FORRESTER®

The Omnichannel Maturity Assessment

Assessment: The Omnichannel Commerce Playbook

by Brendan Witcher and Claudia Tajima
December 13, 2018

Why Read This Report

Supporting an omnichannel fulfillment program is table stakes in retail today. Organizations need to assess their omnichannel maturity to understand their current state and compare it with their desired state. This report reveals why capabilities need to change, why customers are demanding more, and target areas for improvement. Communicating these gaps is challenging, and this assessment will help eCommerce professionals explain where their company stands vis-à-vis the competition so the executive team can guide the strategic plan to the next level.

This is an update of a previously published report; Forrester reviews and updates it periodically for continued relevance and accuracy.

Key Takeaways

Assess Omnichannel Maturity Across Three Dimensions
To evaluate the current state of an omnichannel program, organizations must rate themselves across three areas: digital customer experience, digital operational excellence, and omnichannel customer engagement.

Discover Your Positioning Based On Forrester's Maturity Framework
Forrester's omnichannel maturity framework assesses organizations and places them in one of three maturity levels. These maturity stages help leaders understand where they stand and what they most need to improve in the near term to reach the next stage.

Plan Next Steps And Investments Based On Assessment Outcomes
Digital business professionals should use the omnichannel maturity assessment to define their program goals, develop a strategic plan, and create a road map to work toward greater digital operational and customer experience excellence.

The Omnichannel Maturity Assessment

Assessment: The Omnichannel Commerce Playbook

by Brendan Witcher and Claudia Tajima
with Fiona Swerdlow and Carl Finkbeiner
December 13, 2018

Table Of Contents

Related Research Documents

Omnichannel Requires Scoring A Trifecta With Technology Solutions

One Customer, One Organization, One P&L

Your Strategic Plan Is The Lynchpin For Omnichannel Success

Share reports with colleagues.
Enhance your membership with Research Share.

Organizations Must Enhance Omnichannel Capabilities

Customers' rising expectations for omnichannel programs are initiating changes for retailers and brands that impact people, processes, and customer experiences.[1] Today, customers expect seamless interactions with brands across multiple touchpoints, forcing organizations to shed legacy ways of thinking and acting and instead replace them with new ways of doing business. However, most eCommerce leaders do not know where they are lagging most in delivering omnichannel experiences to customers: Only about half of digital business professionals report that they have the right metrics in place to measure the effectiveness of the omnichannel experience.[2] Organizations need to understand where to start, which initiatives will have the biggest impact to their business, and what mature companies are doing well.

The Three Dimensions Of Omnichannel Maturity

The omnichannel maturity assessment evaluates how organizations execute their retail business, spanning capabilities across operations, customer experience, and engagement. Most retailers understand that executing well on operations and customer experience is key to a successful omnichannel program (see Figure 1). However, the range of maturity for delivering omnichannel is wide: 47% of digital business leaders surveyed acknowledge that they do not have the right processes in place to implement their omnichannel fulfillment strategy.[3] Organizations must understand customers' high expectations for omnichannel services and be attuned to the nuances within customer experience that can ruin an otherwise good interaction.

FIGURE 1 DOX And DCX Drive Great Omnichannel Experiences
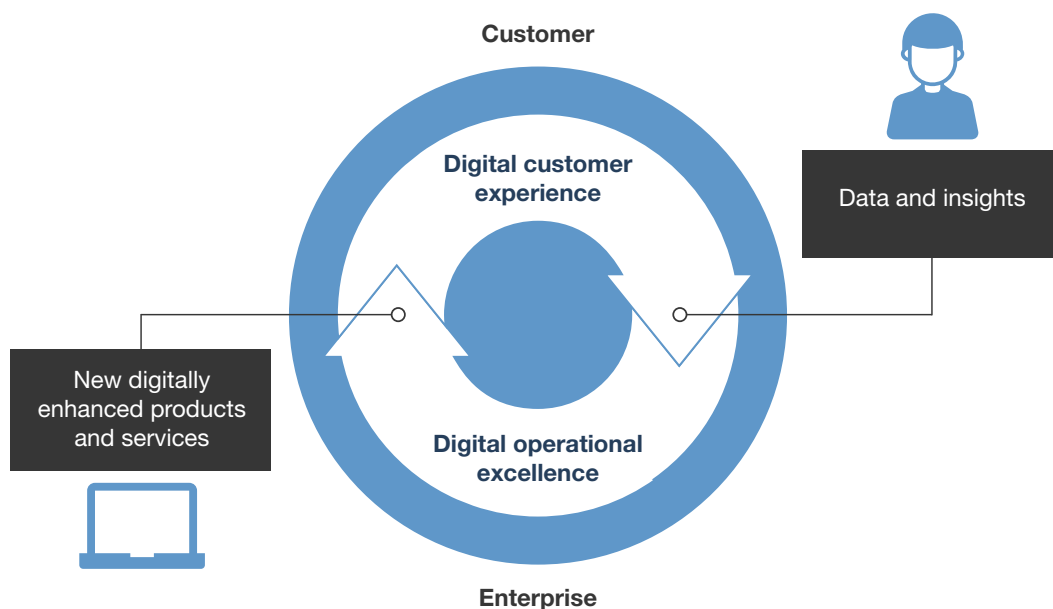
Measure Omnichannel Across Three Dimensions: Experience, Operations, And Engagement

To keep pace with the competition, retail leaders must identify critical areas for improvement in their business with Forrester's self-assessment tool (see Figure 2). The three dimensions of omnichannel maturity are:

› **Digital customer experience (DCX).** Forty-three percent of US online adults reported using "buy online, pick up in-store" (BOPIS), ship-to-store, or "reserve online, pay and pick up in-store" options when shopping online.[4] "Our customers are consistently telling us one of the big drivers of that improved customer experience year-over-year is inventory availability both online and in stores," said Corie Barry, Best Buy CFO.[5] The DCX assessment questions ask retailers what they are doing to improve omnichannel customer experience across all interactions.

› **Digital operational excellence (DOX).** Twenty-one percent of retailers surveyed reported that their top customer-facing in-store priority for 2018 was omnichannel efforts.[6] However, organizations put themselves at risk of alienating customers if they launch before perfecting the logistics of each program.[7] The DOX dimension of the assessment focuses on specific operational competencies, including management of people and processes, which retailers must identify, plan, manage, and optimize to meet the expectations of today's omnichannel shoppers. This includes training store associates on how to execute omnichannel programs. For example, 54% of US online adults who use BOPIS expect their order to be ready within an hour.[8]

› **Omnichannel customer engagement.** DOX and DCX are mostly focused on fulfillment, but a retailer's holistic omnichannel strategy would be incomplete without the ability to deliver seamless customer engagement. An example of this is mobile apps that offer an "in-store" mode to contextualize and personalize the physical shopping experience: 29% of US online adults are interested in allowing their phone to interact with beacon technology in stores for product recommendations, while 49% are interested in beacon interaction if they receive rewards for visiting or checking into the store.[9] Offering this form of digital-to-physical engagement therefore has merit.

FIGURE 2 The Omnichannel Maturity Assessment Tool

Enterprise inventory visibility
1. Our company uses systems and technology to fully support accurate and reliable representation of in-store inventory through online channels and vice versa.
2. Our enterprise inventory visibility program improves customer experiences, effectively adding significant value to the shopping journey, and provides exposure to all inventory available for purchase.
"Buy online, pick up in-store" (BOPIS) and ship-to-store
3. Our company has fully digitized the operational aspects of BOPIS, using in-store tools and processes that increase store traffic and allow for efficient pick/pack processes, as well as monitoring and measuring order events.
4. Our ship-to-store program is designed to reduce costs without causing disruptions to in-store or logistical operations.
5. Our BOPIS program meets customer expectations by creating better and more efficient customer experiences than traditional paths of purchasing in a store.
6. Our company proactively offers a ship-to-store program that adds clear value to the shopping journey, offers free shipping on heavy/bulky and low-price-point items, and significantly improves the customer's online shopping experience.
Ship-from-store
7. Our ship-from-store program fulfills online orders for customers in ways that reduce operational costs and help us sell more full-price inventory and thereby avoid markdowns.
8. Our ship-from-store program enables customers to receive orders significantly faster than using distribution centers.
Endless aisle
9. Our company has invested in robust tools and technologies, as well as a structure for people and processes, that make ordering in-store as easy as ordering online and create "save the sale" opportunities for store associates.
10. Our company has made it possible for customers to buy any inventory located anywhere in the enterprise from all of its in-store locations, and it has built an efficient system for keeping customers aware of their order status.

FIGURE 2 The Omnichannel Maturity Assessment Tool (Cont.)

In-store returns of online orders
11. Our company has optimized our in-store returns program, increasing exchange and repurchase rates in-store and making the returns and exchanges seamless and automated all the way through to final disposal.
12. Our company markets our omnichannel returns program as a key value proposition for our customers, and we have processes in place to ensure a high-quality, frictionless customer experience.

Omnichannel value-added services
13. Our company has a specific individual or team that is solely responsible for the execution, quantity, and quality of the omnichannel services.
14. Our company has in-store associate digital tools available to help customers find products, research products, and resolve order or service issues.
15. We incentivize our store associates on any order that occurs in the store or online from customers within a certain radius of the store.
16. Our company captures and measure our associates' performance and support of programs through secret shoppers or surveys of omnichannel shoppers.
17. Our company heavily promotes and markets our omnichannel programs both online and offline.
18. Our in-store customers have access to their online carts or wishlists via a stationary in-store device.
19. Our company has an app that has specific in-store functionality (e.g., wayfinding, shopping lists, coupons, in-store inventory mode, etc.).
20. Our offers, promotions, and ability to use gift cards are consistent online and offline, and our prices are consistent across channels with an explicit price-matching policy.

Omnichannel Assessment Categories

When filling out the assessment, digital business pros must take an honest look at their operational efficiencies and customer experiences in every category to fully assess their maturity levels, even if they don't offer a service. Why? Because customer expectations are constantly set — and reset — by what other retailers, financial services firms, and travel companies offer in the market, regardless of what a retailer might choose to do.[10] For this assessment, there are six key omnichannel capabilities:

1. **Enterprise inventory visibility.** IKEA shows online customers exactly what inventory levels it forecasts to have on hand in a particular store (see Figure 3).[11] While 79% of US online adults believe it is important for retailers to offer real-time inventory visibility, IKEA shows that evaluating your capabilities across DOX and DCX goes much further.[12] On the operations side, are you

using RFID to track inventory? Is inventory visibility updated in real time online? For DCX, can the shopper see when an item will be back in stock? Can customers see local in-store inventory through an app? Answering "yes" to these kinds of questions means you're adding value to the customer journey and the offering is strong.

2. **BOPIS and ship-to-store.** Today, 43% of US online adults have used BOPIS, ship-to-store, or "reserve online, pick up in-store" in the past three months.[13] Walmart uses ship-to-store to eliminate last-mile delivery costs and passes off these shipping savings to customers in the form of lower prices.[14] These programs are not only efficient; they actually delight customers. Do you have a digital system to track shelf locations where store associates hold BOPIS orders until pickup? Optimizing in-store pickup can even create add-on purchases. The bottom line for strong BOPIS and ship-to-store customer experience is whether you are meeting customer expectations and creating a more efficient shopping experience than buying in-store.

3. **Ship-from-store.** Target's EVP and COO John Mulligan notes that ship-from-store helps the company reduce shipping times, save costs, and balance inventory.[15] Forty-four percent of retailers surveyed reported that they are either expanding existing technology or investing in new technology for ship-from-store.[16] When assessing ship-from-store operational capabilities, ask these questions: Do your associates have handheld devices with scanners for picking and packing items? Do you have an effective, digitized system to track packing materials in stores? Are you able to effectively balance and clear inventory to avoid markdowns? From a DCX perspective, do your customers have the option to select "ship complete orders" (slower) or "ship separate orders" (faster)? Do your commerce sites show estimated delivery dates? Do you deliver nearly all ship-from-store orders to customers within three days?

4. **Endless aisle.** When they are shopping in a store and the product they are looking for is unavailable, 53% of online adults say they are likely to have the store place an online order and ship the product to them for free.[17] For your endless-aisle operations, is ordering in-store as easy as ordering online? Can your customers self-serve and order through a stationary in-store device such as a kiosk? Can your associates perform checkout in-aisle with a mobile point of service (mPOS) device? Do your systems measure ROI by tracking in-store "save the sale" situations? As for customer experience, can your customers access and purchase any sellable inventory from any location that the inventory may be? Do you ship endless-aisle orders free to customers, regardless of whether they are shipped to a store or to the customer's home?

5. **In-store returns of online orders.** Thirty percent of US online adults report that free, no-hassle returns are influential in determining which retailer they will buy from online.[18] When assessing your returns operations, ask yourself this: Does your policy allow customers to return items they purchased online in all of your stores? Do you accurately allocate returns on online orders back to the online channel so they do not negatively impact sales/returns ratios at stores? For customer experience, does your returns program create value and a frictionless experience for the customer? Do you heavily promote your "buy online, return to store" program online to help customers buy with confidence? Can your customers go online to initiate a return?

6. **Omnichannel value-added services.** Customer engagement for omnichannel creates seamless customer experiences, and a good example is Starbucks' app where customers order coffee online for in-store pickup. When evaluating your own engagement services, this goes beyond just having an app. Retailers need to deliver value to customers that incentivizes them to use an app and share contact information. To assess your omnichannel engagement maturity, consider these questions: Do you heavily promote BOPIS and ship-to-store online and offline? Do your associates have the tools and incentives in place to execute on your omnichannel programs effectively? Do you have an app that has specific in-store functionality and delivers value your customers need?

FIGURE 3 IKEA's Website Shows Expected In-Store Inventory At The Item Level
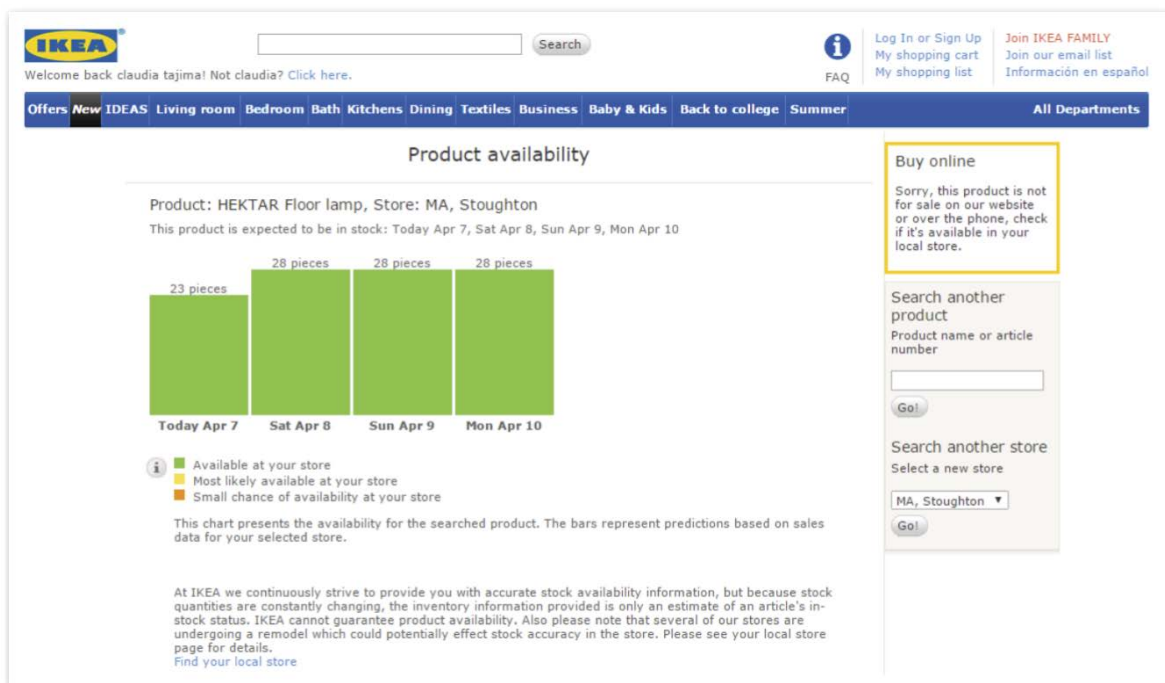
Source: IKEA website

Rate Yourself On The Omnichannel Maturity Scale

Forrester has identified three stages that organizations and digital business pros go through as they build an omnichannel program. Depending on your score, you're currently in one of the following three maturity phases:

› **Beginner.** Your organization has not yet embraced omnichannel enablement or invested in the key services and capabilities you need to offer to compete. To move forward, leadership must let go of old business practices and commit to innovating your omnichannel offerings across DOX and DCX first and foremost. What's the payoff? "BOSS [buy online, ship to store] will significantly broaden the assortment available to our customers for free pickup in-store, complements our existing "buy online, pick up in-store" platform, and is another great way that we can drive traffic into our stores," explained Michelle Gass, CEO of Kohl's, on a recent earnings call.[19]

› **Intermediate.** You execute operational capabilities well (no small feat), but you lack the services and tools to consistently deliver enjoyable customer experiences. Your task now is to improve customer experience capabilities to get you to the next maturity level. Retailers should use data insights to better understand customer preferences and improve their experiences. For example, 66% of US online adults like to receive shipping status notifications via text message or email, so retailers must offer this service to create a more enjoyable and complete customer experience.[20]

› **Advanced.** Omnichannel masters lead the retail market with strong operational and customer-facing capabilities. Organizations at this level may still have room for improvement to engage with customers, create a single view of the customer, and personalize interactions across the shopping journey. Beefing up an app so that customers want to use it when they enter the store is one way that masters can continue to improve — and in the process gather even more customer data. In exchange for their data, Sephora's Color IQ app provides distinct value to customers by matching makeup with skin tone and personalizing their shopping experience.[21]

Recommendations

Discover Opportunities Using Forrester's Omnichannel Assessment

Evaluating your omnichannel capabilities requires that you first establish a baseline. Use the common questions and industry standards described above as a model when grading yourself in each of these categories. Digital business pros who take this assessment must understand that:

› **Your DOX score reflects strength of metrics, training, security, QA, and store design.** Across each assessment category, there are reoccurring operational best practices for retailers. As in all aspects of business, put metrics in place to measure success for each omnichannel fulfillment service. For example, retailers that offer in-store pickup must measure in-store wait times, add-on sales, and customer satisfaction. We hear from retailers anecdotally that it's a best practice to train associates twice a year so that they continually brush up on their skills and learn new processes

and services. And as you introduce new options for pickup, build in security procedures to prevent mix-ups and theft. The Home Depot allows customers to designate another person to pick up their online order, so you may need to require customers picking up in-store to show their ID.[22]

› **Great DCX requires retailers to communicate, recommend, and ship right.** To evaluate their omnichannel customer experience, retailers should continually assess customer interactions and determine if they are meeting customer expectations. Retailers should send relevant product recommendations (e.g., for complementary products and services) with order confirmations and ship notifications. Customers should be able to track notifications and have the option to customize the type of alerts they receive, whether SMS or email.

› **Omnichannel engagement challenges retailers to deliver value with personalization.** The first step is to understand your customer pain points and then provide a helpful service that delivers value to the customer in their moment of need. Nike's flagship store in New York has running, soccer, and basketball "trial zones" where customers can test shoes on treadmills, turf, and courts before they buy.[23] Not only does this experience help customers find the best shoe for their running style, but it also aims to help customers achieve their fitness goals. In return, Nike gains rich customer data and can build a single view of the customer across touchpoints.

Engage With An Analyst

Gain greater confidence in your decisions by working with Forrester thought leaders to apply our research to your specific business and technology initiatives.

Analyst Inquiry

To help you put research into practice, connect with an analyst to discuss your questions in a 30-minute phone session — or opt for a response via email.

Learn more.

Analyst Advisory

Translate research into action by working with an analyst on a specific engagement in the form of custom strategy sessions, workshops, or speeches.

Learn more.

Webinar

Join our online sessions on the latest research affecting your business. Each call includes analyst Q&A and slides and is available on-demand.

Learn more.

Forrester's research apps for iOS and Android.
Stay ahead of your competition no matter where you are.

Supplemental Material

Survey Methodology

Forrester fielded its Forrester's Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey to 133 eBusiness and channel strategy professionals. The panel consists of volunteers who join on the basis of interest and familiarity with specific marketing and strategy topics. For quality assurance, panelists are required to provide contact information and answer basic questions about their firms' revenue and budgets.

Forrester fielded the survey from April to July 2016. Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

The Forrester Analytics Consumer Technographics® North American Retail And Travel Benchmark Recontact Survey 1, Q3 2017 (US), was fielded in July 2017. This online survey included 4,509 respondents in the US between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 1.5% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed.

The data was weighted by age, gender, income, broadband adoption, and region to demographically represent the US online adult population. The survey sample size, when weighted, was 4,509. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that the programming language herein reflects the survey respondent base for each question. Bases for specific questions have been changed in published data for increased clarity. Therefore, the base in published data may not match the base language in this document. Ipsos Observer fielded this survey on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

Endnotes

[1] Of the 20 retailers evaluated in the 2015 Forrester Omnichannel Functionality Benchmark, only five met the expectations of the 54% of US online adults in Forrester's consumer surveys who buy or reserve online for in-store pickup and expect their orders to be ready to collect within an hour. See the Forrester report "2015 Retail Omnichannel Functionality Benchmark."

[2] Source: Forrester's Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey.

[3] Source: Forrester's Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey.

[4] Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact Survey 1, Q3 2017 (US).

[5] Source: "Best Buy Co, Inc. (BBY) CEO Hubert Joly on Q1 2018 Results - Earnings Call Transcript," Seeking Alpha, May 24, 2018 (https://seekingalpha.com/article/4176927-best-buy-co-inc-bby-ceo-hubert-joly-q1-2018-results-earnings-call-transcript?part=single).

[6] See the Forrester report "The State Of Retailing Online 2018: Store Investments, Business Objectives, And Mobile."

[7] Per retailers surveyed, 57% currently offer customers omnichannel fulfillment services, while another 24% plan to offer this kind of service by the end of 2018. Source: Forrester's Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey.

[8] Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact Survey 1, Q3 2017 (US).

[9] Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact Survey 1, Q3 2017 (US).

[10] As empowered customers blend their digital and physical experiences, they expect companies to serve up the right solutions, products, or services in their moments of need, irrespective of channel, device, or touchpoint. To read about how connected devices have changed customers' behaviors and attitudes, see the Forrester report "The Rise Of The Empowered Customer."

11 Source: Allison Enright, "Ascena Retail Group adds more omnichannel tactics to chase profit," Digital Commerce 360, December 6, 2016 (https://www.digitalcommerce360.com/2016/12/06/ascena-retail-group-adds-omnichannel-tactics-chase-profit).

12 Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact 1 Survey, 2018 (US).

13 Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact Survey 1, Q3 2017 (US).

14 "We are removing one of the most expensive portions of e-commerce transaction, which is last mile delivery," Marc Lore told Fortune in an interview. The CEO of Walmart's US eCommerce business and founder of Jet.com added, "It costs us less to ship to stores, so our customers should share in those savings." Source: Phil Wahba, "Walmart Is Offering a New Web Discount in Challenge to Amazon," Fortune, April 12, 2017 (http://fortune.com/2017/04/12/walmart-jetcom-pickup/).

15 John Mulligan, executive vice president and chief operating officer of Target, stated: "This [ship-from-store] capability reduces shipping times given the proximity of these stores to the vast majority of the US population. With that proximity to guests, we also save on shipping, helping to relieve the pressure from shipping growth in our P&L . . . It also allows us to balance our inventory across our store and network, maintaining in stock [goods] while reducing markdowns in store locations with heavy inventory." Source: Matt Lindner, "Target now ships online orders from more than 1,000 stores," Digital Commerce 360, November 16, 2016 (https://www.digitalcommerce360.com/2016/11/16/target-now-ships-online-orders-more-1000-stores).

16 Source: Forrester's Q2 2017 Global Business Commerce Technology Investment Panel Online Survey.

See the Forrester report "Commerce Technology Investment Trends: 2017 To 2018."

17 Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact Survey 1, Q3 2017 (US).

18 Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact 1 Survey, 2018 (US).

19 Source: "Kohl's Corporation (KSS) CEO Michelle Gass on Q2 2018 Results - Earnings Call Transcript," Seeking Alpha, August 21, 2018 (https://seekingalpha.com/article/4200943-kohls-corporation-kss-ceo-michelle-gass-q2-2018-results-earnings-call-transcript?part=single).

20 Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact Survey 1, Q3 2017 (US).

21 The retail store is in the midst of major change, upending business models, formats, and locations that have been in place since the dawn of the suburban mall. Today, customers are empowered by information and increasingly expect streamlined and personalized experiences, both online and in stores. To document this trend, Forrester surveyed eBusiness leaders to understand how they think about and plan to invest in digital store technologies. See the Forrester report "State Of Digital Store Investments 2017: Firms Must Prioritize Digital Operations."

22 Organizations today must have a comprehensive strategic plan that aligns their internal teams with a single vision for omnichannel excellence. However, because omnichannel commerce continues to evolve quickly, eBusiness pros must often build their strategic plans in the face of technology, organization, and measurement challenges that they are still discovering. For help building strategic plans to gain executive buy-in, guide the company on its omnichannel journey, and set the foundation for a strong road map, see the Forrester report "Your Strategic Plan Is The Lynchpin For Omnichannel Success."

23 Source: Susan Reda, "Nike's SoHo flagship leads transformational charge into the future of sports retail," Stores, March 15, 2017 (http://stores.org/2017/03/15/stay-and-play-2/).

12

We work with business and technology leaders to develop customer-obsessed strategies that drive growth.

PRODUCTS AND SERVICES

› Core research and tools
› Data and analytics
› Peer collaboration
› Analyst engagement
› Consulting
› Events

Forrester's research and insights are tailored to your role and critical business initiatives.

ROLES WE SERVE

Marketing & Strategy Professionals	**Technology Management Professionals**	**Technology Industry Professionals**
CMO	CIO	Analyst Relations
B2B Marketing	Application Development & Delivery	
B2C Marketing	Enterprise Architecture	
Customer Experience	Infrastructure & Operations	
Customer Insights	Security & Risk	
› eBusiness & Channel Strategy	Sourcing & Vendor Management	

CLIENT SUPPORT

For information on hard-copy or electronic reprints, please contact Client Support at +1 866-367-7378, +1 617-613-5730, or clientsupport@forrester.com. We offer quantity discounts and special pricing for academic and nonprofit institutions.