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Market Overview: Digital Commerce Solutions 2011

by Peter Sheldon
for eBusiness & Channel Strategy Professionals



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EXECUTIVE SUMMARY

In the past, online transactions for digital product purchases differed little from physical product purchases, with the exception of the delivery method. However, today's digitally connected consumer is eschewing the traditional ownership model of buy, download, install, and use. Consumers want access to digital content and services across their connected devices, anytime, anywhere — and are increasingly embracing virtual ownership models that provide access to vast libraries of content, services, and products under subscription, usage, and other ownership models. eBusiness leaders charged with monetizing their firms' catalog of digital content, software, or online services must find digital commerce solutions that allow flexibility to trial alternative business models while supporting fulfillment across multiple consumer touchpoints. This research provides tactics for selecting digital eCommerce solutions and looks at some of the key solutions available in the market today.

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NOTES & RESOURCES

Forrester interviewed 10 vendor companies: arvato Systems, Asknet, Avangate, cleverbridge, Digital River, Elastic Path Software, FastSpring, IBM, Oracle ATG Web Commerce, and Plimus.

Related Research Documents

["The Digital Media Product Innovation Imperative"](#)

April 7, 2011

["People Pay For Content; They Just Don't Own It"](#)

March 4, 2011

["The Forrester Wave™: B2C eCommerce Platforms, Q4 2010"](#)

October 21, 2010

NEW BUSINESS MODELS DISRUPT THE STATUS QUO

Consumers and enterprises alike are increasingly shying away from buying digital content, services, and software outright, instead embracing alternative business models where they lease or rent access to these products and services. The disruption to traditional business models is widespread across all verticals of digital product distribution, with high profile disruptors like Netflix providing unlimited access to thousands of streaming TV shows and movies. eBusiness professionals know that they must continue to support traditional ownership models for downloadable eBooks, console games, and desktop software, but increasingly they are looking to their digital commerce solution to provide the flexibility to rapidly launch new product offerings built around emerging business models including:

- **Subscriptions.** The software industry has long used annual subscription models for antivirus products, but increasingly software-as-a-service (SaaS) software products, digital magazines and newspapers, streaming video sites, online services, and multiplayer gaming platforms are using subscriptions as the backbone of the business model. No verticals are immune from this shift to subscription-based content access: music services like Pandora, Napster, and Spotify already provide unlimited access to music; gaming platforms like GameFly provide subscription-based access to PC games; and rumors abound that Amazon.com is planning to launch a subscription service for its Kindle eBooks.¹ In this subscriber world, the consumer rarely owns the content; they merely rent access for the term of the subscription.
- **Time-based access.** In the physical world, consumers have always lent, borrowed, or rented books, music, DVDs, and console games. As the consumer appetite for digital content matures, retailers like Amazon are already supporting time-based digital distribution, allowing 14-day consumer-to-consumer lending of eligible eBooks and support for library-to-consumer lending.² PC gaming platforms OnLive and GameFly's Direct2Drive both support time-based access to games, with consumers paying for either three- or five-day access for approximately one-fifth of the outright ownership cost. The model is attractive for occasional gamers who want to try before they buy and expert gamers who are likely to quickly complete a game and then move onto the next.
- **Metered usage.** Metered usage has long been the business model backbone of the telecommunications industry for phone, wireless, and broadband services, but online service providers are also exploring metered usage business models as a way to increase revenues. Amazon bills its cloud computing service (EC2) customers monthly based on the computing units consumed and the Financial Times provides free access to content up to a metered limit of eight stories per month, after which users must pay a monthly subscription plan. The model is especially attractive to B2B SaaS software and content providers that can bill customers based on the number of monthly users, page, or content views. Other verticals such as the gaming industry are keen to explore the use of metered usage pricing models, where, for example, gamers pay based on completed levels or virtual ammunition consumed.

- **In-product/app purchases.** “Freemium” business models are commonplace across mobile apps, software, games, and online media. Software publishers and app developers want to monetize a premium version of their product or services by restricting functionality in the free version or applying a time-based usage limitation. Publishers that give away the first edition of a digital magazine use in-magazine interstitials to upsell readers to the next edition or even an annual subscription. Game publishers like Zynga have long monetized their games by selling virtual add-on levels, characters, and game features that can be unlocked via a simple in-game purchase.
- **Marketplaces.** Although marketplaces don’t change the ownership proposition for the consumer, they do create a new business model for content creators and software developers to monetize their content through distribution aggregators. Apple famously kick-started this distribution model when it launched the App Store for the iPhone; however, consumer electronics manufacturers, wireless operators, and software platform providers have since followed suit, engaging third-party developers to build value-added applications and services that run on connected TVs, smartphones, and games consoles or augment software platforms like Google’s Chrome, Intuit’s QuickBooks, or salesforce.com.

Consumers demand ubiquitous distribution to all their devices. Today more than half of the 177 million US online adults have two or more different types of connected devices, and one-third have at least four different types.³ As they buy, subscribe to, and rent digital content and services they expect access:

- **Anytime, anywhere.** The era of the boxed CD, DVD, and PC game have long been in decline, but so, too, is the physical storage of digital content on consumer devices. Online services like Dropbox allow consumer to store files, pictures, software, and other digital content securely in the cloud. Amazon recently launched its “Cloud Drive” digital locker for music storage, and Apple announced iCloud, a digital locker for apps, music, photos, and documents. Digital lockers enable consumers to access to their digital subscriptions and purchases anytime, anywhere from a safe and secure vault in the cloud.
- **On any touchpoint.** The consumer appetite for buying multiple formats or versions of the same content is low. Streaming video services like Netflix allow subscribers to view movies and TV shows on almost any digitally connected touchpoint simply by authenticating themselves. Steampowered allows gamers to play their purchases on any PC, and the *Financial Times* HTML5 web app allows subscribers to read the newspaper on any tablet.
- **In context.** As consumers switch between devices, they expect the content and services they are consuming to be contextually aware, with an embedded memory of where, when, and how these were last used or viewed. For online video, gaming, and music services like Netflix and Pandora the ability to resume a movie or song from the point the consumer last watched or listened, regardless of when or where this was is paramount.

DEMAND FOR DIGITAL COMMERCE SOLUTION STEMS FROM MULTIPLE VERTICALS

The need to monetize digital goods and content extends across a wide range of industry verticals, but the specific requirements needed to support the consumer through the lifetime of the ownership experience varies greatly across these scenarios:

- **Desktop software.** Despite tablet sales taking market share from laptops and the emergence of software app stores like Apple's Mac App Store and Ubuntu's Software Store, online sales of boxed and digitally downloaded desktop software shows no sign of decline. Software publishers and resellers need to support both perpetual license and subscription-based access to their software products and require advanced merchandising tools such as product bundling, upselling, free-trials periods, and upgrade offers. Software publishers almost exclusively look to digital commerce solutions to provide these capabilities.
- **SaaS software.** Software publishers, large and small, are developing SaaS versions of their existing product portfolios. This is especially true of the enterprise software market, where SaaS disruptors like salesforce.com, Concur Technologies, and Microsoft Office 365 are redefining the way small and medium businesses (SMBs) and enterprise organizations procure software for their employees. As software publishers adapt their portfolio to include SaaS offerings, they need sophisticated subscription management, entitlement capabilities, and account management tools to allow the end user to buy and manage the services they have subscribed to. Early innovators of SaaS software built native commerce capabilities into their products, but today SaaS software vendors are looking to off-the-shelf solutions to provide the global payment and subscription functions needed to monetize their platforms.
- **Publishing.** For years, book, newspaper, magazine, business journal, medical journal, and educational publishers have watched the slow demise of their traditional business. For many the digital light bulb is now on, but the shift to a digital distribution model requires far more than just technology. These publishers must experiment with new business models, pricing, and distribution mechanisms in addition to ensuring that their customers can ubiquitously read their digital content across a wide range of connected consumer, educational, and business devices. Although walled garden app stores from Amazon and Apple provide a great mechanism for distribution of eBooks, magazines, and newspapers, publishers have balked at the revenue share percentage commanded by these platforms and are devising creative ways to bypass the app store process, preferring instead to own the customer relationship and maintain margins by operating their own subscription program.
- **Media and entertainment.** Although leaders like Netflix, Lovefilm, and Hulu may have defined the space, the battleground for online video and entertainment services is hotly contested. Established online retailers (e.g., Amazon, Best Buy, and Wal-Mart), broadcasters (e.g., the BBC, ABC, and Fox), media conglomerates (e.g., Disney, Time Warner, and Viacom),

telecommunication providers (e.g., AT&T, Comcast, and Verizon), consumer electronics firms (e.g., Apple, Nokia, and Sony Ericsson), and online service providers (e.g., Google, YouTube, and Yahoo) are all attempting to corner the consumer's digital dollar. These players are looking to digital commerce solutions to allow them to monetize the large content universes they control.

- **Online services and content.** Governments, health authorities, startups, data providers, online dating agencies, and credit agencies all provide access to paid services and content. The list of scenarios and verticals is long, but the basic requirement is the same. These companies need commerce solutions that are global, simple to integrate against, and can manage the subscriptions, renewals, and billing cycles for their customers while securely controlling entitlements to services and content.
- **Gaming.** The gaming industry is undergoing a seismic change away from traditional physical formats to online multiplayer gaming as well as the massive adoption of mobile and tablet games. Although game publishers and resellers still primarily distribute console games via physical Blu-ray or DVD disks, the PC games market has shifted to an on-demand, digital distribution model with the advent of platforms like Steampowered and EA's Origin. Game publishers, distributors, and retailers alike are looking for digital commerce platforms to allow them to distribute console, PC, online, mobile, and tablet games through a variety of business models.
- **Mobile, tablet, and consumer electronics apps.** Apps and app stores have become synonymous. As software publishers look to add value to their platforms by encouraging third-party developers to build plug-ins and consumer electronics manufacturers bring out app-enabled devices, these companies are looking for off-the-shelf app store functionality and they are turning to digital commerce solutions for this capability.

DIGITAL COMMERCE SOLUTIONS HAVE A UNIQUE SET OF FEATURES AND SERVICES

Many of the features and capabilities found in enterprise eCommerce platforms such as those identified in "The Forrester Wave: B2C eCommerce Platforms, Q4 2010" are directly transferrable to digital commerce scenarios, however, these retail-focused solutions lack the unique features and services needed to sell digital products and services online, including:

- **Product cross-selling and bundling.** Although the backbone of most commerce platforms, the requirements for and tools needed to support dynamic, personalized upsells, complex product bundles, and promotions differs when selling digital goods — and often the merchandising feature-set found in a retail-focused commerce platform do not suffice. Digital commerce platforms have an evolved merchandising feature-set that supports unique selling scenarios that only occur when selling software, media, and online services.

- **Asset protection.** The digital commerce platform must manage the secure storage and delivery of digital assets. In software distribution scenarios, the platform must manage and issue secure license keys for software activation. It's not common that a digital commerce solution provides digital rights management (DRM) for the assets being sold; however, the platform must provide application programming interfaces (APIs) to facilitate tight integration to enterprise or in-house DRM and license key platforms.
- **Subscription management.** Across verticals, eBusiness leaders need their digital commerce solution to support a sophisticated set of subscription and recurring billing scenarios. Commonly required capabilities include supporting trial periods, subscription renewals, grace periods, bundled access to multiple services, real-time subscription modifications, and subscription holidays. In addition, the digital commerce platform must provide secure, PCI-compliant management of active subscriptions with robust billing and customer account management processes.
- **Entitlements.** The digital commerce platform is often the system of record for entitlements in the digital verticals like SaaS software, online services, and media and entertainment. The platform must verify requests for access to content or services against the contract of sale in the original order and the current state of the customer's subscription. If the request for access is validated, the platform will commonly integrate to a back-end system or application to authorize delivery of the content, such as a streaming movie or access to an online service.
- **Globalization.** With physical boundaries removed, digital products are easy to distribute globally, and many companies have sophisticated globalization requirements. Software publishers, media companies, and online service providers need a platform that supports multiple localized sites, accepts transactions across multiple currencies, manages real-time fraud risks, manages export trade compliance restrictions, and accepts payments across an extensive array of local market centric payment types.
- **Application stores.** An extension to eCommerce functionality typically found in digital commerce solutions, app stores require a developer or affiliate portal, where the creators of apps can register and upload their apps for sale within the app store. Additional functionality is required to allow these developers to price, merchandise, and analyze the sales performance of their products while the platform's billing and reconciliation engine must handle commission payments to the developers in a similar model to how affiliates are paid.
- **Open commerce APIs.** The online store is no longer the only touchpoint through which consumers acquire software and digital content. Consumers expect to buy, upgrade, and renew subscriptions directly in the context of the software or media they are using or viewing. Transactional, open commerce APIs allow eBusiness professionals to embed highly optimized purchase paths directly into desktop software, social media sites, mobile apps, online video players, streaming music players, eReaders, and a suite of other consumer touchpoints, without the need for a punch-out to the online store.⁴

Business Constraints Will Drive Solution Preferences

eBusiness professionals must carefully evaluate internal company and operational constraints that will limit the type of digital commerce solutions that may be considered. When developing a shortlist of vendors, eBusiness professionals must be steadfast in their understanding of their companies' current situation and future digital commerce strategy. They need unequivocal answers to the following questions:

- **Is a revenue share pricing model right for us?** Many of the vendors interviewed for this report offer their solution via a revenue share model. The percentage of revenue taken by the vendor varies and typically depends on the set of à la carte services that the customer decides to engage the vendor for. Revenue share percentages range from 5% on the low end to more than 20% on the high end. Those companies unwilling to sacrifice margins must instead consider licensed, on-premises solutions; however, these come with high upfront licensing, implementation, and ongoing maintenance costs.
- **What services do we need the solution vendor to provide?** Many software publishers and digital content providers lack the in-house eCommerce expertise to run an online store. These companies often look to their digital commerce solution provider to provide value-added services beyond those included in the base platform. These can include platform implementation, online marketing (search engine optimization [SEO], search engine marketing [SEM], email), campaign management, site optimization (A/B and multivariant testing), affiliate network management, 24x7 customer support, and physical fulfillment (for boxed products).
- **Do we understand global markets?** Many software publishers and content publishers design their products for global markets but lack the expertise of selling and marketing globally. Many eBusiness professionals look to their digital commerce solution provider to provide local market expertise across payment types, affiliates, legal and compliance issues, tax, export compliance, fraud screening, online and offline marketing, and site localization. Only large enterprises with a network of global offices and intimate knowledge of the dynamics of local markets will be in a position to do their own online marketing and site optimization on a global scale.
- **Who will act as the merchant of record?** Most firms that sell digital goods and content are in the business of software development and content creation, not global payment processing. Managing chargebacks, refunds, payment-related customer service calls, exchange rate conversions, currency hedging, and payment settlement processes are not a core competency. eBusiness professionals often decide to let their digital commerce solutions provider act as the merchant of record for online transactions, especially those selling into global markets, where establishing payment and reconciliation relationships with local banks and payment processors is both a complex and time-consuming process. Simply put, the convenience of having a single vendor that manages both your digital commerce platform and global payments for most eBusiness leaders outweighs any higher transaction fees they may occur.

Navigating Digital Commerce Solutions Is Far From Straightforward

There is a confusing array of digital commerce solutions on the market. eBusiness leaders must eliminate vendors from their evaluation shortlist by matching vendor focus, capabilities, vertical expertise, integration capabilities, market presence, and available services to requirements. In undertaking this research, Forrester spoke with 10 vendors that offer solutions with a proven track record of supporting customers selling software, services, and digital content online (see Figure 1). These vendors included:

- **arvato Systems.** Part of the Bertelsmann group of companies, arvato Systems is a systems integrator and IT service provider that proposes comprehensive eCommerce outsourcing services in conjunction with its arvato sister companies. Primarily based on the Hybris eCommerce platform, arvato Systems offers multichannel eCommerce outsourcing services tailored to enterprise-level and midlevel companies in several verticals, including traditional software publishers, book publishers, game publishers, and broadcasters. Customers include Avid, for which it supports the global online software and hardware store, and Cisco. The company operates in the US, Europe, and Asia where it has a particularly strong presence in the Chinese market. For several clients, arvato Systems acts as the merchant of record and provides a suite of full-service capabilities including implementation and hosting, online marketing, payments, fraud protection, and customer care and logistics (together with its arvato sister companies). The solution is provided under a managed services model.
- **Asknet.** Germany-based Asknet started by providing universities with a software procurement platform. Today this still accounts for 25% of its business but the company's focus is primarily on its SaaS based digital commerce solution, which it targets at software and game publishers with revenues of between €1 million and €50 million. The company has subsidiaries in the US and Japan and relies on partners to provide outsourced services such as global payments and online merchandising to clients.
- **Avangate.** Founded in 2006 as part of the GECAD Group, Avangate has its headquarters in the US, with offices in Romania and the Netherlands, and sales support in Germany and Taiwan. The company's SaaS-based digital commerce platform is focused on packaged applications and SaaS software publishers although it also has some clients in the gaming and online services verticals. The platform includes two key products: a digital commerce solution that supports end consumers through the software buying, activation, and renewals process; and a channel management toolset designed to support partner and reseller enablement, registration/key activation, and renewals management through indirect channels. The company recently received a €4 million strategic investment from the 3TS Cisco Growth Fund, allowing it to accelerate product development and increase its presence in the US market.

- **cleverbridge.** Headquartered in Germany with a significant presence in the US, the company was founded by a group of industry veterans and today offers a SaaS-based digital commerce solution focused on B2C, B2B, and SaaS software markets in the midmarket and enterprise space. The company is also focusing on other verticals including gaming, media, and online services. Although many clients rely on cleverbridge as the merchant of record for transactions, the company also offers a service provider model for clients that want to act as their own merchant of record. New additions to the platform include a Facebook store, real-time business intelligence suite, smartphone mobile cart and expanded support for global payment types.
- **Digital River.** Well known for its presence in the software market, Digital River has spread its wings in recent years to focus on multiple verticals including education, games, media and entertainment, and consumer electronics. The firm offers end-to-end outsourced services for its clients on an à la carte basis including commerce, marketing, site optimization, global payments, taxation, and fulfillment. The company has recently expanded its commerce product offering to include an app store/marketplace offering, in-product purchasing, mobile sites, and a Facebook store for digital goods customers. A particular strength of the company is its global presence, with local offices spanning 21 cities across the globe that provide localized marketing and support services, while the platform has extensive support for global currencies and local payment types. Digital River offers multiple solutions spanning small, medium, and enterprise firms.
- **Elastic Path Software.** Elastic Path is an enterprise eCommerce platform featured in “The Forrester Wave: B2C eCommerce Platforms, Q4 2010.” Unlike other vendors featured in the Forrester Wave, Elastic Path now focuses primarily on the digital goods and services vertical.⁵ The platform is a Java-based solution and is only available as an on-premises, licensed solution, which appeals to large enterprises that desire an in-house core competency around their digital commerce strategy. The company is focused on the enterprise end of the marketplace and targets a range of verticals including software, publishing, media and entertainment, as well as online services. The company has a consulting division that provides engagements to clients around digital strategy.
- **FastSpring.** FastSpring’s SaaS-based platform is primarily targeted to small and SMB software publishers with revenues between \$1 million and \$15 million, although the company is also active in the gaming vertical. FastSpring has been traditionally strong at supporting publishers of Mac software although this is by no means an exclusive focus. In addition to the core digital commerce platform and associated services the vendor recently launched a SaaS-based subscription management platform called SaaSy targeted at small and SMB firms that need to support transactional subscriptions for online services and SaaS software.
- **IBM.** IBM brings together multiple product lines to provide clients with digital commerce solutions. These products include WebSphere Commerce, Sterling Order Management and Sterling Configure, Price, Quote (CPQ) order configuration engine. In addition, through

the Global Business Services (GBS) division, the company offers payment gateway services that connect the merchant accounts to the payment processors. GBS also provides strategic consulting, implementation, marketing, and digital transformation services for clients. Identified as a Leader in “The ForresterWave: B2C eCommerce Platforms, Q4 2010,” IBM provides a good fit for large, global enterprises with complex B2C and B2B business processes and back-end integration challenges. The Sterling order management solution’s ability to orchestrate complex order fulfillment workflows will be attractive for eBusinesses that have requirements to merchandise and sell physical goods alongside digital content and services.

- **Oracle ATG Web Commerce.** Recently acquired by Oracle, ATG has a broad vertical focus and is traditionally strong in the retail, CPG and Telco verticals. Identified as a Leader in “The ForresterWave: B2C eCommerce Platforms, Q4 2010,” the platform is focused at midsize to large enterprises with a desire to have an in-house core competency around their digital commerce strategy. The solution is available both as a licensed on-premises model as well as through the firm’s hosted/managed, on-demand model. The recent acquisition by Oracle adds additional products to the mix that clients with digital commerce needs will evaluate, including the Oracle FatWire CMS platform, which provides strong web content management capabilities in the media vertical, and Oracle’s Fusion Distributed Order Orchestration product, which helps with complex digital fulfillment workflows to disparate back-end digital rights management systems and asset repositories. Clients with large content or software product will see significant value from Oracle ATG’s strong merchandising and personalization tools.
- **Plimus.** Plimus provides a SaaS digital commerce solution focused on small and midsize companies with a need to sell software, online services, digital content, and games online. Traditionally the company has provided solutions to shareware providers that want to monetize professional editions of their software, and it has more than 6,500 clients across global markets. Small software vendors find the platform attractive with a simple self-sign-up and wizard-based configuration tools, allowing rapid time-to-market with a branded storefront. Larger companies with revenues more than \$5 million online will leverage the firm’s professional services division, online marketing services, and affiliate network. The company offers an open API that allows clients to integrate single-click purchase workflows into existing content and community sites. Great Hill Partners recently acquired the company.

Figure 1 Digital Commerce Solutions Compared

	arvato Systems	Asknet	Avangate	cleverbridge	Digital River
Website	http://www.arvato-systems.de	http://www.asknet.com	http://www.avangate.com	http://www.cleverbridge.com	http://www.digitalriver.com
Year founded	1978	1995	2006	2005	1994
Employees	>2,000	120	100	180	1,300
Headquarters	Gütersloh, Germany	Karlsruhe, Germany	Redwood Shores, Calif.	Cologne, Germany	Minnetonka, Minn.
International offices	25 offices worldwide	San Francisco, Tokyo	Romania, the Netherlands, Taiwan, Germany	Chicago, Tokyo	21 offices worldwide
Digital vertical focus	<ul style="list-style-type: none"> • Packaged software • Publishing • Gaming 	<ul style="list-style-type: none"> • Packaged software • SaaS products • Software • Gaming 	<ul style="list-style-type: none"> • Packaged software • SaaS products • Gaming • Online services 	<ul style="list-style-type: none"> • Packaged software • SaaS products 	<ul style="list-style-type: none"> • Packaged software • SaaS products • Gaming • Online services
Deployment options	Standard out-sourcing option and SaaS	SaaS	SaaS	SaaS	SaaS
Full-service capabilities	<ul style="list-style-type: none"> • IT services • Strategic consulting • Marketing services • Global payments • Fulfillment services • Customer care 	<ul style="list-style-type: none"> • Marketing services • Customer support • Global payments • Fulfillment services 	<ul style="list-style-type: none"> • Integration services • Marketing services • Customer support • Affiliate network • Global payments 	<ul style="list-style-type: none"> • Integration services • Marketing services • Customer support • Affiliate network • Global payments 	<ul style="list-style-type: none"> • Marketing services • Customer support • Affiliate network • Global payments • Fulfillment services
Implementation model	Professional services	Professional services	Professional services and online setup	Professional services	Professional services
Operational models	Merchant of record and service provider	Merchant of record and service provider	Merchant of record and service provider	Merchant of record and service provider	Merchant of record and service provider
Pricing model	Revenue share (variable %) + full service fees	Revenue share (average 10%) + implementation fee and professional services	Revenue share (8% or 4.9% + \$2.50 transaction fee) standard pricing	Revenue share (average 8% to 10%)	Revenue share (variable % depending on utilized services)
Sample clients	Cisco (software) Avid (software) Random House (publishing) Oldenbourg (publishing)	Panda Security (software) Nero (software) Steinberg (software) F-Secure (software) Norman (software)	BitDefender (software) Kaspersky (software) Lavasoft (software) Movavi (software) IObit (software)	Malwarebytes (software) Quest Software (software & SaaS) Avira (software) PollDaddy (SaaS) GFI (software)	Microsoft (software) Autodesk (software) Follett (publishing) Nuance (software) EA (gaming)

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Source: Forrester Research, Inc.

Figure 1 Digital Commerce Solutions Compared (Cont.)

	Elastic Path Software	FastSpring	IBM	Oracle ATG	Plimus
Website	http://www.elasticpath.com	http://www.fastspring.com	http://www.ibm.com	http://www.oracle.com/us/products/applications/atg/index.html	http://www.plimus.com
Year founded	2001	2005	1911	1977	2002
Employees	160	25	> 400,000	> 100,000	100
Headquarters	Vancouver, BC	Santa Barbara, Calif.	Armonk, N.Y.	Redwood Shores, Calif.	Fremont, Calif.
International offices	London	UK office	Worldwide	Worldwide	Herzliya, Israel
Digital vertical focus	<ul style="list-style-type: none"> • Packaged software • SaaS products • Gaming • Publishing • Media and entertainment 	<ul style="list-style-type: none"> • Packaged software • SaaS products • Gaming 	<ul style="list-style-type: none"> • Packaged software • Publishing • Media and entertainment 	<ul style="list-style-type: none"> • Packaged software • Publishing • Online services 	<ul style="list-style-type: none"> • Packaged software • SaaS products • Gaming • Online services
Deployment options	On-premises	SaaS	On-premises	On-premises and hosted managed	SaaS
Full-service capabilities	Strategic consulting	<ul style="list-style-type: none"> • Marketing services • Customer support • Affiliate network • Global payments 	<ul style="list-style-type: none"> • Strategic consulting • Marketing services • Global payments 	<ul style="list-style-type: none"> • Integration services 	<ul style="list-style-type: none"> • Marketing services • Customer support • Affiliate network • Global payments
Implementation model	Professional services and partners	Professional services	Professional services and partners	Professional services and partners	Online setup
Operational models	Service provider only	Merchant of record only	Merchant of record and service provider	Service provider only	Merchant of record only
Pricing model	Software license fee + professional services	Revenue share (8.9% or 5.9% + \$0.95 transaction fee)	Software license fee + professional services	Software license fee + professional services	Revenue share (average 7% to 10%)
Sample clients	Symantec (software) Rovi (entertainment) Google (software) Time Inc. (publishing) Lulu (publishing)	Smith Micro (software) American Heart Association (software) Cultured Code (software) Smile Software (software) Rogue Amoeba (software)	Cengage (publishing) Computer Associates (software) Autotrader.com (online services) Follett Higher Education Group (publishing) JJ Keller (online services)	Corel (software) Conde Nast (publishing) DirecTV (media and entertainment) Intuit (software) LexisNexis (publishing)	Wix (software) My Heritage (software) Matrix Games (gaming) RayV (media and entertainment) Avanquest Software (software)

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Source: Forrester Research, Inc.

RECOMMENDATIONS

OPERATIONAL CONSIDERATIONS WILL GUIDE VENDOR SHORTLIST

eBusiness leaders must look at their long-term digital commerce strategy and align with vendors that not only can support today's digital marketplace but also have an inherently flexible platform and focused road map that will support future business models, distribution channels, and customer needs. Picking the right vendor requires a rigorous selection process, but before getting started, eBusiness leaders should:

- **Focus on the unique needs of their vertical.** The digital commerce solutions referenced in this report are each strong in specific verticals, but may not be well suited in others. In addition, these vendors support different points in the market. Early in the selection process eBusiness professionals should dismiss vendors that don't focus on the needs of their vertical or that can't provide reference clients with similar business problems and operational scenarios.
- **Identify future-state business models.** eBusiness leaders must ensure the solutions that they consider will support future-state business models including subscriptions, trials, usage, and time-based models. As the consumer landscape changes and consumers adapt to disruptive services like SaaS software and subscription-based access to content, eBusiness leaders must invest in a platform that will enable them to experiment not only with new business models, but also with alternative distribution channels like marketplaces.
- **Beware of the pitfalls of outsourcing operational functions.** Few companies have the end-to-end spectrum of in-house core competencies needed to run a digital commerce channel globally. Large enterprises with significant revenue exposure to digital channels should carefully evaluate the strategic importance of functions like online marketing and site optimization before outsourcing these to their solution provider. Additionally, eBusiness leaders must carefully watch margin erosion when extensively outsourcing services. Those companies with digital revenues of more than \$30 million a year should carefully model the long-term total cost of ownership before committing to a revenue share model over a long-term contract.
- **Consider niche solutions where appropriate.** In certain scenarios, the solutions referenced in this report may be overkill. eBusiness leaders who need to monetize single-market, single-product line online services should consider recurring billing solutions like Vindicia and Zuora that can handle the payments and ongoing subscriptions for services but lack support for large product catalogs, merchandising tools, online stores, and global payment types. Recurring billing solutions typically expose APIs, allowing developers to integrate their services to existing online services and applications.
- **Focus on building a digital relationship with your customers.** eBusiness leaders are not only responsible for selling digital goods and services, but must also nurture a digital relationship with their customers across channels and touchpoints. As the Splinternet results

in more access points for consumers to buy, download, and use digital products and services, it is imperative that the consumer has a single digital identity that provides them access to use and modify existing services, manage their account, participate in loyalty programs, access past purchases, and upgrade to new services.⁶

- **Use STEP to ensure your business and customer goals are met.** Collecting a bunch of requirements and going to a request for proposal (RFP) will tell you little about how these digital commerce solutions will meet your needs in practice. Use Forrester’s scenario-based technology evaluation (STEP) framework to ensure the tools you evaluate will meet your organization’s needs and support your digital content and business strategy. This process uses scenarios that represent key day-to-day business needs and requires the vendors to demonstrate how their products serve those scenarios. Clients are reporting great success in clarifying their own needs, in determining best-fit solutions, and in driving real ROI from STEP.⁷

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Document

arvato Systems	Elastic Path Software
Asknet	FastSpring
Avangate	IBM
cleverbridge	Oracle ATG Web Commerce
Digital River	Plimus

ENDNOTES

¹ Source: Katie Scott, “Whispers of an Amazon Kindle book subscription service,” Wired UK, September 12, 2011 (<http://www.wired.co.uk/news/archive/2011-09/12/amazon-book-subscription-rumours>).

² Source: Todd Wasserman, “Amazon Kindle Ebooks Now Available in 11,000 Libraries,” Mashable, September 21, 2011 (<http://mashable.com/2011/09/21/amazons-kindle-libraries/>).

³ For more on consumer adoption of connected devices, see the January 25, 2011, “[Welcome To The Multidevice, Multiconnection World](#)” report.

⁴ For more on open commerce APIs, see the October, 19, 2011 “[The Agile Commerce Platform](#)” report.

Forrester defines a punch-out as when “a buyer accesses a merchant’s website from within the context of application or touchpoint the buyer is currently using. The buyer leaves (“punches out” from) the application or touchpoint they are using and goes to the merchant’s web-based store to order products, while their application transparently maintains connection with the website and gathers pertinent information.”

- ⁵ For more information, see the October 21, 2010, “The Forrester Wave™: B2C eCommerce Platforms, Q4 2010” report.
- ⁶ For more on the Splinternet, see the January 26, 2010, “The Splinternet” report.
- ⁷ For more on STEP, see the May 17, 2010, “Scenario-Based eCommerce Technology Evaluation Process” report.

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