



IDC MarketScape

IDC MarketScape: Worldwide Digital Commerce Applications 2014 Vendor Assessment

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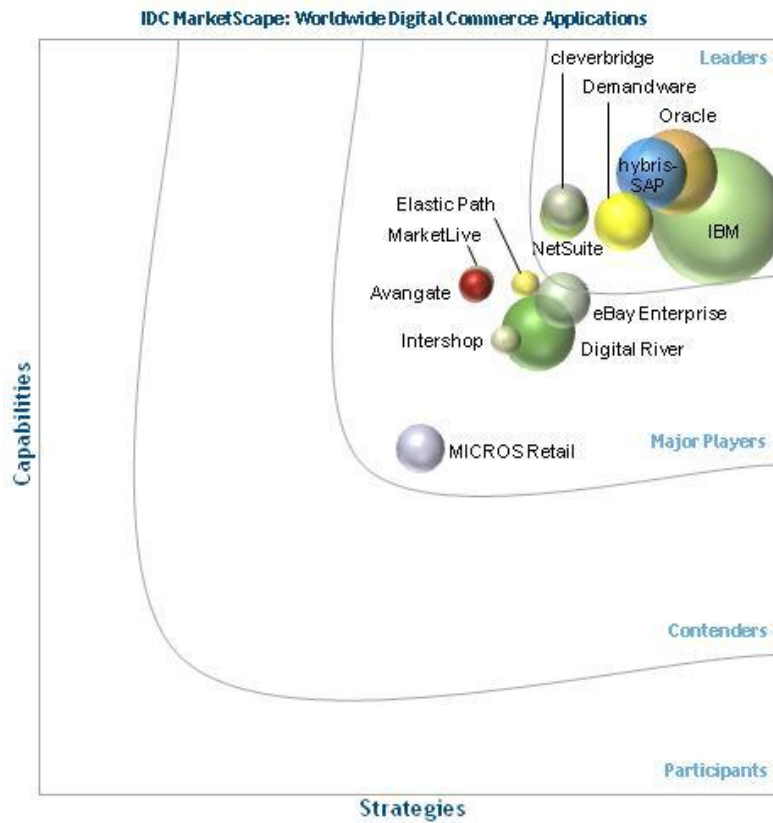
IN THIS EXCERPT

The content for this excerpt was taken directly from the IDC MarketScape: Worldwide Digital Commerce Applications 2014 Vendor Assessment by Christine Dover (Doc # 249597). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Buyer Guidance, Vendor Summary Profile, Appendix, Learn More, and Synopsis. Also included is the IDC MarketScape Figure (Figure 1).

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Digital Commerce Applications Vendor Assessment



Source: IDC, 2014

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IDC OPINION

This IDC study represents a vendor assessment of the digital commerce applications market through the IDC MarketScape model. This assessment discusses both quantitative and qualitative characteristics that explain success in this market. The evaluation is based on a comprehensive and rigorous framework that assesses vendors relative to the criteria and highlights the factors expected to be the most influential for success in the market in both the short term and the long term. Key findings include:

- Key strengths in the digital commerce applications market include the vendors' product functionality, future road map strategy, innovation and pace of productivity in research and development, growth strategy execution, and customer service.
- The digital commerce applications market is growing rapidly. New vendors and new product offerings are being launched on a regular basis.
- Digital commerce solutions are not just for retailers in a B2C business model. Vendor solutions are used in a mix of industries and scenarios including B2C, business to business (B2B), and B2B2C. Many opportunities are with buyers that have not traditionally thought of themselves as retailers but are finding that a digital commerce application provides significant revenue opportunities and new markets.
- Vendor product offerings are supporting increasingly complex buying processes as shoppers start research a product on one device, add items to a shopping cart on another including contracted services, visit the physical store to pick up some items and perhaps buy a few more things, and then arrange for the rest to be shipped to several locations. Later some items may be returned to the store or online.
- The move to the cloud is in full swing. While on-premise applications are still the prevailing deployment model for digital commerce solutions, particularly for large enterprises, new buyers are increasingly choosing cloud offerings, both public and private. Speed and flexibility are essential in the world of commerce, and cloud deployments are providing the ability to rapidly pop-up new stores and enter new markets.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

This IDC MarketScape looks at digital commerce application vendors. The criteria for inclusion of vendors in this IDC MarketScape analysis are as follows:

- Vendors must offer proprietary digital commerce applications technology. Any delivery model is acceptable (e.g., on-premise, SaaS, and hosted).
- Annual revenue from digital commerce applications sales exceeds \$10 million.
- The number of stores of Web sites supported exceeds 1,000.
- Annual customer transaction volume exceeds \$1 billion.
- A minimum of six customers are live on the current production release.

Digital commerce applications in this study were reviewed as they were in general availability as of March 2014.

ESSENTIAL BUYER GUIDANCE

Digital commerce is a fast-growing and evolving market. Once limited to ecommerce Web sites for retailers, digital commerce applications are now required technology for enterprises in all industries, many of which haven't previously thought of themselves as "retailers" but have products and services to sell to customers. Digital commerce applications make it possible for branded manufacturers to take their products directly to consumers and also engage their retail channel by offering pickup in a local store. Retailers can pull together their physical and digital stores to create a unified shopping experience across all the ways customers want to buy. Distributors that historically focused on a business-to-business model can use digital commerce to also sell directly to consumers.

But selecting a digital commerce solution is not just about selecting the best set of product features. All of the vendors that IDC evaluated have strong product offerings, some targeted at a specific aspect of digital commerce such as focusing on retailers and branded manufacturers or software and digital media, while others cross a variety of industries including telecommunications, healthcare, non-profits, public sector, and so on. In addition to the product offerings, IDC believes that buyers should look at all aspects of the potential vendor including its investment decisions in research and development, profitability and growth, sales and customer service capabilities and strategies, the partner ecosystem, and the employee strategy. The sections that follow describe what to look for from a "best vendor" in each of these areas.

Product Functionality Delivered and Future Road Map

At a minimum, prospective buyers need to know if the vendor's current product meets their current business requirements and can confirm this by speaking with referenceable customers. If the current product does not meet the requirements, an examination of the future product road map should provide guidance on when the requirements will be met. It is also important to understand the vendor's track record on delivering the functionality that was promised.

The best digital commerce solutions will be those that exceed the requirements of current customers across a broad industry base because many enterprises do not fit in just one industry. For example, a company may be a branded manufacturer of hardware and software; operate its own retail stores but also sell its product through other retailers; offer digital downloads of music, movies, and other media; and so on. Also consider the depth of the solution to meet the needs of customers within a specific industry (e.g., retailing footwear and apparel is very different from selling perishable goods). As the business model of the enterprise changes and evolves, the digital commerce solution should be ready to support the changing requirements. The best vendors have a comprehensive road map for the next three years and a demonstrated track record of achieving previous road map objectives. The product functionality is being continually enhanced to innovate the ways enterprises can sell products, services, digital assets, and more to their customers.

Delivery Model Capabilities and Strategy

All of the vendors included in this assessment offer cloud deployment models for their digital commerce solutions. A number of the vendors assessed offer only public cloud solutions. The cloud deliver option is very important to many prospective buyers and can provide a fast and efficient way to

bring up a new "store" in a new country, for a new product or brand, or for a special event. However, a public cloud offering is not always the right solution for every buyer. Many enterprises will continue to use on-premise, private cloud, and hosted digital commerce solutions to meet their business requirements.

At this time, the best vendors offer a range of deployment options (e.g., public cloud, private cloud, hosted, and on-premise) and have live and referenceable customers on each. Over time, the importance of cloud-only offerings is expected to change this evaluation of the preferred delivery model, so it is important that vendors have sophisticated plans in place that will match buyers shifting expectations for adoption of digital commerce solutions as more move from on-premise and to the cloud.

Portfolio Capabilities and Strategy

The digital commerce solution landscape is changing and growing rapidly. No vendor can, by itself, provide all of the tools and resources that all enterprises will need to launch and maintain a successful store. A broad and well-established ecosystem of partners is necessary to provide implementation resources, complementary technology, design services, payment solutions, and much more. Vendors should make it clear that there is a rigorous process for evaluating each partner's capabilities (e.g., certification testing for implementation consultants and security and integration reviews for technology partners). Preferably, the standards that the partners are required to meet should be published on the vendor Web site.

Integration Capabilities and Strategy

Digital commerce solutions exist within a complex systems environment within most, if not all, enterprises. Integration is generally required to accounting, pricing, inventory, sales opportunities, payment solutions, fulfillment solutions, and much more.

Buyers are advised to look for solutions that are modular and provide business process-level application integration XML and Web services and are constructed with service-oriented architecture that can be used to integrate between the modules (if needed) as well as with third-party and custom applications. If possible, prebuilt integrations should be available to a named set of third-party applications (CRM, financials, inventory, payment solutions, etc.). Vendors should also provide a clear road map for continuous improvement of its integration strategy.

New Release/Revisions Capabilities and Strategy

Vendors should clearly communicate their ongoing schedule, including planned functionality, for new releases and revisions to the digital commerce applications. Included in the communications should be expectation for any support needed during an upgrade, projected downtime if any, implementation considerations for new functionality, and so on. If possible, customers should be able to choose when to apply the release within a given period of time as the busy selling season may not always be November/December.

Needless to say, new releases should be included for no additional charge, as long as the customer is a current subscriber or licensee of the software. It is also important that the timing and frequency of the release be appropriate for the customer base. It is not unusual for cloud-based solutions to have multiple releases a year (e.g., monthly) in their early stages of development as the product is being built and over time to slow that release cycle.

Scalability and User Experience

All of the vendors IDC evaluated are focused on delivering highly scalable digital commerce solutions and modern user experiences that incorporate mobile selling and clienteling that cross devices. Product road maps generally reference continual improvements in these areas.

Pricing Model

Pricing of digital commerce solutions is complex and evolving. Some models used are components such as:

- **Revenue share.** Just as it sounds, this is a percentage of the sales price for whatever item or service is purchased through the digital commerce application. Often the vendor will position revenue share as "participating in your success" as they are not paid until the digital commerce store is live and customers are making purchases. This can be an attractive model for a growing company but as sales volumes grow it may seem expensive.
- **License.** This is the traditional software licensing model typically associated with on-premise software. An up-front license is charged, along with an annual fee for support and maintenance.
- **Subscription.** This is a common model for cloud-based software and often thought of as "per user per month."
- **Transaction based.** This is most commonly seen in B2B pricing for digital commerce solutions where the transaction volumes may be lower but the value of the item being purchased can be high.

The best vendors will offer a variety of pricing models that can be aligned to the buyer's business model and can be adjusted if the business model changes. It is also very important to understand what is included in the pricing and not assume that vendors are defining it the same way. For example, vendor A may say its revenue share is X%, and vendor B may say its revenue share is 2X. If vendor B includes merchant services, tax processing, and other services as part of its pricing, you may decide that vendor B has a better value proposition than vendor A even though it appears to be the higher-priced provider.

Sales/Distribution Capabilities and Strategy

Digital commerce is a global business and most vendors can sell globally. Many start in a specific region and have a core group of customers, but virtually all the vendors IDC evaluated have or are opening sales offices around the world.

Customer Service Capabilities and Strategy

Customer service capabilities and strategy is one of the three most important items for buyers to consider when making a decision to select a digital commerce solution (product functionality/road map and R&D pace and innovation are the other two). Interactions with the customer service team will continue throughout the buyer's relationship with the digital commerce vendor. The best vendors will offer outstanding customer service programs across geographies, in local languages, during local business hours (if not 24 x 7), and through a variety of media (e.g., knowledge bases, phone, email, and community forums). The customer service experience should include professional services offered from the vendor's own staff as well as from partners. Vendors should provide detailed information about the various customer service programs available and applicable pricing. Buyers should examine customer satisfaction surveys and be sure to ask references about their satisfaction with customer service.

Other Go-to-Market Strategy

As mentioned previously, it is important that the digital commerce application meet the requirements of a variety of industry models. Lately, more vendors are talking about their attention to microvertical-specific business processes. For example, there are many types of retailers with different requirements for selling clothing, accessories, artisan cheeses, and so on. Luxury retailers have different needs than do fast-fashion retailers. Enterprises may be packaging products with contracted plan for monthly service or a warranty along with some professional services to deliver and install the product.

The best vendors will provide microvertical-specific business process best practices and implementation methodologies to help enterprises get started. These best practices and methodologies are supported and maintain as part of the release cycle, and professional services staff (including partners) are trained and certified on these tools. These tools can include the "starter stores" that many vendors include with their digital commerce solution.

Growth Strategy

In December 2013, IDC estimated the size of the digital commerce applications market at \$1.7 billion in 2012 and forecast that it would grow at an 18.8% compound annual growth rate (CAGR) for the period 2013-2017 to reach \$4.1 billion worldwide. Customer momentum is the engine that drives this growth and customers want to choose vendors that are thriving and succeeding. The best vendors will be executing on a plan to grow their market share and should show demonstrated success of double-digit growth for the previous three years. In addition, the executive leadership should demonstrate a very strong commitment to the digital commerce solutions as an important component of the growth plan for the company. This commitment is demonstrated by clearly defined investment plans, naming of key leadership and other resources to the digital commerce product team, well-attended customer events, and so on.

Innovation/R&D Pace and Productivity

The digital commerce landscape is changing rapidly, and it is essential to vendors are keeping pace with the need to innovate. Ideally, a vendor will offer at least three releases annually, although customer feedback or product maturity may make a case for one or two releases a year. Importantly,

there should be an innovation management process in place so that customers can provide ideas on future functionality and products. Innovation management processes may be a physical or digital lab where customers, partners, and the vendor's developers can come together to share ideas and build stuff. Other processes include forums where ideas can be suggested and then voted on by the community.

In addition, vendors should be adequately funding research and development. Often vendors will discuss the value of their investment (e.g., as a dollar amount or as a percentage of revenue). Larger vendors will generally talk about the overall R&D investment rather than just the investment in digital commerce. Certainly, R&D investments in other technology areas can and do benefit the digital commerce applications as well, but be sure to ask about the share that is going to digital commerce.

Financial/Funding Model

It is important to know that the vendor is financially sound. The best vendors will be established, profitable companies with sufficient and demonstrated resources to fund product development, sales execution, and customer service for the digital commerce products for at least four years. Newer companies may not yet be profitable, but they should have appropriate investments, cash flow, sales pipeline, and projected revenue/bookings to fund their activities.

Employee Strategy

Qualified and trained digital commerce resources are in high demand worldwide. The best vendors are considered top employers where people choose to work and typically have well-defined recruitment, talent management, compensation, and retention programs. Plus the development, sales, and customer service teams should be fully staffed. Often the chief human resource officer is called out as a key member of the executive leadership team.

The best organizations are also planning for the future by working through their academic initiatives or community development to have their solutions included in the curriculum at colleges and universities, often as part of a marketing degree program in the case of digital commerce. These types of programs are not limited to only large vendors (IDC has seen companies with as few as 100 employees partnering with their local community college to train and hire development resources).

VENDOR SUMMARY PROFILE

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix of the full document, the description here provides a summary of each vendor's strengths and challenges.

Elastic Path

IDC positioned Elastic Path as a Major Player in this IDC MarketScape. Elastic Path (the company name is also the product name) includes modules for personalized merchandizing, responsive pricing,

omni-channel commerce, product information management, ecommerce bundling (important for telcos), and a powerful API technology. Elastic Path currently serves over 200 customers, mostly Fortune 500 and Internet Retailer 500 companies, in brands and manufacturing, telecommunications, software, media and publishing, and consumer services. Elastic Path is available in a variety of deployment models including on-premise, hosted, and cloud. Pricing is on a monthly basis plus a setup service fee.

Strengths

Elastic Path is squarely focused on digital commerce but also sees the opportunity that every business is a digital business (e.g., using a smartphone app to buy coffee). The Cortex API technology is especially compelling and makes it possible to unify enterprise data with the commerce system in real time, which earned Elastic Path a high score for integration capabilities. Developers are important in the Elastic Path story. There is a developer community where ideas can be shared and questions answered. The recruiting process for new employees includes a developer challenge and some gamification. EPLabs provides an inside look at new technology that Elastic Path is developing. Product releases are issued every three to six months, with the most recent in April 2014.

Customer momentum is very good and revenue grew 100% in 2013 and is forecast to do the same in 2014. Elastic Path is also on its way to establishing good partner ecosystem as it builds its network of systems integrators and add partner sales training. Also Elastic Path has good technology partnerships with Adobe, Aria, OpenText, and others leveraging the Cortex integration technology. The company has also added technology agency partners including MRM//McCann, Sapient, and Cognifide@Wunderman.

Challenges

Elastic Path is a relatively small company with about 160 employees. Founded in 2000 in Vancouver, Canada, the company was self-funded until 2013 when it added debt and equity financing. This gives the opportunity to grow. Elastic Path is well established in North America and Western Europe and starting to make inroad into Asia/Pacific, but the commerce opportunity is global. For this reason, IDC scored Elastic Path lower on sales and distribution capabilities. IDC also expects to see Elastic Path continue to boost its investment in R&D (a new VP of product was hired in March 2014), grow its customer base in new industries, implementation methodologies and tools, and continue to build out its partner program over the coming years as the company continues to grow.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the

company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represent the market share of each individual vendor within the specific market segment being assessed.

As a whole, the vendors covered in this analysis are established players with strengths in many areas. There has been significant M&A activity in the digital commerce market in the past years, and IDC expects this trend to continue through 2016, if not longer (as this report was being published, Oracle announced its intent to acquire MICROS Systems). There are also a number of new digital commerce offerings that have come to market in 2013 and 2014 including Infor's Rhythm, Microsoft Dynamics for Retail, CloudCraze (built on the Salesforce1 platform), and Volusion's Mozu. There are also a number of vendors IDC was unable to evaluate at this time, including Venda. These additional solutions are expected to be included in a future publication.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

Digital commerce applications facilitate the marketing, research, merchandizing, sales, transactions and payment processing, fulfillment, upsell, cross-sell, and loyalty functions of B2C, B2B, and B2B2C commerce through digital channels. However, it does not include the direct procurement of materials used in the manufacturing process products, services, or other items purchased through a contracting process or supplier networks, all of which are included in the procurement market. Digital commerce may also integrate with traditional point-of-sale merchandising inventory and other systems to provide sellers of goods and services a complete, omni-channel selling environment that extends across the supply chain.

Digital commerce and its processes are applicable to multiple industries. They include but are not limited to retail; manufacturing; food and beverage; consumer package goods; financial services; healthcare; travel and transportation; hospitality; software, gaming, and digital media; and telecommunications.

LEARN MORE

Related Research

- *Worldwide Digital Commerce Applications 2014-2018 Forecast and 2013 Vendor Shares* (forthcoming)
- *IDC's Worldwide Digital Commerce Taxonomy, 2014* (forthcoming)
- *Oracle to Acquire MICROS Systems for \$5.3 Billion* (IDC #lcUS24961714, June 2014)
- *IBM's Smarter Commerce 2014: ExperienceOne, WebSphere Commerce on Cloud, and the Cloud Marketplace* (IDC #248984, June 2014)
- *Oracle B2B Commerce Summit: Customer Perspectives* (IDC #247102, March 2014)
- *National Retail Federation's 103rd Annual Convention & EXPO: Observations from Retail's BIG Show 2014* (IDC #246966, February 2014)
- *Worldwide Digital Commerce Applications 2013-2017 Forecast and 2012 Vendor Shares* (IDC #245069, December 2013)
- *SAP to Acquire hybris, Omni-Channel E-Commerce, for an Undisclosed Amount* (IDC #lcUS24161813, June 2013)

Synopsis

This IDC study represents a vendor assessment of the digital commerce applications market through the IDC MarketScape model. This assessment discusses both quantitative and qualitative characteristics that explain success in this market. The evaluation is based on a comprehensive and rigorous framework that assesses vendors relative to the criteria and highlights the factors expected to be the most influential for success in the market in both the short term and the long term.

"The digital commerce applications market is growing rapidly. Both established and new vendors are launching new product offerings on a regular basis that are used in a mix of industries and scenarios including B2C, B2B, and B2B2C. Many opportunities are with buyers that have not traditionally thought of themselves as retailers but are finding that a digital commerce application provides significant revenue opportunities and new markets," says Christine Dover, research director, Enterprise Applications and Digital Commerce for IDC.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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