

The Omnichannel Maturity Assessment

Assessment: The Omnichannel Commerce Playbook

by Brendan Witcher

October 19, 2020

Why Read This Report

Supporting an omnichannel fulfillment program is table stakes in retail today — and particularly in light of pandemic or other market shift conditions. Organizations need to assess their omnichannel maturity to understand their current versus desired state. This report reveals why customers are demanding more, why capabilities must evolve, and how to target areas for improvement. This assessment will help e-commerce professionals explain where their company stands vis-à-vis the competition so the executive team can guide (and fund) the strategic plan to the next level.

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

Key Takeaways

Assess Omnichannel Maturity Across Three Dimensions

To evaluate their omnichannel program's current state, 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 roadmap to work toward greater digital operational and customer experience excellence.

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- [Omnichannel Requires Scoring A Trifecta With Technology Solutions](#)
- [One Customer, One Organization, One P&L](#)
- [Your Strategic Plan Is The Linchpin For Omnichannel Success](#)



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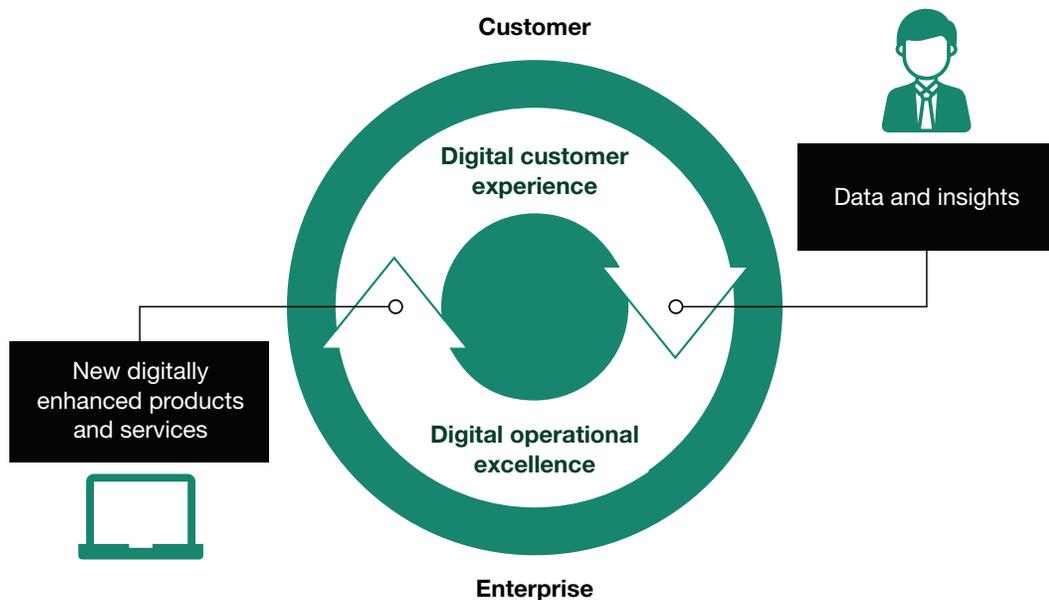
Organizations Must Enhance Omnichannel Capabilities

Customers' rising expectations for omnichannel programs are acting as catalysts of change for retailers and brands. Of primary importance are the areas of business operations that impact people, processes, and customer experiences. In fact, leading retailers are looking at their overall approach and models for retailing and considering this moment as a good time for change. As Michelle Gass, CEO of Kohl's, recently stated, "We have taken a step back and really kind of seized the moment to reset, and perhaps it's things we saw already in our business that were working, that were accelerating, or even bigger pivots."¹ Organizations need to understand where to start, which initiatives will have the biggest impact on 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: Just over half of retailers surveyed agree (6% strongly agree and 46% somewhat agree) that they have the right processes in place to execute on a consistent omnichannel strategy.²

FIGURE 1 DOX And DCX Drive Great Omnichannel Experiences



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Measure Omnichannel Across Three Dimensions: Experience, Operations, And Engagement

To keep pace with customer expectations and with competitors, 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).** Many of the top drivers of consumer omnichannel adoption in the US focus on convenience and an improved shopping experience. One-third of US online adults agree that they are less likely to visit a store if its in-store inventory is not available online; nearly half (48%) agree that they seek information about product availability before purchasing offline.³ Fully 61% of retailers have already implemented and 28% have plans to implement online visibility to in-store inventory. Still, 86% of retailers said inventory accuracy (i.e., ensuring products ordered online are actually available in-store for customer pickup) is challenging.⁴ The DCX assessment questions ask retailers what they are doing to improve omnichannel customer experience across all interactions.
- › **Digital operational excellence (DOX).** As of early 2020, 69% of retailers surveyed reported that they had implemented “buy online, pick up in-store” (BOPIS) service by the end of 2019, and another 20% plan to implement the service in 2020 or later.⁵ However, organizations risk alienating customers if they launch before perfecting the logistics of each program. 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 area includes training store associates on how to execute omnichannel programs — a pain point for the majority of retailers when setting up their programs. A whopping 80% of retailers surveyed reported that training store staff to properly pick, pack, and ship online orders was at least relatively challenging.⁶
- › **Omnichannel customer engagement.** DCX and DOX mostly focus 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. When shopping in a store, 52% of US online adults prefer to use their own device to look up product information, 45% to look up price, and 39% to check product availability in the store.⁷

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 or 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 completing 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? 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. For this assessment, there are six key omnichannel capabilities:

1. **Enterprise inventory visibility.** Seventy-eight percent of US online adults believe that it's important for retailers to offer real-time inventory visibility.⁸ But IKEA, which shows online customers exactly what inventory levels it forecasts to have on hand in a particular store, demonstrates that evaluating your capabilities across DOX and DCX goes much further (see Figure 3).⁹ On the operations side, is

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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.** In 2020, 33% of global purchase influencers in the retail industry plan to invest internally in new omnichannel projects; 36% plan to invest externally in such projects.¹⁰ These investments have produced meaningful results for many retailers that implement them. In a 2019 earnings call, former Tractor Supply CEO Gregory Sandfort noted: “Between the combination of our ‘buy online, pick up in-store’ and direct delivery to stores, more than 70% of our e-commerce orders continue to be fulfilled at our stores.”¹¹ 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.
3. **Ship-from-store.** Amid the COVID-19 pandemic, Best Buy’s CEO Corie Barry announced the retailer will be testing a ship-from-store hub model at 250 locations, positioning these stores to ship out significantly more volume.¹² Among retailers we surveyed, 51% reported that they had implemented ship-from-store capabilities by the end of 2019; a further 28% plan to implement in 2020 or later.¹³ When assessing ship-from-store operational capabilities, ask the following 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? Can you 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.** Offering all inventory to all customers anywhere requires retailers to allow in-store customers to digitally order from other store locations or online-only assortments. IKEA’s store concept, “Planning Studio,” is about 5% of the size of standard IKEA stores and offers a fraction of its 9,300 products. However, screens in every room provide endless-aisle shopping for customers looking to access the entire catalog.¹⁴ 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 where 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.** Some 36% of US online adults report that free, no-hassle returns influence which retailer they will buy from online.¹⁵ Retailers have listened: 73% of retailers surveyed had implemented “buy online, return in-store” service by the end of 2019, and another 10% plan to do so in 2020 or later.¹⁶ When assessing your returns operations, ask yourself: Does your policy allow customers to return items they purchased online in all of your stores? Do you

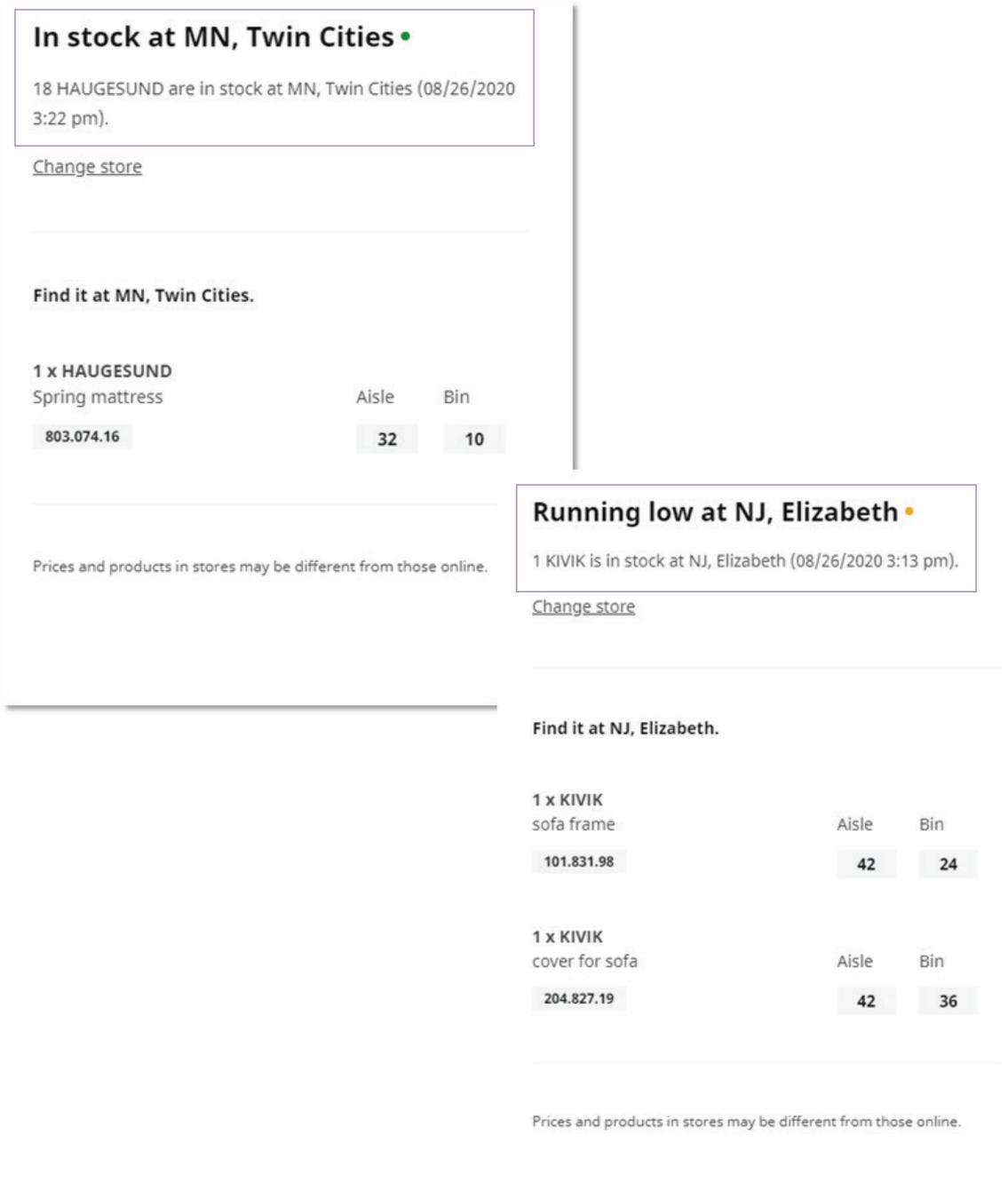
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accurately allocate returns on online orders back to the online channel so they do not negatively impact sales/returns ratios at stores? For customer experience, does your returns program create value and a frictionless experience for the customer? Do you heavily promote your “buy online, return in-store” program online to help customers buy with confidence? Can your customers go online to initiate a return?

6. **Omnichannel value-added services.** Providing services digitally within physical locations is another developing trend that has components of omnichannel capabilities. Good examples include The Home Depot’s mobile app with wayfinding so customers can navigate its stores and Walmart allowing customers to “scan and go” in stores through the app as well as its new Walmart+ program.¹⁷ However, when evaluating your own engagement services, this execution goes beyond just having an app. Retailers need to deliver value to customers that incentivizes them to use an app and (crucially) share contact information. To assess your omnichannel engagement maturity, evaluate yourself around questions such as: 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 the 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? As Walmart's CEO Doug McMillon explained during a 2020 shareholders meeting: "When customers use pickup and delivery, they shop with us more often [. . .] This omnichannel approach, one brand, multiple experiences for customers, is a winning strategy."¹⁸
- › **Intermediate.** You execute operational capabilities well (no small feat), but you lack the extended support from areas across the enterprise, as well as the services and tools to consistently deliver enjoyable customer experiences. Your task now is to improve customer experience capabilities to get to the next maturity level. Among US consumers, 36% think it's important for a retailer to offer product recommendations on its website based on their shopping or browsing history.¹⁹ For those in the intermediate maturity stage, it is time to think beyond just the fulfillment process and think of how the experiences themselves — such as offering product recommendations during the pickup process — can be improved.
- › **Advanced.** Omnichannel masters lead the retail market with strong operational and customer-facing capabilities. Organizations at this level may still have room for improvement in the areas of operational efficiencies that come with scale and volume, as well as personalizing interactions for customers across the shopping journey. Ulta uses its loyalty data to make personalized recommendations, including products based on category preferences, reminders for replenishment, and products based on self-inputted factors like skincare concerns.²⁰ These same insights about the customer could be used to make recommendations within pickup notifications or when customers are using the app in-store and guide them to the "right" products for them in that specific location.

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. Also look at the metrics you are using to find gaps in understanding the true operational effectiveness of your programs. Digital business pros who take this assessment must understand that:

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- › **Your DOX score reflects strength of processes, training, security, QA, 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 — especially for newer services (e.g., curbside pickup, appointment shopping, and fulfillment) that you may add quickly in response to changing market conditions. And as you introduce new options for pickup, also build in security procedures to prevent mix-ups and theft. For example, Tractor Supply Company uses computer vision and audio alerts to warn a customer if they take the incorrect package from a shelf in the self-service pickup area.²¹
- › **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 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. Customers using programs that have an in-store pickup component should also be able to select whether to pick up and order as soon as possible or be able to select a specific date and time they would like to pick up and order.
- › **Metrics matter to assess the need for management.** The assessment of your organization is three dimensional. To start, answering the right questions about DOX and DCX will provide you with an understanding of your company's maturity along these two axes. The third dimension is how you use omnichannel metrics, which will give you insights into how effectively your company is executing on the omnichannel programs. It is problematic that fewer than half of retail professionals surveyed agree (10% strongly agree and 37% somewhat agree) that they have the right metrics in place to measure the effectiveness of their omnichannel strategy. New ways of operating also mean new ways of measuring both the DCX and DOX. For example, retailers that offer in-store pickup must measure in-store wait times, add-on sales, ratios of rejection rates, and customer satisfaction.²²

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Supplemental Material

Survey Methodology

The Forrester Analytics Consumer Technographics® US Retail Recontact Survey, 2020, was fielded in February and March 2020. This online survey included 4,763 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 1.4% 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 4,763. (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

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been changed in published data for increased clarity. Therefore, the base in published data may not match the base language in this document. Dynata fielded this survey on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

Endnotes

- ¹ Source: "NRF Retail Leadership Series: Michelle Gass, CEO, Kohl's," YouTube video, September 17, 2020 (https://www.youtube.com/watch?time_continue=8&v=L5JvWJNmU1o&feature=emb_logo).
- ² Source: Forrester's Q1 2020 Omnichannel Panel Survey.
- ³ Source: Forrester Analytics Consumer Technographics US Retail Recontact Survey, 2020.
- ⁴ Source: Forrester's Q1 2020 Omnichannel Panel Survey.
- ⁵ Source: Forrester's Q1 2020 Omnichannel Panel Survey.
- ⁶ Source: Forrester's Q1 2020 Omnichannel Panel Survey.
- ⁷ Source: Forrester Analytics Consumer Technographics North American Retail And Travel Topic Insights 1 Survey, 2019.
- ⁸ Source: Forrester Analytics Consumer Technographics US Retail Recontact Survey, 2020.
- ⁹ Source: "Stock check," IKEA (<https://www.ikea.com/au/en/customer-service/stock-availability/>).
- ¹⁰ Source: Forrester Analytics Business Technographics Priorities And Journey Survey, 2020.
- ¹¹ Source: "Tractor Supply Company (TSCO) CEO Gregory Sandfort on Q3 2019 Results - Earnings Call Transcript," Seeking Alpha, October 24, 2019 (<https://seekingalpha.com/article/4298744-tractor-supply-company-tsco-ceo-gregory-sandfort-on-q3-2019-results-earnings-call-transcript>).
- ¹² "These locations were chosen for their space, proximity to carrier partners, and ability to support same- and next-day delivery. Over time, this should allow us to deliver a more productive fulfillment model." Source: "Best Buy Co., Inc. (BBY) CEO Corie Barry on Q2 2021 Results - Earnings Call Transcript," Seeking Alpha, August 25, 2020 (<https://seekingalpha.com/article/4370651-best-buy-co-inc-bby-ceo-corie-barry-on-q2-2021-results-earnings-call-transcript>).
- ¹³ Source: Forrester's Q1 2020 Omnichannel Panel Survey.
- ¹⁴ Source: Katharine Schwab, "You can't take anything home from Ikea's new store," Fast Company, April 10, 2019 (<https://www.fastcompany.com/90332083/i-went-to-ikeas-first-small-store-and-it-answered-all-my-prayers>).
- ¹⁵ Source: Forrester Analytics Consumer Technographics US Retail Recontact Survey, 2020.
- ¹⁶ Source: Forrester's Q1 2020 Omnichannel Panel Survey.
- ¹⁷ Source: "Walmart Introduces Walmart+," Walmart, September 1, 2020 (<https://corporate.walmart.com/newsroom/2020/09/01/walmart-introduces-walmart>).
- ¹⁸ Source: "Walmart Inc. (WMT) CEO Doug McMillon Hosts 2020 Annual Shareholders' Meeting (Transcript)," Seeking Alpha, June 3, 2020 (<https://seekingalpha.com/article/4351868-walmart-inc-wmt-ceo-doug-mcmillon-hosts-2020-annual-shareholders-meeting-transcript>).
- ¹⁹ Source: Forrester Analytics Consumer Technographics US Retail Recontact Survey, 2020.
- ²⁰ Source: "Ulta Beauty's (ULTA) CEO Mary Dillon on Q2 2020 Results - Earnings Call Transcript," Seeking Alpha, August 27, 2020 (<https://seekingalpha.com/article/4371276-ulta-beautys-ulta-ceo-mary-dillon-on-q2-2020-results-earnings-call-transcript>).
- ²¹ Source: Forrester interview with Glenn Allison, vice president, IT, at Tractor Supply Company.

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²² 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. However, as they introduce new services, retailers will need to build in quick (even "micro") learning capabilities to quickly train store associates.

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