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# Put Fulfillment At The Heart Of The Customer Experience

Customer Expectations For Omnichannel Are Intensifying — Only A Flexible Set Of Optimized Capabilities Will Enable You To Keep Up

# Table Of Contents

- 1 Executive Summary
- 2 Omnichannel Mastery Will Determine Who Wins And Loses In Retail
- 3 A Broad Set Of Capabilities Enables Flexibility, But It Only Puts You At Par
- 5 Optimize And Harmonize Omnichannel, Experience Benefits Greater Than The Sum Of Its Parts
- 9 Key Recommendations
- 10 Appendix

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If you are starting your omnichannel implementation today, you are already behind. Keep reading to learn how to stay nimble in an omnichannel world.

Optimized retailers — those that listen to their customers, measure outcomes, and iterate on strategy and execution — will see exponential benefits.

## Executive Summary

When shopping today, increasingly digitally savvy, time-crunched consumers expect to be able to choose the fulfillment option that best fits their lifestyle. To keep up with rising expectations, retailers must continually optimize their programs with additional services. But in their haste to adapt to changing customer expectations, many retailers have rapidly deployed a multitude of disparate and underoptimized omnichannel capabilities that compromise the customer experience. Retailers are struggling to move their fulfillment strategies beyond multichannel and into omnichannel.

To best serve their customers, retailers must work toward both harmonization and optimization of a broad set of omnichannel capabilities. Doing so will give them the flexibility and agility to meet and exceed customer expectations as they grow and change. Beyond fulfillment, effective omnichannel is a strategy for conversion: By creating new value propositions, retailers can make a meaningful difference in the eyes of potential customers. Without the ability to meet evolving customer demand, brick-and-mortar retailers will fall behind their peers and ultimately fail to compete with pure-play online competitors.

In September 2018, IBM commissioned Forrester Consulting to evaluate the state of omnichannel retail. Forrester conducted an online survey of 300 fulfillment decision makers at retail and electronics organizations with both online and brick-and-mortar operations in the US, Canada, the UK, France, and Germany to explore this topic. We found that while retailers have caught onto the omnichannel imperative, they are far from realizing the full benefits of optimized omnichannel.

### KEY FINDINGS

- › **Customer expectations for omnichannel are growing.** Retail customers now expect omnichannel fulfillment options, and this impacts their shopping behavior. In the US, 53% of all retail sales are impacted by a digital touchpoint — and this number is growing. Seventy-nine percent of online adults say it's important for a retailer to offer visibility into items that are available in their physical store, and 34% say they are less likely to even visit a store if its inventory is not available online.
- › **Retailers recognize the need for omnichannel fulfillment but need to measure and optimize to improve.** Omnichannel fulfillment is a high or top priority for nearly all retailers (94%). However, half or less of all retailers measure their omnichannel efforts with key metrics like profitability and customer satisfaction. Each retailer's customers have expectations that are unique to its business; without proper metrics, it's impossible to know what those expectations are — and where to focus.
- › **Greater optimization and harmonization of capabilities come with exponential benefits.** Simply implementing capabilities is not enough: Retailers must provide fully optimized omnichannel options tuned to the needs of current and future customers. The more optimized capabilities a retailer offers, the greater the benefits it receives from each capability. Those that have a higher number of optimized capabilities are up to four times more likely to see large revenue and customer satisfaction benefits.

# Omnichannel Mastery Will Determine Who Wins And Loses In Retail

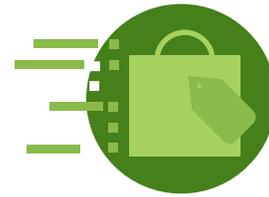
Globally, customers now expect and rely on omnichannel capabilities, and retailers must adapt quickly to changing customer needs. Many already have — for example, 73% of US digital business professionals say their firms are investing in “buy online, pick up in-store” (BOPIS).<sup>1</sup> The message to retailers starting their omnichannel journeys today: You are already behind. Becoming a successful omnichannel retailer requires understanding that:

- › **Multichannel shopping experiences in the US have become the norm in just two years.** In 2016, digital touchpoints impacted 49% of total US retail sales, which directly affected the growth of omnichannel commerce and fulfillment.<sup>2</sup> Today, 53% of all US retail sales are digitally impacted, but Forrester expects this to grow to 58% by 2022.<sup>3</sup> Combined with widespread, continuous connectivity via mobile devices, consumers’ online shopping and the online portion of their wallet share has increased.<sup>4</sup>
- › **In the UK, omnichannel shopping is mainstream.** Growing expectations of omnichannel are not unique to the US. More than half of retail purchases in the UK are now influenced by both online and offline research.<sup>5</sup> Shoppers in the UK who use their phones in-store to compare prices say they are just as likely to ultimately buy from an online-only retailer as they are to buy from that physical store.<sup>6</sup>
- › **Omnichannel fulfillment options are growing in APAC.** So far, there has been a predominance of online-only retailers across APAC; traditional retailers were slow to launch digital stores, so online-only retailers filled the gap quickly. As a result, across Australia, India, Japan, and South Korea, Forrester estimates that 55.8% of all 2018 online retail sales will happen via mobile devices.<sup>7</sup> This is why traditional retailers in APAC are now leveraging their physical stores to compete with online-only retailers — investing in BOPIS offerings, for one.<sup>8</sup>

## CUSTOMER EXPECTATIONS OF OMNICHANNEL WILL CONTINUE TO GROW AND CHANGE IN THE NEAR FUTURE

Clearly, customers have expectations around omnichannel experiences. Having omnichannel capabilities, or a lack thereof, already influences customer behavior (see Figure 1). For example, 79% say it’s important for a retailer to offer visibility into items that are available in the store.<sup>9</sup> More striking are the 34% of US online adults who say they are less likely to visit a store if its in-store inventory isn’t available online.<sup>10</sup> The most ubiquitous touchpoint for consumers — the smartphones in their pockets — is driving a large portion of the change. In the US alone, commerce originating from smartphones (mCommerce) will surpass \$117 billion in 2018.<sup>11</sup> And there’s no end in sight; the intensification of customer demand for omnichannel retail experiences will continue to grow.

## What’s your firm’s plan to go from multichannel retailer to omnichannel leader?



**Figure 1**  
Having omnichannel capabilities — or a lack thereof — already influences customer behavior.



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

\*Source: Forrester Data: Digital-Influenced Retail Sales Forecast, 2017 To 2022 (US)

## A Broad Set Of Capabilities Enables Flexibility, But It Only Puts You At Par

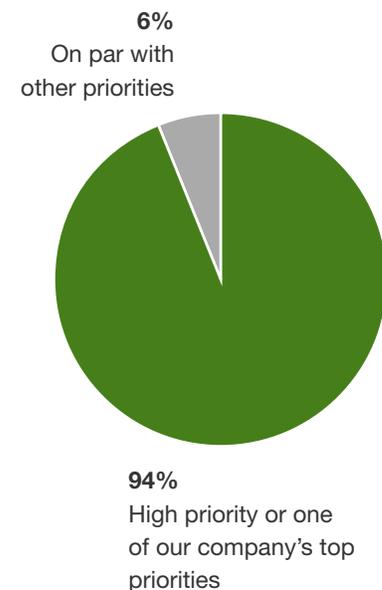
From our custom survey of 300 omnichannel fulfillment decision makers in North America and Europe, we learned that omnichannel fulfillment strategy is either a high or one of the top business priorities for 94% of retailers (see Figure 2). Overwhelmingly, retailers agree that omnichannel fulfillment is key to winning, serving, and retaining customers; top objectives driving omnichannel fulfillment strategy include increasing customer loyalty (47%), increasing revenue (47%), and improving customer experience (43%). This signals that retailers recognize that consumers aren't just looking for omnichannel capabilities but are using them at a high rate — for example, nearly 20% of US shoppers always opt for BOPIS when it's available.

Given this context, it's clear that omnichannel fulfillment is about more than increasing the efficiency of order management: It's a conversion strategy. Efficiencies created through omnichannel can create value for customers that wouldn't otherwise be there. For example, by offering free shipping when shipping to store or by providing drop-box pickup along a customer's daily commute, omnichannel creates value for potential customers and increases conversion. To deliver on these objectives, our survey found:

- › **Retailers broadly implement omnichannel fulfillment capabilities.** Merely having an omnichannel capability or two available to customers is no longer enough to make a retailer stand out among its competitors. Fulfillment decision makers report they are in some stage of implementation across a broad range of omnichannel capabilities, including in-store returns of online orders (81%), pickup notifications through email/text message (79%), and reserve online, pick up in store (79%).
- › **Retailers require platform flexibility to deliver a broad set of capabilities.** While implementing omnichannel may put you on par with competitors, our survey also found it rare for retailers to have the same mix of implemented and optimized capabilities — meaning that retailers are approaching and funding for the omnichannel initiatives slightly differently. A unique mix of capabilities gives retailers flexibility to meet the yet-unknown expectations of their particular customers. Customer expectations have been far from fixed in the recent past, and they will continue to shift into the future. Retailers that have implemented a range of capabilities can be agile in serving customers all along that journey.

Figure 2

“What priority is your company placing on its omnichannel fulfillment strategy?”



Base: 300 eCommerce fulfillment decision makers at retailers in North America and Europe  
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2018

Do you know what your customers — or your competitors' customers — want?

## WITHOUT MEASUREMENT, OPTIMIZATION, AND HARMONIZATION OF CAPABILITIES, CUSTOMER SATISFACTION IS AT STAKE

- › A broad range of capabilities may lend retailers agility, but our survey found that many retailers stop short of optimizing the capabilities they've implemented and do not have the metrics in place to understand and improve operations. The data reveals that:
  - › **To know they are effectively serving customers, retailers need metrics.** Half or less of retailers are using key metrics to measure their success (see Figure 3). This may be because many organizations still struggle to access data from multiple sources and to ensure quality across them — data quality and management issues are consistently in the top two challenges that customer insights professionals face.<sup>12</sup> Even companies with a wealth of data may not have enterprise-level insight — only about a third of customer analytics teams are aligned to a specific channel or business unit.<sup>13</sup> By nature, omnichannel insights and metrics will touch many parts of the business and should be socialized broadly with all relevant stakeholders. Without true knowledge of what their customers want, retailers won't be able to optimize their capabilities to meet their customers' specific needs.
  - › **Most have started omnichannel, but many have yet to optimize.** Only about half of implemented capabilities at a given firm are optimized. This is a real danger, as retailers that fail to optimize an implemented capability will not deliver a competitive customer experience. Further, it can be difficult for customers to move freely between available channels if they are not consistent, or "harmonized." As result, customer satisfaction with all capabilities is at risk. Remember, improved customer experience is one of the three top drivers of omnichannel fulfillment strategy overall.



What benefits is your company leaving on the table by not optimizing and harmonizing omnichannel capabilities?

Figure 3

“What metrics does your company use to measure the return on your omnichannel fulfillment investment?”  
(Select all that apply)

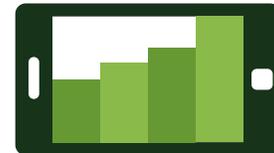


Base: 300 eCommerce fulfillment decision makers at retailers in North America and Europe  
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2018

# Optimize And Harmonize Omnichannel, Experience Benefits Greater Than The Sum Of Its Parts

It's not enough to implement broadly and move on — retailers need to optimize omnichannel capabilities to ensure they are delivering not only an effective, but a fully competitive customer experience. Major gains are at stake: Retailers with higher levels of optimization experience exponential benefits over those with lower levels of optimization. For the purposes of this study, we split our 300 respondents into two groups based on the number of omnichannel fulfillment capabilities they had optimized. The higher optimization group had 159 respondents while the lower group had 141. Our survey uncovered that:

- › **Omnichannel moves the needle on retailers' top goals.** Retailers overall have seen movement on top objectives as a result of their omnichannel programs (see Figure 4). This isn't surprising given that omnichannel fulfillment initiatives provide customers with greater access to inventory, naturally leading to growth in key areas. It also supports the idea of omnichannel as a conversion strategy: 45% of retailers report increased consumer purchase frequency. It's fair to say that the increase in convenience and value for customers that comes from omnichannel capabilities has led to improved conversion for many retailers.
- › **Retailers that optimize across capabilities are way ahead on results.** We found that retailers that push beyond table stakes and optimize more of their capabilities experience much higher returns from each individual capability they offer — in terms of both revenue and customer satisfaction (see Figure 5). Higher-optimization-level organizations are as much as 4x more likely to see a large boost in revenue tied to each individual capability and as much as 2.2x more likely to see a large boost in customer satisfaction of each individual capability. Optimized omnichannel programs are truly greater than the sum of their parts.
- › **Higher-optimized retailers secure more resources for omnichannel investment.** Retailers with higher levels of optimization, on average, are increasing investment in their capabilities by as much as 12% — it's only 9% and below for retailers with lower levels of optimization. This could indicate that having seen what benefits there are to gain, higher-optimized retailers are not taking their feet off the gas. It could also indicate that lower-optimized retailers are not yet aware of what benefits they are passing up by not doubling down on optimized omnichannel.
- › **Companies with higher optimization see considerably higher return on their key performance indicators (KPIs).** Though our survey found that, overall, retailers are struggling to put the right metrics in place, that hasn't stopped higher-optimized retailers from seeing a large positive impact on the metrics they do measure (see Figure 6). They are 1.6x more likely to see a boost in customer satisfaction, 1.8x more likely to see a boost in profitability, and 2x more likely to see a boost in new business/sales.

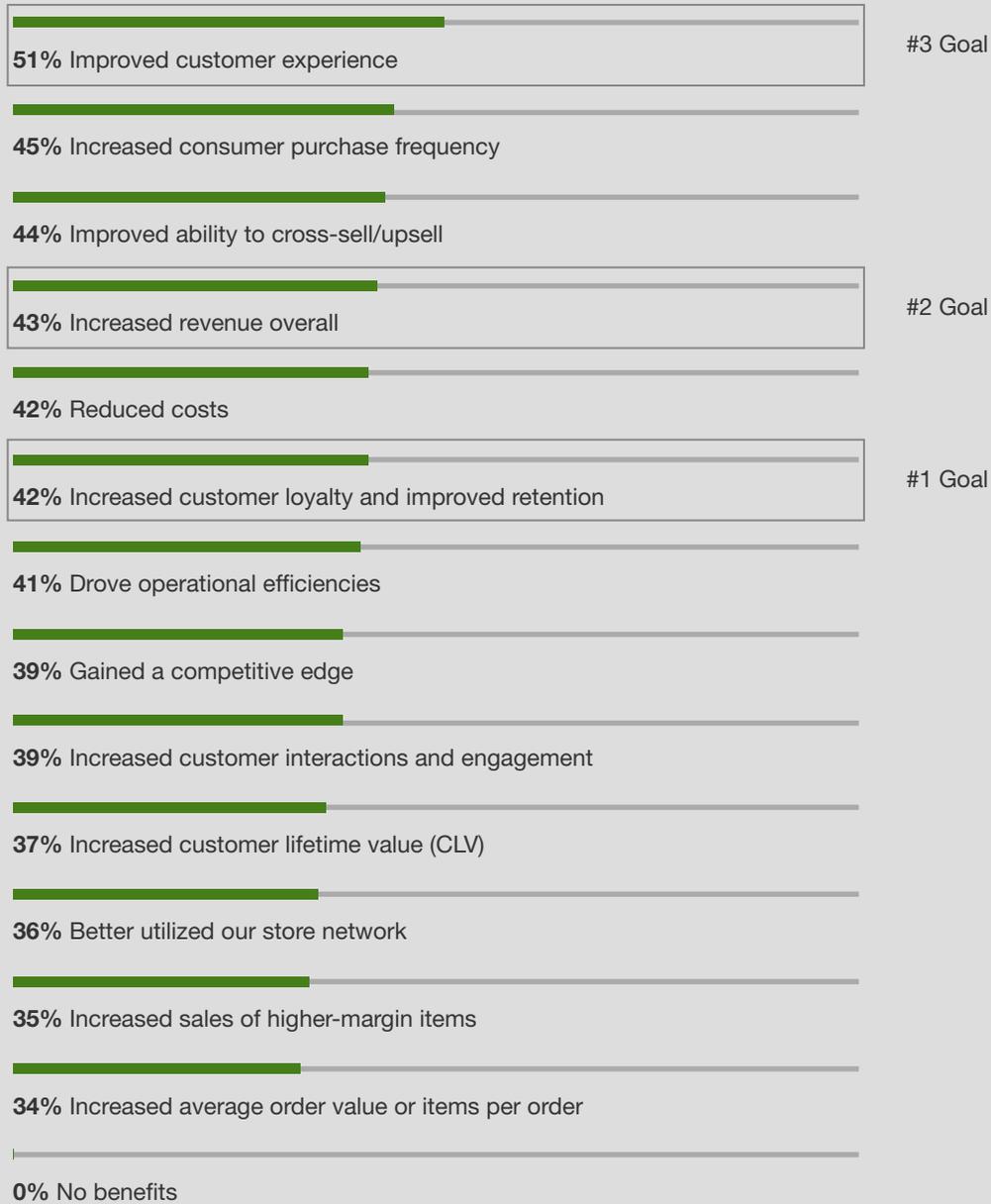


Move from multichannel to omnichannel by optimizing the capabilities you have implemented — you'll be 1.6x more likely to see a boost in customer satisfaction and 2x more likely to see a boost in sales.

Read on for recommended next steps like, “Stay diligent in executing a full omnichannel transformation by servicing the many needs of customers through a buffet of services.”

**Figure 4**

**“Which of the following business benefits has your company seen from your omnichannel fulfillment program?”**  
(Select all that apply)



Base: 300 eCommerce fulfillment decision makers at retailers in North America and Europe  
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2018

**Figure 5**

**Greater levels of omnichannel optimization come with exponential benefits.**

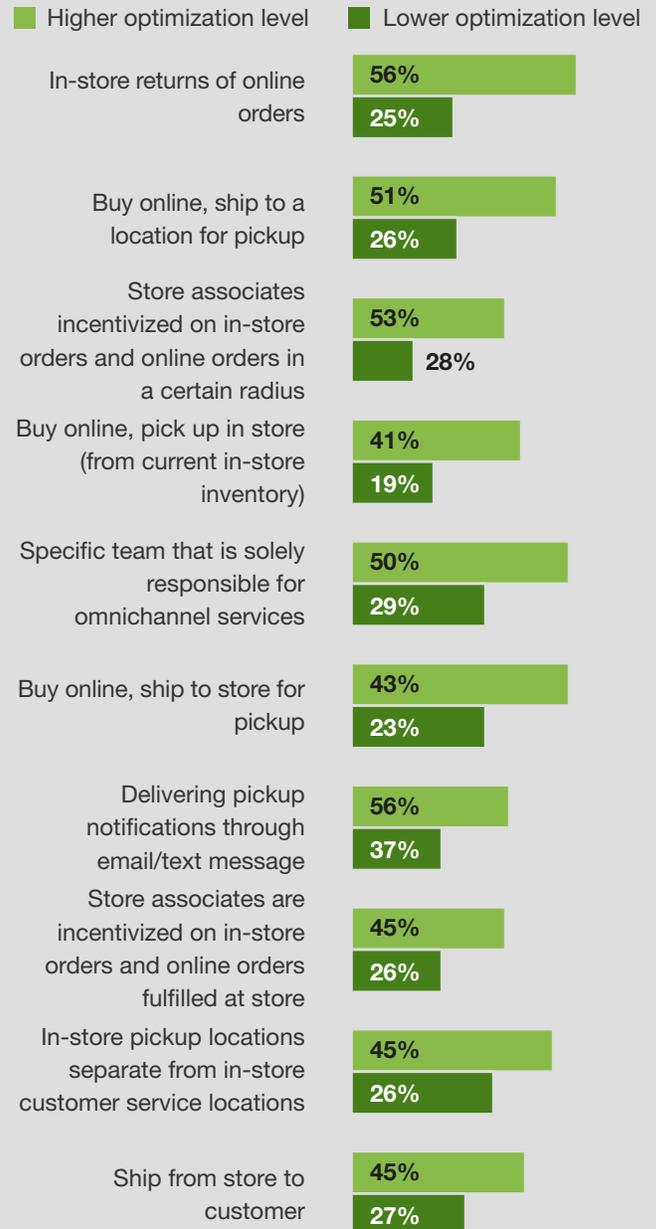
**“Large positive impact” levels to company’s revenue**

(Top 10 by greatest difference between high and low groups)



**“Large positive impact” levels to customer satisfaction**

(Top 10 by greatest difference between high and low groups)

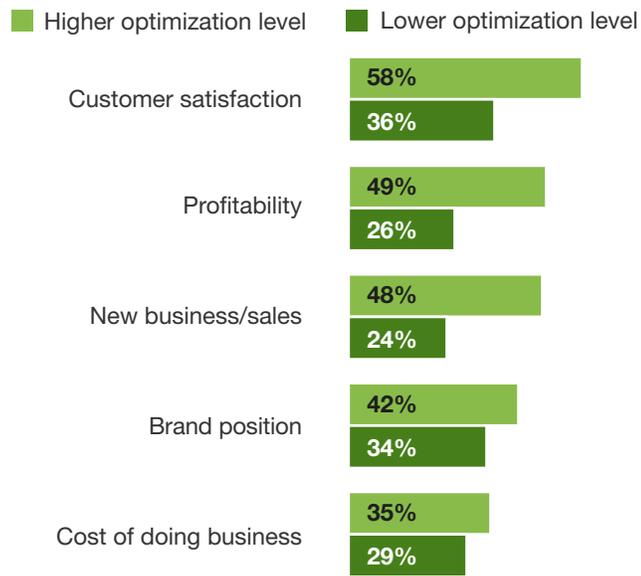


Base: 111 to 145 eCommerce fulfillment decision makers at retailers in North America and Europe who have implemented these capabilities and see these benefits from their omnichannel programs

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2018

Figure 6

“On which of the following KPIs has your company’s omnichannel fulfillment program had a large positive impact?”



Base: 122 to 151 eCommerce fulfillment decision makers at retailers in North America and Europe who are tracking these KPIs  
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2018

# Key Recommendations

Retailers need to meet customer expectations for omnichannel fulfillment today, while staying agile and flexible to changing expectations in the future. Forrester's in-depth survey of omnichannel fulfillment decision makers yielded the following crucial recommendations:



## **Build a holistic omnichannel program to fit individuals' needs.**

Shopping journeys are unique, often differing even for a single customer over the lifetime of engagement with a brand. Offering one capability, such as BOPIS, will not satisfy every customer all of the time. Retailers must stay diligent in executing a full omnichannel transformation by servicing the many needs of customers through a buffet of services. The ultimate goal is a complete offering that, in total, truly allows any customer to shop anywhere and fulfill any place across the enterprise's network of digital touchpoints and inventory locations.



## **Design the business case for optimization and harmonization, not just execution.**

Retailers that try to check boxes too quickly on their omnichannel programs will, at best, fail to optimize returns on their investments and, at worst, create poor customer experiences that incentivize consumers to look to other retailers for the omnichannel experiences they expect. The digital business professionals leading their organizations' omnichannel transformation must educate and motivate top executives on these risks. Doing so will help achieve approvals for the time, support, and resources needed to move from laggard to leader in omnichannel mastery.



## **Capitalize on new conversion opportunities.**

Retailers often mistake omnichannel as a pure fulfillment play, but opportunities to use omnichannel as a driver for increased conversation and sales abound — further underlining that omnichannel should be a priority for top executives. Retailers can generate incremental, top-line revenue with omnichannel capabilities they already have in place in multiple ways, such as online presentation of shorter shipping times for web orders fulfilled from local stores and offering in-store pickup customers a 24-hour coupon to use while in the store.



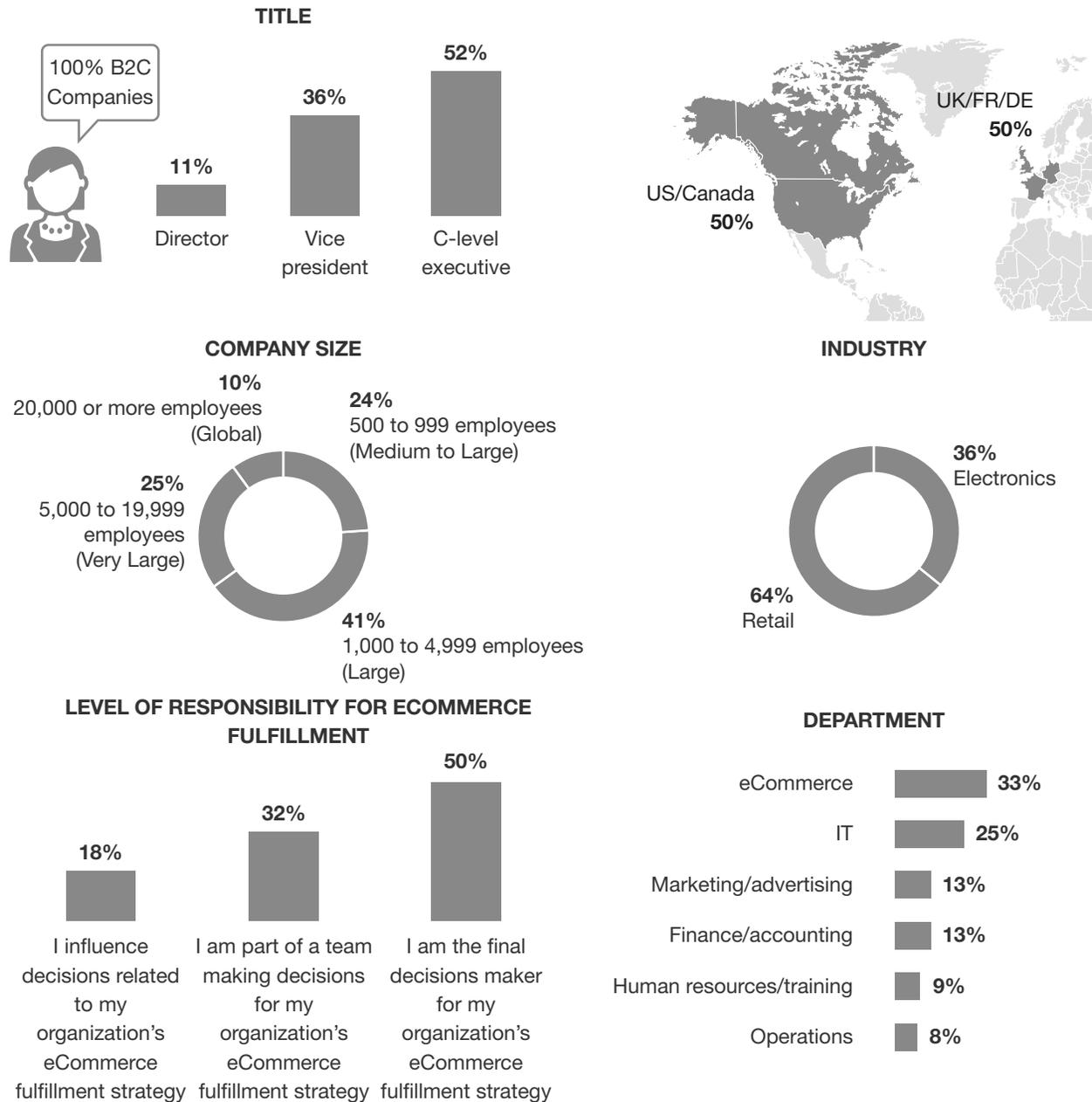
## **Iterate toward mastery through omnichannel-specific metrics.**

Retailers must not falter in using metrics to measure, manage, and mature their omnichannel programs' customer experiences and operational efficiencies. For the former, it is important to build, plan, and implement ways to measure hard numbers, such as time to notification for BOPIS orders, and softer metrics, like satisfaction with time spent in a pickup area. For the latter, retailers must understand costs while shifting to new ways of fulfilling orders, such as associate time spent picking orders and shipping costs from stores vs. centralized distribution center (DC) locations. Having metrics in place for both areas ensures omnichannel programs can be improved upon until they reach full potential.

# Appendix A: Methodology

In this study, Forrester conducted an online survey of 300 retail and electronics organizations with both online and brick-and-mortar operations in the US, Canada, the UK, France, and Germany to evaluate the current state of retail omnichannel strategy and execution. Survey participants included decision makers in eCommerce, IT, marketing, and others with responsibility for their companies' eCommerce fulfillment strategies. Questions provided to the participants asked about their current and planned omnichannel capability implementations, their omnichannel goals, and the extent of their success in achieving those goals. Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began in September 2018 and was completed in December 2018.

# Appendix B: Demographics/Data



Base: 300 eCommerce fulfillment decision makers at retailers in North America and Europe

Note: Percentages may not total 100 because of rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2018

# Appendix C: Supplemental Material

## RELATED FORRESTER RESEARCH

“Mastering The Art Of Omnichannel Retailing,” Forrester Research, Inc., August 3, 2018.

“Omnichannel Commerce Metrics That Matter,” Forrester Research, Inc., August 15, 2018.

## Appendix D: Endnotes

<sup>1</sup> Source: “Mastering The Art Of Omnichannel Retailing,” Forrester Research, Inc., August 3, 2018.

<sup>2</sup> Source: “Omnichannel Commerce Metrics That Matter,” Forrester Research, Inc., August 15, 2018.

<sup>3</sup> Source: “Envisioning The Future Of Omnichannel Commerce,” Forrester Research, Inc., July 25, 2018.

<sup>4</sup> Source: Ibid.

<sup>5</sup> Source: “Forrester Data: Retailer And Store Forecast, 2018 To 2023, (UK),” Forrester Research, Inc., April 18, 2018.

<sup>6</sup> Source: Ibid.

<sup>7</sup> Source: “eCommerce Trends And Outlook For Asia Pacific, Excluding China,” Forrester Research, Inc., August 10, 2018.

<sup>8</sup> Source: Ibid.

<sup>9</sup> Source: “Envisioning The Future Of Omnichannel Commerce,” Forrester Research, Inc., July 25, 2018.

<sup>10</sup> Source: Ibid.

<sup>11</sup> Source: “The State Of US mCommerce 2018: Direct Revenues Belie Trillion-Dollar Store Sales Impact,” Forrester Research, Inc., August 14, 2018.

<sup>12</sup> Source: “Omnichannel Commerce Metrics That Matter,” Forrester Research, Inc., August 15, 2018.

<sup>13</sup> Source: Ibid.