



IDC MarketScape

IDC MarketScape: Worldwide Digital Commerce Applications 2014 Vendor Assessment

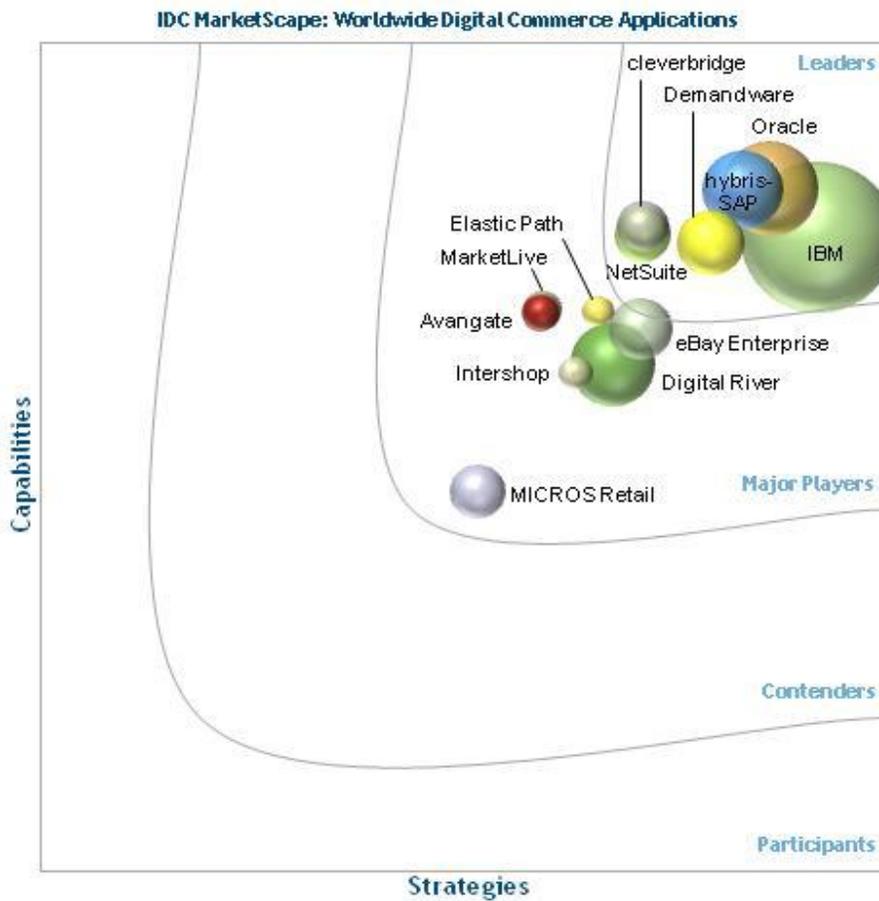
Christine Dover

THIS IDC MARKETSCAPE EXCERPT FEATURES: IBM

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.

IN THIS EXCERPT

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

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 MARKETSCOPE 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.

VENDOR SUMMARY PROFILES

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, the description here provides a summary of a vendor's strengths and challenges.

IBM

IDC positioned IBM as a Leader in this IDC MarketScape. IBM WebSphere Commerce solution is part of IBM's broader Smarter Commerce suite, which includes organically developed applications such as WebSphere Commerce as well as acquired products from Sterling Commerce, Tealeaf, Emptoris, DemandTec, and others into a suite of applications that focus on marketing, buying, selling, and servicing process for B2C as well as B2B communities. The current release is WC 7 Feature Pack 7, made available in February 2014 (the previous release, WC 7 FP 6, was available in April 2013). IBM WebSphere is available in a variety of deployment options including cloud, hybrid, hosted, and on-premise. IBM WebSphere is used by customers across many industries including retail, manufacturing, consumer package goods, telecoms, financial services, and more. Pricing for IBM products can be flexible with perpetual, subscription, and other method, including IBM financing, available.

Strengths

IBM is a large, worldwide, engineering-driven technology organization that has delivered innovative business solutions throughout its 100+ year history. Overall, IBM is profitable, although revenue have been flat recently, however, the Smarter Commerce business unit continues to perform well (double-digit growth) with good customer momentum. IBM invests heavily in R&D annually (about \$6 billion annually plus acquisitions), and commerce and cloud are big beneficiaries of this spend. The company also invests heavily in its own market research (e.g., the 2013 Omni-Channel Consumer Insights study), which helps drive product decisions that make sense for its customers and prospects. This investment in commerce is one of the areas where IBM scored highly in IDC's evaluation.

Since 2006, IBM has delivered a full-featured commerce product. The company continues to innovate as is seen with the recent presence zone capability, call center for commerce, and enhancements to the Aurora starter store. Social, mobile, and analytics are also feature rich. It is to IBM's credit that as of February 2014 there is no end date for support of earlier releases of WebSphere Commerce (dating back to V6 in 2006). Customers should feel comfortable that they will be able to work at their own pace.

As is expected with an organization such as IBM, resources are available worldwide. The company is considered a preferred employer, and customers should expect to work with a consistent and well-trained group of sales and service teams, both IBMers and IBM partners. The new IBM Knowledge Center where customers can select their specific products is a very useful way to find an abundance of resources, and developerWorks includes a specific area for commerce developers. IBM also has a well-established partner ecosystem with an excellent infrastructure for partner development and credibility, including a Smarter Commerce sales mastery certification for resellers and the Smarter Commerce Capability Authorization for ISVs.

Challenges

Cloud adoption of IBM's commerce offerings are popular with midtier organizations (under \$50 million annually) as well as for opening stores in new markets, but this is not well known and IBM's commerce solutions are often perceived as big, expensive, complex, and on-premise. IDC believes that IBM can improve and simplify its market messaging to change this perception. Also, while IBM has built an impressive lineup of commerce solutions, there is still work to do to bring them together, particularly acquired products, into a seamless fully integrated whole. Simplicity is also needed when trying to find

a partner solution as IBM has a number of different marketplaces and directories for customers to search with only a very small number of the partner offerings being specific to commerce, which is why IBM's scores for Portfolio Strategy were lower than in other areas. The recent launch of Commerce Composer should help improve the visibility of IBM's partner offerings for commerce in the future. Overall, simplifying how customers can work with IBM and navigate the extensive number of resources available is IDC's primary advice for IBM.

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

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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