Customer Desires Vs. Retailer Capabilities: Minding The Omni-Channel Commerce Gap

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Executive Summary: Beware Of The False Summit

Omni-channel retail is fast becoming the norm. Consumers have heightened shopping expectations in the era of omni-channel; 71% expect to view in-store inventory online, while 50% expect to buy online and pick up in-store. However, only a third of retailers have operationalized even the basics such as store pickup, cross-channel inventory visibility, and store based fulfillment. Retailers who struggle to implement omni-channel initiatives online also experience challenges meeting customer expectations in offline channels. Thirty-nine percent of consumers are unlikely or very unlikely to visit a retailer's store if the online store does not provide physical store inventory information.

It's clear that today's consumers are focused on convenience, and they expect their retailer of choice to provide this convenience across all channels. For example, if a product is out of stock, customers would prefer to complete the purchase in-store and have it shipped to their home rather than go through the hassle of visiting another store, but only if the retailer is prepared to ship the item for free. There is a significant disconnect between what consumers want from an omni-channel retailer and the omni-channel capabilities that retailers are providing today.

In November 2013, Accenture and hybris software, an SAP company, commissioned Forrester Consulting to identify the challenges and obstacles that middle- and large-market multi-channel retailers face when deploying a successful omni-channel commerce strategy. The study was designed to highlight disconnects between retailer omni-channel tactics and consumer requirements; it was also designed to help retailers build a deeper understanding of the business case and framework for investing in omni-channel initiatives. In conducting in-depth surveys with 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives and 1,503 multi-channel shoppers, Forrester found that that only 6% of retailers reported no significant barriers to becoming an integrated omni-channel company. Internal technology challenges, organizational silos, and poor operational execution all thwart progress. Few retailers have defined financial business outcomes for investing in omni-channel. Instead, the primary drivers behind their omni-channel investment decisions are to meet customer expectations and respond to competitive pressures.

KEY FINDINGS

Forrester's study yielded four key findings:

› **Technology investment is critical to enabling exemplary omni-channel customer experience.** As consumers expect retailers to provide consistent and unparalleled service across all touchpoints, retailers must adopt new technologies that enable this higher level of service. In the case of omni-channel, technology investment is often needed to create product and inventory visibility, to enable sales associates to understand customer preferences and purchase history, and to enable the retail store to act as a local fulfillment center with pick, pack, and ship capabilities.

› **Omni-channel customer experience is now a brand differentiator.** Today, many retailers and branded manufacturers see omni-channel maturity as a key brand differentiator, with increased customer satisfaction, loyalty, and brand perception highlighted as the top benefits. This explains why the CMO, not the CIO, VP of eCommerce, or head of omni-channel, is most often responsible for the strategy and execution of omni-channel order fulfillment initiatives.

› **Many retailers have reached a false state of omni-channel comfort.** With approximately a third of retailers having invested in some level of omni-channel capabilities, it may seem like retailers are nearing completion of their omni-channel initiatives. Customer expectations are constantly increasing as consumers get more exposure to services such as free expedited delivery or capabilities like reserve online, pickup in-store. Features that only yesterday seemed game-changing are rapidly becoming the commonplace as consumers expect these elevated levels of service. Retailers must continually revisit and potentially rewrite their omni-channel strategy to innovate and excel in customer experience, rather than constantly trying to catch up with what their more nimble competitors have already done.

› **New titles alone won't cut it — retailers must abolish siloed channel strategies altogether.** Regardless of who is ultimately responsible for omni-channel, a successful strategy requires more than just deep cross-functional alignment. Many retailers today are going further by unifying their P&Ls, organizations, and technology to ensure an obsessive focus on the needs of the customer rather than the needs of legacy channel structures.

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Consumer Expectations For Omni-Channel Experience Intensify

Fifty-nine percent of consumers cited that shipping costs are their biggest consideration when buying online (higher than viewing rating and reviews from other customers).[1] Furthermore, when comparing identical products (at the same price) between online retailers, 75% of consumers said that the availability of free, expedited shipping will sway their purchase decision (see Figure 1). Leading online pure plays know this only too well — their subscription-based free shipping programs are designed to disrupt the world of online retail by making expedited shipping an (almost) free commodity for consumers. So far, this disruptive tactic is working; this holiday season, Amazon reported record growth of its Prime program with over 1 million new members signing up in the third week of December alone.[2]

Only a handful of the largest retail chains in the US have the customer base and supply chain infrastructure in place to try and compete directly with Amazon. Instead, traditional retailers are readying a strategic asset for battle — the local store. It turns out that having physical inventory close to the customer enables retailers to offer a flexible choice of fulfillment and return options to the consumer as well as shorter delivery times that can match those of the leading online pure plays. When asked about omni-channel priorities, the retailers surveyed for this study reported that omni-channel fulfillment initiatives ranked higher than any other channel integration program (see Figure 2).

Although the frenzy to turn the humble store into a multifunctional fulfillment and pickup hub is well underway; many retailers fail to recognize how elevated consumer expectations for these programs have become. Seventy-one percent of consumers cited that the ability to view inventory information for in-store products is important or very important, but yet today only 32% of the retailers we surveyed offer this capability online (see Figure 3).

Sales that are ultimately completed in stores, but influenced by the Web in some way (for example reserve-online, pick up in-store orders), are a growing part of overall retail sales. Forrester expects combined online and web-influenced retail sales to reach $1.8 trillion by 2017, up from $1.3 trillion in 2013.[3] Highlighting the importance of a seamless cross-channel experience, 73% of consumers stated that they are likely or very likely to visit a local store if the retailer provides in-store product availability information online, compared with 36% of customers who would visit a store if no inventory information was available online (see Figure 4). Consumers simply won't waste time going to a store without the certainty that the product(s) they want are in stock.

FIGURE 1

Leading Online Pure Plays Have Redefined Consumer Expectations For Shipping

"When buying online, if a product is available from multiple retailers at the exact same price, would any of the following shipping offers sway your purchase decision?"
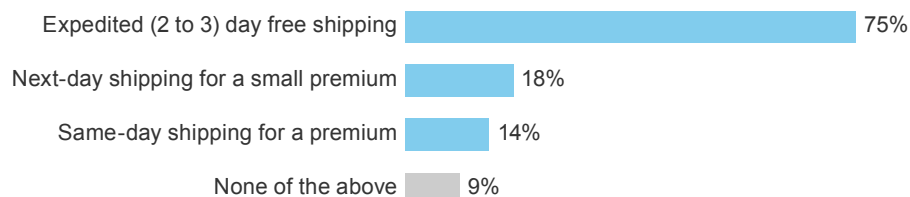
Expedited (2 to 3) day free shipping	75%
Next-day shipping for a small premium	18%
Same-day shipping for a premium	14%
None of the above	9%

Base: 1,503 multi-channel shoppers that have made a purchase in store or online in the past three months

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

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FIGURE 2
Cross-Channel Fulfillment Programs Top The List Of Priorities For Retailers

"Thinking about the omni-channel programs that you identified in the last question, please rank these programs in order of strategic priority for your company."

Legend: ▢ 1st ▢ 2nd ▢ 3rd ▢ 4th ■ 5th

Program	1st	2nd	3rd	4th	5th	Total
Buy online, pick up in-store	11%	14%	9%	5%	17%	56%
Buy in-store, ship to customer (from the distribution center or another store)	12%	6%	6%	18%	7%	49%
Making real-time in-store inventory information available online	17%	7%	8%	4%	10%	46%
Buy online, ship from store	18%	7%	10%	5%	5%	44%
Next-day delivery	4%	9%	11%	8%	6%	38%
Delivery scheduling capabilities by time of day	3%	4%	13%	7%	7%	34%
Buy in-store, pick up from another store	7%	15%	4%	4%	5%	34%
Reserve online, pick up and pay in store	8%	6%	5%	7%	5%	32%
Buy online, ship to store	5%	10%	7%	4%	4%	30%
Same-day delivery	5%	5%	3%	7%	4%	23%
Unified customer account and order history across channels (i.e., view offline orders, online)	2%	4%	6%	4%	7%	23%
Cross-channel loyalty card reward program (i.e., points can be earned and redeemed across channels)	4%	3%	6%	8%	3%	23%
Cross-channel returns or exchanges (i.e., buy online, return to a store)	1%	4%	5%	5%	5%	20%
Cross-channel gift cards purchase and redemption (i.e., buy online, redeem in a store)	2%	3%	3%	5%	4%	17%
Selling through third-party aggregators/online malls	1%	1%	3%	1%	2%	8%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

FIGURE 3
Accurate Delivery Estimates And Store Inventory Transparency Are Very Important When Shopping Online

"How important are the following capabilities while shopping online?"

Legend: ■ Very unlikely ▢ Neutral ▢ Very likely

Capability	Very unlikely		Neutral		Very likely
A clear indication of when items will arrive	3%	1%	11%	32%	51%
View the in-store inventory of products	5%	6%	16%	29%	42%
Store locator	7%	7%	20%	30%	34%
Buy online and have my order shipped to a store for pickup	11%	11%	22%	29%	25%
View recommendations based on past purchases and my interests/profile	11%	12%	23%	26%	25%
Buy online and pick up in store (available for me to collect same day)	12%	11%	24%	25%	25%
Reserve online, pick up, and pay in a store	13%	12%	22%	26%	23%
Buy online and pick up at a point of convenience (e.g., a locker or UPS store)	19%	15%	21%	21%	20%

Base: 1,503 multi-channel shoppers that have made a purchase in store or online in the past 3 months

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013
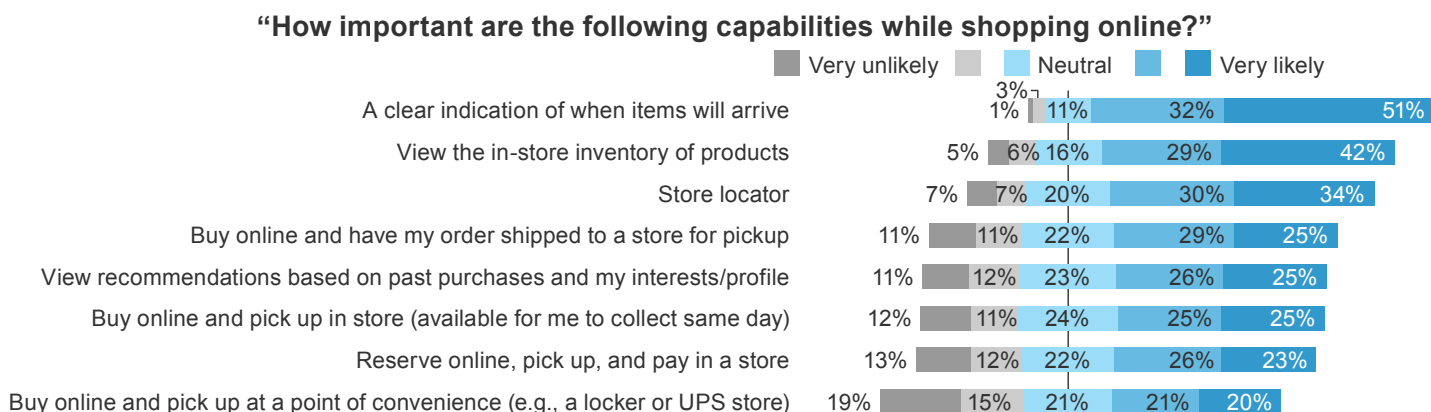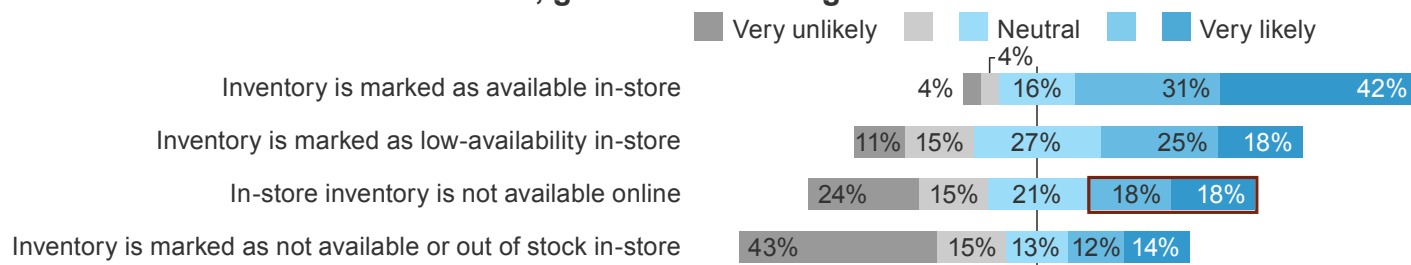
home delivery during a specified timeslot, while 40% and 34%, respectively, cited that they would be interested in options that allowed for orders to be picked up at a nearby post office or convenience store. Fifty-four percent of consumers cited that the ability to ship their orders to a local store (operated by the retailer) would be an important or very important online capability.

THE IN-STORE EXPERIENCE MATTERS IN THE DIGITAL AGE

In the age of the smartphone, consumers are self-empowered. Fifty-six percent of consumers have used their mobile device to research products at home, 38% have used their mobile device to check inventory availability while on their way to a store, and 34% have used their mobile device to research products while in a store. Despite the increasing trend of consumers using smartphones to research products (and pricing) in a store, 61% of the consumers we surveyed cited that they still value or highly value asking a sales associate for product recommendations, while 72% of consumers would be inclined to ask a sales associate if another store had a product in-stock (only 28% would prefer to self-fulfill this need on their mobile device).

Today's sales associates must be both masters of the store and of the digital domain. Sales associates are expected to be experts on the products that are offered in the store, but 45% of consumers also expect the sales associate to be knowledgeable about online-only products (see Figure 5). This perhaps explains why 69% of consumers expect that store associates be armed with a mobile device — in order to perform simple and immediate tasks such as looking up product information and checking inventory (see Figure 6). Although half of all consumers that visit a physical store expect the sales associate to be able look up product information for them, only 39% of retailers today have enabled this capability.

When shopping in a store, if a product is out of stock, 27% of consumers would be very likely to leave and visit another retailer's store, 21% would buy online from a different retailer and 21% would simply hold off buying the product (see Figure 7). However, stores that empower their associates to "save the sale" have a unique opportunity to disrupt these traditional consumer behaviors. When an associate can offer to ship an out of stock product to the consumer's home for free, a staggering 45% of consumers are very likely to take them up on the offer. Retailers should note that free is king — if the consumer has to pay for the shipping costs, only 12% of consumers are very likely to accept the offer.

FIGURE 5
Consumers Expect Store Associates To Be Evangelists For Products Available Both Online And Offline

"When shopping in a physical store, I expect the sales associate to . . ."

Be an expert on the products offered in-store	68%
Be an expert on the products offered both in-store and online	45%
Actively use the products offered	23%
Be knowledgeable about my preferences and past purchases	14%
None of the above	8%

Base: 1,503 multi-channel shoppers that have made a purchase in store or online in the past three months

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

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FIGURE 6

More Than Two-Thirds Of Consumers Expect Store Associates To Be Armed With A Mobile Device

"When shopping in a physical store, I expect the sales associate to have a mobile device that enables them to . . ."

I don't
31%

I do
69%

Expect the sales
associate to have
a mobile device

Look up product information	50%
Look up inventory at a nearby store	44%
Check additional store inventory (when the shelf is empty)	43%
Provide basic information such as return policy or warranty information	40%
Reserve products for me to pick up at a nearby store	33%
Perform a checkout for me	24%
Look up social recommendations and product reviews	15%
Look up my past purchases and make product recommendations	8%

Base: 1,503 multi-channel shoppers that have made a purchase in store or online in the past three months

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

FIGURE 7

If They Don't Have To Pay For Shipping, Consumers Are Happy For Retailers To Offer Up "Save The Sale"

"When shopping in a store for an item that is not in stock in that store, how likely are you to do the following?"

Very unlikely   Neutral   Very likely

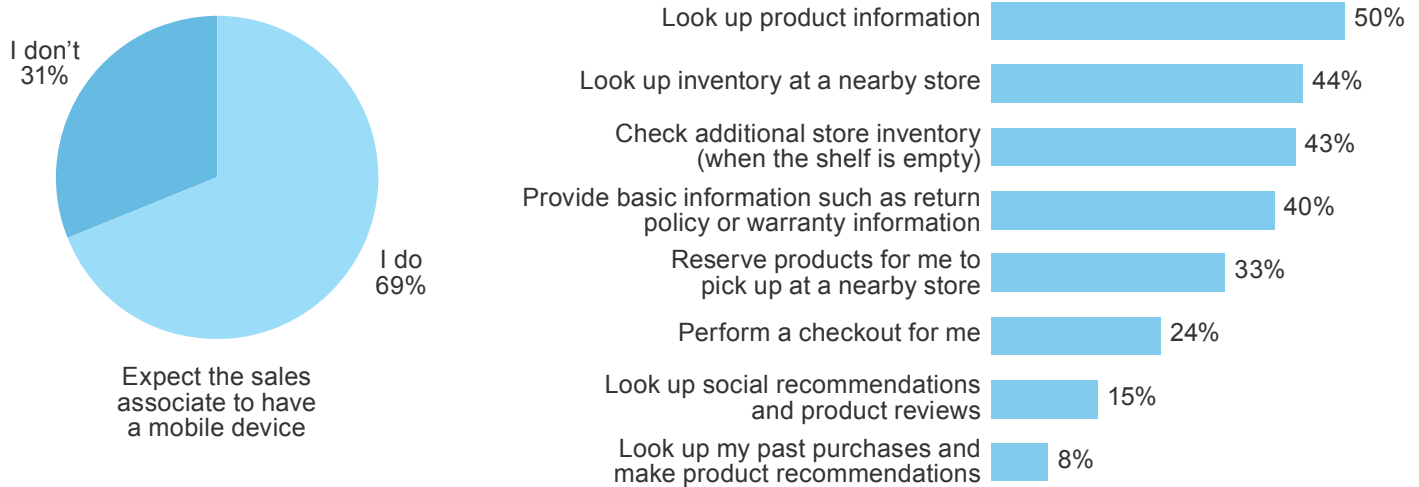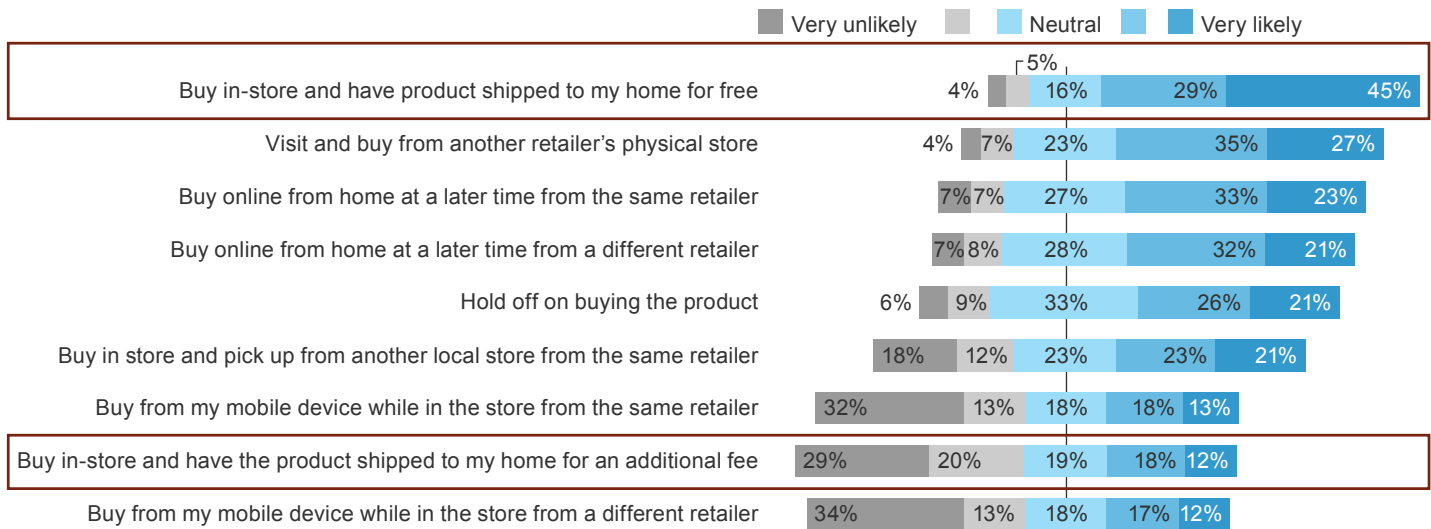|	Very unlikely		Neutral	Very likely	
Buy in-store and have product shipped to my home for free	4%	5%	16%	29%	45%
Visit and buy from another retailer's physical store	4%	7%	23%	35%	27%
Buy online from home at a later time from the same retailer	7%	7%	27%	33%	23%
Buy online from home at a later time from a different retailer	7%	8%	28%	32%	21%
Hold off on buying the product	6%	9%	33%	26%	21%
Buy in store and pick up from another local store from the same retailer	18%	12%	23%	23%	21%
Buy from my mobile device while in the store from the same retailer	32%	13%	18%	18%	13%
Buy in-store and have the product shipped to my home for an additional fee	29%	20%	19%	18%	12%
Buy from my mobile device while in the store from a different retailer	34%	13%	18%	17%	12%

Base: 1,503 multi-channel shoppers that have made a purchase in store or online in the past three months

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

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ENABLING STORES TO FULFILL ONLINE ORDERS HELPS IMPROVE CUSTOMER SATISFACTION AND ONLINE CONVERSION METRICS

Thirty-three percent of the retailers we surveyed already support fulfillment of online orders from their physical stores. Out of this group, 90% are expecting store-based fulfillment to account for up to 35% of their total online order volume. Eighty percent of these retailers also plan to enable up to 80% of their stores for store-based fulfillment. The business case for enabling store-based fulfillment spans revenue, operational, and customer satisfaction metrics. Ninety-three percent of retailers cited that enabling ship-from-store had resulted in a positive or significantly positive uplift in online revenue, 77% cited it had reduced or significantly reduced their fulfillment costs, and 88% cited it had improved or significantly improved their customer satisfaction metrics.

"Enabling fulfillment from stores has been a huge advantage for our business. We were able to cut shipping costs by 18% while driving up revenue by 20%."
Operations manager, books/media retailer

"Omni-channel fulfillment programs can give store-based retailers an advantage over online pure plays, but as it stands today most retailers are not yet in a position to fully leverage their stores."
VP eCommerce, apparel retailer

Beyond the obvious ability to increase online conversions (by sourcing products from stores when the online distribution center is out of stock), our study revealed two other primary reasons why savvy retailers are investing in ship-from-store programs (see Figure 8):

> **Quicker delivery times.** In the fight against online pure plays, the ability to get orders to the customer quickly is a vitally important weapon. When retailers can fulfill a product from a location that is in geographic proximity to the customer, not only can retailers potentially reduce their shipping costs (35% of retailers cited this a top 3 reason), but more importantly they can get the products to the customer much quicker — often next day (57% cited this a top 3 reason).

> **Reduce store markdowns.** Sophisticated algorithms (commonly provided as a part of an order management

FIGURE 8
Store-Based Fulfillment Drives Customer Satisfaction And Improves Margins

"You mentioned that you already (or are planning to) support the fulfillment of online (web) orders from stores. Please identify the top 3 reasons you decided to invest in a ship-from-store program."

Reason	1st	2nd	3rd	Total
To enable us to reduce the time it takes to be delivered to customers	29%	17%	11%	57%
To reduce store markdowns by routing online orders to stores with slow item turnover or excessive inventory risk	12%	26%	9%	46%
To enable our online channel to sell products that currently are only available in stores	16%	15%	13%	43%
To optimize our shipping costs by fulfilling online orders from location(s) closer to the customer's delivery address	11%	13%	11%	35%
To reduce online cart abandonment by sourcing out-of-stock products from store inventory	18%	7%	8%	32%
To reduce the workload on our web distribution centers	2%	3%	22%	27%
To enable us to offer same-day shipping for certain products ordered online	4%	7%	11%	21%
To lower our distribution center inventory carrying costs	4%	6%	8%	18%
To prevent the need for items returned to stores to be shipped back to our distribution centers	2%	6%	5%	12%
To increase inventory turnover in our stores	3%	3%	5%	11%

Base: 200 US and European retail and manufacturing decision-makers involved in digital commerce initiatives who support (or plan to support) the fulfillment of online orders from stores ("Don't know" excluded)
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

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platform) can determine in real time if any stores have excessive inventory or slow-turning inventory positions that match the item(s) ordered online. If so, these orders can be routed to these stores, even if the web distribution center also has inventory. This capability can have a profound impact on store markdowns later in the season.

Most Retailers Are Playing Catch-Up

Although omni-channel execution is undoubtedly now a top priority, alarmingly 55% of the retailers we surveyed cited that their investments have been driven by customers already expecting mature omni-channel capabilities and the need to play catch-up with their competitors (see Figure 9).

Beyond the need to meet customer expectations, 39% of the retailers we surveyed cited that they strongly agreed that they would drive more sales and profit by becoming an omni-channel company (see Figure 10). The problem, however, is that many retailers lack clear goals for what they are trying to achieve. Not all initiatives can or should be measured using the same metrics. Retailers must group initiatives based on intended outcomes, for example, revenue growth, customer experience, or cost efficiencies. Once the goal for each has been established then measurement can occur, which in turn can help retailers prioritize future investments and identify the innovative game-changing initiatives from the white elephants in the room.

FIGURE 9

Customer Expectations And Competitive Pressures Are Driving Investment In Omni-Channel Initiatives

"What would you say are the primary drivers behind your organizations investment in omni-channel initiatives?"

(Select all that apply)
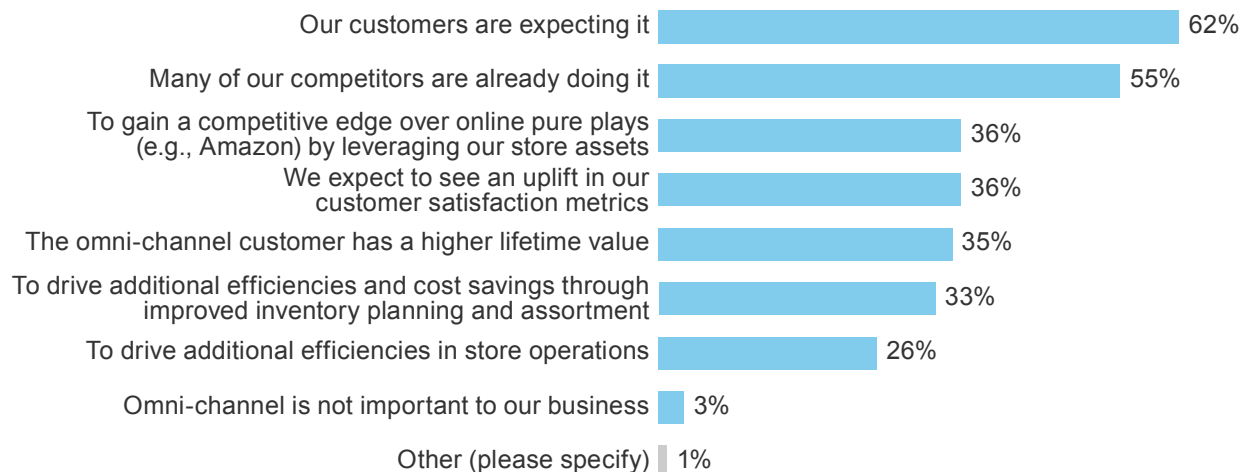
Our customers are expecting it	62%
Many of our competitors are already doing it	55%
To gain a competitive edge over online pure plays (e.g., Amazon) by leveraging our store assets	36%
We expect to see an uplift in our customer satisfaction metrics	36%
The omni-channel customer has a higher lifetime value	35%
To drive additional efficiencies and cost savings through improved inventory planning and assortment	33%
To drive additional efficiencies in store operations	26%
Omni-channel is not important to our business	3%
Other (please specify)	1%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

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"Which of the following statements do you strongly agree with?"

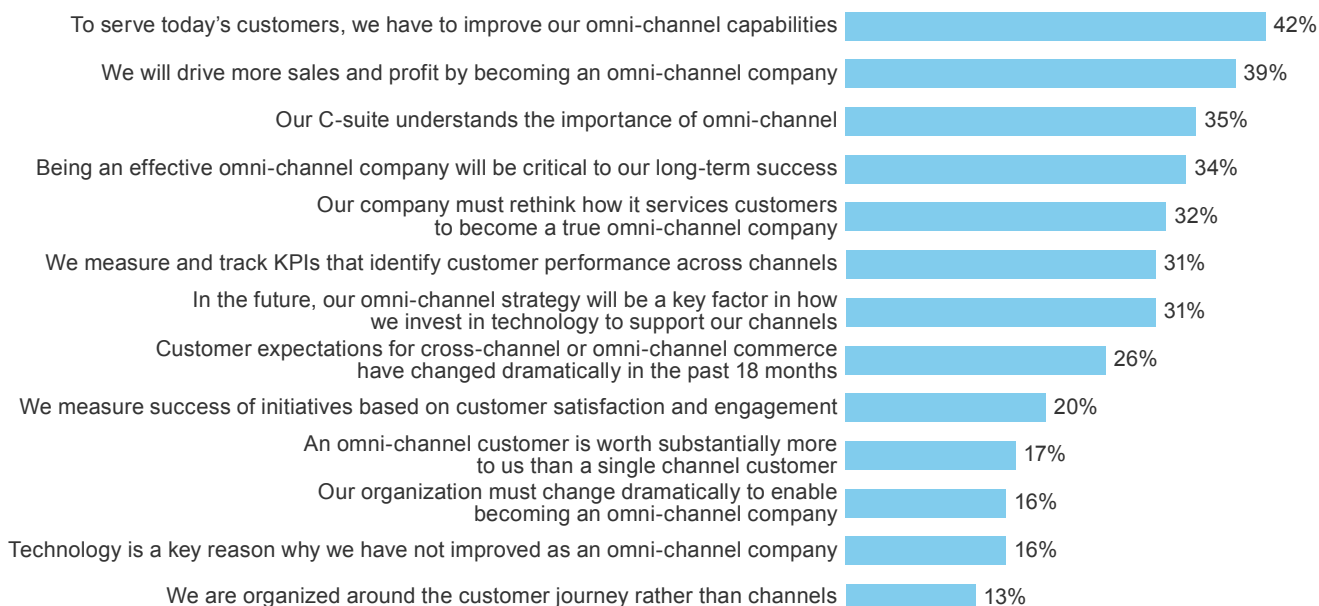| Statement	%
To serve today's customers, we have to improve our omni-channel capabilities	42%
We will drive more sales and profit by becoming an omni-channel company	39%
Our C-suite understands the importance of omni-channel	35%
Being an effective omni-channel company will be critical to our long-term success	34%
Our company must rethink how it services customers to become a true omni-channel company	32%
We measure and track KPIs that identify customer performance across channels	31%
In the future, our omni-channel strategy will be a key factor in how we invest in technology to support our channels	31%
Customer expectations for cross-channel or omni-channel commerce have changed dramatically in the past 18 months	26%
We measure success of initiatives based on customer satisfaction and engagement	20%
An omni-channel customer is worth substantially more to us than a single channel customer	17%
Our organization must change dramatically to enable becoming an omni-channel company	16%
Technology is a key reason why we have not improved as an omni-channel company	16%
We are organized around the customer journey rather than channels	13%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives
(multiple responses accepted)
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

Organizational, Technical, And Operational Barriers Remain Hard To Overcome

Only 6% of the retailers we surveyed reported no significant barriers to becoming an integrated omni-channel company. The list of challenges that retailers face is considerable, but can be broadly categorized under three themes (see Figure 11):

› **Organizational and ownership challenges.** The status quo of siloed online and offline groups prevent innovative omni-channel programs from seeing the light of day. There are many stakeholders involved in the strategy and execution of omni-channel. Most prominent are the CMO, SVP eCommerce, head of omni-channel, CIO, head of sales, and head of supply chain. Despite the fact that 46% of the retailers we surveyed cited that they already have a dedicated omni-channel team that includes members of all functions, fundamental silo barriers and conflicting priorities remain with 34% of respondents reporting that

conflict between channel organizations is still a major barrier to success. When dealing with the attribution of cross-channel sales (e.g., buy online, pick up in-store), only 16% of retailers reported that attribution of the sale revenue is irrelevant, focusing on the entire customer experience rather than channel revenues (see Figure 12). Interestingly, 16% of retailers still attribute revenue between channels, while 31% and 21%, respectively, attribute revenue from such sales exclusively to the online or store channels. The reality is that only a few retailers have yet completely dismantled their online, offline, and mobile channel silos, implementing a single retail P&L with an associated organizational structure for all sales regardless of channel.

"We don't attribute sales across channels because we don't have the capabilities in place to track this. Understanding where to invest in omni-channel is challenging because of this."
Director corporate purchasing, large home goods retailer

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› **Technology and integration challenges.** Forty percent of retailers reported that they have difficulty integrating back-office technology across channels. One example of this is the need to have a consolidated, accurate view of real-time inventory across stores and distribution centers. Only 32% of retailers currently expose real-time store inventory online despite the fact that 71% of consumers cited this capability as important or very important when shopping online. Executing on this capability, however, is inherently complex and typically requires a retail order management system to be integrated with existing legacy POS, eCommerce, ERP, and retail mainframe systems. Retailers have aggressive technology investment plans (35% cited lack of digital commerce technology as a barrier to success) to enable the rollout of omni-channel programs. However, the implementation timelines for this enabling technology are often lengthy (see Figure 13). As a result, many retailers are simply paralyzed; unable to implement simple capabilities like store pickup despite the fact that their customers already have basic expectations for these capabilities.

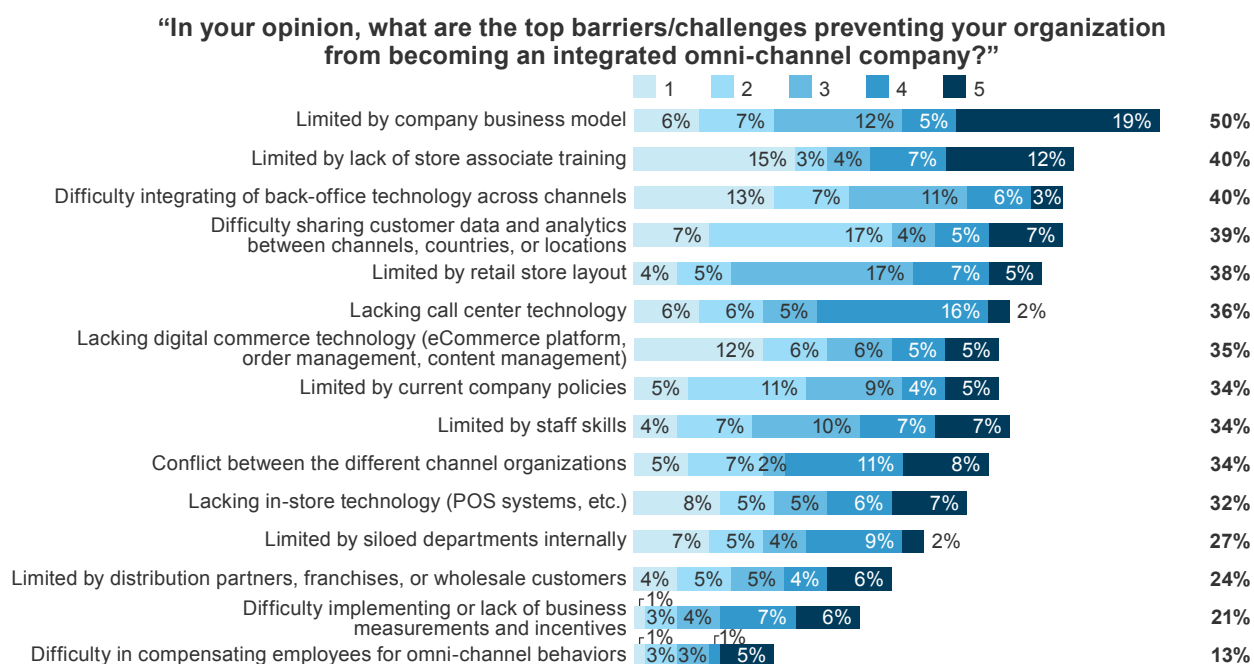› **Operational and execution challenges.** Forty percent of retailers reported that store associate training is a major barrier to omni-channel success. Hourly paid associates today are expected to be not only sales associates, but also product evangelists, customer service advocates, and distribution experts. Few retailers have made the necessary training investments to enable their store associates to effectively perform all these tasks. One such example is that 48% of retailers that have rolled out ship-from-store programs are challenged or very challenged with picking accuracy, and 44% struggle to find the resources in-store to perform these pick-and-pack tasks in a timely fashion (see Figure 14).

> "Fulfill from store is the hardest to execute for two reasons. First, enabling inventory visibility across the enterprise is difficult. Second, managing the store operations around pick, pack, and ship creates challenges in both technology and operations. For instance, what tools will associates use to manage the in-store fulfillment process, and what is the optimal time for them to tackle these tasks? These are answers that are unknown today and will require a good amount of agility to solve."
>
> *VP eCommerce, apparel retailer*

FIGURE 11
Numerous Challenges Lurk On The Journey To Omni-Channel Maturity

"In your opinion, what are the top barriers/challenges preventing your organization from becoming an integrated omni-channel company?"

	1	2	3	4	5	Total
Limited by company business model	6%	7%	12%	5%	19%	50%
Limited by lack of store associate training		15%	3% 4%	7%	12%	40%
Difficulty integrating of back-office technology across channels		13%	7%	11%	6% 3%	40%
Difficulty sharing customer data and analytics between channels, countries, or locations	7%		17%	4% 5%	7%	39%
Limited by retail store layout	4%	5%	17%	7%	5%	38%
Lacking call center technology	6%	6%	5%	16%	2%	36%
Lacking digital commerce technology (eCommerce platform, order management, content management)		12%	6%	6%	5% 5%	35%
Limited by current company policies	5%	11%	9%	4%	5%	34%
Limited by staff skills	4%	7%	10%	7%	7%	34%
Conflict between the different channel organizations	5%	7% 2%	11%		8%	34%
Lacking in-store technology (POS systems, etc.)	8%	5%	5%	6%	7%	32%
Limited by siloed departments internally	7%	5% 4%	9%	2%		27%
Limited by distribution partners, franchises, or wholesale customers	4%	5%	5% 4%	6%		24%
Difficulty implementing or lack of business measurements and incentives	1% 3%	4%	7%	6%		21%
Difficulty in compensating employees for omni-channel behaviors	1% 1% 3% 3%	5%				13%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

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FIGURE 12
Confusion Over Revenue Attribution Between Channels Exists

"How does your company attribute revenues generated through an omni-channel offering such as buy online/pickup in-store or an online order placed in a store by an associate or kiosk?"

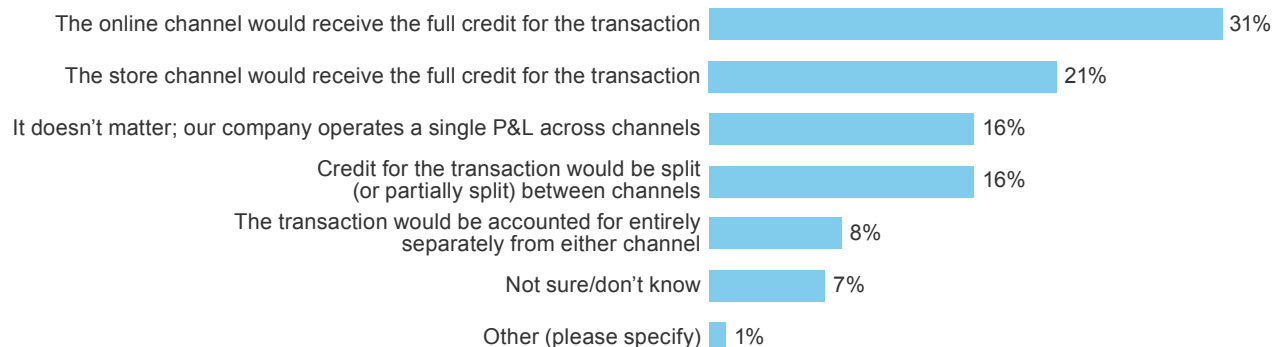|	
The online channel would receive the full credit for the transaction	31%
The store channel would receive the full credit for the transaction	21%
It doesn't matter; our company operates a single P&L across channels	16%
Credit for the transaction would be split (or partially split) between channels	16%
The transaction would be accounted for entirely separately from either channel	8%
Not sure/don't know	7%
Other (please specify)	1%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

FIGURE 13
Retailers Are Committing To Massive Omni-channel Technology Investments Over The Next 18 Months

"Which of the following technology platforms does your firm use today or plan to use in the future to support your omni-channel program rollout?"

Legend:
- Use and operate today
- Currently under implementation
- Plan to invest within the next 6 months
- Plan to invest within the next 12 months
- Plan to invest within the next 18 months
- We are not planning to invest

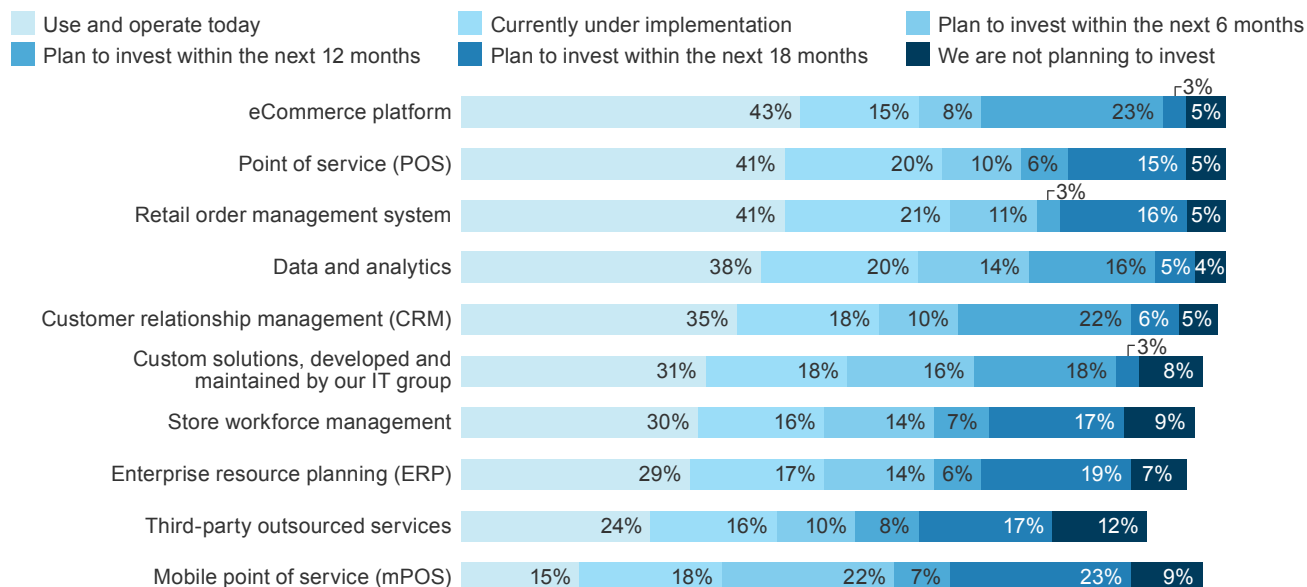|	Use and operate today	Currently under implementation	Plan to invest within the next 6 months	Plan to invest within the next 12 months	Plan to invest within the next 18 months	We are not planning to invest
eCommerce platform	43%	15%	8%	3%	23%	5%
Point of service (POS)	41%	20%	10%	6%	15%	5%
Retail order management system	41%	21%	11%	3%	16%	5%
Data and analytics	38%	20%	14%	16%	5%	4%
Customer relationship management (CRM)	35%	18%	10%	22%	6%	5%
Custom solutions, developed and maintained by our IT group	31%	18%	16%	18%	3%	8%
Store workforce management	30%	16%	14%	7%	17%	9%
Enterprise resource planning (ERP)	29%	17%	14%	6%	19%	7%
Third-party outsourced services	24%	16%	10%	8%	17%	12%
Mobile point of service (mPOS)	15%	18%	22%	7%	23%	9%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

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FIGURE 14
Inventory And Packing Accuracy Plague Ship-From-Store Program Rollouts

"You mentioned that you already (or are planning to) support the fulfillment of online (web) orders from stores. How challenging were (or do you expect) the following during the rollout of the program?"

Legend: ■ Very easy ■ Neutral ■ Very challenging

Category	Very easy	Neutral		Very challenging
Accuracy of inventory data (are items actually on the shelf)	6%	14%	28%	43% 9%
Workflow management needed to pick, pack, and ship in stores	7%	20%	24%	43% 6%
Accuracy of picking (are the right products being picked and packed)	7%	21%	23%	40% 8%
Availability of staff for picking operations	10%	20%	25%	23% 21%
Changes to associate compensation/incentive programs	8%	18%	25%	22% 22%
Training of store associates	11%	14%	38%	34% 3%
Program buy-in by store managers	13%	15%	28%	36% 6%
Finding store real estate for packing operations	13%	18%	26%	31% 9%
Quality of packing by store associates	9%	19%	46%	17% 6%

Base: 200 US and European retail and manufacturing decision-makers involved in digital commerce initiatives who support (or plan to support) the fulfillment of online orders from stores ("Don't know" excluded)
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris software, November 2013

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Key Recommendations

Despite massive investments (technology, people, and process), retailers are struggling to even come close to meeting the omni-channel expectations of their customers. Forrester's in-depth surveys and interviews with retail omni-channel decision-makers yielded several important observations that represent key success factors for savvy omni-channel retailers to embrace:

› **Stop playing catch-up and start integrating your channels now.** It is crystal clear that consumer expectations are rapidly shifting, and today's consumer demands an integrated omni-channel experience. This is not to say that every retailer needs to implement all derivatives of omni-channel fulfillment. However, by actively assessing your customer's needs and establishing a process for integrating new omni-channel capabilities that meet these needs, retailers can begin to learn what initiatives have the greatest impact on their business. Retailers need to stop focusing on siloed channel strategies and start ensuring that they are meeting the needs of consumers wherever, whenever, and however they want. Those retailers that take a wait-and-see approach to omni-channel initiatives risk missing the expectations of their customers today.

› **Leverage technology to enable a seamless experience.** To realize the benefits from omni-channel initiatives, retailers must integrate enterprise systems such as order management (OMS), point of sale (POS), and customer relationship management (CRM) seamlessly into all channels. This integration allows for inventory to be visible and available in all touchpoints, and enables the retailer to leverage key customer data at the moment the customer is ready to make a purchase decision.

› **Create a cross-functional omni-channel leadership team.** The benefits of omni-channel commerce are far reaching and impact direct sales, customer satisfaction, and even brand perception. Although some organizations have established a singular omni-channel lead, many constituents must be at the table when planning and executing an omni-channel commerce strategy. Retailers should create an omni-channel leadership team that is appropriate for their business; they will need to balance the desire to have buy-in from multiple functions with the ability to be agile and move quickly. One size does not fit all organizations.

› **Establish clear goals that bridge the gap between your customer's expectations and your existing capabilities.** Assessing the strength of your competitors is a critical function of business strategy and omni-channel planning. However, a larger opportunity exists by focusing on the specific needs of your customers. Retailers should be actively engaging their customer base through primary and secondary research to understand their omni-channel needs today and in the future. Based on the specific needs of your customers, retailers can then establish a set of clear goals and success metrics.

› **Create success metrics and incentive structures that drive omni-channel results.** Retailers are still struggling with aligning teams on a singular set of success metrics that more closely match up with the needs of the omni-channel customer. Retailers should revisit incentive structures in all channels and align these incentives based on the omni-channel goals. Also, retailers should consider a single P&L that merges both the online and offline channels into a single income statement. This alignment often leads to customer-centric goals that are universal across all channels.

› **Understand that success may take longer to see.** It seems that every retailer is competing against online pure plays. One of their strengths is their discipline to invest today based on a longer view of success. Investing in omni-channel retail requires retailers to recognize that customer expectations are rapidly transforming, and that technology solutions are also evolving to meet changing consumer needs. This is an ongoing cycle rather than a linear journey, and retailers should be prepared to invest today with the understanding that the return on investment may occur over time.

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› **Turn your physical store into a service and engagement center.** The role of the physical store is evolving rapidly. Along with leveraging the store as a strategic asset in the fulfillment of product, the store and its employees are being asked to offer an elevated level of service to consumers. Customers expect sales associates to be digitally connected with access to a seemingly endless array of information, and these customers expect the sales associate to be an expert on both online and offline products. The role of the sales associate must pivot from simply providing information to providing engagement with customers. In order to enable this capability, retailers must provide content and commerce technology solutions that leverage the information and inventory across the entire retail enterprise.

› **Remain agile.** Retailers are on a journey where the end result is always in flux. The proliferation of mobile devices and the connected customer is a recent phenomenon; however, over just a few years the transformation of customer expectations has dramatically changed. It is still the early days in the digital economy, and retailers that embark on an omni-channel transformation must remain flexible to rapid changes. Retailers should establish an Agile development methodology that encourages rapid prototyping and should also encourage employees to surface (and in some cases develop) solutions that meet the rapidly changing needs of customers.

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Appendix A: Methodology

In this study, Forrester conducted an online survey of 256 retail and manufacturing organizations in the US, UK, France, and Germany to evaluate retail omni-channel attitudes and capabilities. Survey participants included decision-makers involved in digital commerce initiatives. Forrester also conducted interviews with eight decision-makers involved in digital commerce initiatives at retail and manufacturing organizations. Respondents were offered an incentive as a thank you for time spent interviewing. To complement this research, Forrester also conducted an online survey of 1,503 multi-channel shoppers who have made a purchase in a store or online in the past three months to evaluate consumer attitudes toward multi-channel retail capabilities. The study began in November 2013 and was completed in December 2013.

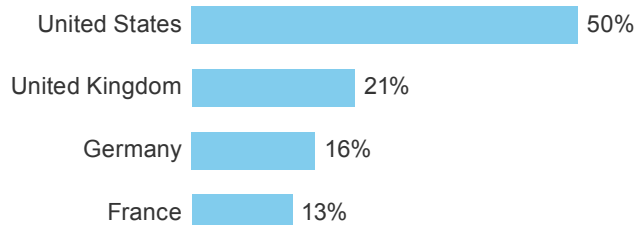# Appendix B: Supplemental Material

RELATED FORRESTER RESEARCH

"US Cross-Channel Retail Forecast, 2012 To 2017," Forrester Research, Inc., October 29, 2013

"Trends 2013: US Retail eBusiness," Forrester Research, Inc., April 4, 2013

Appendix C: Demographics/Data

FIGURE 15
Retailer Survey Demographics: Company Location And Size

"In which country is your organization headquartered?"

United States	50%
United Kingdom	21%
Germany	16%
France	13%

"Using your best estimate, how many full-time employees does your company have worldwide?"
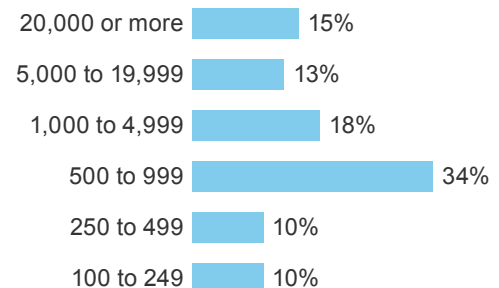
20,000 or more	15%
5,000 to 19,999	13%
1,000 to 4,999	18%
500 to 999	34%
250 to 499	10%
100 to 249	10%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris, November 2013

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FIGURE 16
Retailer Survey Demographics: Industry And Sales Channels

"Which of the following best describes the industry to which your company belongs?"

Branded manufacturing 5%
Retail 51%
Consumer product manufacturing (CPG) 44%

"Which of the following channels does your organization currently sell and market through?" (Select all that apply)

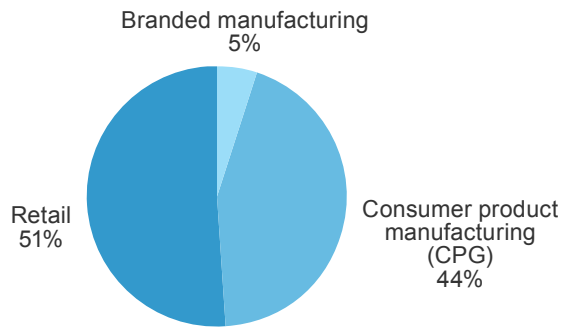|	
Corporate-owned stores	83%
Online (direct to consumer)	66%
Wholesale (e.g., department stores)	57%
Franchised stores	37%
Catalog	30%
Phone (contact center)	29%
Store-within-a-store	15%
Standalone kiosks	11%
Other (please specify)	1%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives
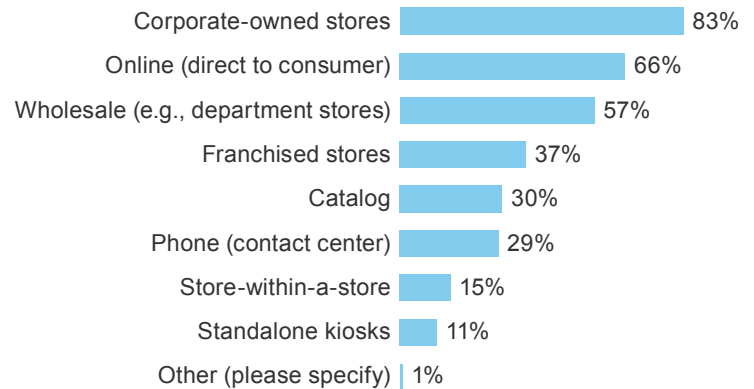Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris, November 2013

FIGURE 17
Retailer Survey Demographics: Title And Department

"Which title best describes your position at your organization?"

C-level executive (e.g., CEO, CMO)	42%
Vice president (in charge of one/several large departments)	15%
Director or senior manager (manage a team of managers and high-level contributors)	20%
Manager (manage a team of functional practitioners)	20%
Project manager (manage ad hoc project teams)	3%

"Which of the following most closely describes the department you work in?"

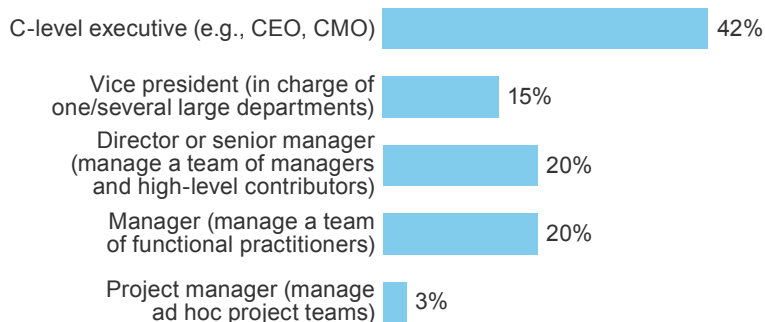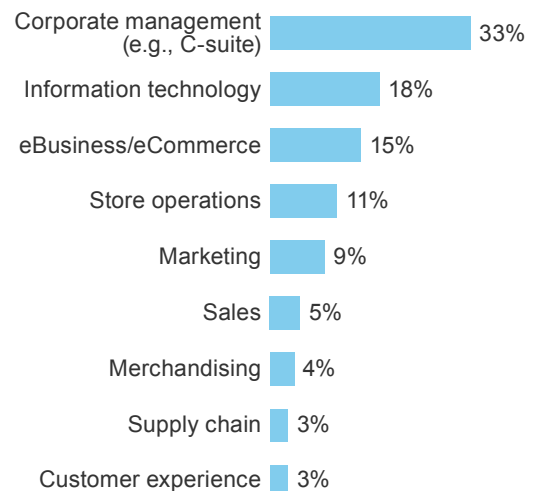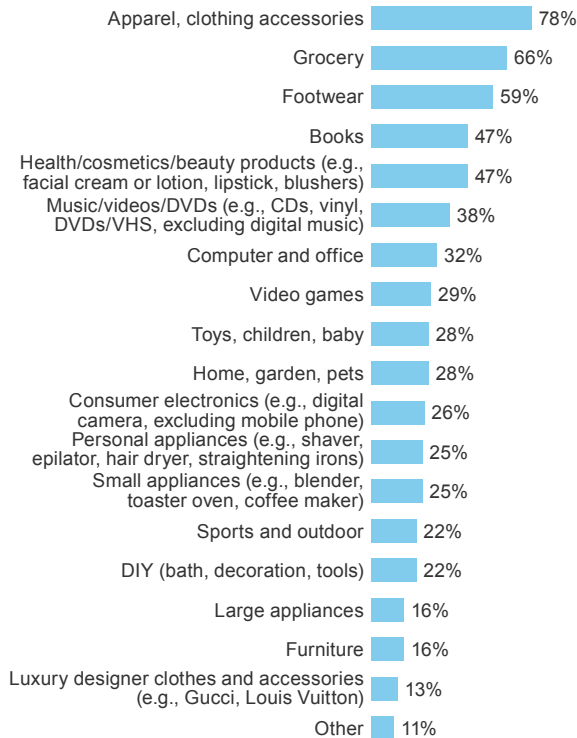|	
Corporate management (e.g., C-suite)	33%
Information technology	18%
eBusiness/eCommerce	15%
Store operations	11%
Marketing	9%
Sales	5%
Merchandising	4%
Supply chain	3%
Customer experience	3%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris, November 2013

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FIGURE 18
Consumer Survey Demographics: Products Purchased And Channels Used

"In the past 3 months, which of the following categories of products have you purchased either in stores or online?"

Category	Percentage
Apparel, clothing accessories	78%
Grocery	66%
Footwear	59%
Books	47%
Health/cosmetics/beauty products (e.g., facial cream or lotion, lipstick, blushers)	47%
Music/videos/DVDs (e.g., CDs, vinyl, DVDs/VHS, excluding digital music)	38%
Computer and office	32%
Video games	29%
Toys, children, baby	28%
Home, garden, pets	28%
Consumer electronics (e.g., digital camera, excluding mobile phone)	26%
Personal appliances (e.g., shaver, epilator, hair dryer, straightening irons)	25%
Small appliances (e.g., blender, toaster oven, coffee maker)	25%
Sports and outdoor	22%
DIY (bath, decoration, tools)	22%
Large appliances	16%
Furniture	16%
Luxury designer clothes and accessories (e.g., Gucci, Louis Vuitton)	13%
Other	11%

"In the past 3 months, which of the following tasks have you performed?"

Task	Percentage
Researched a product online while at home	91%
Purchased a product online while at home	86%
Purchased a product while in a store	65%
Researched a product while in a store	45%
Researched a product online while on the go	26%
Purchased a product online while on the go	16%

Base: 256 US and European retail and manufacturing decision-makers involved in digital commerce initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture and hybris, November 2013
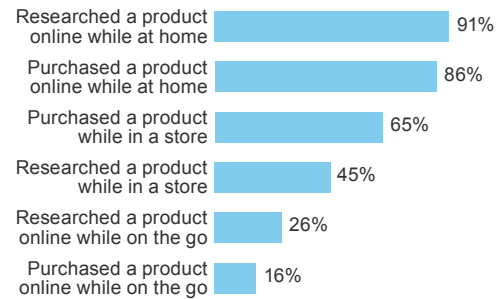
Appendix D: Endnotes

[1] Source: "Free Shipping Continues To Be Every Retailer's Frenemy," Forrester Research, Inc., October 7, 2013.

[2] Source: Ben Fox Rubin, "Amazon Says Prime Membership Has Record Holiday Season," The Wall Street Journal, December 26, 2013 (http://online.wsj.com/news/articles/SB10001424052702304483804579282160670320846).

[3] Source: "US Cross-Channel Retail Forecast, 2012 To 2017," Forrester Research, Inc., October 29, 2013.

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