Envisioning The Future Of Omnichannel Commerce

Vision: The Omnichannel Commerce Playbook

by Brendan Witcher
June 11, 2020

Why Read This Report

Omnichannel is not a new concept, but B2C, B2B, and even B2B2C companies still grapple with how to transform from multichannel to omnichannel. Omnichannel capabilities cover four key areas: view of the customer, engagement, fulfillment, and pricing. In fact, the COVID-19 pandemic has turbo-charged the speed with which retailers focus on omnichannel fulfillment. This report helps digital business professionals understand how to transform, why these areas are separate projects, and why these capabilities are critical to win and retain business from empowered customers.

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

Key Takeaways

To Deliver All Other Capabilities, Firms Need An Omnichannel View Of The Customer
It's hard to identify a customer across every screen, channel, and digital touchpoint, but it's critical to master this single view to become an omnichannel organization.

Successful Omnichannel Engagements Are Seamless Customer Experiences
Omnichannel experiences will ultimately involve sophisticated forms of personalization and loyalty programs. But for now, rethinking attribution and marketing impact are the most important near-term priorities, allowing you to optimize spend and align your brand's value proposition with customers' expectations.

People, Processes, And Profitability Must Be Part Of Your Omnichannel Fulfillment Vision
You can't check the omnichannel box by simply connecting online and offline transactions for products or services. If you leave operational capabilities unchanged after implementing omnichannel fulfillment capabilities, you risk disappointing customers and missing organizational goals.

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Omnichannel Touches Every Part Of The Enterprise

Cliché or not, omnichannel initiatives are still among the top priorities for digital business professionals.[1] Many think of omnichannel as those processes and actions that sustain customer engagement across channels and touchpoints based on customers' preferences, but Forrester's definition takes a more nuanced view, reflecting the need to address multiple areas of the customer experience:

> *Omnichannel commerce is the coordination of traditional channels (marketing, selling, and fulfillment) and supporting systems to create a seamless and consistent customer experience.*

Digital business professionals today are researching, planning, and implementing a wide range of omnichannel-related activities. For example, 79% of retail and brand professionals surveyed have implemented or have plans to implement "buy online, pick up in-store" (BOPIS) by the end of 2020, and an additional 10% have plans to implement within the next three years.[2] But omnichannel is more than just fulfillment, especially for industries outside retail. Transitioning fully from multichannel to omnichannel commerce requires digital businesses to evolve in four key areas (see Figure 1):

1. **A single enterprise-level view of the customer.** Delivering nearly every omnichannel capability — including engagement, fulfillment, and pricing — depends on your ability to identify a specific customer across your brand's entire ecosystem. Why? Omnichannel means seamless and consistent customer experiences. On the operational side, you need analytics that help you understand customers' behavior across channels to optimize programs. Digital business pros recognize that they must switch from legacy spreadsheet measurement techniques to advanced solutions that combine data across all conversion points and engagement channels to analyze their unified impact.[3]

2. **Seamless customer engagement.** Digital business pros must find ways to eliminate conversational breaks in the buying journey when a customer uses separate screens, channels, and technologies. For example, a customer uses a website's virtual agent to ask about product A, but a separate product recommendation tool is unable to use data from that interaction to suggest products that customers often buy with product A. To ensure that you optimize every part

of the customer journey, you must also address service as part of your omnichannel capabilities. Customers expect a consistent customer service experience across touchpoints: 38% of US online adults and 38% of UK online adults are motivated to use a retailer they have purchased products from before if that retailer offers good customer service.[4] However, only 30% of retail and brand professionals surveyed currently offer a "somewhat consistent" and 6% offer a "very consistent" cross-channel personalized experience across online and in-store touchpoints for their customers.[5]

3. **Anywhere, anytime fulfillment.** Customers routinely expect to be able to buy inventory in any channel and then pick the most convenient delivery method and place to complete that order. In fact, 69% of US online adults say it's important for a retailer to offer visibility into items that are available in the store, and 31% are less likely to visit a store if its in-store inventory isn't available online.[6] The good news? Shipping costs have been an issue since the advent of eCommerce, so it's good for your business when customers adopt omnichannel order methods like BOPIS rather than options where you need to subsidize shipping.

4. **Product and pricing parity.** Forrester estimates that digital touchpoints currently affect more than half of total US retail sales and almost as much of European retail sales, so you can't afford to lose sales because you can't allow customers to pay the same final price, regardless of where they choose to transact.[7] This "one brand to one customer" presentation consistency extends to pricing, which has unique challenges, given that it often varies based on location in B2C or a specific customer in B2B.[8] These challenges grow as companies attempt to apply markdowns, discounts, promotions, and even shipping offers to a customer's order.

FIGURE 1 Omnichannel Commerce Encompasses Four Key Business Capabilities

Omnichannel category	Examples of capabilities
View of the customer	• Enterprisewide customer data access • First- or third-party real-time data consolidation • Outside salesforce digital connectivity • Physical location data capturing • Value- or service-based loyalty programs
Engagement	• Cross-channel cart access • Cross-channel personalization • Web-driven clienteling • Mobile-assisted self-checkout • Contact center screen sharing
Fulfillment	• Buy online, pick up in-store (BOPIS) • Endless aisle • Ship-to-store • Ship-from-store • Buy online, return to store
Products and pricing	• In-store product customization/ship-to-home • Enterprise-level content consistency • In-store product reviews • Cross-channel individualized pricing • Single-use enterprise promotions/offers

Evolving Fully To Omnichannel Requires Changes Beyond Commerce Channels

Across industries — whether retail, banking, insurance, travel, utilities, or others — it's a priority to deliver omnichannel services and experiences. Digital business professionals are identifying, assessing, and investing where they believe the greatest ROI exists. However, we expect digital business pros to also focus on four other key aspects of omnichannel:

› **Organizational structures.** Today's consumer is digital and engages with brands everywhere — from websites to apps, stores to social media, and contact centers to conversational commerce channels. These diverse and complex customer journeys make it more important for organizations to reposition reporting, responsibility, and accountability to keep up with the customer through effective operational efficiencies, which also requires extensive investment in new corporate

structures and incentives. Unfortunately, many companies have work to do. For example, only 6% of retail and brand professionals strongly agree that their internal teams share common omnichannel strategy success goals.[9]

› **Marketing.** Rethinking attribution models is the most promising opportunity, particularly for companies that have very popular loyalty programs that can provide insights into users' specific behavior. Few companies feel they have mastered attribution analysis, but this will become less of an issue as they get better at capturing and analyzing data to better understand customers and the company's marketing impact.[10] Many digital business pros also express a keen interest in personalization through contextual marketing across channels. However, few have a clear vision of what that entails, other than product recommendations and content tailored to the local weather or sale preferences.[11]

› **Service.** Consumers love high-touch service, but organizations often must make tradeoffs between service and costs. Empowering sales and service associates with digital tools that allow them to connect with their customers digitally through email, text, and video is a great step. In the wake of the COVID-19 pandemic, retailers are getting creative with ways to maintain the role of the in-store associate. For example, in China the Alibaba platform, Taobao Live, allows associates to livestream products in stores straight to consumers' devices.[12] US-based clean beauty retailer Credo uses its "Credo Live" feature to keep customers connected with associates through live chat and virtual beauty consultations.[13]

› **Synergies.** As digital permeates consumers' lives, retailers are using digital touchpoints simultaneously to enable experiences that would be impossible for a single solution to accomplish. This is especially true with the ubiquity of mobile devices. By enabling a consumer's mobile device to work seamlessly with a smart car, a smart speaker, or even in a digitally enhanced store environment, brands are finding new and unique ways to provide value to customers. Best Buy is seeing positive results from its continued investment in its multiyear "New Blue" growth strategy that aims to "enrich [its customers'] lives through technology."[14] After Best Buy added new functionality to enhance its digital shopping platform, app visits were up 22% overall and usage of the app within stores was up approximately 17%.[15]

What It Means

Digital Transformation Will Drive Broader Omnichannel Initiatives

Digital business professionals have a laundry list of options to implement many different omnichannel areas and applications.[16] The COVID-19 pandemic in 2020 has highlighted the need for retailers to develop omnichannel culture and operations to serve customers and adapt to rapidly changing conditions. Our research guides digital business pros through a complex journey of transformation that must happen both in the short term and over many years:

› **More organizations will digitally transform — now with heightened urgency.** As many digital business pros prioritize moving their organizations to omnichannel, we expect them to invest in technology that enables this change in every aspect of their business, allowing them to plan, research, and improve both customer experiences and operational efficiencies. In 2020 we see retailers quickly adapting around immediate needs such as curbside and contactless fulfillment and delivery. However, organizations must now also develop a full-fledged strategy and roadmap for digital transformation to avoid running the organization off its business rails. Executing this change will involve people, processes, partnerships, digital technologies, and new metrics of success.

› **Functional silos will further diminish.** "We redefined what it means to work in a Target store to better serve an omnichannel guest with expertise and ownership that leads to really great service," explained Target's COO John Mulligan.[17] As they manage to COVID-19 over the course of 2020 and beyond, companies will monitor (and even reimagine) many aspects of their business and operations. To adapt rapidly to local, national, and global aspects of the COVID-19 pandemic — social distancing to supply chain — executives will expect all team members to be well versed in the digital technologies relevant to their business. CIOs will need to understand the nuances of the challenges that business users face as much as the technical options available for solving them. In the process, business technology teams will evolve from laptop troubleshooters to essential business partners whose skills will be critical to quickly and innovatively build new customer solutions and enable greater efficiency in offline and online environments.

› **Companies with offline touchpoints will have the most challenges and opportunities.** Physical commerce operators — whether banks, retailers, service stations, or restaurants — will face challenges like higher tech investment costs, staff training, and online/offline connectivity issues. Online commerce is the great equalizer, with digital barriers so low that competitors often quickly replicate any innovation. But offline channels have an advantage: the opportunity to perceptibly differentiate the customer experience. It may require more effort to build offline capabilities, but digital business pros have a real opportunity to surprise and delight the vast majority of consumers who engage through offline channels as part of the path to purchase.[18] As The Home Depot's CFO Richard McPhail notes: "With 90% of [the] US population living within 10 miles of [a] Home Depot store, they [the stores] provide us with a structural advantage that will likely never be replicated. As we unlock the power of the interconnected experience with our digital assets, we continue to drive strong sales productivity, and we're now at the highest level of sales per square foot in our history."[19]

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Endnotes

[1] Retailers have been talking about omnichannel investments for over a decade, but many retailers still don't have basic omnichannel capabilities in place. Thirty percent and 26% of retailers surveyed in 2020, for instance, are just now investing in tactics like "ship-from-store" and "buy online, pick up in-store," respectively. See the Forrester report "The State Of Retailing Online 2020: Marketing, Omnichannel, And Mobile."

[2] Source: Forrester's Q1 2020 Omnichannel Panel Survey.

[3] Today's increasingly complex media environment means once-reliable marketing performance measurement techniques, such as marketing mix and attribution models, fail to properly credit marketing tactics with a customer action. B2C marketers must embrace a new measurement standard — unified marketing impact analytics — that will measure marketing's entire value and identify the best ways to optimize customer interactions. See the Forrester report "Customer-Obsessed Marketing Demands Unified Measurement."

[4] Source: Forrester Analytics Consumer Technographics® North American Retail And Travel Topic Insights 2 Survey, 2019, and Forrester Analytics Consumer Technographics European Retail And Travel Topic Insights 2 Survey, 2019.

[5] Source: Forrester's Q1 2020 Omnichannel Panel Survey.

[6] Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact 1 Survey, 2019 (US).

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7 Forrester defines digital-impacted sales as the sum of digital-influenced sales (those researched online but purchased offline) and online retail sales. We estimated that 52% of all US retail sales in 2019 were digitally impacted, and we expect this to grow to 58% by 2023. See the Forrester report "Forrester Analytics: Digital-Influenced Retail Sales Forecast, 2018 To 2023 (US)."

Forrester estimated that 48% of all EU-7 retail sales would be digitally impacted by 2019 and expects this to grow to 55% by 2022. In this report, EU-7 refers to the following countries: France, Germany, Italy, the Netherlands, Spain, Sweden, and the UK. See the Forrester report "Forrester Data: Digital-Influenced Retail Sales Forecast, 2017 To 2022 (EU-7), Q1 2018 Update."

8 Three-quarters of US online adults expect retailers to keep their prices consistent between online and physical stores. Source: Forrester Analytics Consumer Technographics North American Retail And Travel Benchmark Recontact 1 Survey, 2019 (US).

9 Source: Forrester's Q1 2020 Omnichannel Panel Survey.

10 See the Forrester report "Customer-Obsessed Marketing Demands Unified Measurement."

11 Digital experience leaders prioritize redesigning their UX (58%) and delivering personalized experiences (40%). Source: Forrester's Q1 2018 Global Digital Experience Delivery Online Survey.

12 Source: Christine Chou, "Taobao Live Rethinks The Future Of Stores," Alizila, April 1, 2020 (https://www.alizila.com/taobao-live-rethinks-the-future-of-stores/).

13 Source: Liz Flora, "Coronavirus closings create virtual consultation uptick in beauty," Glossy, March 19, 2019 (https://www.glossy.co/beauty/coronavirus-closings-create-virtual-consultation-uptick-in-beauty).

14 Source: "Best Buy Co., Inc. (BBY) CEO Corie Barry Hosts Investor Update Meeting Conference (Transcript)," Seeking Alpha, September 26, 2019 (https://seekingalpha.com/article/4293614-best-buy-co-inc-bby-ceo-corie-barry-hosts-investor-update-meeting-conference-transcript).

15 Source: "Best Buy Co., Inc. (BBY) CEO Corie Barry on Q4 2020 Results - Earnings Call Transcript," Seeking Alpha, February 27, 2020 (https://seekingalpha.com/article/4327809-best-buy-co-inc-bby-ceo-corie-barry-on-q4-2020-results-earnings-call-transcript).

16 The omnichannel commerce playbook helps digital business professionals identify, plan, and launch those omnichannel services that are right for their customers, measure their impact on customer retention and the bottom line, and optimize offerings over time. The playbook is relevant for digital business professionals who are just starting their omnichannel journey as well as those who already have programs in place. See the Forrester report "Mastering The Art Of Omnichannel Retailing."

17 "Macy's recipe for success is eCommerce, healthy stores, and a great mobile experience that ties it all together," said Jeff Gennette, Macy's chairman and CEO. "It is our competitive moat. Our eCommerce business just completed another consecutive quarter of double-digit growth, driven by continued improvement to our online offering and experience." Source: "Macy's (M) CEO Jeff Gennette on Q3 2018 Results - Earnings Call Transcript," Seeking Alpha, November 14, 2018 (https://seekingalpha.com/article/4222252-macys-m-ceo-jeff-gennette-q3-2018-results-earnings-call-transcript?part=single).

18 Digital influence is a measure of digital research's effect on offline retail sales. By 2023, we expect digital touchpoints to influence 37% of US offline sales. Therefore, an online presence is vital to retailer success, especially when digitally influenced sales are nearly three times larger than online sales. See the Forrester report "Forrester Analytics: Digital-Influenced Retail Sales Forecast, 2018 To 2023 (US)."

19 Source: "The Home Depot, Inc. (HD) 2019 Investor and Analyst Conference Transcript," Seeking Alpha, December 12, 2019 (https://seekingalpha.com/article/4312051-home-depot-inc-hd-2019-investor-and-analyst-conference-transcript).

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