WORKBOOK 2016

OMNI-CHANNEL

Report Card

**DIGITAL CHANNELS ARE INCREASINGLY MORE IMPORTANT
IN THE BATTLE FOR CONSUMER DOLLARS**

How does your brand stack up?

As a retailer, you know your digital channels are important. Your website, mobile site, app are all critical to compete in today's marketplace—but do you know how critical?

Did you know that 63% of shoppers are likely or very likely to visit a retail store after checking local store inventory, and this year alone, digital channels will influence more than 50% of all retail sales, according to Forrester Research.
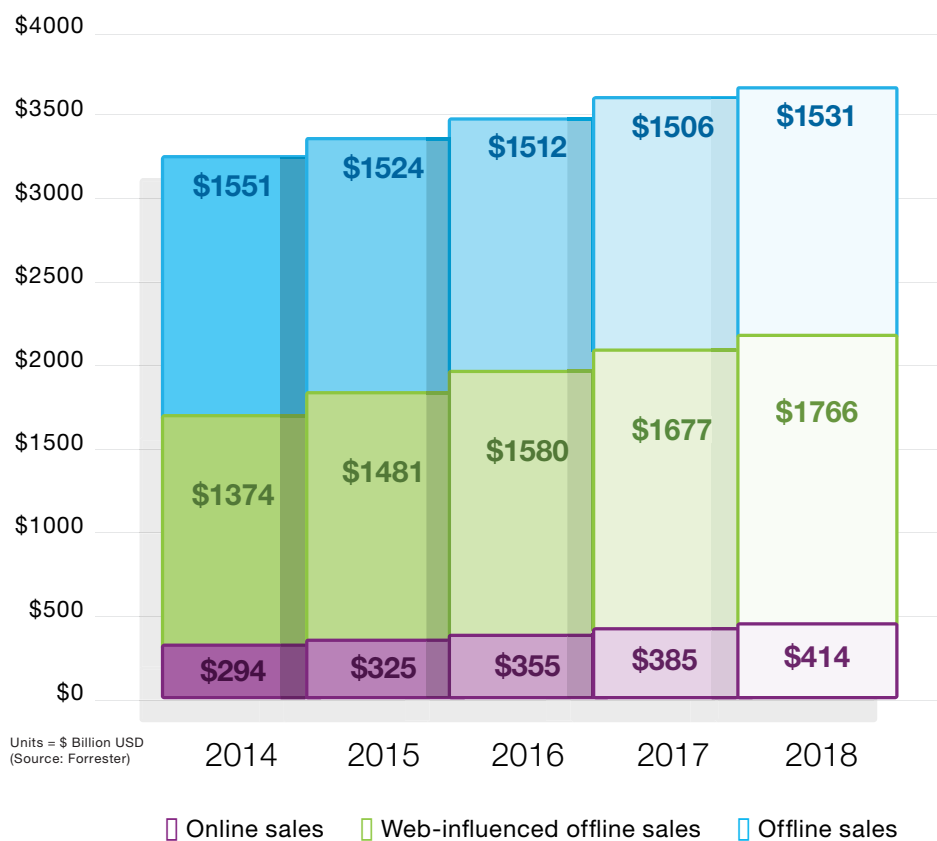
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How do *you* stack up?

In Q4 2015, IBM conducted the U.S. Omni-channel Customer Experience Index (OcCEI) Study to assess how major US retailers are performing in the area of Omni-channel services. By "secret shopping" the top 100 multi-channel retailers in the United States, IBM created a benchmark of a retailer's current performance versus a set of criteria defined by today's customers. With the tools in this assessment, you can take advantage of this methodology to review your brand's proficiency in seven critical areas and understand how your eCommerce efforts compare to those in your segment, both by area and in total.

PROPORTION OF CROSS CHANNEL SALES - U.S. MARKET

Year	Online sales	Web-influenced offline sales	Offline sales
2014	$294	$1374	$1551
2015	$325	$1481	$1524
2016	$355	$1580	$1512
2017	$385	$1677	$1506
2018	$414	$1766	$1531

Units = $ Billion USD
(Source: Forrester)

◻ Online sales ◻ Web-influenced offline sales ◻ Offline sales

Completing the assessment

While the key areas of assessment will vary based on your category or product(s) sold, most retailers should systematically review at least the following seven areas:

▷ **Digital and Online Experience**

▷ **Store Experience**

▷ **Flexible Fulfillment**

▷ **Mobile Website/App**

▷ **Integrated Marketing and Pricing**

▷ **Call Center Experience**

▷ **Social Media**

In this paper, we'll take a closer look at each of these seven areas, advise you on key questions to ask as you're assessing yourself, and provide worksheets and related tools to help you get the most out of your evaluation. On each worksheet you will score yourself on a number of categories that are worth 3 points each.

To be effective, we recommend that you answer the self assessment from the point of view of the customer and to be honest in your answers.

When you're scoring your company's capabilities, do not "sugar-coat" capability gaps or poor execution. If your buy online pickup in-store is working well, but is only deployed in a handful of stores, score yourself accordingly.

Remember, you and your colleagues are the only ones who will see the results of this survey - IBM is not collecting or publishing any information, we just want to provide you with a useful assessment tool. So be honest!

Take the time to visit your store as a shopper would and score yourself on the current experience, not the one you wish you had.

REMEMBER | Done thoroughly and thoughtfully across your entire business, this omni-channel commerce assessment can be both a report card for how well you're doing and a springboard for substantial improvement moving forward.

Let's get started.

Digital and Online
Experience

As you elevate your digital presence, are you doing so by aligning strategic objectives? According to the Baymard Institute, the average documented online shopping cart abandonment rate is 68% as customers continue to demand more from their online experiences and can readily switch to those who provide superior service.[1]
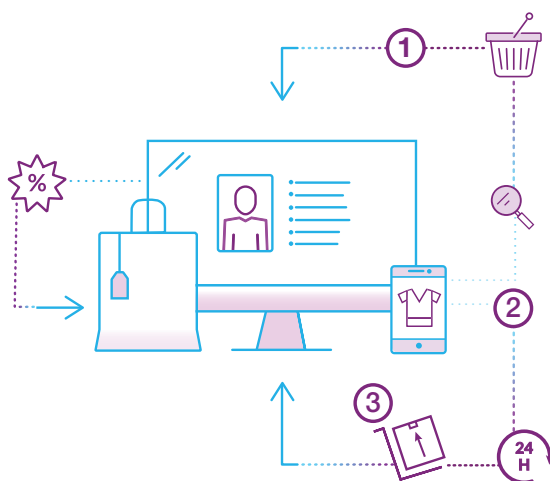
Digital and Online Experience

3critical factors

To ensure your brand is doing all it can to close the deal online, keep in mind these three critical factors to consider when delivering an exceptional Digital Experience:

NO. 1 | **Individualized** experience

Customers expect to see relevant product assortment, content, offers, and promotions. No longer does one website fit all shoppers and the attention to detail on this critical capability can elevate your brand and streamline the shopper experience. A Janrain Study found that three-fourths of all customers get frustrated when the content that is displayed has nothing to do with their interest.

NO. 2 | **Experiential** content

The customer journey is no longer about simple transactions but an engagement of their interests, desires, and expectations. Ensuring your online experience speaks to the customer through videos, blogs, reviews, and product details will continue to engage them throughout the purchasing process. Take advantage of the opportunity to go beyond the transactional and into the experiential.

NO. 3 | **Differentiation** is critical–

ever more so in an online world. Competition can rapidly bring new concepts to market and the landscape continually shifts. Ensuring customers come to your site for their connection to your brand and experience sets you apart. Carrying your promise throughout all customer digital interactions will elevate your presence with an exceptional experience.

As you work through the self-assessment, think about:

▷ Does your online experience complement the experience your customers have in-store?

▷ How easy is it for your customers to find what they are looking for?

▷ Is your site able to recommend cross- and up- sell offerings?

▷ Do you provide accurate cross-channel inventory visibility to help shoppers make purchase decisions?

▷ Do you make it easy for shoppers to monitor order status?

HOW DO YOU COMPARE TO THE TOP 100 US RETAILERS?

AVERAGE SCORE **16.5**

SECTION 1 WORKSHEET

Digital and Online Experience

How personalized and differentiated is the online experience for your brand?

CATEGORY	POINTS TO CONSIDER	POINTS	SCORE
Easy Product Navigation	Can customers browse your catalog by manufacturer, brand, or price?	**2** = Yes	
	Does your site offer a guided sale to help customers determine what product they need, even if they don't know themselves?	**1** = Yes	
Effective Search Results	When your catalog doesn't have an exact match for a search query, does your site still offer options that are similar in nature?	**3** = Yes	
Cross-channel Customer History	Is the shopper's online experience informed and personalized by their purchase history in store, via mobile, or through the call center	**3** = Yes	
Personalization	Are you able to provide a personalized experience based on information you have about the shopper across channels, including search and purchase history?	**3** = Yes	
Product Availability for Shipment	Can online shoppers see inventory availability?	**3** = Yes	
Product Availability in Store	Can online shoppers see store inventory and availability?	**1** = Some stores **3** = All stores	
Order Status Availability	Can shoppers easily check order status?	**1** = Yes	
	Do you send them email or SMS text updates on order status?	**1** = Yes	
	Can they track shipments right from your site?	**1** = Yes	
Online Booking of Services	Can shoppers order/add services such as installation online?	**1** = New order **2** = Revise order **3** = Add services	
Customer Service Chat	Do you offer online chat? Is it quick and easy to use?	**3** = Yes	
		TOTAL SCORE	

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Store *Experience*

While "physical-digital convergence" is not a concept that shoppers are likely to know by name, they understand the context. They want to reap the same benefits from both their digital shopping and brick-and-mortar stores as they move between the two.

SECTION 2 WORKSHEET

Store Experience

CATEGORY	POINTS TO CONSIDER	POINTS	SCORE
In-store Mobile Services	Do you have guest WiFi, smart shelves or other mobile services in the store?	**3** = Yes	
Product Comparison	Do you offer a mobile app that allows shoppers to compare products on their mobile device?	**1** = Yes **3** = All stores	
Self-service Product Information Detail	Can shoppers easily access product details with their mobile device, i.e. scan QR code?	**1** = Yes **3** = All stores	
Line Busting	Are store associates mobile and can shoppers check out anywhere in the store?	**1** = Some stores **3** = All stores	
Comprehensive Range of Payment Devices	Can customers pay with smartphones using a variety of method (e.g. Apple Pay, etc.)?	**1** = Some stores **3** = All stores	
Associate Comprehensive View of Customer/ Clienteling	Do store associates have access to cross-channel customer purchase history? Are associates given personalized offers, cross-sell or up-sell information?	**1** = Some stores **2** = Cross and up sell coaching available **3** = All stores	
		TOTAL SCORE	

What are you doing to offer the following?

▷ The availability of in-store WiFi to enable smartphones as part of the store shopping experience for personal shoppers, product ratings, reviews and comparisons, personalized offers, etc.

▷ "Smart shelves" that interact with you (via your mobile device or loyalty methods) to provide additional product information, personalized offers, and communications

▷ "Smart dressing rooms" that interact with you via display screens to provide additional apparel information, personalized offers, and communications

▷ A subscription (fee) based, premium membership with exclusive offers such as faster shipping, free services normally paid for, privileges not available to others
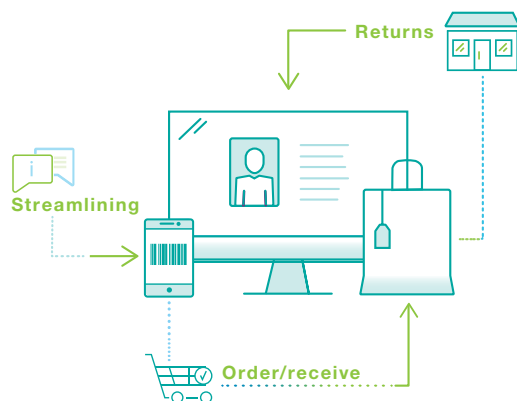
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Flexible **Fulfillment**

As you make the transformation to an omni-channel business, you will find that customers expect a seamless experience, not just throughout all phases of the purchase process, but also through all phases of the delivery and return process.

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Flexible Fulfillment

3key steps

STEP 1 | Streamlining execution to enable inventory and order visibility. When you do this well, you have a single view of inventory and orders—whether that inventory item is in a store, warehouse, business partner's warehouse, or on a shipping container in transit to your stores, or an order was placed online, in a store or through the call center.

The better visibility your customers have to inventory, the more likely they are to make a purchase. It is frustrating to find the "perfect" item online, only to go into a store and learn it's not there. If customers know in advance the item is in stock, they are 73% likely to come into your shop to buy the item, compared to only 36% if there is no inventory information available online. That's a significant difference—and a huge opportunity.

STEP 2 | Enabling customers to order and receive from any channel. There are a lot of permutations of this idea—customers can buy online, pickup in store, you can ship from store, ship from supplier, and ship from a distribution center. Once you make your fulfillment channels more flexible, you can fulfill more orders faster while exceeding customer expectations for service.

STEP 3 | Create an omni-channel returns process. This is an area where we see a lot of customers struggling, and it doesn't have to be that way. If you can leverage your store network to service returns for online items and make it easy to buy anywhere, return anywhere, you can really drive customer loyalty and increase satisfaction. It's also another opportunity to get customers in your store.

As you work through the self-assessment, think about:

▷ Do you offer in-store pickup and return via the store?

▷ Do store associates have mobile devices that allow them to access inventory and find an item that is out-of-stock elsewhere?

▷ Are there alternate "pickup" locations (not inside the retailer's traditional store) to allow you to pick up online purchased items?

▷ When faced with an out-of-stock item, can you locate the item and have it shipped to the home of the customer?

SECTION 3 WORKSHEET

Flexible Fulfillment

CATEGORY	POINTS TO CONSIDER	POINTS	SCORE
Express Delivery Option	Can customers receive their items the next day?	**2** = Yes **3** = Nationwide	
Same Day Delivery Option	Can customers receive their items the same day?	**2** = Yes **3** = Nationwide	
Specification of Delivery Day & Time	Can you accuratecly communicate when customers will receive their orders?	**1** = 3—5 day window **2** = 1—3 day window **3** = 1 day window	
Display Committed Delivery Date	Can you commit to an accurate delivery date?	**1** = 3—5 day window **2** = 1—3 day window **3** = 1 day window	
Pickup in Store	Can you buy online and pick up in store?	**2** = Yes **3** = All stores	
Pickup Availability SLA	Do you have a service level agreement that guarantees how quickly a customer can pick something up in store after online purchase?	**1** = agreement > 24 hrs **2** = same business day **3** = < 3 hrs	
Reserve Articles for Store Purchase	Can customers reserve items online to buy in store?	**2** = Yes **3** = All stores	
Pickup Experience	When the customer arrives to pick up the item they bought online, is pickup a clear process?	**2** = Yes **3** = All stores	
Return & Exchange in the Store	How flexible is your returns policy—and how well can your stores implement those policies? Can customers buy online and return in the store? Is your store able to reshelve that item for resale to keep the sale profitable?	**1** = Per service **3** = All stores	
Return & Exchange Online	Can you return merchandise online, regardless of original purchase channel?	**1** = buy/return online **2** = buy through call center/return online **3** = buy in store/return online	
		TOTAL SCORE	

SECTION 4

Mobile Website/App

The desire to shop anywhere, anytime continues to drive mobile use. But first things first: When you are getting your mobile strategy in order, make sure you have the basics down.

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As you work through the self-assessment, think about:

▷ Do you offer a mobile app or do you provide mobile browsing?

▷ Can customers start an order on mobile and finish at home on the desktop or vice versa, see order history and get order updates via SMS?

▷ Is buy online, pickup in store enabled through mobile?

▷ Do you offer the ability to pay for items in store via mobile device?

▷ Are your marketing messages consistent across mobile and web channels, and are you able to market to mobile via SMS/MMS?

HOW DO YOU COMPARE TO THE TOP 100 US RETAILERS?

AVERAGE SCORE **12.8**

SECTION 4 WORKSHEET

Mobile Website/App

CATEGORY	POINTS TO CONSIDER	POINTS	SCORE
Mobile Shopping	Is your mobile experience optimized for the size and features of smart phone and tablet devices?	**3** = Yes	
Product Availability for Shipment	Can mobile shoppers see online inventory availability?	**3** = Yes	
Product Availability in Store	Can mobile shoppers see inventory available in store?	**1** = Some stores **3** = All stores	
Order Status Availability	Can mobile shoppers view order status?	1 = Online orders **2** = Orders from select stores **3** = Orders from all stores	
Scan and Learn	Can shoppers scan bar or QR codes in the store to access product info, ratings, reviews, etc.?	**2** = Yes **3** = All stores	
Store Finder (via GPS)	Does your mobile app or site provide a store finder that uses GPS to find the nearest store?	**2** = Store finder doesn't use GPS **3** = All stores via GPS	
Comprehensive View of Customer	Is mobile activity and browsing history captured and available for use by in-store associates, the call center, and the online store?	**1** = Per channel (up to 3)	
TOTAL SCORE			

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Integrated Marketing and Pricing

To be a successful omni-channel business, you need to provide your customer with a single experience across all channels. Does your in-store experience match your online presence?

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Integrated Marketing and Pricing

Make sure you have processes in place to verify consistency and empower your organization to take action when there are inconsistencies. Customers will become frustrated if you can't deliver a holistic brand experience with the digital store acting as an extension of the physical store and vice versa.

In this same vein, you need to make sure that your pricing is competitive and that your platform can handle rapid responses to competitive pricing pressure. You will gain loyalty if shoppers trust your prices are competitive.

As you work through the self-assessment, think about:

▷ Are your pricing, marketing campaigns and loyalty programs coordinated and consistent across online and and store channels?

▷ Are customers frustrated by inconsistent pricing or the inability to earn and redeem rewards in any channel?

CATEGORY	POINTS TO CONSIDER	POINTS	SCORE
Cross-channel Marketing Campaigns	Are online coupons redeemable in-store and in-store coupons redeemable online?	**2** = Yes **3** = All stores	
Integrated Loyalty Program	Are loyalty program benefits available online and instore? Are those programs integrated or separate?	**1** = Available in store **1** = Programs are integrated	
Cross-channel Pricing Policy/Transparency and execution	Is pricing consistent across all channels?	**3** = Yes	
		TOTAL SCORE	

Call Center
Experience

With all the focus on digital and store experiences the call center is often overlooked as a customer interaction point. It's often the first place customers turn to when they want to change an order, have problems with the digital store, or have a bad experience in the store. When customers call, they want to have a quick, efficient, and painless experience.

Call Center Experience

When the need does arise for a customer to speak to a Call Center Customer Service Representative (CSR), that call center experience is expected to be efficient and painless. Building an effective call center is not an easy task, but the first step is to enable customer service representatives with easy to use tools and access to customer information.

No 1. Companies that provide their CSR agents with a seamless access to relevant data **reduce** customer churn costs associated with clients abandoning interactions through a click-to-call and click-to-chat session.

No 2. Providing CSR agents with seamless access to relevant data positions them to cross-sell and up-sell offers based on customer needs, resulting in an **increase** in revenue.

PUT SIMPLY:

It pays to have a good call center.

SECTION 6 WORKSHEET

Call Center Experience

CATEGORY	POINTS TO CONSIDER	POINTS	SCORE
Product Availability for Shipment	Do CSRs have visibility to inventory across all nodes?	**3** = Yes	
Product Availability in Store	Can CSRs inform customers if the desired product(s) are available in the store and/or when products are available in the store?	**3** = Yes	
Call Center Order Capture	Can CSRs take new orders, modify orders (ex., change fulfillment, change payment, update promotions, update quantity in order lines, add an order line to an existing order, etc.) or cancel existing orders?	**3** = Yes	
Order Status Availability	Do CSRs have access to the order status (where the order is in the life cycle) including ability to track shipments for customers?	**1** = Yes **3** = Track with delivery provider	
Booking of Services	Can CSRs take new service orders, revise existing services or add services to existing orders?	**1** = Take new order **2** = Revise an order **3** = Add services to existing order	
Comprehensive View of Customer	Can CSRs see customer online and in-store purchase history and browsing behavior?	**1** = Per channel	
Control of Customer Cart	Can a CSR take over a customer's shopping cart and complete the process for the customer?	**3** = Yes	
		TOTAL SCORE	

As you consider your own call center, ask yourself:

▷ Do CSRs have access to customer orders and purchase history across all channels?

▷ Do CSRs have visibility to inventory across all channels and can they access that inventory on behalf of the customer?

▷ Can CSRs access product information/specifications? Are they perceived as product experts by customers?

▷ Can CSRs process returns and if there is a customer dissatisfaction do they have the authority to apply customer appeasements to retain customer satisfaction?

▷ Are CSRs effective sellers with promotions, offers and cross/up-sell opportunities personalized for the customer they are speaking with?

Social Media

Social sentiment has taken on outsized importance to how your customers discover, try, and buy from you.

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SECTION 7 WORKSHEET

Social Media

CATEGORY	POINTS TO CONSIDER	POINTS	SCORE
Facebook Social Service Interactions	Can shoppers share, like (on Facebook), pin (on Pintrest), tweet (on Twitter), etc. directly from your site?	**1** = Per social media outlet (up to 3)	
Social Network Diversity	Can customers purchase from you directly through social media?	**1** = Per social media outlet (up to 3)	
Cross Channel Reviews	Do you offer user-generated ratings and reviews?	**3** = Yes	
		TOTAL SCORE	

Are your teams answering the following questions?

▷ Are your marketing and communications team aware of brand perceptions in social media?

▷ Are eCommerce teams incorporating that feedback into both website design and product offerings?

▷ Can your customers link their social media accounts to your site login?

▷ Can customers purchase your products directly from social media sites?

▷ Are you using social media to foster an engaged set of loyal customers?

Calculate Your Score

To calculate your omni-channel percentage, simply add your scores from each of the questions, divide by the total number of points possible (141) and multiply by 100. This assures each question receives equal weighting and normalizes the score to a scale of 0%—100%.

To calculate your omni-channel percentage:

SECTION NO.	1	2	3	4	5	6	7	SUBTOTAL
SECTION TOTAL								

STEP 1 | Simply add your scores from each of the questions.

÷ 132

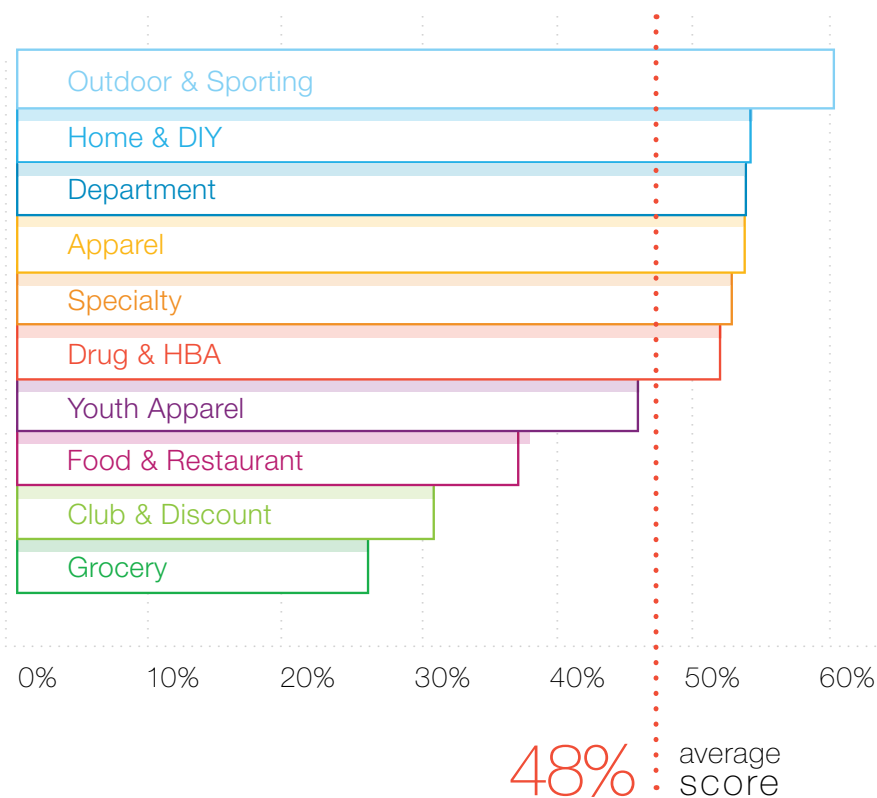**STEP 2** | Divide by the total number of points possible (132).

x 100

STEP 3 | Multiply by 100.
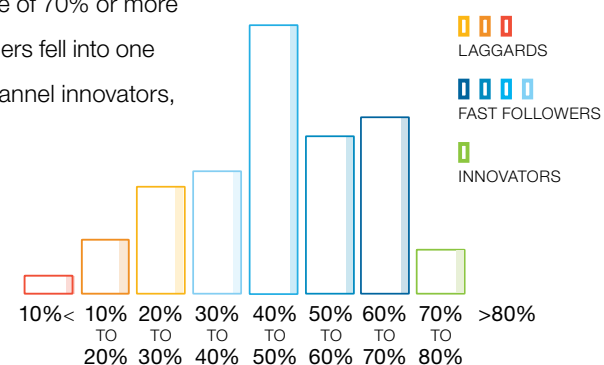
OMNI-CHANNEL PERCENTAGE

Compare Your Score

Outdoor & Sporting
Home & DIY
Department
Apparel
Specialty
Drug & HBA
Youth Apparel
Food & Restaurant
Club & Discount
Grocery

0%   10%   20%   30%   40%   50%   60%

48% average score

When IBM recently "secret shopped" 100 multi-channel retailers in the United States, scoring them using this question set and methodology to determine the retail industry's level of omni-channel proficiency, the results were eye opening. The AVERAGE SCORE of all retailers surveyed was 48% attainment of the omni-channel capabilities. While outdoor/sporting good and home retailers fared better on average than their peers in grocery and discount retail, each segment has room for improvement to capture coveted omni-channel shoppers.

Six retailers recorded a score of 70% or more in the survey. Generally, retailers fell into one of three categories: Omni-channel innovators, fast followers, and laggards.

LAGGARDS

FAST FOLLOWERS

INNOVATORS

10%<   10% TO 20%   20% TO 30%   30% TO 40%   40% TO 50%   50% TO 60%   60% TO 70%   70% TO 80%   >80%

What's *next?*

While comparing your brand to competitors in your category is important, the goal of this assessment is about more than just keeping up—it's also about understanding the kind of opportunity you're leaving on the table if your company doesn't make the adjustments that will make it easier for customers to do business with you. Consider:

▷ Facilitating online orders that are shipped from stores can generate up to 30% of additional revenue.[2]

▷ 61% of consumers will take advantage of in store pickup of an online or mobile purchase.[3]

▷ 50% of consumers will buy more in the store if they order online and pick up in store.[4]

Omni-channel retailing is critical to any retailer's future success and prosperity. Hopefully this assessment has opened your eyes to the opportunity cost of not making those changes. Even if you scored well, and already offer some of these omni-channel services, take a moment to think about how much revenue you're missing from those areas where you didn't score as well. Contact IBM for additional help to develop your omni-channel strategy.

In their first promotion with omni-channel support, one outdoor retailer drove an additional $1M in sales in 2 weeks.

What would a regular cadence of those kinds of promotions do for your company?

Contact your IBM representative or visit www.ibm.com/b2c today to see how omni-channel can transform your business.

2. May 1, 2014, "Why Every Online Retailer Should 'Ship-From-Store'" report.
3. IBM Retail Study 2015 - Shoppers disrupted - retailing through the noise
4. IBM Retail Study 2015 - Shoppers disrupted - retailing through the noise

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