

# Rank Yourself With The Digital Maturity Model

by Sucharita Mulpuru and Martin Gill, January 14, 2015

## KEY TAKEAWAYS

### **Retailers Should Evaluate Current eCommerce Organizations Against Four Criteria**

Forrester's digital maturity model provides a set of criteria to evaluate: 1) your overall digital maturity; 2) your eBusiness maturity; and 3) your digital marketing maturity. This framework helps identify gaps and recommends how to close them.

### **Few eBusinesses Have Mastered Everything They Should**

In our 2013 survey, only 7% of respondents fell into a segment that we call Differentiate -- those that exhibited high scores across all three disciplines. Elevate -- those with one or two significant areas of weakness -- made up the largest group of eBusiness professionals.

### **Opportunities Abound To Develop An Effective Business**

Our model provides a prescriptive framework for organizational improvement and offers specific criteria for areas of improvement. Many of the criteria involve "agree/disagree" questions: Companies that "disagree" have an opportunity to adjust their behavior and that outcome and thus improve their scores in the future.

# Rank Yourself With The Digital Maturity Model

Assessment: The Retail eCommerce Playbook

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## WHY READ THIS REPORT

As eBusiness and channel strategy professionals at retail companies evaluate their eCommerce opportunities, establishing a level set of current strengths and weaknesses is essential. This year, Forrester introduced its proprietary digital maturity model, a framework to evaluate your preparedness in driving digital transactions by plotting your organizational maturity. This framework evaluates companies on 36 criteria, ranks them against other eBusinesses, and provides a prescriptive approach on what different companies — from the laggards to the leaders — should do next. This report, part of the retail eCommerce playbook, is an update to the report titled “Rank Yourself With The eBusiness Maturity Model” that we initially published on January 18, 2013.

## Table Of Contents

### 2 **The Digital Maturity Model Is A Useful Tool For Retail eCommerce**

### 5 **Forrester Has Identified Four Levels Of Digital Maturity**

Retailer Digital Business Efforts Lag Behind The Averages

### 8 **Putting Your Digital Maturity Model Scores To Work**

Determine And Distribute Your Progress Toward Digital Maturity

### 9 **Supplemental Material**

## Notes & Resources

For this report, Forrester conducted a survey of 35 eBusiness professionals in retail.

## Related Research Documents

[The Retail eCommerce Metrics That Matter](#)  
December 9, 2014

[The Five Key Success Factors Of Every eBusiness](#)  
December 8, 2014

[Predictions 2015: US B2C And B2B eCommerce Players Will Struggle To Keep Up With Customers](#)  
November 6, 2014

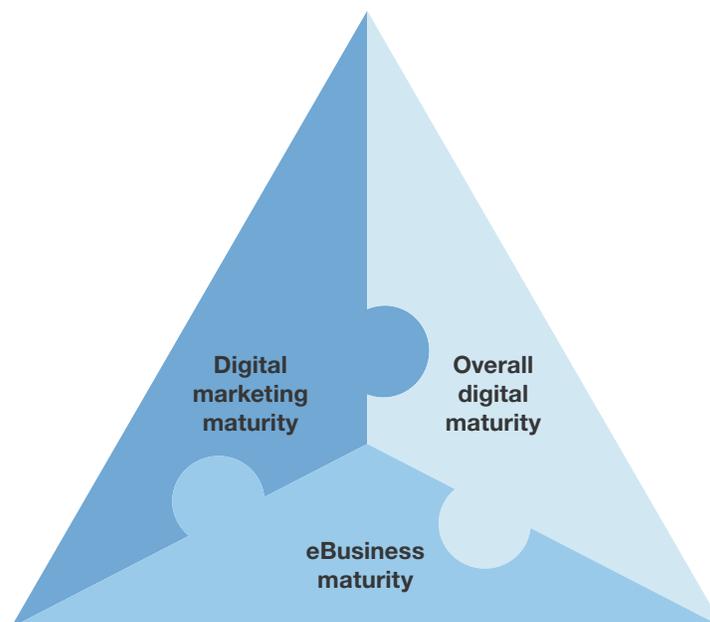


## THE DIGITAL MATURITY MODEL IS A USEFUL TOOL FOR RETAIL ECOMMERCE

eBusiness professionals must lead their firms' efforts at digitally transforming their customer experiences and operations. To help eBusiness professionals benchmark their companies' digital business maturity against that of others, Forrester revamped its maturity framework in 2014.<sup>1</sup> While the framework is broad enough to apply to any business — such as insurance, hospitality, and telecommunications — retailers often find this evaluation useful in helping identify which weaknesses are the biggest inhibitors to their businesses. We believe that there are three key components of digital maturity, each with four specific dimensions — culture, organization, technology, and metrics (see Figure 1 and see Figure 2):

1. **The base module.** The base module applies to all organizations. It assesses foundational aspects that are common to any digital function, such as where digital leadership is positioned, how teams are resources, and how digital success is measured.
2. **eBusiness maturity.** The eBusiness module assesses how digital supports sales and service interactions, including touchpoint integration, technology sophistication, and IT relationship effectiveness.<sup>2</sup>
3. **Digital marketing maturity.** The digital marketing module assesses digital marketing specifics, tracking how digital supports the overall brand strategy, how campaigns are planned, and how customer insights are leveraged.

*Figure 1* The Three Key Components Of Digital Maturity



**Figure 2** The Digital Maturity Model

<b>Overall digital maturity</b>	
<b>Culture</b>	
<input type="checkbox"/>	We believe that digital is transforming our competitive strategy.
<input type="checkbox"/>	We take measured risks to enable innovation.
<input type="checkbox"/>	Any employee at our firm has the authority to use digital tools to improve customer relationships.
<b>Organization</b>	
<input type="checkbox"/>	We have a customer-centric, not a channel- or product-centric, organizational structure.
<input type="checkbox"/>	We dedicate appropriate resources to digital strategy, governance, and execution.
<input type="checkbox"/>	Digital skills are embedded in business units throughout our company.
<b>Technology</b>	
<input type="checkbox"/>	Overall, my company likes adopting new technologies.
<input type="checkbox"/>	Our business executives have technology expertise.
<input type="checkbox"/>	Our technology resources are flexible enough to support multiple business unit needs.
<b>Metrics</b>	
<input type="checkbox"/>	We have clear and quantifiable goals for measuring the success of our digital strategy.
<input type="checkbox"/>	Employees understand how their performance ties to corporate digital goals.
<input type="checkbox"/>	We use customer metrics like Net Promoter Score or lifetime value to measure success.

**Figure 2** The Digital Maturity Model (Cont.)

**eBusiness maturity**

**Culture**

- Our digital vision and strategy have backing from board or C-level executives.
- We prioritize the overall customer experience over the performance of any individual channel.
- We deliver dynamic, relevant, and personalized content and experiences to customers across digital channels/touchpoints.

**Organization**

- Our digital team is appropriately resourced with no significant skills gaps.
- Our strategic planning process is done in collaboration with other key departments that rely on digital touchpoints (Web, mobile, social, kiosk, etc.).
- We have a close relationship with IT or technology partners required to manage, maintain, and optimize our digital touchpoints.

**Technology**

- We jointly define a multi-year digital technology road map with IT.
- We have control over technology budget and resources required to execute our digital strategy and priorities.
- We use technology platforms that are scalable and flexible and support our business effectively.

**Metrics**

- There is consensus among all senior leaders in our company on the strategic business value of digital touchpoints.
- We use a range of financial and nonfinancial metrics to understand the success of each touchpoint.
- We use customer insights gained through cross-touchpoint analytics to drive real-time optimization.

**Figure 2** The Digital Maturity Model (Cont.)

<b>Digital marketing maturity</b>	
<b>Culture</b>	
<input type="checkbox"/>	We have a strategy for communicating with customers across multiple devices.
<input type="checkbox"/>	We optimize customer experiences instead of maximizing the performance of any individual channel.
<input type="checkbox"/>	We run best-in-class digital marketing programs.
<b>Organization</b>	
<input type="checkbox"/>	Our firm prioritizes digital in marketing planning.
<input type="checkbox"/>	We have a system for managing the connections between all of our company's key digital stakeholders.
<input type="checkbox"/>	We have tools and processes to enable easy collaboration.
<b>Technology</b>	
<input type="checkbox"/>	We include affinity and context (e.g., location or community association) in our user profile data.
<input type="checkbox"/>	Our customer experiences are consistent across channels.
<input type="checkbox"/>	We are encouraged to test new technologies for marketing programs.
<b>Metrics</b>	
<input type="checkbox"/>	We use customer insights to inform marketing programs.
<input type="checkbox"/>	We measure how well our digital programs accomplish our business goals.
<input type="checkbox"/>	We measure how channels work together to accomplish a desired outcome.

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## FORRESTER HAS IDENTIFIED FOUR LEVELS OF DIGITAL MATURITY

By assessing digital activities against a framework of best practices, eBusiness professionals can plot their paths to digital maturity. This journey typically places firms in one of four transformational stages (see Figure 3).<sup>3</sup> These stages are as follows:

- **Repair.** Firms in the “repair” stage are typically just starting out on their digital journeys. They may be kick-starting their digital marketing activities or just starting to sell online. Digital leaders in these firms must concentrate on fixing the basics — articulating an initial vision of how digital supports the company strategy and developing robust operational digital capabilities such as eCommerce or analytics to help their firms grow.
- **Elevate.** eBusiness professionals in the “elevate” stage are becoming cross-functional leaders. They have increased accountabilities for new touchpoints such as social, mobile, and branch or store technology. To reach the next stage of maturity, they must focus on communicating and evangelizing the digital strategy throughout the organization while establishing robust governance and customer-centric digital metrics to ensure that strategy is adhered to.

- **Optimize.** As digital interactions reach a critical mass, digital leaders must work to optimize their digital experiences, processes, and technologies to enhance traditional touchpoints. Digital leaders in these firms must focus on creating cross-touchpoint customer experiences by blending physical and digital customer experiences. This requires a deep understanding of customers and their specific journeys and a fine-tuning of digital processes and capabilities to drive cross-functional working as the rule, not the exception.
- **Differentiate.** Digital leaders who have taken their firms to the highest levels of digital maturity are aligning their entire organizations around their customers to provide differentiated experiences. They leverage advanced digital technology, both internally and externally, to enable a seamless collaboration between employees, suppliers, and customers and are unlocking new digital revenue streams that enhance both customer and shareholder value.

**Figure 3** Your Firm's Digital Maturity Guides Your Path To Improvement



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### Retailer Digital Business Efforts Lag Behind The Averages

In late 2013, we fielded an online survey to global eBusiness and channel strategy professionals asking them to rate their strategies against our maturity model criteria. We found that the average score was 72 out of a possible 108, but for retailers this fell to 70; on average, retailers somewhat disagreed that their firms have clear and quantifiable goals for measuring the success of their digital strategies and retailers also somewhat disagreed that their digital teams are appropriately resourced with no significant skill gaps (see Figure 4). To determine where you think your firm stacks up, download the spreadsheet and score yourself on the same criteria. We classified our respondents on a spectrum of maturity segments — repair, elevate, optimize, differentiate — and found that our data nearly mirrored that of prior years: Few retailers fell into the differentiate category, with the majority falling into the middle elevate and optimize categories. Looking deeper at the data by maturity model category, we find that:

- **Overall digital maturity is in decent shape, but has some pain points.** It's clear from our data that most retailers feel that they have the right basics in place to execute their eBusiness plans. For example, 71% somewhat or completely agree that there is consensus among all senior leaders in their companies on the strategic business value of the Web and other digital touchpoints. Moreover, 68% of retail respondents feel that their business executives have technology expertise. At the same time, just 18% of respondents completely agree that they have control over technology resources required to execute their digital strategies and priorities.
  
- **eBusiness maturity is moving along, but there are skill gaps.** Respondents to our survey also feel that they have adequate business and technology processes. For example, 90% of respondents somewhat or completely agree that their eBusiness teams' digital visions and strategies have backing from board or C-level executives. Technology is evolving to support digital business: Seventy-five percent somewhat or completely agree that they jointly define a multi-year digital technology road map with business technology (BT), thereby consecrating effective BT agendas. Unfortunately, however, most respondents somewhat or completely disagreed that their digital teams are appropriately resourced with no significant skill gaps.
  
- **Digital marketing is maturing, but channel and touchpoint integration needs work.** Retailers who responded to the survey are optimistic when it comes to marketing metrics and customer insights: Ninety-one percent report that their firms use customer insights to inform marketing programs, and 71% somewhat or completely agree that their firm uses metrics such as customer acquisition cost or retention rate to understand the success of each touchpoint. At the same time, eBusiness professionals rank themselves most critically on multichannel and touchpoint integration: Forty-five percent of respondents do not feel their firms' customer experiences are consistent across channels.

**Figure 4** Forrester's Digital Maturity Model Average Scores For Retailers, 2014

Digital module	Maximum possible score	Average score of retailer respondents
Overall digital maturity	36	23
eBusiness maturity	36	23
Digital marketing maturity	36	24
<b>Total</b>	<b>108</b>	<b>70</b>

## PUTTING YOUR DIGITAL MATURITY MODEL SCORES TO WORK

How did you stack up? Do you still need to develop foundational digital processes, or are you ready to develop next-generation digital experiences? The journey to becoming an eBusiness powerhouse is a long one. And as our research reveals, there are many components to that journey. To put this research to use, we recommend that companies assessing their retail eCommerce opportunities use their scores to focus on core, tactical areas of team development and on more strategic issues like executive buy-in and long-term planning.

### Determine And Distribute Your Progress Toward Digital Maturity

To use our maturity model assessment to your advantage, we recommend that you:

- **Take the digital maturity assessment with peers within your company.** Score yourself using the interactive spreadsheet that accompanies this document to determine your digital maturity. We have found that eBusiness professionals get the most out of this assessment when multiple people from across disciplines within their organizations take the assessment. Having many folks take the assessment provides a less biased scoring of the results, and varying scores on the same question by different people reveal interesting strategy and execution gaps.
- **Get the results into the hands of as many executives as possible.** Distribute your digital maturity scores to senior executives who control budget, sit on eBusiness steering committees, and help shape the overall strategy. The bar set by our maturity assessment is high intentionally in order to have firms truly rank themselves against where their digital and eBusiness strategies need to be to stay competitive over the next three to five years. Low scores can be a blessing, alerting executives to the need for larger resource and dollar investments. eBusiness professionals can use high scores to tout the success of their work to date — but also to illustrate the need to continue aggressive investment to meet customer needs and deliver revenue.
- **Score yourself again as a center of excellence.** It's not enough for eBusiness teams to just benchmark well on an eBusiness strategy assessment; they also must score themselves as a digital center of excellence for their entire firm. As touchpoints emerge, eBusiness teams are increasingly responsible for planning and executing touchpoint innovations for other teams and departments within their companies. An example: As the team with mobile skills and competencies, eBusiness teams at multichannel retailers are often responsible for helping store executives design and launch mobile applications that deliver contextually relevant content and promotions. This shift turns some eBusiness teams into digital centers of excellence, requiring eBusiness professionals to create a team and processes that not only work for the execution of its own initiatives but also for other business units, touchpoints, and channels.

## SUPPLEMENTAL MATERIAL

### Online Resource

The online version of Figure 2 is an interactive tool that allows readers to take the eBusiness maturity model questionnaire and see their individual scores compared with the averages shown in this report.

### Methodology

Forrester's Q3 2013 North America And UK Digital Maturity Online Survey was fielded in August 2013 to 395 interactive marketers and eBusiness professionals. For quality assurance, we screened respondents to ensure they met minimum standards in terms of content knowledge, job responsibilities, budget insight, and company size and revenues. Exact sample sizes are provided in this report on a question-by-question basis.

The sample was drawn from members of ResearchNow's online panel, and respondents were motivated by receiving credits that could be redeemed for a reward. The sample provided by ResearchNow is not a random sample. While individuals have been randomly sampled from ResearchNow's panel for this particular survey, they have previously chosen to take part in the ResearchNow online panel. This data is not guaranteed to be representative of the population, and, unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes. While nonrandom, the survey is still a valuable tool for understanding where users are today and where the industry is headed.

In addition, any of the data you see in the graphics of this report online or in print can be cut by a variety of factors interesting to you, including industry, annual revenues, or number of worldwide or online employees. Please contact your account manager if you're interested in learning more.

Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

## ENDNOTES

- <sup>1</sup> How does your eBusiness team stack up against others? How mature is the average eBusiness team? What characteristics should an eBusiness team exhibit — and excel at? To answer these and other common questions we're hearing from our eBusiness and channel strategy clients, Forrester developed a 36-question diagnostic tool, broken into three common eBusiness disciplines, called the digital maturity model. In August 2013, we fielded the 36 questions as an online survey to the interactive marketers and eBusiness professionals. See the March 26, 2014, "[Enhance Your Digital Capabilities With The Digital Maturity Model](#)" report.
- <sup>2</sup> Given the trends in technology, business models, and customer market power, all enterprises must undertake a business technology (BT) agenda that applies technology, systems, and processes to win, serve, and retain customers. Source: "The Business Technology Agenda Playbook," Forrester Research (<https://www.forrester.com/The+Business+Technology+Agenda+Playbook/-/E-PLA740>).
- <sup>3</sup> This is an excerpt from our research that describes how all digital business professionals can enlist the digital maturity model to assess their digital capabilities. Source: "The Digital Business Transformation Playbook For 2015," Forrester Research (<https://www.forrester.com/The+Digital+Business+Transformation+Playbook+For+2015/-/E-PLA710>).

## About Forrester

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Responsible for building a multichannel sales and service strategy, you must optimize how people, processes, and technology adapt across a rapidly evolving set of customer touchpoints. Forrester helps you create forward-thinking strategies to justify decisions and optimize your individual, team, and corporate performance.

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