions providers such as Fillogic, Narvar and Optoro, which can help simplify returns processes and improve retailers' capabilities.

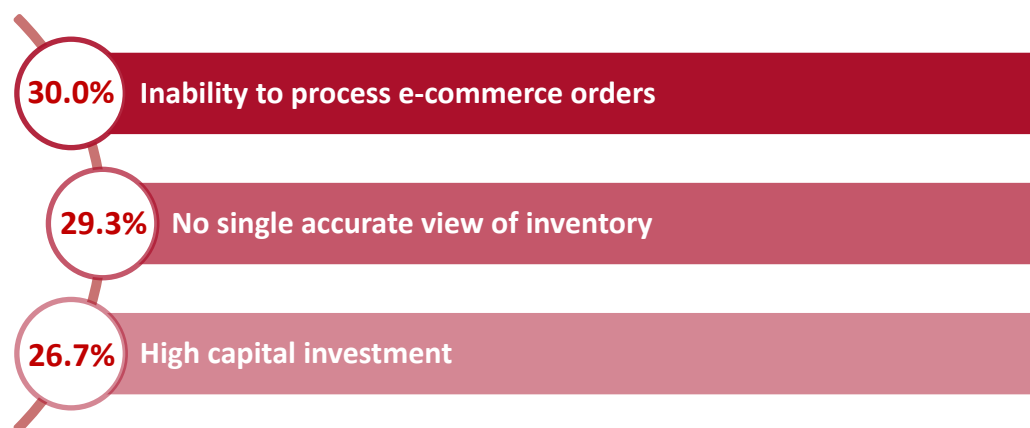


- Narvar, a US-based customer experience platform, partnered with Simon Property Group in November 2020 to enable customers to drop off returns from around two dozen retail brands (which are clients of Narvar) at a particular Simon Property Group location. Narvar also partnered with UPS in the same month, to enable no-label and cardboard-free returns at nearly 5,000 UPS store locations.

### The SFS Model

One of the fulfillment options offered by mall-based retailers that has gained popularity in the past two years is SFS. In our [first report in this series](#), we presented the top five challenges for mall-based retailers in operating an SFS fulfillment model, by proportion of respondents that cited each as “challenging” or “very challenging.” Below, we delve deeper into three—those that were cited as “very challenging” by most respondents.

**Figure 4. Top Three Challenges\* Faced by Mall-Based Retailers in Operating SFS Fulfillment (% of Respondents)**



*\*Cited by the highest proportions of respondents as “very challenging”*

*Base: 150 executives at US mall-based retailers*

*Source: Coresight Research*

### Inability to process e-commerce orders

According to our survey results, 30.0% of mall-based retailers find it very challenging to process and handle e-commerce orders. Mall-based retail stores are not built to function as fulfillment centers; they are built for shopping, displaying merchandise and customer engagement—they have generally limited packing facilities.

### No single accurate view of inventory

Businesses do not always have an accurate view of inventories, particularly when it is spread across retail stores and distribution centers. Without an accurate and real-time view of their inventory, retailers could lose sales by showing stockouts when stock might be available at a different location, overpromising to customers when stock is not available, and carrying excess safety stock to prevent stockouts.

### High capital investment

When setting up the SFS model, retailers may incur significant upfront costs in modifying store layouts and investing in technologies to establish fulfillment capabilities.

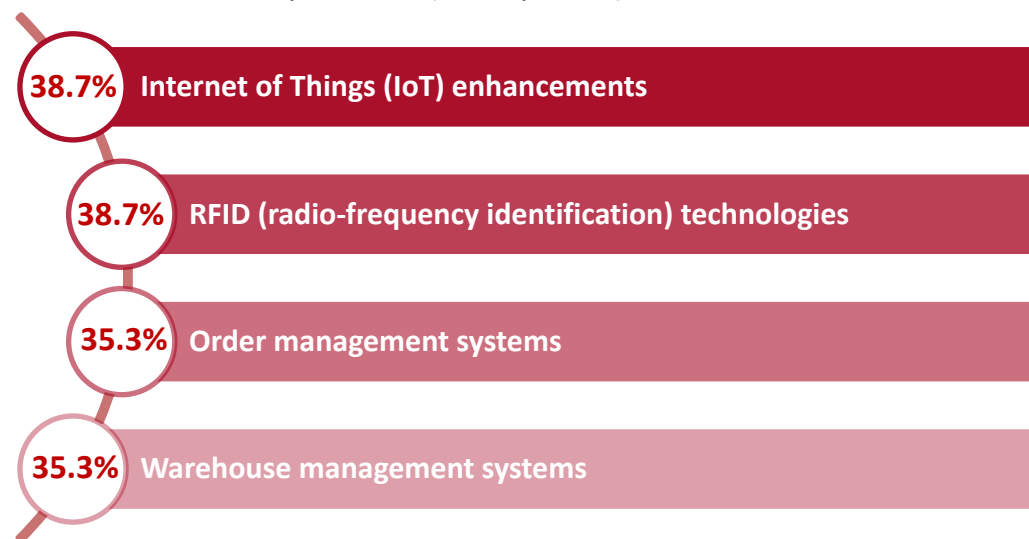
### Solutions

By partnering with third-party logistics service providers, mall-based retailers can achieve the accurate inventory visibility required to offer SFS, with real-time data and insights. A good

inventory management system allows retailers to plan effectively to meet consumer demand and boost profits.

Third-party logistics service providers also give retailers access to key advanced technologies that many of our survey respondents believe would help implement and enhance the SFS model, as shown in Figure 5.

**Figure 5: Top Four Technology and Logistics Infrastructure Elements That Mall-Based Retailers Believe Would Make It Easier To Ship from Stores (% of Respondents)**



*Respondents could select multiple options*

*Base: 150 US mall-based retail executives*

*Source: Coresight Research*

In addition, mall-based retailers can benefit from concierge services offered by malls, including delivery assistance and a centralized hub for order pickup and online returns. Mall owners are leveraging advanced technologies to offer a convenient shopping experience to customers and thus attract and retain foot traffic.

- Mall owner Simon Property Group has installed a concierge desk at some of its malls where customers can return orders from multiple retail brands (mall tenants), including Gap and Levi's. Simon Property Group partnered with Fillogic in July 2020 to improve its delivery services. As part of the deal, the mall owner leverages Fillogic's on-site staff, logistics infrastructure and proprietary technology. Simon Property Group launched technology-enabled micro-distribution hubs using technology from Fillogic at Gloucester Premium Outlets, an outlet mall in New Jersey, US.

### What We Think

While store-based fulfillment models such as SFS have gained popularity, mall-based retailers face challenges in implementing such services—most notably across inventory and supply chain management. One way to help tackle these challenges is to partner with third-party logistics solution providers that leverage technologies to improve operational efficiency, minimize returns and improve inventory visibility and management—all of which boost profitability for the retailer.

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