

# Mastering The Art Of Omnichannel Retailing

## Executive Overview: The Omnichannel Commerce Playbook

by Brendan Witcher

November 17, 2016

### Why Read This Report

eBusiness leaders know that offering customers seamless omnichannel experiences is now table stakes. Today, customers use a variety of digital touchpoints that ultimately impact half of total US retail sales. Retailers are meeting customers' rising expectations by implementing or making plans to implement new strategies and tactics. This playbook helps eBusiness leaders identify, plan, and launch omnichannel services to fulfill customers' needs, while also measuring their impact and optimizing offerings and operations over time. This report is updated periodically for continued accuracy and relevance.

### Key Takeaways

#### **Customers Expect A Seamless Omnichannel Experience**

Today's digitally savvy, time-crunched consumer has high expectations for cross-channel shopping. Retailers must optimize the shopping journey for customers by adding value such as persistent carts across touchpoints and multiple fulfillment options that are free or fast — preferably both.

#### **Omnichannel Retailing Takes More Than A Technology Solution**

Delivering omnichannel retailing excellence requires implementing and fine-tuning processes and changing and training employees for new responsibilities. More fundamentally, many retailers likely will need to realign cross-departmental incentives and connections that could lead to a new organizational structure.

#### **Retailers Must Harness Omnichannel To Compete And Differentiate**

Multichannel retailers must use their store networks to provide customers with omnichannel capabilities that create distinct differentiators in an increasingly competitive marketplace.

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## Omnichannel Requires Changes To People, Partners, And Processes

In the age of the customer, eBusiness leaders must understand and respond quickly to changing customer needs, or they will risk falling behind nimbler competitors.<sup>1</sup> By 2020, 55% of total US retail sales will be web-impacted — that is, sales for which customers do at least some part of their shopping journey via a digital touchpoint.<sup>2</sup> Successful retailers are today actively investing in the people, processes, and technologies to create seamless and consistent shopping experiences across all customer touchpoints.<sup>3</sup> Over half (57%) of eBusiness and channel strategy professionals offer or plan to offer their customers omnichannel fulfillment services such as “buy online, pick up in store” (BOPIS) (or click-and-collect), “reserve online, pick up in store,” ship-from-store, or similar services.<sup>4</sup> However, converting a multichannel retailer into a successful omnichannel leader involves high hurdles. eBusiness pros must understand that:

- › **Customer expectations go beyond a simple “buy anywhere, anytime” mentality.** Retailers must continually optimize their programs with added value and service levels to implement a smooth customer experience for cross-channel ordering and fulfillment. For example, 65% of US online shoppers who use BOPIS expect the retailer to notify them within an hour or less that the items are ready for pickup.<sup>5</sup> Failing to deliver on the finer points of an exceptional omnichannel program will result in dissatisfied customers who don’t use the service — and in turn, retailers cannot deliver on their projected operational efficiencies and cost savings.
- › **Omnichannel retailing success requires strong internal partnerships.** Omnichannel initiatives require buy-in, expertise, and resources from many departments in the organization — from store operations, eCommerce, and merchandising to inventory management, logistics, and finance. In fact, assigning accountability to the right stakeholders was one of the biggest pitfalls retailers mentioned during interviews for this playbook. For example, the VP of omnichannel at a major US retailer shared that he is “held accountable for customer satisfaction scores relating to in-store

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pickup, but store operations has control of the labor used to deliver this service.”<sup>6</sup> This playbook helps the eBusiness professional align stakeholders with a common process, identify technology and operational capability gaps, and delegate specific tasks and responsibilities on a timeline.

- › **Processes and people present the greatest challenges to program success.** Approaching omnichannel strategy as a technical challenge solved with a technology solution neglects tackling the barriers to revamping organizational structure. In fact, delivering omnichannel retailing excellence requires entirely new processes, revised employee responsibilities, and sometimes even overhauled organizational structures across the enterprise. For example, 63% of eBusiness pros reported challenges managing staff incentives and goals to align with supporting omnichannel orders.<sup>7</sup> These challenges won’t be fixed with a simple API. Unless retailers tackle them upfront, they will face policy, process, political, and cultural obstacles that will delay program launch and, worse, outright disappoint customers and dissuade them from returning in the future. Only by creating a truly omnichannel enterprise can retailers leverage the full competitive value of offering omnichannel capabilities.

**Omnichannel Retail Capabilities Create Strategic Competitive Advantages**

A decade ago, conventional wisdom held that customers who shopped online actually preferred having their online orders shipped to them. Of course, at that time few retailers had the capability to show customers real-time inventory in a nearby store in the first place. Fast-forward to today, and customers now routinely expect to pick whichever delivery method and location is most convenient for them for any given transaction. Forty-five percent of US online adults have used “buy online, pick up in store,” “reserve online, pay and pick up in store,” or “buy online, ship to store” in the past three months.<sup>8</sup> The good news is that retailers understand that they have much to gain from order and fulfillment methods that bridge online and offline channels. Omnichannel investments pay off by:

- › **Increasing order confidence, convenience, and cost savings for customers.** Shoppers use omnichannel retail services because they provide distinct and often measurable advantages. For example, when US online adults order online for in-store pickup, 56% do so to avoid shipping costs, 40% to pick up purchased items at a convenient time, and 38% to ensure that the items are in stock when the customers arrive at the store.<sup>9</sup> Customers who use other omnichannel services such as ship-to-store and ship-from-store may also see significant benefits like lower or free shipping costs and shorter shipping times.
- › **Generating incremental revenue and reducing costs for retailers.** Each omnichannel fulfillment tactic provides retailers with new ways to improve the bottom line. For example, one retailer we spoke with noted that over 40% of in-store pickup customers made additional purchases when picking up their original order. Retailers can also take steps to encourage this behavior: Fifty-two percent of US online adults who use click-and-collect options say an in-store discount would be incentive enough to shop more when picking up their online order.<sup>10</sup> Part of the business case can

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also be built on cost reductions, which are easier to measure and quantify. Many retailers we spoke with for this report cited “reduced carrier costs” as the primary driver of ROI for both ship-to-store and ship-from-store programs.

- › **Creating new differentiators to compete with online pure plays.** Omnichannel capabilities create a competitive edge that is particularly powerful for competing with retailers that lack physical locations or large networks of distribution centers. Why? With few exceptions, the vast majority of pure plays lack the ubiquitous proximity to their customers that multichannel retailers have through their network of stores. This limitation means these retailers can’t make products available for pickup the same day, bear the cost of shipping heavy or low-cost items to a store/pickup location for free, or deliver products from stores to a home or office in a matter of hours. These significant advantages become competitive weapons for multichannel retailers to use in both their marketing and digital engagement arsenals.

## The Omnichannel Commerce Playbook Delivers A Successful Approach

Omnichannel capabilities require time and careful planning to meet the company’s goals for improved customer satisfaction and bottom-line results. This playbook helps retail leaders plan effectively to provide excellent omnichannel retailing, identify the right tools and technologies to execute on the plan, and measure and improve current offerings (see Figure 1). Transitioning company strategy, tactics, organization, and overall thinking from multichannel to omnichannel is challenging, so we’ve designed the playbook to guide key stakeholders step by step. eBusiness professionals should use the playbook reports to:

1. **Analyze the business impact of omnichannel integration.** To lead these expensive, high-visibility initiatives, retailers must build business cases deliberately and correctly or risk launching initiatives that: 1) lack critical internal support; 2) fail to meet customer expectations; and 3) incorrectly measure the program’s impact. Organizational buy-in is essential: Forty-seven percent of retailers surveyed noted that cultural change for in-store staff is an obstacle to executing their omnichannel program.<sup>11</sup>
2. **Plan a comprehensive companywide journey to transform to an omnichannel retailer.** Effective planning helps retailers focus on what’s important while avoiding pitfalls that omnichannel retailer pioneers originally encountered. Once executive buy-in and budget commitment for omnichannel initiatives are in place, stakeholders involved must carefully study customer needs and expectations to identify the best approaches to create a great omnichannel experience. This analysis will determine essential versus “nice to have” tools and features and will identify any service gaps.
3. **Allocate the right internal and external resources and responsibilities.** An effective omnichannel program requires a key internal stakeholder who champions the project to ensure long-term success. The organization will also need new technology solution providers that are

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willing to understand in detail the organization's objectives and have experience with omnichannel best practices. Retailers also need to reconsider the organizational structure: What existing personnel, policies, and processes no longer fit into an omnichannel model, and which new ones are needed? Retailers have to work diligently with management and staff at many levels to assign accountability and remove legacy multichannel thinking that will sabotage omnichannel success.

4. **Optimize continually by understanding omnichannel program performance.** Retailers at this stage will have already overcome numerous challenges in building and launching programs, but they must not forget that monitoring and optimization is never-ending. Retailers must develop the more challenging capability to benchmark themselves against competitors' programs with a performance management system that is based on a set of proven key performance indicators (KPIs). eBusiness leaders must then optimize their omnichannel capabilities around these metrics to reap the full benefits of their investments.

**FIGURE 1** The Omnichannel Commerce Playbook

DISCOVER	PLAN	ACT	OPTIMIZE
Vision	Assessment	Organization	Performance Management
Landscape	Strategic Plan	Processes	Benchmarks
Business Case	Road Map	Tools And Technology	Continuous Improvement

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## Supplemental Material

### Survey Methodology

Forrester's Consumer Technographics® North American Retail And Travel Online Benchmark Recontact Survey was fielded in May and June 2016. This online survey included 4,400 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.

Forrester weighted the data by age, gender, income, and region to demographically represent the US online adult population. The survey sample size, when weighted, was 4,399. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Lightspeed Research fielded this survey on behalf of Forrester. Survey respondent incentives include points redeemable for gift certificates.

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Forrester fielded its Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey to 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 in April-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.

## Endnotes

- <sup>1</sup> Forrester analyzed recent economic and survey data and reviewed the practices of over a dozen companies that have made customer-focused transformations. We found that customers are now more mobile, consume more reviews, and buy more online than ever before. See the Forrester report "[Winning In The Age Of The Customer](#)."
- <sup>2</sup> Source: Forrester Research Web-Influenced Retail Sales Forecast, 2015 To 2020 (US).
- <sup>3</sup> Source: Forrester's Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey.
- <sup>4</sup> Source: Forrester's Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey.
- <sup>5</sup> Sixty-five percent of US online adults who use "buy online, pick up in store" answered "Available in an hour or less" when asked "When you use 'buy online, pick up in store,' when do you expect to be notified that your items are ready for pickup?" Source: Forrester's Consumer Technographics North American Retail And Travel Online Benchmark Recontact Survey 1, Q3 2016 (US).
- <sup>6</sup> For deeper analysis into the restructuring efforts that major retailers are undergoing to consolidate their online and offline divisions into a single retail group, see the Forrester report "[One Customer, One Organization, One P&L](#)."
- <sup>7</sup> Source: Forrester's Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey.
- <sup>8</sup> Source: Forrester's Consumer Technographics North American Retail And Travel Online Benchmark Recontact Survey 1, Q3 2016 (US).
- <sup>9</sup> Source: Forrester's Consumer Technographics North American Retail And Travel Online Benchmark Recontact Survey 1, Q3 2016 (US).
- <sup>10</sup> Source: Forrester's Consumer Technographics North American Retail And Travel Online Benchmark Recontact Survey 1, Q3 2016 (US).
- <sup>11</sup> Source: Forrester's Q2 2016 Global eBusiness And Channel Strategy Professional Online Survey.

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