



Retailers:

Are you leading—or lagging?

Deloitte Omnichannel Customer
Experience Index 2016

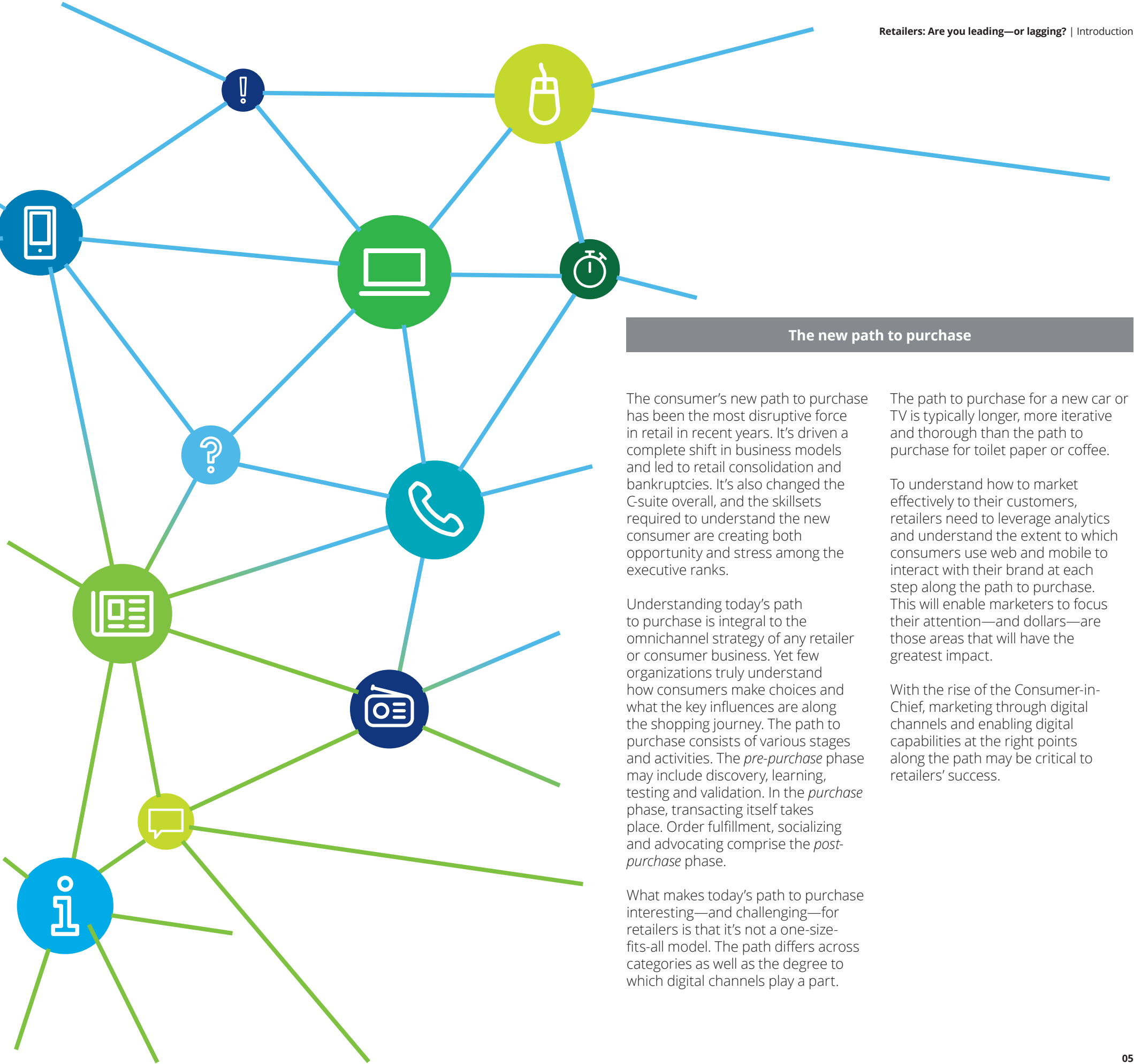
Introduction	03
Ranking retailers’ omnichannel capabilities	07
Canadian retail category snapshots	08
The great omnichannel divide	11
Mobile: A key US advantage	13
Home improvement: Leading the way in omnichannel	14
Omnichannel opportunities are ready to be seized	17
To learn more	18

Introduction

Consumer behaviours and expectations have undergone an incredible transformation in just a few years, and it’s had—and continues to have—a profound impact on retailers worldwide. The "Connected Consumer" emerged, demanding the ability to engage with brands when, where and how they wished. The "Empowered Consumer" then arrived, overturning long-held certainties about the path to purchase, setting foot in a store only after exhaustive online research, and then buying online anyway. Today we have the "Consumer-in-Chief", who wants not only a seamless experience across every platform he or she wishes to use—but also demands the same flexibility and choice when it comes to the “last mile” between the point of purchase and their home.

This evolution is driving change to a company's core, reshaping how retailers and brands do business. And companies in Canada, the US and elsewhere have responded to these demands for change. They're investing in eCommerce, mobile, social media, in-store digital analytics in an effort to provide a compelling, seamless omnichannel experience to customers. Some have begun to change their organizational structures and business practices to reflect today's customer-centric, omnichannel world. They're making progress, to be sure. But just how much progress? And how do retailers stack up with each other?

The *Deloitte Omnichannel Customer Experience Index 2016* is an effort to answer those questions. We've examined the omnichannel offerings of leading retailers in all major categories across Canada and the US in order to provide companies with the means to benchmark their own progress. The *Index* can help companies better understand how to tailor their omnichannel strategies, zero in on the investments with the greatest potential impact—and identify opportunities to differentiate themselves in an intensely competitive arena.



The consumer's new path to purchase has been the most disruptive force in retail in recent years. It's driven a complete shift in business models and led to retail consolidation and bankruptcies. It's also changed the C-suite overall, and the skillsets required to understand the new consumer are creating both opportunity and stress among the executive ranks.

Understanding today's path to purchase is integral to the omnichannel strategy of any retailer or consumer business. Yet few organizations truly understand how consumers make choices and what the key influences are along the shopping journey. The path to purchase consists of various stages and activities. The *pre-purchase* phase may include discovery, learning, testing and validation. In the *purchase* phase, transacting itself takes place. Order fulfillment, socializing and advocating comprise the *post-purchase* phase.

What makes today's path to purchase interesting—and challenging—for retailers is that it's not a one-size-fits-all model. The path differs across categories as well as the degree to which digital channels play a part.

The path to purchase for a new car or TV is typically longer, more iterative and thorough than the path to purchase for toilet paper or coffee.

To understand how to market effectively to their customers, retailers need to leverage analytics and understand the extent to which consumers use web and mobile to interact with their brand at each step along the path to purchase. This will enable marketers to focus their attention—and dollars—are those areas that will have the greatest impact.

With the rise of the Consumer-in-Chief, marketing through digital channels and enabling digital capabilities at the right points along the path may be critical to retailers' success.

Our methodology

To develop the *Deloitte Omnichannel Customer Experience Index 2016*, we worked with Applause Inc., a US-based company that specializes in testing digital experiences on the web, mobile, wearables and more. Applause testers looked at dozens of major retailers in Canada and the US in 14 categories: shoes and accessories, standard apparel, luxury apparel, department stores, mass merchants/warehouses, home improvement, beauty, sporting goods, children and toys, electronics and technology, jewellery, furniture and décor, grocery, and pharmacies.

For each retailer, testers evaluated the presence and sophistication of omnichannel capabilities in online, mobile and integrated channels along the complete shopping journey, including the pre-purchase (product discovery and evaluation), purchase (payment), and post-purchase (order fulfillment, customer service and follow-up) phases.

Seventy-one separate omnichannel criteria were examined by testers, providing an extraordinarily comprehensive, granular snapshot of the current “state of omnichannel” among North America’s retailers.

Testers also rated the quality of their overall omnichannel experience with each retailer. This allowed analysts to identify patterns and correlations that would indicate which omnichannel capabilities (e.g., mobile during pre-purchase) contributed most to an overall positive experience. The *Index* results in this report illustrates where each category currently stands in relation to the retail landscape overall.



Ranking retailers' omnichannel capabilities

In both Canada and the US, three categories lead the way in omnichannel: home improvement, department stores and mass merchandisers. In each market, retailers in these categories deliver highly integrated omnichannel experiences across physical and digital platforms and throughout the purchase journey. Of these, home improvement is by far the standout omnichannel performer overall—a result we'll look at in more detail later in this report.

At the bottom of the table in both markets sit grocery and jewellery—and in Canada, pharmacy. Critics may point to these retailers' less advanced mobile and online offerings, but the reality is not quite so straightforward. Physical stores and the in-store experience are vital to jewellery retailing, while Canada's pharmacy sector operates under different rules than their US counterparts. The important takeaway for retailers in these categories is that there is a clear opportunity for companies to differentiate themselves with shrewd omnichannel investments.

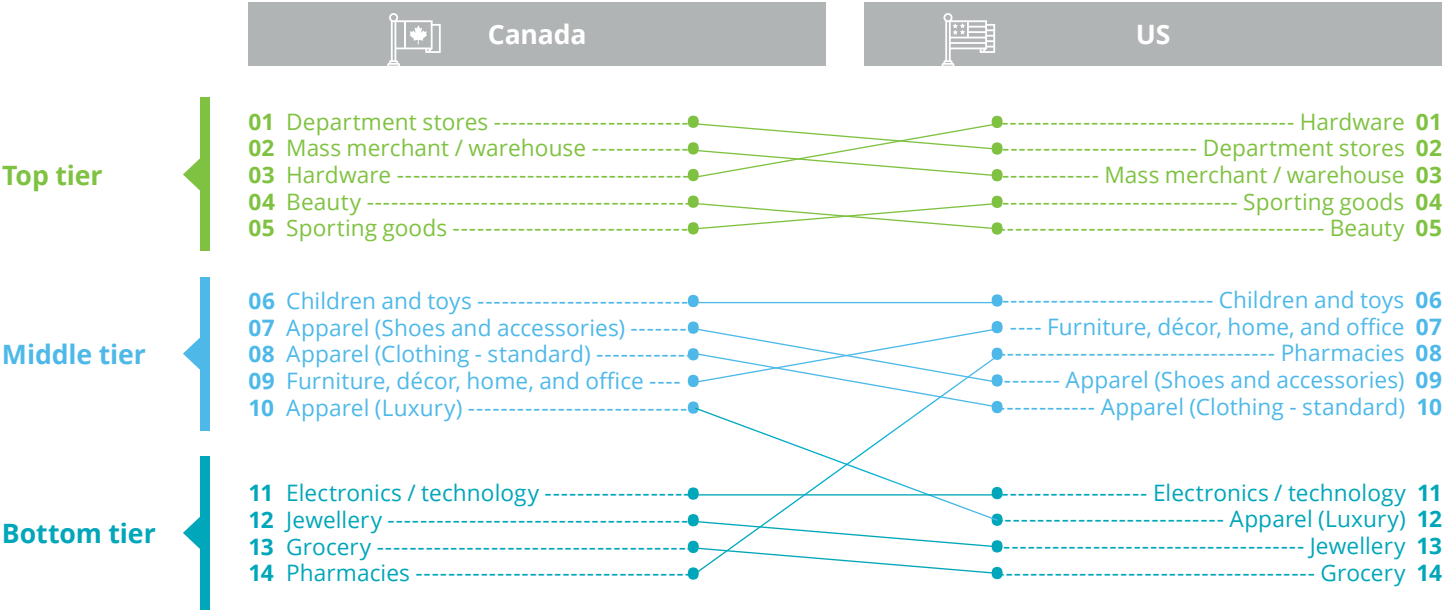


Figure 1. Omnichannel Index: Category comparisons

Canadian retail category snapshots



Standard apparel

Canadian standard apparel retailers span the entire spectrum in terms of omnichannel functionality. Stronger offerings are being provided by two Canadian chains along with retailers from the US and UK. Surprisingly, some well-known retailers ranked quite low in our evaluation due to their limited omnichannel capabilities. The majority, however, lie somewhere between in between these groups.



Luxury apparel

Our testers ranked just one Canadian retailer—a popular maker of winter clothing—as delivering a strong omnichannel experience. While a number of companies can be found in the middle of the road in omnichannel terms, we noted that some of the world’s biggest fashion brands offer quite limited functionality in this area. This could be a reflection of the importance of stores to the overall brand experience for these companies.



Shoes

Shoe retailers sit squarely mid-range in our omnichannel evaluations. No one company was obviously less capable than its peers—but one international company has started to move ahead of the pack. This could be a reflection of the importance of stores to the overall brand experience for these companies.



Beauty

While one US-based beauty retailer clearly provides a stronger omnichannel offering than the competitors we reviewed, the rest largely deliver average functionality.



Children and toys

Three US-based retail chains in the children’s apparel and toy category clearly provide solid, superior omnichannel capabilities for their customers. But our survey suggests the category is dotted with companies all along the spectrum, from those taking their first steps to other who have made some progress on the journey.



Department stores

Canadian department stores offer consumers some of the country’s better omnichannel experiences, in fact. Each of the companies reviewed by Applause testers ranked their offerings as “strong.”



Electronics

Consumer electronics and technology retailers tend towards average or less-developed omnichannel offerings—which, given the nature of the products they sell, might come as a bit of a surprise. Curiously, mobile phone retailers are seen as providing a more developed offering that some major electronics companies.



Furniture, décor, home and office

Our reviewers found retailers in this category are either rather advanced, with strong omnichannel offerings throughout the purchase journey—or lagging behind, with limited or even minimal capabilities. Even moving to the middle of the spectrum could differentiate some players.



Jewellery

The majority of retailers surveyed in this category fall at the lower end of the omnichannel index, among them some quite well-known brands—a single European brand sits alone at the top of the scale. This may be because jewellery is an intensely personal purchase that practically demands the buyer be able to see and touch the products in person.



Sporting goods

A number of retailers in this category sport quite strong omnichannel functionality and provide a solid customer experience. Others—among them a global giant—lag these category leaders with merely average offerings.



Mass merchandisers

Here too, major players in this category demonstrate a relatively well-developed omnichannel capability that allows their customers to find, compare and even purchase products with little fuss.



Grocery

Either Canadians aren’t particularly interested in buying food online—or Canadian grocery chains have yet to figure out how to meet customers’ omnichannel needs. All the grocers we surveyed offered quite limited or less-developed online or mobile capabilities. Consumers with a love of caffeine, on the other hand, are in better luck: At the top end of the spectrum, companies specializing in tea and coffee retailing appear to be making progress in their own omnichannel journey.



Pharmacies

Canadian shoppers may be able to browse pharmacists’ product selection online, subscribe to email offers and track loyalty points with a smartphone app – but that’s about it. Canadian pharmacy companies remain at an early stage in omnichannel terms, which may be a reflection of Canadian rules and guidance around online pharmaceuticals sales.

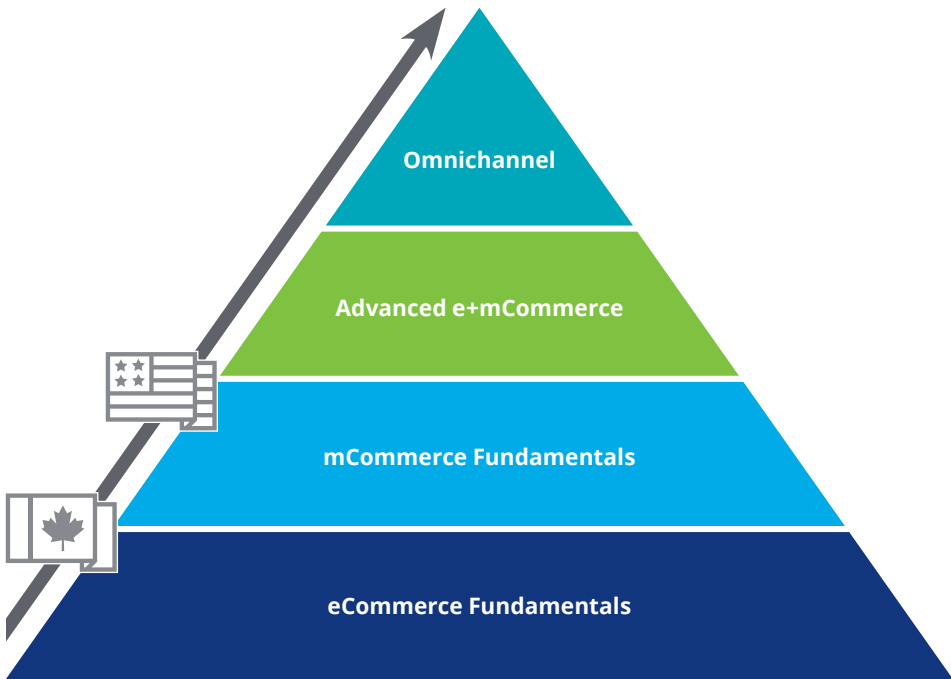


Home improvement

Two retailers in the home improvement category lead all the rest—in all categories—in providing a strong, well-integrated omnichannel experience across the entire customer purchase journey. A third isn’t all that far behind them. Retailers in this sector appear to have figured out the “sweet spot” that enables them to meet the very specific demands of their customer base.

The omnichannel evolution

The journey to omnichannel follows a steady progression that leads from eCommerce through mobile and more advanced offerings until companies achieve a truly integrated offering that combines the web, mobile and the physical store. It's vital that companies get the fundamentals of eCommerce and mCommerce right before moving to more advanced technology and customer offerings. Focusing on the fundamentals also helps break down the omnichannel transformation effort into smaller projects that can be launched, tested and improved more quickly—all the while improving the customer experience overall.



- **eCommerce Fundamentals** represents the first stage of the journey—and it remains the most significant driver of the overall shopping experience. These fundamentals facilitate pre-shopping through online inventory availability, and ease the transaction itself through digital ordering, account management and straightforward checkout capabilities. The majority of Canadian retailers find themselves at this stage of the omnichannel evolution—and many here and in the US are struggling to get up to speed with the fundamentals.
- **mCommerce Fundamentals**, the next stage, finds retailers supporting the pre-purchase part of 'shoppers' journey with mobile product information and inventory availability and enabling consumers to use mobile payments and mobile checkout. US retailers are making strong progress into this space.
- **Advanced e+mCommerce Fundamentals** is where retailers start to integrate eCommerce and mCommerce functionality to deliver a superior shopping experience. At this stage, retailers are cross-selling through product suggestions and allowing shoppers to post their own ratings and reviews. Mobile apps become more functional and fully-featured, and mobile and digital gift cards become more common.
- **Omnichannel** represents the complete integration of web, mobile and physical stores—a seamless, cross-platform experience that delights shoppers throughout the path the purchase. Here, retailers deliver consistent inventory information and shopping basket availability across all channels. They also provide significant post-purchase support with features such as product recommendations or allowing product returns with digital receipts.

The great omnichannel divide

The *Deloitte Omnichannel Customer Experience Index 2016* finds US retailers outpacing their Canadian counterparts' omnichannel offerings in most categories. This is consistent with the findings of prior Deloitte research into the "digital divide" that separates Canadian and US shoppers.¹ We found that the path to purchase for Canadian and US consumers alike is very similar, and both crave digital offerings and experiences. The difference is that US retailers have more digital capability than Canadian retailers; this, along with the ease of digital pre-shopping is driving Canadians to increasingly cross-border shop.

The omnichannel divide does narrow to near-parity in several categories, such as grocery, luxury apparel and department stores. Yet some—though not all—of these categories are ones

in which omnichannel may not be a major driver of consumer behaviour: our prior research suggests that the influence of digital, mobile and social media varies across categories and a 'one size fits all' approach to omnichannel simply doesn't make sense. In other words, Canadian retailers' omnichannel parity is in a number of categories where omnichannel currently plays less of a role in the customer experience.

But Canadian retailers in other categories—sporting goods, beauty and non-luxury apparel, for example—must be wary of their US counterparts. Canadian shoppers' omnichannel expectations are shaped by what they experience online: 85% of consumers browse online for products daily or weekly.² If Canadian retailers fail to meet those expectations, they could

find themselves losing customers to their US counterparts or new market entrants that deliver a superior omnichannel offering. At the same time, US retailers entering the Canadian market need to be mindful that Canadian shoppers will know about—and expect—the same kind of omnichannel experience that they've seen on offer in the US. They won't put up with online or mobile offerings that provide less functionality than their US versions.

 Close to parity	 US advantage	 Strong US advantage
Apparel (Luxury) Apparel (Shoes and accessories) Department stores Grocery Electronics	Mass merchant / warehouse Children and toys Beauty Jewellery Apparel (Clothing - standard) Furniture, décor, home and office	Sporting goods Pharmacies Hardware

Figure 2. Omnichannel Index: Omnichannel advantage by category

¹ Deloitte, *Navigating the digital divide: Closing the gap between consumers' shopping preferences and their options*, 2015.
² Deloitte, *The consumer evolution: Changing behaviours trigger new business models*.



Mobile: A key US advantage

Mobile is the widest point in the omnichannel divide between Canadian and US retailers. The gap is driven primarily by the fact that US retailers provide much more mobile support during the purchase state of consumers’ path to purchase, including both mobile payment capability and shipping options. Our research also found that US retailers provide better mobile support for reviewing order history and post-purchase order management.

This gap is not entirely surprising. Deloitte’s 2015 research into the digital divide found mobile was much less influential in Canadian shoppers’ purchase journey. Mobile influenced a mere 17% of Canadian in-store purchases, compared to 28% of US shoppers’ purchase. Our study also found Canadian shoppers were less likely to finish purchases on the go—instead, they’d complete them in-store. These figures undoubtedly reflect the limited mobile capabilities available to Canadian retailers and customers alike in the current environment; as mobile technology and offerings expand and develop, we’ll see mobile play a larger role in the purchase journey.

For Canadian retailers, there is a clear opportunity to seize competitive ground by investing their mobile offerings—but it’s important to understand how consumers use or want to use mobile in a particular category and the extent to which it influences shoppers’ behaviour. No retailer can go wrong investing in the basics, such as mobile inventory availability and mobile purchasing—38% of Canadian consumers have made purchases from mobile devices.³ But beyond the basics, retailers should ensure their additional investments reflect their customers’ behaviours and needs and provides them with a seamless, personalized mobile experience.

		US	Canada
Integrated offering	Pre-Purchase	41	41
	Purchase	70	59
	Post-Purchase	100	82
Mobile offering	Pre-Purchase	128	117
	Purchase	200	157
	Post-Purchase	134	112
Online offering	Pre-Purchase	104	91
	Purchase	124	103
	Post-Purchase	147	123
Grand total		108	92

Figure 3. Omnichannel Index: Mobile in US and Canada
This gap is reflected in Deloitte's 2015 Digital Divide research that showed their mobile device influenced less than one in five (17%) Canadian consumers along the purchase journey compared to almost one in three (28%) Americans. The research also found that Canadians are less likely to complete purchases on the go and more likely in store

³ Deloitte, The consumer evolution: Changing behaviours trigger new business models.

Home improvement: Leading the way in omnichannel

In our research, home improvement retailers emerged as clear omnichannel leaders in the US and Canada. Retailers in this category have surpassed their counterparts' eCommerce and mCommerce offerings, achieving strong integration across all platforms and developing a genuine omnichannel capability. In each area (Fig. 4) of the *Index*, the home improvement category outperforms retailers overall in all channels.

Home improvement retailers are particularly strong in the pre-purchase and post-purchase phases, both of which are of important to these retailers' DIY customers who may require instructional and follow up support for home repair and renovation projects. Customers can easily research purchases and check inventory levels online and over mobile before arriving in-store; convenient home delivery and click-and-collect order fulfillment options allow customers to bring their purchases home however *they* choose. Many retailers in other categories still struggle to understand their customers' needs during the pre- and post-purchases phases; few have zeroed in on how to meet those needs as effectively.

Home improvement retailers have invested heavily in the eCommerce and mCommerce platforms and made a concerted effort to integrate physical and digital platforms. Notable aspects of these companies' omnichannel efforts include highly functional mobile apps that connect to shoppers' preferred physical store and the ability to redeem online and mobile coupons and promotions in-store. Shoppers can access accurate, current inventory information from any platform. Strong account management allows customers to create profiles and wish lists and access these—along with the contents of their digital shopping cart—across all channels; this seamlessness and ease of use helps build customer loyalty. In physical stores, shoppers are greeted by self-scanning systems and other digital technology. Home improvement retailers are just as strong in order fulfillment, providing click-and-collect for online purchases, with handy digital notification of when the order is ready for pickup.

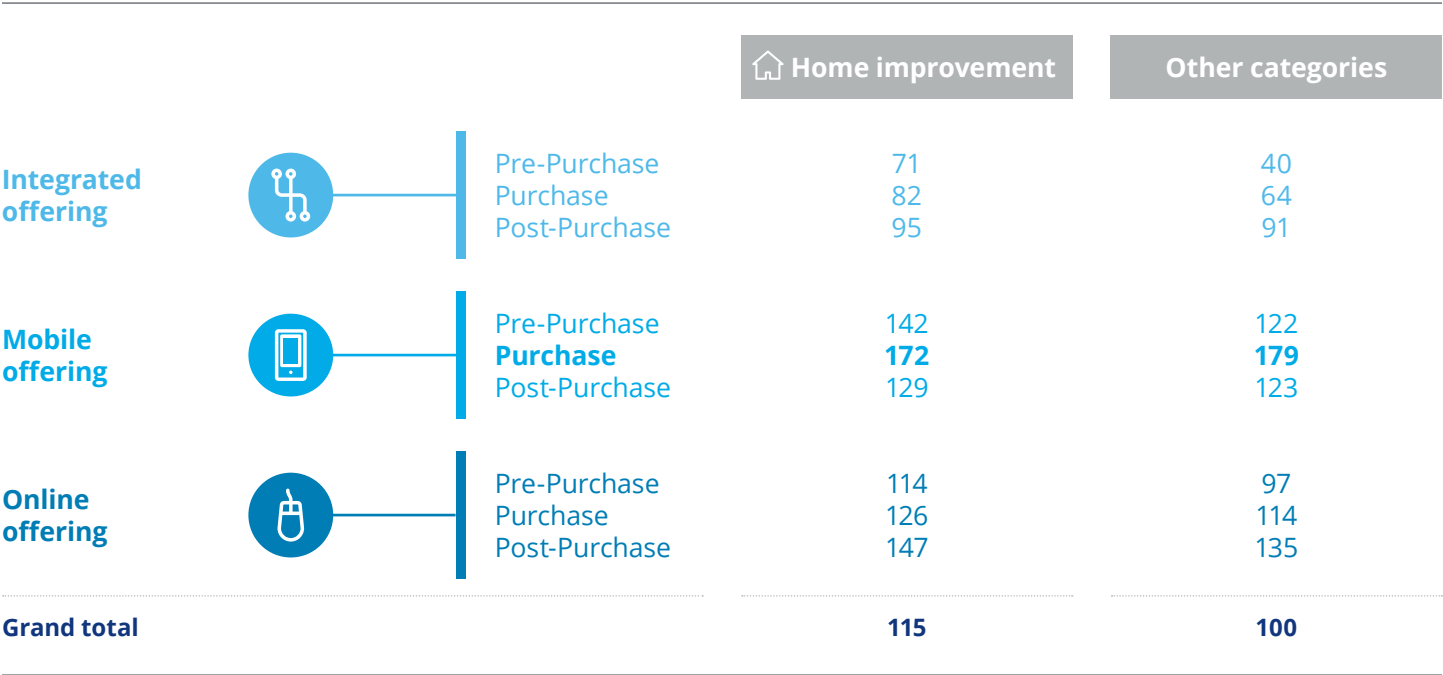


Figure 4. Omnichannel Index: The home improvement advantage

Omnichannel opportunities are ready to be seized

The *Deloitte Omnichannel Customer Experience Index 2016* makes clear that Canadian retailers have work to do to close the “omnichannel gap” with their US counterparts and deliver the kind of shopping experience Canadians crave. Canadian retailers in all categories should be wary of disruption by competitors that can provide a superior omnichannel experience, particularly as increasing numbers of US retailers move into the Canadian market physically or digitally.

At the same time, the *Index* also shows where Canadian retailers could exploit opportunities to differentiate themselves and seize lucrative market share. In a category where everyone currently offers limited omnichannel services, those that move fast and invest in new omnichannel capabilities—especially mobile—could gain a significant advantage. And it doesn't have to be an all-or-nothing play, either: Retailers can start small, introduce new features in phased rollouts that allow them to test, learn, fix and repeat until they achieve an offering that delights their customers.

The time to take action is now—and companies can begin by:

- **Leveraging analytics.** It's essential that retailers build—or ensure they have access to—top-notch predictive advanced analytics capabilities to help them form key customer insights, identify growth opportunities, determine the smartest omnichannel investments for their company. Analytics are vital to successfully making the huge shift to becoming an insight-driven, customer-centric organization.
- **Conducting a best practices review of competitors' offerings along the path to purchase.** Examine your competitors' omnichannel services from product discovery all the way to purchase and post-purchase fulfillment and follow-up. What do they do well? Where do they stumble? What's lacking? Use this knowledge to shape your own path forward.

- **Creating urgency around the need to invest in innovation.**

If you don't move forward on omnichannel, rest assured one of your competitors will—and probably sooner than you think. Your customers are looking for fresh new experiences that delight and excite them—why don't you be the one to deliver it?

- **Partnering with world-class analytics firms.** External advisors and analytics firms can bring you best-in-class tools, knowledge and insights to help you better understand your customers' needs, preferences and behaviours so that you can make the right decision on omnichannel. They can also bring you their knowledge of relevant best practices inside—and outside—your industry, to help you ensure you focus your limited resources on the omnichannel investments with the best possible return.

To learn more

This report is only a high-level look at the findings of our *Omnichannel Index*. To get a more detailed look at our insights and understand what it means for your business, contact:

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