Magic Quadrant for Digital Commerce

Published: 29 September 2014

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We see continuing strong demand for digital commerce as organizations invest to improve the customer experience and extend the infrastructure required for the creation of new digital business designs. Business and IT leaders and C-level executives can use the Magic Quadrant to guide their decisions.

Strategic Planning Assumptions

By 2018, 70% of e-commerce will move from business-to-consumer (B2C) and B2B models to models that focus on the individual customer experience.

By 2017, 70% of e-commerce sites in North America will be dependent on services from Amazon and/or eBay.

By 2018, organizations that have fully invested in all types of online personalization will outsell companies that have not by more than 30%.

Market Definition/Description

The digital commerce software market continued to grow in 2013. The market exceeded $3.4 billion in sales during 2013, and will grow at a 13.6% compound annual growth rate (CAGR) from 2012 through 2017 (see “Forecast: Enterprise Software Markets, Worldwide, 2011-2018, 1Q14 Update”).

A digital commerce platform facilitates a purchasing transaction over the Web, and supports the creation and continuing development of an online relationship with a consumer or business customer across multiple retail, wholesale, mobile, direct and indirect sales, call center, and digital sales channels. The core digital commerce platforms in this Magic Quadrant enable organizations to build digital B2B, B2C or B2B-to-consumer (B2B2C) commerce sites. Functionality includes the creation and management of product catalogs, Web storefronts, shopping carts, and product recommendation and personalization.

Digital commerce integrates with technologies, applications, data sources and services beyond the scope of this Magic Quadrant. A typical digital commerce site averages more than 15 integration points with ERP, order management systems (OMSs), Web content management (WCM), digital marketing, payment processing, logistics and warehousing, analytics systems, and other systems.
Digital commerce supports a continuum of business objectives, ranging from the generation of incremental revenue to enabling transformational business change.

**Magic Quadrant**

Figure 1. Magic Quadrant for Digital Commerce

![Magic Quadrant Diagram](image)

Source: Gartner (September 2014)
Vendor Strengths and Cautions

Demandware

Demandware is a Challenger in the 2014 Magic Quadrant, providing a SaaS commerce platform for B2C business models in retail, branded manufacturing and distribution. Demandware reported 2013 revenue of $103.7 million and 43% revenue growth.

Strengths

■ Reputation: Demandware has generated a strong reputation among retailers and brands looking for a commerce platform that deploys quickly, provides a rich front-end user interface (UI), and minimizes upfront investments in financial and technical resource.

■ Stability: Demandware references and client inquiries report high levels of satisfaction with the scalability of the platform, its ability to support multisites and microsites, its ability to create and manage mobile Web and native applications, its ability to localize the customer experience and UIs, and its ability to roll out enhancements and updates with minimal impact on system availability.

■ Growth: Demandware has posted strong growth based on its reputation with retailers and brands, platform scalability and availability, strong user experience capabilities, and ability to support global deployments. Approximately 61% of Demandware’s revenue came from North America and 38% from Western Europe, with a total of 240 customers under contract at the end of 2013.

Cautions

■ B2C focus and profitability: A large majority of Demandware customers support B2C interactions in retailing and brands. Companies that require both B2C and B2B capabilities, or that have complex B2B requirements, should compare Demandware’s capabilities against vendors with broader B2B functionality and market experience. Demandware reported a generally accepted accounting principles (GAAP) net loss for FY13 of $20.9 million, and a non-GAAP net loss for the year of $6.2 million.

■ Revenue share model: Client inquiries indicate concern regarding the revenue share licensing model, particularly from clients that have large current or projected online revenue. Although Demandware licenses almost exclusively on a revenue share model, it can provide alternative usage-based license models for customers with unique licensing requirements. Companies with high levels of current or projected online revenue should develop a total cost of ownership (TCO) model to compare the revenue share model against the cost of one-time license models and associated hosting fees. Demandware has stated that it had 17 customers with gross merchandise value (GMV) exceeding $100 million in 2013. Some large Demandware references also cite the alignment of revenue with commerce platform costs as a positive benefit of the revenue share model.
Order management, WCM and marketing: Client inquiries and references state that they would like tighter integration with third-party order management, WCM applications, search and marketing automation applications, although the vendor provides prebuilt integrations with its Link Technology Partners’ applications. Demandware also has order management technology from its acquisition of Mainstreet Commerce in January 2014.

Digital River

Digital River is a Challenger in the 2014 Magic Quadrant, providing a SaaS commerce platform for B2C, B2B and B2B2C businesses in software, gaming, publishing and branded manufacturing. The vendor also provides payment gateway services, serves as a payment service provider, and can act as merchant of record or seller of record. Digital River reported 2013 transaction revenue of $390 million and 5.4% revenue growth. While 2013 e-commerce growth decreased slightly (less than 5%), the vendor’s payment growth increased 147%.

Strengths

- Suite offering with global reach: Digital River offers a full suite of commerce platform product functionality with payment capabilities, as well as a large partner network. It operates in more than 243 countries and territories, and continues to invest in EMEA and the Asia/Pacific region. Customer references gave positive scores for its ability to localize the consumer customer experience. Digital River also provides payment services that include gateway, processing and acquiring services, along with being an in-country merchant.

- Software and gaming: Digital River’s roots are in digital goods, and customers rated it above average in its ability to sell digital goods, and manage subscriptions and digital rights. Digital River also received high marks from reference customers in B2C and B2B2C business models.

- Time to market: Reference customers reported an average of four months for implementation, with 80% reporting completed implementation in less than five months.

Cautions

- B2B functionality: Customers using Digital River strictly for B2C gave it higher ratings than customers using it for both B2B and B2C. Some functionality ratings (e.g., ability to set up customer-specific organization structures, bulk ordering and customer-specific order templates, and product configuration rules) fell below the average rating across all vendors. Clients with complex B2B requirements should confirm functionality against their requirements.

- Payment model: Digital River licenses its product primarily on a revenue share model. Companies with high levels of current or projected online revenue should estimate their TCO over several years and compare this against alternative licensing models.

- Revenue and profitability: Digital River has experienced ups and downs with its revenue since 2009, and recorded consecutive losses for 2012 and 2013. The vendor sustained and increased revenue growth in 2013, but this growth was largely due to its payment gateway and processing business, versus its commerce business.
eBay Enterprise (Enterprise Commerce Platform)

eBay Enterprise’s Enterprise Commerce Platform (ECP) is a Niche Player in this Magic Quadrant. The vendor has two commerce products discussed in this Magic Quadrant: ECP and Magento Enterprise Edition (MEE). ECP is based on the technology and services of the former GSI Commerce product. For current and future prospects, eBay will only offer ECP together with MEE, and is working with existing ECP v.9, and v.10 customers to offer them MEE. ECP is focused primarily on retail and branded manufacturing.

Strengths

- eBay parent company: eBay brings a recognized corporate brand, financial depth, PayPal payment services and the eBay marketplace.
- Commerce services: ECP can leverage an extended range of digital commerce capabilities, including retail order management, store-based fulfillment solutions, marketing solutions, and fulfillment and freight services, offered via a variety of pricing models.

Cautions

- Delays: In 2013, ECP leveraged the Intershop 6.8 release for its ECP v.11 release. To date, less than 10% of existing ECP customers have migrated from v.9 to the new platform. Many current users of v.9 are waiting for the new platform to mature and prove itself in the market, while some users who have upgraded to v.11 comment on a lack of stability of the product and cite concerns with quality. It should be noted that ECP v.11 provides critical customer requirements, such as the business user interface, merchandising enhancements, enhanced personalization capabilities, mobile app and Web capabilities, and an extended API for better integration with third-party systems.
- Version 9 functionality: Client inquiries and references from companies that have stayed on ECP v.9 show an ongoing concern about the lack of functionality to support multichannel customer engagement and integration with non-eBay solutions, as well as a lack of platform flexibility to accommodate ongoing changes.
- Cost and complexity: Gartner clients and customer references continue to cite a high percentage of revenue share and the high cost of adding new functionality and upgrading to ECP v.11 as critical challenges. Customer references that are still on the v.9 release gave overall low scores, citing lack of product functionality, delays in platform evolution to emerging market requirements and the lack of ability of eBay Enterprise to bring innovation to the platform as major concerns. However, as noted above, eBay is also offering ECP only with MEE for new customers, and is working with existing ECP users to promote a Magento migration strategy.

eBay Enterprise (Magento Enterprise Edition)

eBay Enterprise’s Magento Enterprise Edition is a Challenger in the 2014 Magic Quadrant. It is an open-core B2B and B2C commerce solution. Magento is ideally suited for midsize to large
enterprises that are looking for a cost-competitive solution and are prepared to add functionality through additional eBay Enterprise modules, prebuilt extensions from Magento’s partner and developer ecosystem, or to build out some areas of product functionality on their own or with the assistance of a Magento Solution Partner.

**Strengths**

- **Performance:** Magento v.1.13, released in April 2013, provides better scalability and performance through improvements in catalog indexing, caching, taxation and the check-out process flow. Magento v.1.14, released in May 2014, includes enhanced Solr search indexing and a responsive design reference theme that resizes across desktop, laptop, tablet and smartphone interfaces.

- **Scale:** Magento Enterprise Edition can support customers with large volumes of transactions and product catalogs; based on publicly released data. Some users are supporting more than 10 million SKUs in their product catalogs, and more than 2,000 orders per hour. Reference users gave positive feedback on overall satisfaction and platform scalability and stability, with some references and Gartner client inquiries reporting commerce revenue in excess of $100 million using Magento.

- **Leverage of eBay assets:** eBay Enterprise’s strategy is to offer a complete solution through integration with other eBay merchant and commerce solutions, including PayPal, Retail Order Management and Store-Based Fulfillment Solutions, Marketing Solutions, Fulfillment and Freight Services, and branded Customer Service Outsourcing. Extensions and integrations with third-party solutions, such as cross-channel promotions, analytics and optimization, product information management (PIM), ERP, and other marketing and back-office systems are available from Magento Industry and Solution Partners and the Magento ecosystem.

**Cautions**

- **Partner ecosystem:** While the Magento developer and implementation partner community experiences numbers in the hundreds — including approximately 170 gold and silver certified partners — references cite concerns about the variability in experience and quality of some partners. eBay Enterprise has put certification standards in place, and references state that the overall quality is improving, but continue to comment on the need to vet partner capabilities for development, implementation and postdeployment support.

- **Transition from open source:** eBay Enterprise continues to transition the Magento business from its original open-source go-to-market model to that of a more traditional platform vendor. References and client inquiries state that the vendor needs to do a better job of providing a product vision and road map, partner programs, visibility testing and certification of open-source plug-ins, as well as integration with other eBay assets, such as order management.

- **Functionality gaps:** Customer references gave lower-than-average scores for capabilities such as interactive selling, WCM, PIM, distributed order management, and reporting and analytics capabilities. However, as mentioned above, some of this functionality is available through preintegrated eBay Enterprise solutions, Magento Industry and Solution Partners, and the Magento ecosystem.
IBM

IBM WebSphere Commerce is a Leader in this year's Magic Quadrant, providing scalable digital commerce capabilities for B2C, B2B and B2B2C business models in eight industry sectors. Gartner estimates 2013 digital commerce revenue of $131.6 million and 8% revenue growth. In May 2014, IBM launched ExperienceOne, featuring WebSphere Commerce for core e-commerce capabilities; Sterling Commerce for distributed order management; DemandTec for promotion, merchandising and analytics; and Unica, Coremetrics, Tealeaf, Xtify and Silverpop for marketing functionality. The platform is both cloud- and on-premises-based, and delivers preintegration of the individual products for the most common business uses.

Strengths

- **Functionality:** In addition to the depth of functionality of WebSphere Commerce 7.0, the IBM Smarter Commerce portfolio can extend these capabilities using a rich ecosystem of multichannel commerce capabilities, including order management; configure, price and quote; warehouse management and logistics; in-store analytics; customer experience management; Web analytics; product recommendations; campaign management; mobile marketing; master data management; and WCM.

- **Scalability and multiple deployment options:** WebSphere Commerce is a scalable solution with clients ranging more than $10 million to $500 million in online revenue. IBM offers multiple deployment models, including licensed on-premises software, or licensed software hosted on third-party infrastructure or by IBM.

- **Global presence and vertical support:** WebSphere Commerce has over 1,100 customers (25% are B2B) in all major geographies (60% in North America, 27% in EMEA, 9% in the Asia/Pacific region and 4% in Latin America), and has customers across multiple vertical industries.

Cautions

- **Cost:** Reference customers cite the cost of licensing and deploying WebSphere Commerce as a concern; in cases where IBM is evaluated, but not selected, as the commerce vendor of choice, price is the most frequently cited reason. However, IBM does provide licensing options, including perpetual, annual or monthly term options, and usage or revenue share. Reference customers using WebSphere gave the product below-average scores on value proposition versus total investment.

- **Complexity:** Sixty-three percent of survey respondents who evaluated, but did not select, WebSphere Commerce considered it too complex for their requirements. WebSphere Commerce scored low among the Magic Quadrant vendors surveyed for ease of customization and configuration.

- **Project and implementation delays:** Gartner client inquiries and customer references cited project implementation delays and budget overruns as challenges for large or transformational projects.
Intershop

Intershop, a Niche Player vendor in the 2014 Magic Quadrant, serves several verticals, including retail, manufacturing/high tech, telecommunications and automotive, in both B2B and B2C models. Intershop predominantly offers an on-premises license model, with hosted and SaaS-based subscription models offered directly (Intershop Full-Service E-Commerce) or through partners.

Strengths

■ Functionality: Intershop 7 is a full-featured solution including merchandising, order management, PIM, multisite and microsite capabilities, administrative interface, analytics and reporting, and social commerce.

■ Scalability: Intershop has over 500 customers worldwide, of which over 25% generate more than $100 million in online revenue. One-third of its customers are B2B organizations. Reference customers note that the platform is stable, and can support enterprise-class implementations and large numbers of catalogs or SKUs.

■ Integration: Reference customers cited ease of integration with ERP systems; the ability to directly import data, analyze import file formats and merge with the Intershop data model; and the ability to manage and scale multiple geographic or vertical microsites using either a single instance or multiple templates as particular areas of strength.

Cautions

■ Market awareness: Although Intershop can reference many large-scale commerce customers globally, the vendor has been challenged by its limited market awareness and consideration. None of the Magic Quadrant survey respondents (outside of Intershop customers) cited Intershop as a potential vendor.

■ Geographic presence: Geographic coverage is skewed toward the European market, where 85% of Intershop production customers and 62% of its revenue come from Europe, and partner strength in some key markets, including the U.S., needs improvement. Intershop is investing in these areas, but its initiatives will clearly take time to develop.

■ Dependency on services: Approximately half of the vendor’s revenue comes from software licenses or subscriptions, using GAAP standards (Intershop is traded on the Frankfurt stock exchange), with the remainder coming from services. Intershop is working to evolve from this mix to strengthen product revenue, but any major changes to its model may impact existing accounts.

Micros Systems

Micros Systems is a Niche Player vendor in this Magic Quadrant, providing software and hosting capabilities primarily for B2C businesses in the food and beverage, hotel, and retail verticals. In June 2014, Oracle announced its intent to acquire Micros Systems for approximately $5.3 billion. Because this announcement was made after this research was finalized, Micros Systems is evaluated separately in this Magic Quadrant.
Strengths

- Geographic reach and customer size: Micros Systems has a broad geographic presence in over 180 countries, with 60% of its revenue coming from global customers in Europe, Asia and Latin America. Almost 37% of its customers have Web sales greater than $500 million, with almost 12% of those customers having Web sales over $1 billion.

- Product: The vendor provides a broad digital commerce functionality, particularly for consumers, including an online storefront, point of sale (POS), clienteling, mobile-optimized Web and a mobile app (introducing responsive design planned for 3Q14), social listening, inventory and order management, CRM (including loyalty programs, gift cards, promotion pricing, segmentation and email), product inventory management, and tools for assisted selling.

- User experience and marketing services: Micros Systems offers various customer experience testing (e.g., website audits and evaluations, assistance in getting to know Web-based customers, and online usability testing Web design) along with marketing-based services (e.g., search engine optimization [SEO]/search engine marketing [SEM], analytics, store optimization and content marketing) to help improve the performance of its products. User experience testing requires no fees, while marketing-oriented services are fee-based. The vendor also has a detailed methodology for working with new clients to aid them in their endeavors for addressing multiple channels.

Cautions

- Hardware focus: Within its retail vertical, software (including digital commerce) represents less than 12% of business, versus services and hardware revenue. Across its verticals, Micros Systems reports its retail vertical as having the fastest growth, currently representing 24% of revenue, versus 29% for food and beverage, and 37% for hotels.

- Transaction from services to software: Traditionally, Micros Systems’ revenue has been derived significantly more (almost 3-to-1) from services than from software. While the vendor is attempting to reverse this ratio, it remains a work in progress. Product functionality continues to be built out into the product, which may also enable the vendor to expand beyond its primary three verticals.

- Limited B2B capabilities: Micros Systems offers limited B2B functionality designed to support retailers and manufacturers selling to their employees. Key functionality for selling to large corporations (such as the ability to set up and manage customer-specific departments and cost centers, import and manage hierarchies, manage subuser accounts, set up and manage customer contracts and quotes, etc.) requires customization. About 2% of the vendor’s total customers use its B2B capabilities, representing approximately 25% of revenue generated by Micros Commerce systems.

NetSuite

NetSuite is a Niche Player vendor in the 2014 Magic Quadrant, providing a multitenant SaaS commerce platform that is integrated with the vendor’s core financial management and ERP.
offerings. In July 2014, NetSuite announced the acquisition of Venda, which appeared in the 2013 Magic Quadrant for E-Commerce. The acquisition was announced after research for this Magic Quadrant was concluded.

**Strengths**

- **Broad application suite:** NetSuite provides an integrated set of SaaS financial management, ERP, retail management, order management, POS and CRM applications, in addition to the SuiteCommerce commerce applications. The SuiteCommerce application is built-in with these applications, eliminating integration and implementation challenges for companies that have standardized on NetSuite.

- **Productivity improvements:** Utilizing the full NetSuite application package suite makes it easier for companies to enter new markets, because essential software is preintegrated. Having a fully integrated back end (including customer service, order management, fulfillment, shipping, etc.) has demonstrated productivity improvements with some NetSuite customers in the areas of order fulfillment, accounting, developer costs and customer service representatives.

- **Vertical breadth:** NetSuite has customers across several verticals, including distribution and wholesale; professional, consulting and other services; software, computer and IT services; retail; manufacturing; telecommunications; financial services; healthcare; nonprofits; and education. The vendor serves customers in approximately 80 countries, with 26% of its revenue generated outside the U.S.

**Cautions**

- **Tight integration limits non-NetSuite implementations:** While SuiteCommerce can be used with non-NetSuite ERP and financial management applications, a large majority of companies that use SuiteCommerce have implemented the NetSuite ERP application. Gartner can identify only fewer than 10 companies that have implemented SuiteCommerce independent of the core NetSuite ERP and financial management applications.

- **Missing capabilities and below-average performance:** NetSuite reference customers rated the vendor below average in several consumer-oriented functional areas, such as the ability to set up profiles and gift registries; manage personalized offers; and maintain order history. It also got below-average ratings on SEO capabilities, release management and upgrade flexibility, as well as on testing and performance management capabilities.

- **Profitability:** NetSuite has shown strong revenue growth, but profitability based on GAAP reporting remains elusive. NetSuite reported a net loss of $70.4 million in 2013, although the company reported non-GAAP net income of $19.9 million in the same period.

**Oracle**

Oracle is a Leader in this Magic Quadrant, based on the ability of the Oracle Commerce offering to support B2C, B2B and B2B2C business models; its global multilanguage and multisite implementations; and its customer base of more than 700 enterprise and midenterprise companies. In June 2014, Oracle announced its intent to acquire Micros Systems for approximately $5.3 billion.
Because this announcement was made after this research was finalized, Micros Systems is evaluated separately in this Magic Quadrant.

**Strengths**

- **Product breadth:** Oracle Commerce, based on the integration of Oracle ATG and Endeca, supports global enterprises in seven major markets, including retail, branded manufacturing, technology, consumer packaged goods, telecommunications, financial services and media. Platform capabilities include multisite creation and management, product catalog, experience and content management, merchandising, shopping cart management, segmentation/personalization, integrated SEO, and search merchandising. Oracle Commerce 11 series includes a mobile reference application for iOS; mobile Web services and a framework that can be used with iOS, Android and Microsoft mobile operating systems, as well as improvements in cross-channel support.

- **Global reach:** Oracle provides global scope and resources for large digital commerce initiatives, as well as models and support for companies with lower levels of online revenue. Oracle service providers and technology partners bring implementation services and product add-ons for social reviews and marketing, payment processing, marketing, and content management.

- **Integration and adjacent applications:** Oracle continues to deepen integration between ATG and Endeca, including single sign-on and segment integration between the two applications, and the ability to include site content in search. Endeca Experience Manager, licensed separately from the core ATG product, is the dynamic content, merchandise and experience delivery component of the solution. Oracle Customer Experience (CX) technologies in order management, customer service, marketing and other areas can add value to the Oracle Commerce platform.

**Cautions**

- **Cost and complexity:** References and client inquiries note concerns about the cost and complexity of an Oracle Commerce implementation, and give lower-than-average ratings to ease of upgrading, customization and manageability of the application, although this should be balanced against the relative scale of many Oracle Commerce implementations. References also gave lower-than-average ratings to content management, integration APIs, and usability by IT and business users, and noted the high cost of annual maintenance.

- **Expectations:** References and client inquiries indicate they are not always clear on Oracle’s Commerce road map, such as the integration of multiple Oracle technologies and products (e.g., Oracle Marketing Cloud) that are adjacent to Commerce.

- **Cloud:** Oracle Commerce is not available as a SaaS solution, and a hosted implementation of Oracle Commerce typically requires a one-time license fee in addition to hosting fees, although Oracle can provide financing programs for licenses. Customers that require a hosted solution will typically have to work with Oracle, a hosting partner and possibly also a service provider, and will have to coordinate multiple contracts and vendor relationships.
SAP (hybris)

SAP’s hybris is a Leader in the 2014 Magic Quadrant due to its broad and robust digital commerce platform, global presence, and customers in a wide range of vertical industries, as well as its ability to support B2B and B2C business models. SAP acquired hybris in June 2013.

Strengths

- Growth and industry presence: Hybris continues to experience strong growth; Gartner estimates 2013 revenue growth of approximately 75% and new client growth of approximately 50%. An almost equal proportion of revenue came from North America and Europe, and from B2B/B2C business models. The vendor has approximately 600 customers in retail, manufacturing wholesale, high tech and telecommunications.

- Deployment choice: Hybris offers several delivery models, including on-premises, hosted and managed-service-based, outcome-driven commercial models. The vendor typically offers the managed service model to companies or divisions within companies with e-commerce revenue of less than $100 million.

- Product agility: Reference users and client inquiries give hybris above-average ratings for product information and content management, integration APIs, usability by IT and business users, ease of upgrading, and ability to create and manage mobile applications.

Cautions

- Support: References cite the need for improvement in product documentation and knowledge management for product support, as well as the availability of trained resources on platforms by geography. Customers have concerns about product support capabilities due to delays in the time to resolve issues, especially when hybris charges a premium for support.

- Product gaps: References gave hybris lower scores than other Leaders in this Magic Quadrant on reporting and analytics, and order management capabilities.

- SAP: While the SAP acquisition brings resources and presence to hybris, Gartner client inquires indicate concern around the vendor’s ability to stay agile and responsive in the market. Gartner believes that as SAP begins to integrate hybris into its product portfolio, the product road map, go-to-market strategy and pricing will all be impacted. However, hybris is committed to its road map and continues to drive execution under the SAP umbrella. Client inquiries post-SAP acquisition show wider variances in pricing, price bundling and discounting, including maintenance costs priced against list, rather than discounted, prices. Gartner recommends that clients continue to have specific discussions with hybris regarding planned pricing changes and the product road map.

Volusion

Volusion is a Niche Player vendor in the 2014 Magic Quadrant, providing SaaS commerce services primarily to small or midsize business (SMB) retailers and branded manufacturers. Gartner estimates the vendor’s 2013 revenue to be greater than $50 million, with approximately 80% of its
40,000 users in North America. Mozu, Volusion's commerce product targeting larger companies, became available early in 2014 and is not included in this evaluation.

**Strengths**

- **Value:** Volusion provides a functionally rich and cost-effective platform for its target market of SMBs. References and inquiries indicate that most Volusion customers report higher-than-average levels of satisfaction with the vendor.

- **Usability:** Volusion SMB users gave positive feedback on the product's catalog and content management, search, product configuration/pricing, interactive selling features, and usability for internal use.

- **Integrated functionality:** The feature/functionality mix is appropriate for its SMB and predominantly B2C target market, including integrated merchandising, product management, shopping cart, integration with Amazon and eBay, merchant accounts, order management, email marketing, cross-channel campaigns, and merchant services in a SaaS platform.

**Cautions**

- **SMB focus:** Volusion is not an appropriate platform for midenterprise or enterprise firms in most cases. A large majority of Volusion customers derive less than $10 million in online revenue. However, Volusion has several customers with revenue of up to approximately $50 million, and it recently announced Mozu, a commerce product targeting midsize and enterprise organizations.

- **Multichannel:** The vendor does not provide multichannel support. A majority of its customers use Volusion to sell through a single online channel, although some of its customers have multiple sites and physical stores.

- **Limited capabilities:** Volusion lacks support for multisite stores and catalogs and multichannel capabilities, and has less-than-average support for mobile Web and native applications.

**Vendors Added and Dropped**

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor’s appearance in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

**Added**

Hybris was acquired by SAP in 2013 and is covered in this Magic Quadrant as SAP (hybris).
Dropped

The criteria for the 2014 Magic Quadrant have evolved substantially from 2013. Minimum vendor revenue criteria increased to $50 million per year, a reflection of the growth and investment in the sector as well as the commerce market becoming more mature. In addition, vendors in this Magic Quadrant must show proof of scalability, such as the ability to support digital commerce revenue streams of $50 million or more. The vendor must have a minimum of 50 production customer sites, a minimum of 10 new customers in the past year, sales and support resource availability in at least three of five geographic regions, and sufficient professional services resources to fulfill current and future customer demand through the next 12 months. Because of the increase in criteria, several vendors featured in the 2013 Magic Quadrant are not in this research; this is not a reflection of a lack of viability on the part of those vendors or their appropriateness for a specific market:

- Cleverbridge
- commerceserver.net
- Elastic Path
- Jagged Peak
- JDA Software
- MarketLive
- Oracle (iStore)
- Venda

Other Vendors to Consider

Several vendors provide digital commerce technologies, but do not meet either the revenue criteria or technology criteria for the 2014 Magic Quadrant. Additional vendors that provide e-commerce technologies and platforms that are not covered in this Magic Quadrant include:

- Aptean (Truition)
- Avangate
- Bridgeline Digital
- Emeldi (Emeldi Commerce)
- EPiServer
- Infor
- Insite Software
- Sana
- Shopify
- ShopVisible
For a complete listing of e-commerce vendors across a variety of subsegments, refer to "The Gartner E-Commerce Vendor Guide, 2014."

**Inclusion and Exclusion Criteria**

Inclusion criteria are used to determine which vendors will be covered in Magic Quadrant research. It is important to note that new market criteria have been added in response to client requests for enterprise- and mid-enterprise-scale functionality: A vendor’s minimum digital commerce revenue from license or SaaS revenue is now set at $50 million per year. The vendor must also show proof of scalability (for example, through the demonstration of the digital commerce system’s consistent ability to support a digital commerce revenue level of at least $50 million per year at the vendors’ digital commerce customer sites).

**Market Presence and Company Viability:**

- The vendor has generated a minimum of $50 million in license or SaaS revenue for its digital commerce product during the past four quarters. If a vendor chooses not to disclose revenue information, it can instead provide the total number of installed customers; growth rates in 2012 and 2013; total number of customers acquired in 2012 and 2013; and average annual customer spend on software and services. (Note: Gartner may estimate revenue for vendors that choose not to submit financial and revenue information.)

- The vendor must show proof of scalability. This could include, for example, the demonstration of the digital commerce system’s consistent ability to support digital commerce revenue of at least $50 million per year at the vendors’ digital commerce customer sites.

- The vendor meets the following installed base criteria:
  - A minimum of 50 production customers
  - A minimum of 10 new customers in the past four quarters

- The vendor must provide sales and support for its digital commerce product in at least three of the following five geographic regions: North America; Latin America; Europe, the Middle East and Africa; Japan; and the Asia/Pacific region.

- The vendor must demonstrate sufficient professional services, delivered either through internal resources or partnerships, to fulfill current and future customer demand during the next 12 months.
Product Capabilities:

- Core product capabilities must include support for multiple business models, including B2C, B2B or B2B2C, and the vendor must also confirm product advancements in the form of periodic (annual, semiannual, quarterly) functional releases in either the digital commerce platform or provided via the vendor’s technology partner or service vendor ecosystem.

- The digital commerce product can be deployed using any of the following deployment models:
  - On-premises licensed software
  - On-premises licensed software with hosted infrastructure, with or without software management services provided by the vendor
  - Multitenant SaaS
  - Hosted software with extended services, such as warehousing and call center support

- The product supports digital commerce functions that include, at a minimum, the following capabilities:
  - Storefront, product catalog and shopping cart: the ability to support multiple storefronts; manage and display a product and service catalog using an integrated product catalog; and support shopping and check-out capability
  - Internationalization, localization and personalization: the ability to support multiple languages and currencies; personalize the shopping experience based on market or segment requirements; and personalize the shopping experience based on customer groups or segments
  - Integration with back-office applications: the ability to integrate with back-office applications such as ERP, order management, CRM or warehouse management/logistics applications, and to provide documented and supported APIs or equivalent integration tools
  - Mobile and multichannel: the ability to support multiple mobile device types or operating systems, including mobile phones, tablets, kiosks, digital displays and other store-/consumer-owned devices
  - Marketing and SEO: the ability to manage and support paid and natural search, including SEO

- In addition to the core functionality described above, additional functionality can be provided by the vendor as part of its core digital commerce product, or through partnerships or integration with third-party products or services. Examples of these additional capabilities include:
  - Catalog management, provided through third-party WCM or PIM applications
  - Order management/distributed order management
  - Merchandising management, search, and configure, price and quote
  - Personalization and analytics
Evaluation Criteria

Ability to Execute

Enterprises evaluating digital commerce application vendors for their Ability to Execute have wide-ranging requirements, depending on their industry, business and revenue models, sales strategy, and geographic focus. Breadth of product and service functionality, company viability, market responsiveness and customer experience are all highly weighted criteria.

Product or Service: This includes the core goods and services offered by the vendor for the defined market. Assessed are current product/service capabilities, quality, feature sets, skills, etc., whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the product criterion.

Overall Viability: This includes an assessment of the overall organization’s financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue to invest in the product. Assessments of the organization’s cash and equity position, management, and financial strategy are weighed.

Sales Execution/Pricing: This includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue to invest in the product. Assessments of the organization's cash and equity position, management, and financial strategy are weighed.

Market Responsiveness/Record: This is the vendor’s ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion considers the vendor’s history of responsiveness or its track record in the digital commerce market. It also weighs the range and level of success among large enterprise customers using the digital commerce offering.

Marketing Execution: This criterion addresses the clarity, quality, creativity and efficacy of programs designed to deliver the organization’s message in order to influence the market, promote the brand and business, increase awareness of the product, and establish a positive identification with the product/brand and organization in the minds of buyers. Product revenue, organizational mind share, and the health of partner and alliance programs are considered.

Customer Experience: Successfully supported customers are important in this market, so this criterion entails the vendor’s assistance and support with launching client sites, and is coupled with support, maintenance and upgrades with the production site. Professional services means providing internal professional services resources, or partnering with system integrators with vertical industry expertise, digital commerce domain knowledge, global and localized country coverage,
and a broad skill set (for example, project management and system configuration), to support a complete project life cycle.

Customer support means providing satisfactory, demonstrated and referenceable prompt service to customers worldwide. The technology vendor must have numerous successful implementations, as well as client experiences, to demonstrate its capability to meet client expectations for the product across regions. This can include ancillary tools, customer support programs (and the quality thereof), availability of user groups and service-level agreements.

**Operations:** This is the ability of the vendor to meet its goals and commitments. Factors include the quality of the product management team, service and support organization, developer organization skill sets, and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

**Table 1. Ability to Execute Evaluation Criteria**

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product or Service</td>
<td>High</td>
</tr>
<tr>
<td>Overall Viability</td>
<td>High</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>Medium</td>
</tr>
<tr>
<td>Market Responsiveness/Record</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>Medium</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>High</td>
</tr>
<tr>
<td>Operations</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Source: Gartner (September 2014)

**Completeness of Vision**

Vendors demonstrating an understanding of their customers' evolving needs, incorporating new customer demands into their product strategies and exhibiting technological innovation in their digital commerce products exhibit Completeness of Vision in this market. Market understanding, offering strategy, vertical/industry strategy, innovation and geographic strategy are all highly weighted criteria.

**Market Understanding:** This criterion addresses the ability of the technology vendor to understand buyers' needs and translate these needs into products and services. Vendors that show the highest degree of vision listen and respond to buyers' current demands, while responding to emerging needs. The technology vendor demonstrates a strategic understanding of digital commerce opportunities (for example, multichannel and personalization) and ongoing vendor market dynamics (for example, consolidation trends). In addition, the technology vendor demonstrates an
understanding of the wider implications and position of digital commerce in a company’s CRM strategy, because sales, marketing and service strategies are valuable to customers taking the strategic view.

**Marketing Strategy:** The technology vendor demonstrates a clear, differentiated set of messages that are consistently communicated to clients across all channels.

**Sales Strategy:** The technology vendor demonstrates a clear sales plan for the product and how it will be executed through various sales resources, such as direct sales, indirect sales, partners and the Web.

**Offering (Product) Strategy:** This criterion addresses a technology vendor’s approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature set as they map to current and future requirements for integration, standards support, collaboration, development environment support, personalization capabilities, architectural evolution and feature enrichment. Technology vendors publish “statements of direction” (or Gartner’s understanding of them) for the next two product releases, to keep pace with the Gartner vision of the digital commerce market. Technology and architecture figure strongly here. The vendor must offer a range of digital commerce architectural styles to satisfy different implementation scenarios, such as B2B, B2B2C or B2C.

**Business Model:** The technology vendor has a well-articulated strategy for revenue growth and sustained profitability. Key strategic elements include the sales and distribution plan, internal investment priority and timing, and partner alliances.

**Vertical/Industry Strategy:** This addresses the technology vendor’s capability to articulate how it will service industry-specific needs from a "whole product" viewpoint (that is, from delivered products and services required to gain value from the solution). Included are reviews of the vendor’s strategy for delivering product requirements (for example, retail, distribution, manufacturing, consumer goods, telecommunications, publishing/media, travel and tourism, financial services, and automotive aftermarket).

**Innovation:** This criterion addresses direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes. In the digital commerce space, innovation can involve architecture, interoperability and integration, composite applications, rich Internet applications (RIAs), cloud computing, social commerce, context awareness, and analytics.

**Geographic Strategy:** This is the technology vendor’s strategy to direct resources, skills and offerings to meet the specific needs of locations outside its home or native geography, either directly or through partners, channels and subsidiaries, as appropriate for that region and market.
Table 2. Completeness of Vision Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Business Model</td>
<td>Medium</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Innovation</td>
<td>High</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Gartner (September 2014)

Quadrant Descriptions

Leaders

The Leaders quadrant contains technology providers that demonstrate the optimal blend of insight, innovation, execution and the ability to see what’s going to happen next. These providers lead the market in e-commerce by consistently demonstrating their understanding of emerging technologies, such as personalization and mobile; by understanding globalization and emerging vertical industries beyond retail; by providing a single platform to address B2B, B2C and B2B2C digital commerce requirements; and by supporting multiple delivery models as per customer requirements. These technology providers offer products that cover core e-commerce capabilities as well as innovative capabilities, and they are consistently on clients’ "longlists" and shortlists of e-commerce evaluations. Leaders have a record of winning these accounts and delivering customer satisfaction, strong support and professional services, leading to the implementation of successful e-commerce sites.

Leaders have demonstrated longevity in the e-commerce market, as well as a commitment to product innovations for Internet sales. In addition, they represent technology providers with the strongest capability to meet Internet B2B and B2C selling requirements.

In addition to achieving high scores for Ability to Execute and Completeness of Vision, Leaders have all the following attributes:

1. Through production customer implementations, the ability to support B2B and B2C business models on the same technology platform.
2. Demonstrable and complete globalization strategy and execution, including investment in the EMEA and Asia/Pacific markets.

3. Demonstrated ability to offer more than one deployment model, with flexibility to move between these models. Examples of deployment models include licensed, on-premises deployment; SaaS deployment (single tenant or multitenant SaaS); or licensed, hosted (by the vendor or a third party) deployment.

4. Value-added product offerings with integrated capabilities in adjacent areas, such as customer service, analytics, marketing or distributed order management.

5. Demonstrated ability to address broader, multiple, vertical-specific requirements, and a demonstrated ability to address vertical industries beyond retail.

Technology providers in the Leaders quadrant have demonstrated consistent, extensive and durable execution in delivering e-commerce websites at the enterprise level. In addition, the maturity of this market demands that Leaders maintain a strong vision regarding the key points that have emerged during the past year, including globalization, mobile e-commerce, social commerce, multiple deployment options and multisite management; the capability to support B2C, B2B and B2B2C selling models; integration with multiple points of interaction, such as mobile, call centers and stores; and support for overall sales, service and marketing in an e-commerce context.

**Challengers**

Challengers typically have offerings for a client base that is focused on mainstream and some visionary core operational e-commerce capabilities, and/or a limited number of industries or geographies and a single type of selling (for example, B2C-only sales capabilities). These technology providers have market presence in the e-commerce space, and clients often refer to them on their longlists of vendors. However, to be elevated to the Leaders quadrant, these technology providers must improve their company and product visions for e-commerce by adding new industries; new sales models; B2B, B2C and B2B2C; new geographies or new product capabilities; and new delivery models.

Challengers generally have access to R&D capital, highly capable execution models, ease of implementation and deep functionality involving core operational e-commerce — all of which make them successful. Challengers also can demonstrate some variety of e-commerce implementations across business models and different industries. However, they may not have a wide array of industries covered, and are seeking to expand into other industries and support multiple business models.

End-user organizations are often concerned about the technology provider’s ability to deliver at the enterprise level in cases where heterogeneous environments, advanced B2C and B2B selling capabilities, and/or innovative capabilities (such as globalization, mobile e-commerce, social or other emerging areas of innovation) are involved, or where the e-commerce offering isn’t the primary focus because it’s part of a larger solution (such as CRM or ERP). This includes offerings with weaker marketing messages, but also products that exhibit the potential to move into the Leaders quadrant by demonstrating strong, new client acceptance in B2C and B2B accounts, and
by demonstrating the ability to span heterogeneous environments and deliver innovative customer experiences online.

Visionaries

Visionaries apply an innovative, market-leading, and forward-thinking or disruptive approach to e-commerce. Because of this, they also might have smaller market shares. New entrants with exceptional technology may appear in this quadrant early, after their general availability release; typically, however, unique or exceptional technology will emerge in the Visionaries quadrant after several quarters of general availability.

This quadrant is often populated by new entrants that have new architectures and functionality. However, established technology providers offering new functionality that isn’t found in any other provider’s offerings also can be considered Visionaries.

Visionaries can meet customers' production requirements and have a general availability of at least one year, which indicates that they are more than just startups with good ideas. Technology providers in this quadrant must have customers in production, thereby proving the value of the new functionality and architecture. Frequently, Visionaries will drive Leaders toward new concepts and engineering enhancements. However, Visionaries also can be the acquisition targets of Leaders and Challengers.

Niche Players

A Niche Player technology provider has a small market share and/or a narrow market appeal or specialization with its current customers. Although its solution may be compelling, market adoption/ traction is limited. However, these providers surpassed this Magic Quadrant’s entrance requirements, whereas other organizations not found in this research were unable to satisfy the entrance criteria. Clients should not infer that Niche Players perform poorly and cannot meet an organization’s e-commerce needs; rather, clients should realize that these vendors are participating in an extremely competitive market.

The Niche Players quadrant contains technology providers in several categories, including:

- Those that offer an exceptional product limited to a specific end-user community (for example, only B2B manufacturers, or B2C retailers that sell only a specific product type) or a specific vertical industry (for example, manufacturing only), or those that have a limited geographic strategy. Moreover, in some cases, the offering is for a vertical industry within an industry, such as branded high-tech manufacturers or apparel retailers only.
- Those with new e-commerce products that lack general customer acceptance, market visibility or proven functionality to move beyond niche status.

This quadrant is the starting point for many new entrants in a Magic Quadrant; however, some vendors may be included due to one or more of the above reasons.
Context
This research is the latest Gartner Magic Quadrant evaluating the digital commerce and digital commerce technology markets. The prior version of this research was "Magic Quadrant for E-Commerce." For 2014, the title has been changed to "Magic Quadrant for Digital Commerce," to reflect the evolution of the industry to tighter integration with and dependency on digital, mobile, social and cloud technologies. At a strategic level, digital commerce is a key enabling technology in the development of new digital business designs.

Market Overview
The digital commerce Magic Quadrant evaluates digital commerce platforms that support B2C, B2B or B2B2C business models across multiple industry verticals, including retail, branded manufacturing, distribution and wholesaling, industrial manufacturing, high tech, telecom, publishing and media, travel and hospitality, and others. We have evaluated multiple deployment models (for example, on-premises; SaaS, hosted or managed services; or business-process-outsourced) and license models (for example, on-premises licensed software, and SaaS or other service models that are paid for on a revenue share or subscription basis).

Key findings are:

- **Market maturation:** The digital commerce platform market is maturing; incumbent vendors are investing in building out their commerce platforms and those in adjacent areas, such as search, order management and marketing — both through organic development and acquisition. Vendors are increasingly focused on execution and winning new customers, sometimes at the expense of articulating future vision. Merger and acquisition activity is increasing, resulting in fewer digital commerce platform options in the market, but also serving to extend the commerce platforms of the established vendors.

- **Transformational change:** 24% of reference users said the primary business justification for their organizations' investment in digital commerce was a "transformational project to change the way we do business."

- **Interdependency:** Digital business means "co-opetition"; reaching new markets will require working with competitors that offer marketplace sites and access to new customers, payment services to acquire global reach, or hosting services to achieve scalability and availability.

- **Marketing:** Digital companies will expand investments in personalization, digital marketing, Web analytics and big data in order to stay competitive.

- **Cloud:** No single deployment or licensing model will dominate the digital commerce market, but a gradual evolution to the cloud via hosting or SaaS deployment models is inevitable.
Evaluation Criteria Definitions

Ability to Execute

**Product/Service:** Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability:** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor’s capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

**Market Responsiveness/Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer
needs evolve and market dynamics change. This criterion also considers the vendor’s history of responsiveness.

**Marketing Execution**: The clarity, quality, creativity and efficacy of programs designed to deliver the organization’s message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

**Customer Experience**: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

**Operations**: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

### Completeness of Vision

**Market Understanding**: Ability of the vendor to understand buyers’ wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers’ wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy**: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

**Sales Strategy**: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy**: The vendor’s approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

**Business Model**: The soundness and logic of the vendor’s underlying business proposition.

**Vertical/Industry Strategy**: The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.
**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.
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