



Market Analysis Perspective:

Worldwide Digital Commerce Applications, 2022

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September 2022

In This Presentation

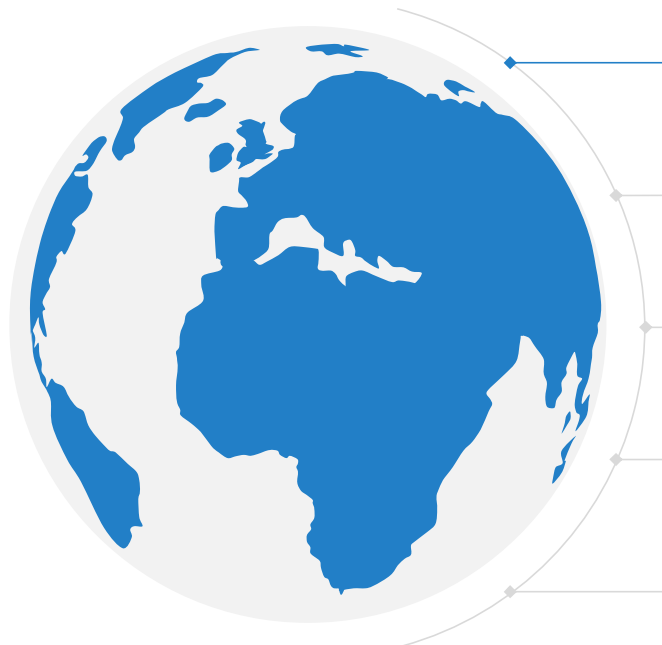
The IDC Market Analysis Perspective session delivers a concise current state view of a market and insight into the impact of future trends. Business executives, product managers and MI/AR professionals can use this information when looking to understand buying criteria and market impacts.

The MAP session is a 60-minute **interactive dialogue** with the industry's most accessible analysts for the IDC research services to which you subscribe. The session includes a **current market update** on:

- Emerging industry trends
- Buyer needs
- Competitive assessment
- Long-term market opportunities.

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Industry & Market Overview

Competitive Landscape

Buyer Perspective

Future View of the Market

Advice for the Technology Supplier

Worldwide Digital Commerce Applications Market

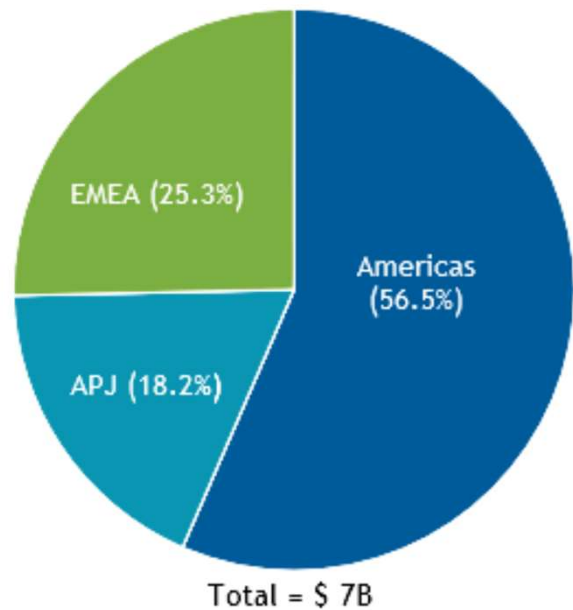
"2021 was an even stronger year of growth for the digital commerce applications market than 2020, indicating that the post-pandemic digital transformation boom will persist long after the pandemic is over. The digital commerce landscape has changed permanently due to the impacts of the COVID-19 pandemic. Digital transformation is a competitive necessity and key to forging a differentiating edge over peers," says **Heather Hershey, Research Director Worldwide Digital Commerce, IDC.**

Digital Commerce Applications Definition

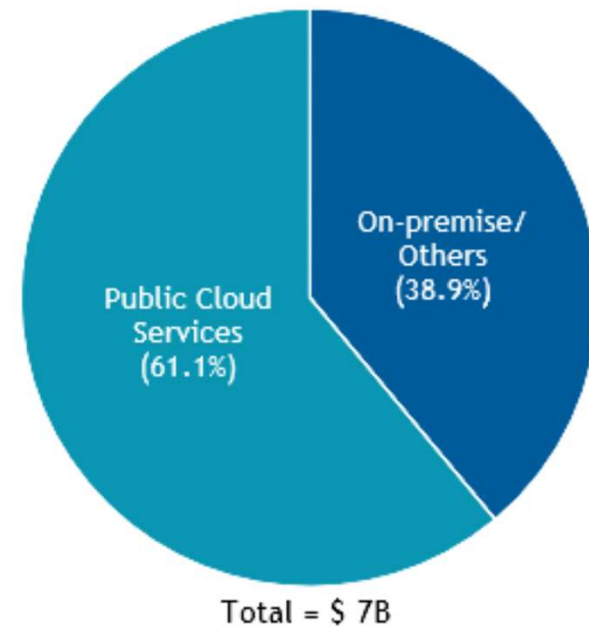
Digital commerce applications enable businesses to create an online "store" for selling products and services. The key role of digital commerce applications is to provide an online shopping cart across digital channels, help customers find products and services, and manage orders from the time a transaction is placed through order fulfillment. Specific functions that digital commerce applications provide include catalog management, product information management, pricing, merchandising, transaction processing, order life-cycle management, digital fulfillment, and site search.



Digital Commerce By Region and Deployment



Americas and EMEA saw strongest growth in 2021



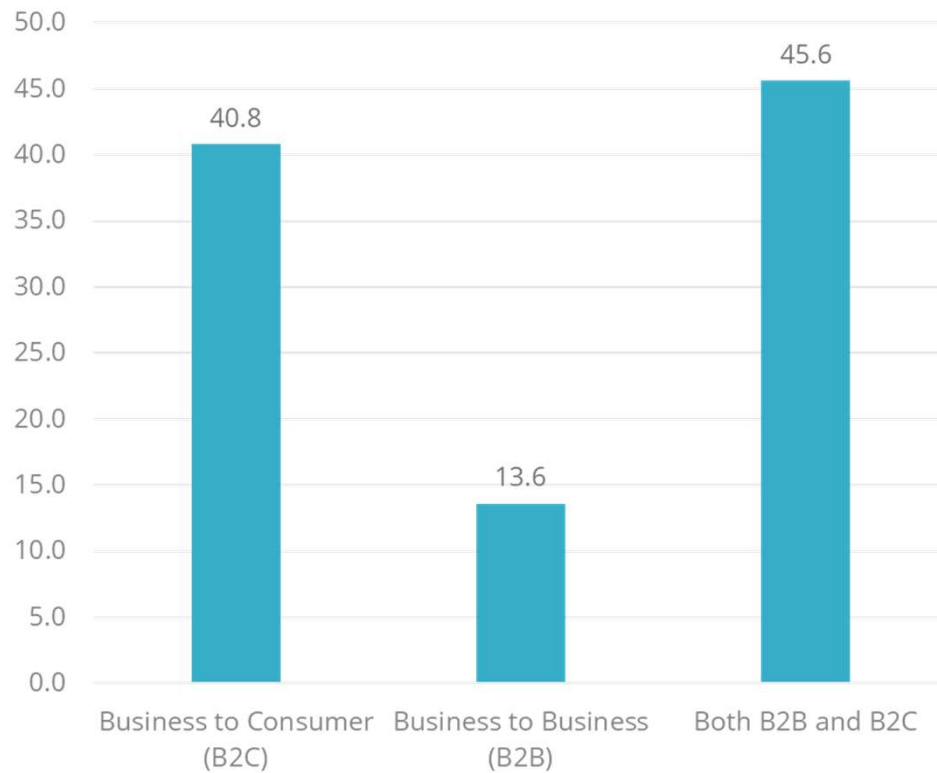
Most of digital commerce software deployments were in the public cloud.

Primary Commerce Business Models



Digital Commerce Growth by Business Model

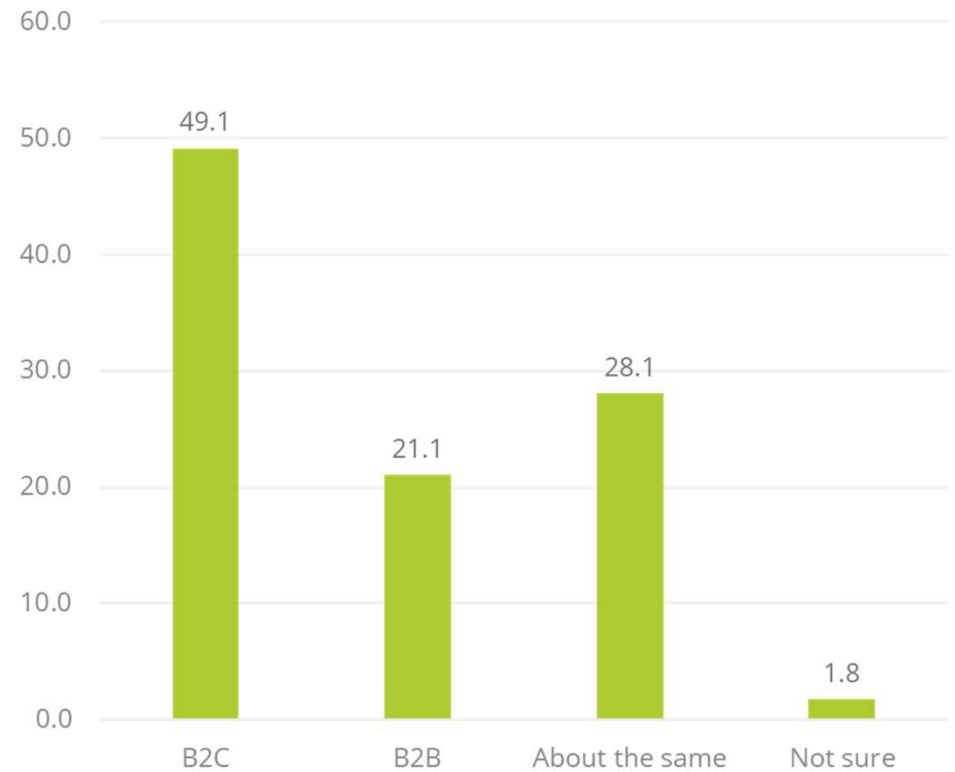
Q29A. Which of the following business models do you use your digital commerce software for? (N=125)



n = 125
Source: IDC's SaaSPath Survey, March 2022



Q29B. Which side of your business has been growing faster in recent years? (N=57)

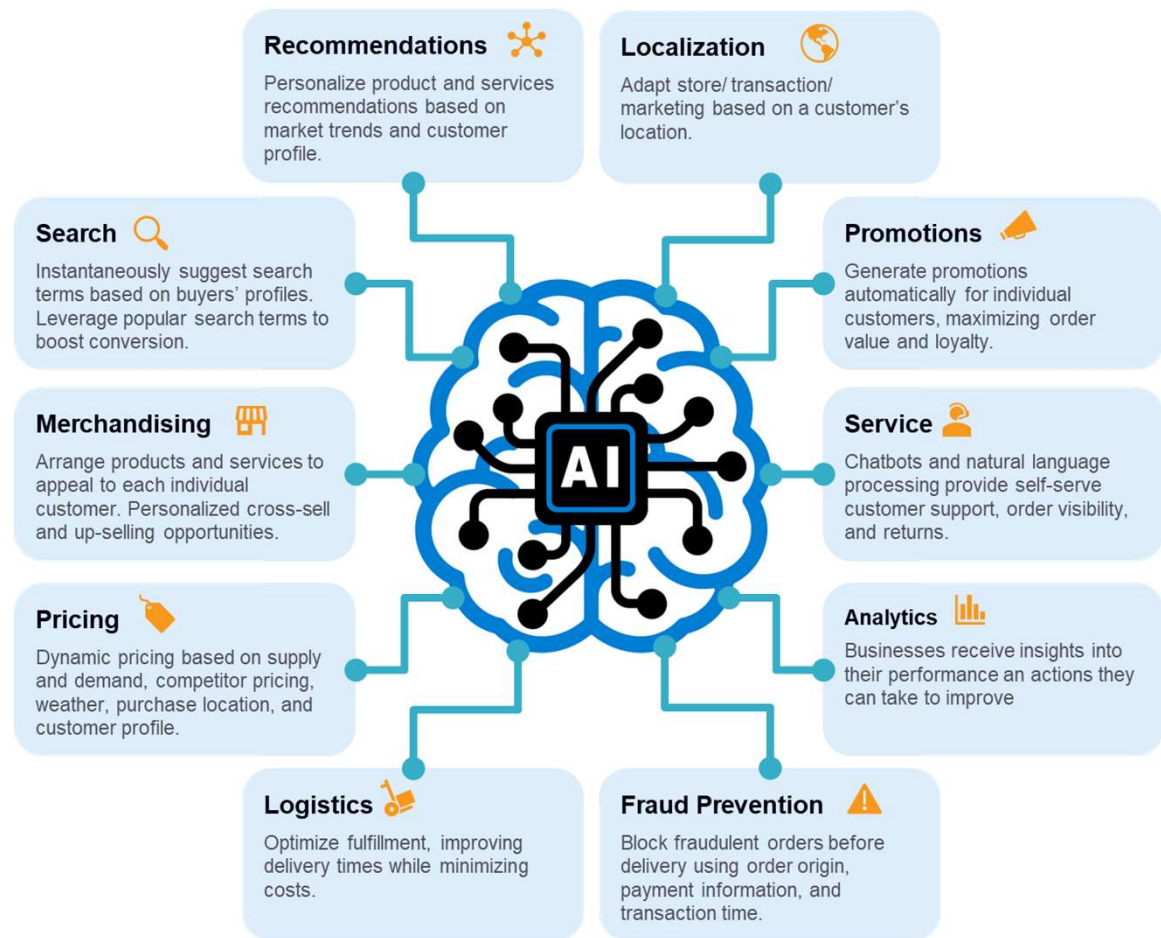


n = 57
Source: IDC's SaaSPath Survey, March 2022

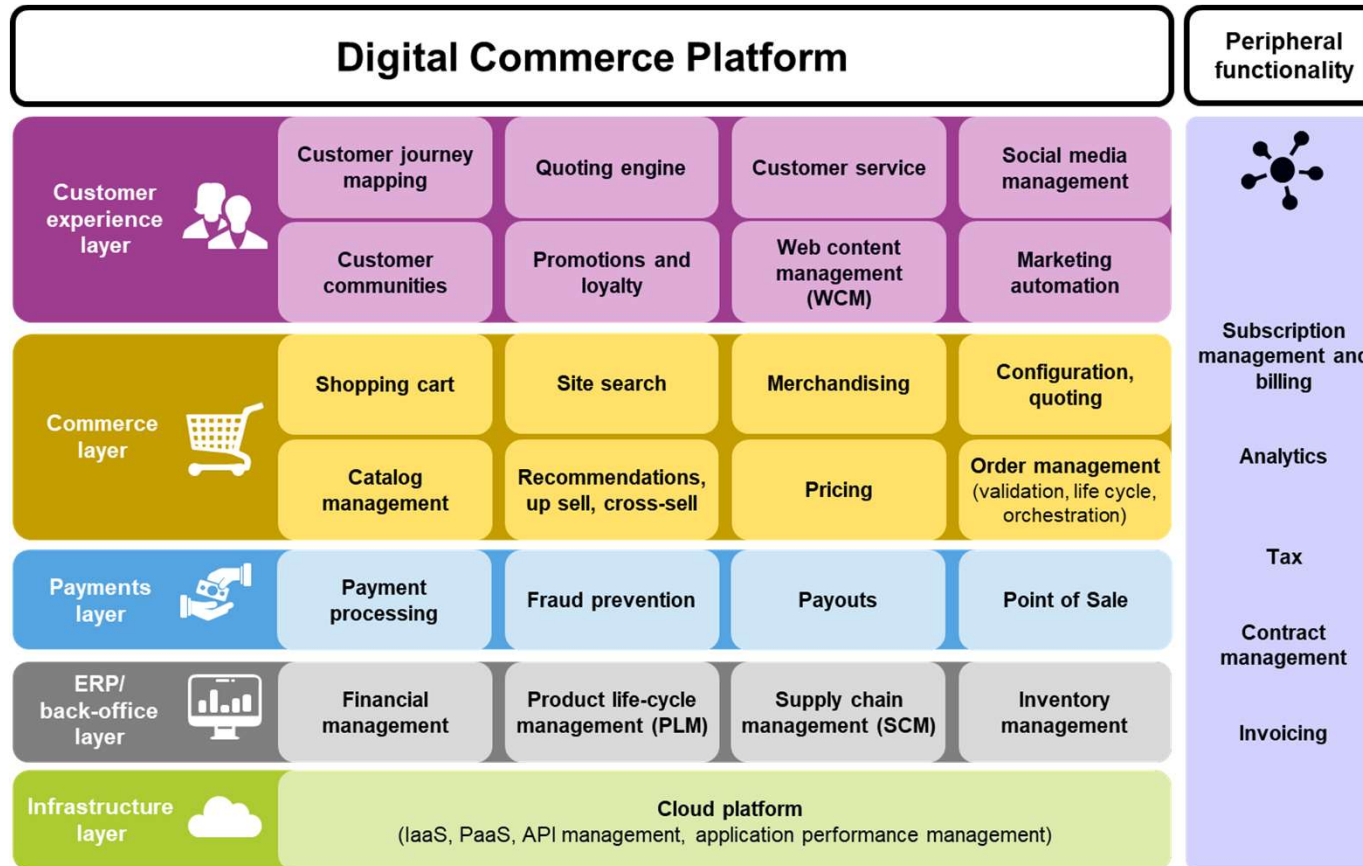
Intelligent Commerce

Intelligent commerce is achieved when artificial intelligence is embedded into a digital commerce application, enabling automation of commerce business processes.

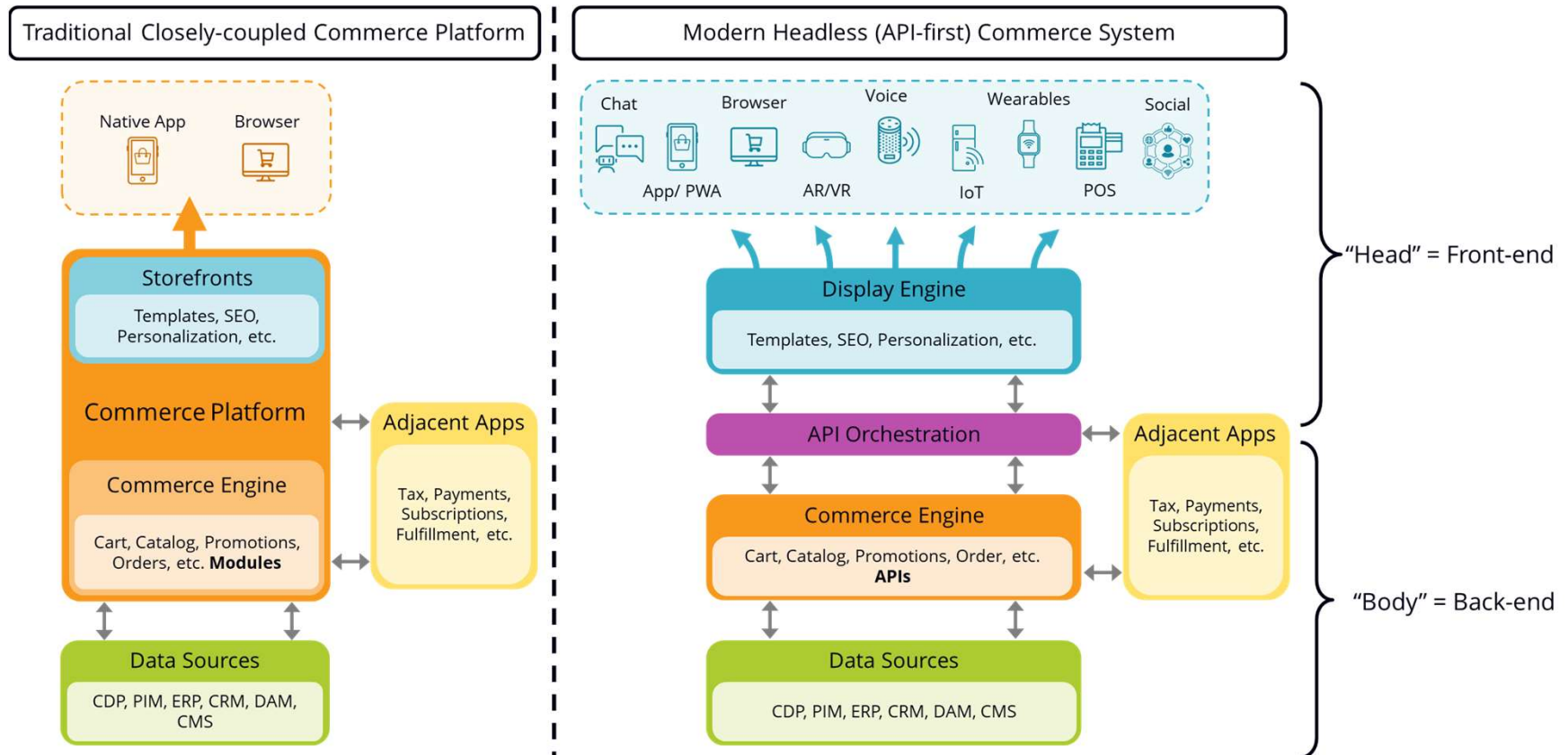
While intelligent commerce has lost some of its luster among merchants, forward-looking vendors must embed intelligence within their applications.

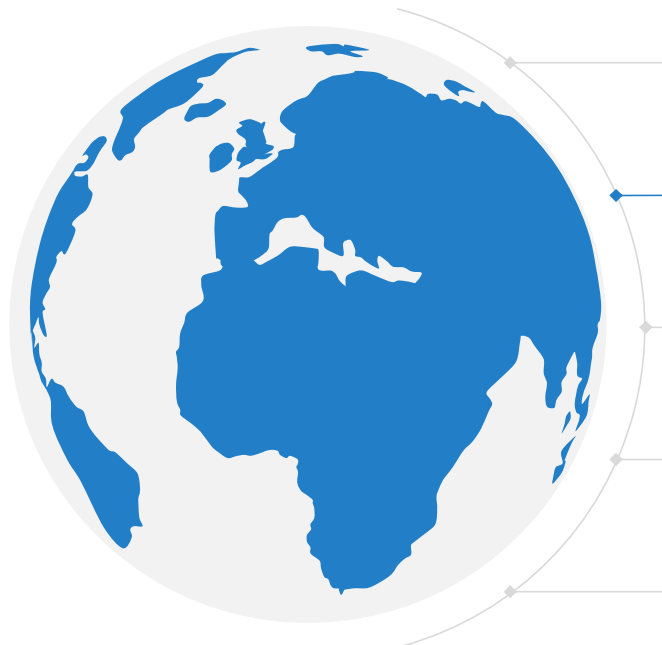


A Comprehensive Digital Commerce Platform



Headless Commerce Apps vs. Traditional Platforms





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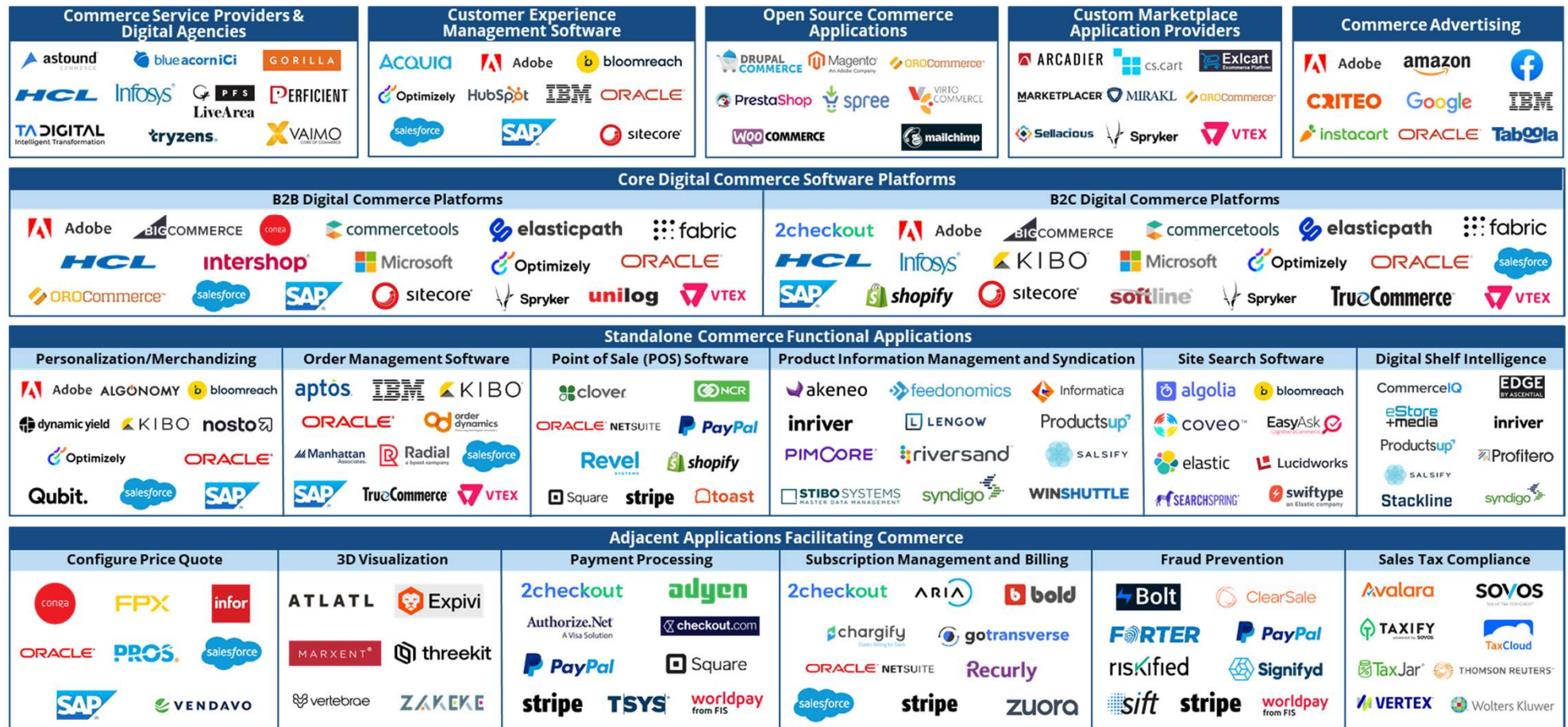
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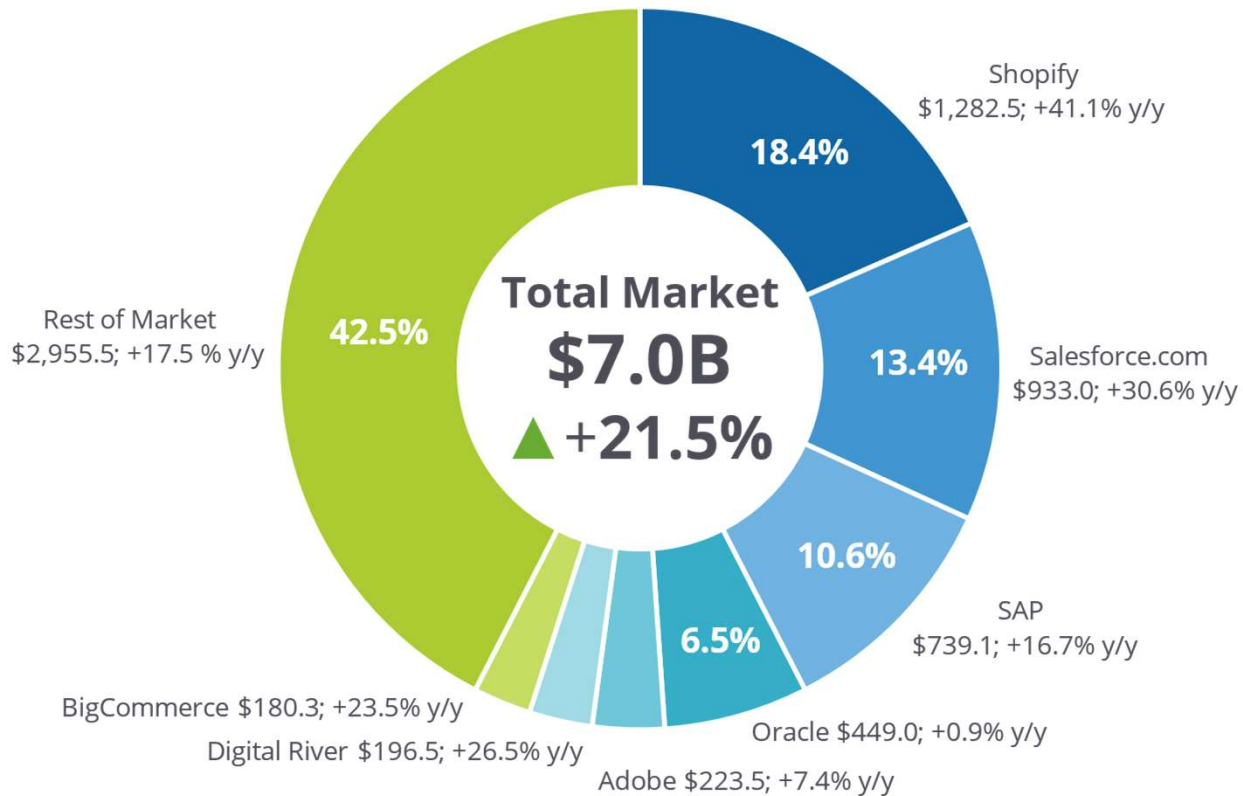
IDC Market Glance: Digital Commerce Software



Source: IDC, 4Q21

For areas on which IDC publishes market share data, the top 3-5 market share leaders are represented.
For areas on which IDC does not publish market share data, vendor selection is up to analyst discretion.

Worldwide Digital Commerce Applications 2021 Share Snapshot



Digital Commerce Market Movers

The fastest-growing vendors were driven by their ability to adopt new technologies. A few of the most notable examples:

Shopify

Shopify continues to be the category leader in digital commerce in 2021. Shopify saw huge rates of adoption in 2020, a trend that continued in 2021. The Canadian company benefits from a partnership with Google that was announced in 2Q21. This partnership enables product discovery and makes it easier for its core client base of predominantly business-to-consumer small and medium-sized businesses to list products from their store catalogs into Google Shopping feeds via Shopify's native Shop Pay app. With annual revenue coming in at \$1.3 billion in 2021 and 41.1% growth over the prior year, the Shopify model of quick-to-market SaaS-templated storefronts continues to be core to its success.

In 2021, San Francisco-based Salesforce acquired the popular messaging app Slack and management app Acumen to create what it calls its "digital HQ for success from anywhere." Each of these applications brings more value to Salesforce's commerce cloud customers, particularly those that are interested in the convenience and interoperability of a suite offering. In 2021, the growth of 30.6% indicates that this strategy is working well for both retention and to attract new customers in digital commerce.

BigCommerce

BigCommerce continued its upmarket momentum in 2021 as prior investments in B2B and headless commerce capabilities continue to pay off for the Austin, Texas-based digital commerce platform provider. BigCommerce grew its revenue in 2021 by 23.5% compared with 2020. A major contributor to this revenue increase may be due to the launch of a B2B Edition, which provides an advanced suite of B2B functionalities through an exclusive partner integration with BundleB2B and BigCommerce Enterprise. Such enhancements to scalable B2B functionality are a major advantage for BigCommerce over its larger competitor, Shopify, which is focused on direct-to-consumer experiences but generally lacks full B2B functionality even on its Shopify Plus plan. This crucial differentiator makes BigCommerce an attractive Shopify alternative, particularly for B2B and B2B2C SMBs.

Salesforce



Mergers and Acquisitions

The market for digital commerce applications is in constant flux. Companies within the market are consolidating at a rapid pace. Examples of M&A activity in the market include the following:



BigCommerce acquired full-service data management platform Feedonomics in July 2021.



Sitecore acquired Irish data analytics firm Boxever and headless commerce platform Four51 in March 2021.



Square acquired buy now pay later application AfterPay in August 2021.

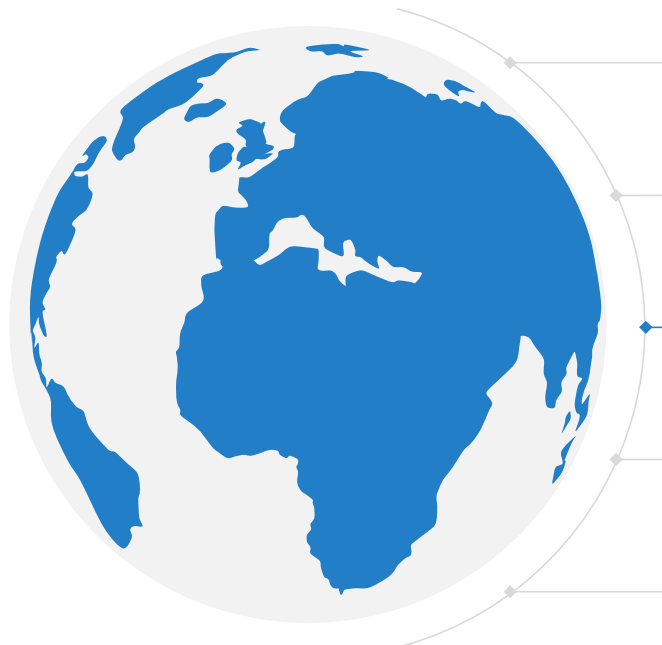


commercetools acquired front-end platform Frontastic in December 2021.



VTEX acquired cloud commerce platform Workarea in February 2021.





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5 Ways to Build Trust with SaaS Customers

Vital ways for enterprise application vendors to build trust in the SaaS economy include being more transparent, delivering on commitments, engaging end users, supporting customers success throughout the relationship, and helping customers achieve their business outcomes.

1



Greater Transparency

Communicate strategy, update plans, and product schedules, as well as provide access to product teams

2



Fulfilling Promises

Deliver on roadmap promises, include user "wish list" items, provide timely updates, and ensure the ecosystem meets its commitments.

3



End User Engagement

Run user groups, promote application adoption across user types, and track and foster "stickiness" and usage rates

4



Customer Success

Dedicate resources to ensure customers fully leverage the SaaS relationship—at implementation and throughout the lifecycle

5



Business Outcomes

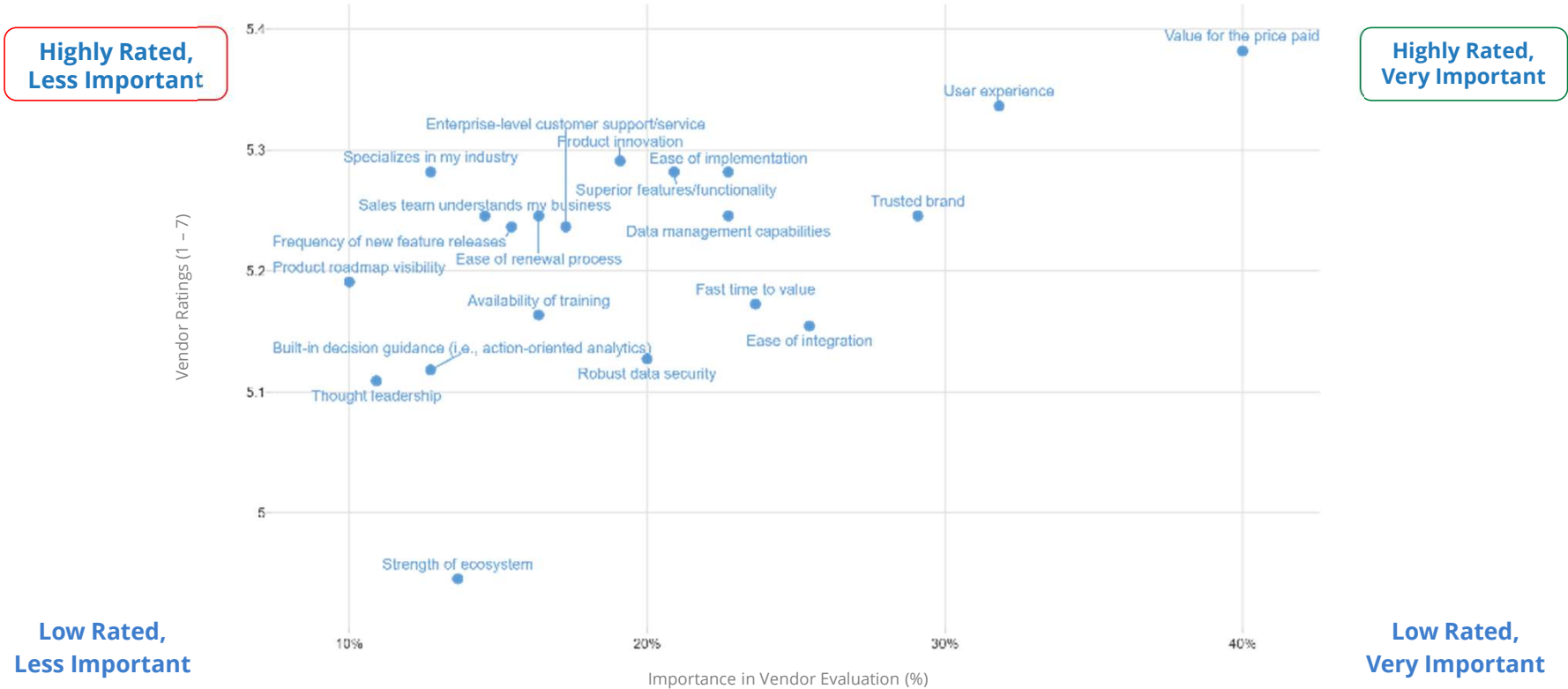
Focus on helping customers meet their desired business, organizational, and operational outcomes



DC: Customer Expectations and Vendor Ratings

Q9. When evaluating a SaaS ___ provider, please select the top 5 most important attributes to you from the following list (top 5 averages)

Q34b. Based on your experiences, rate _____ as a SaaS _____ vendor. (1-7 scale)



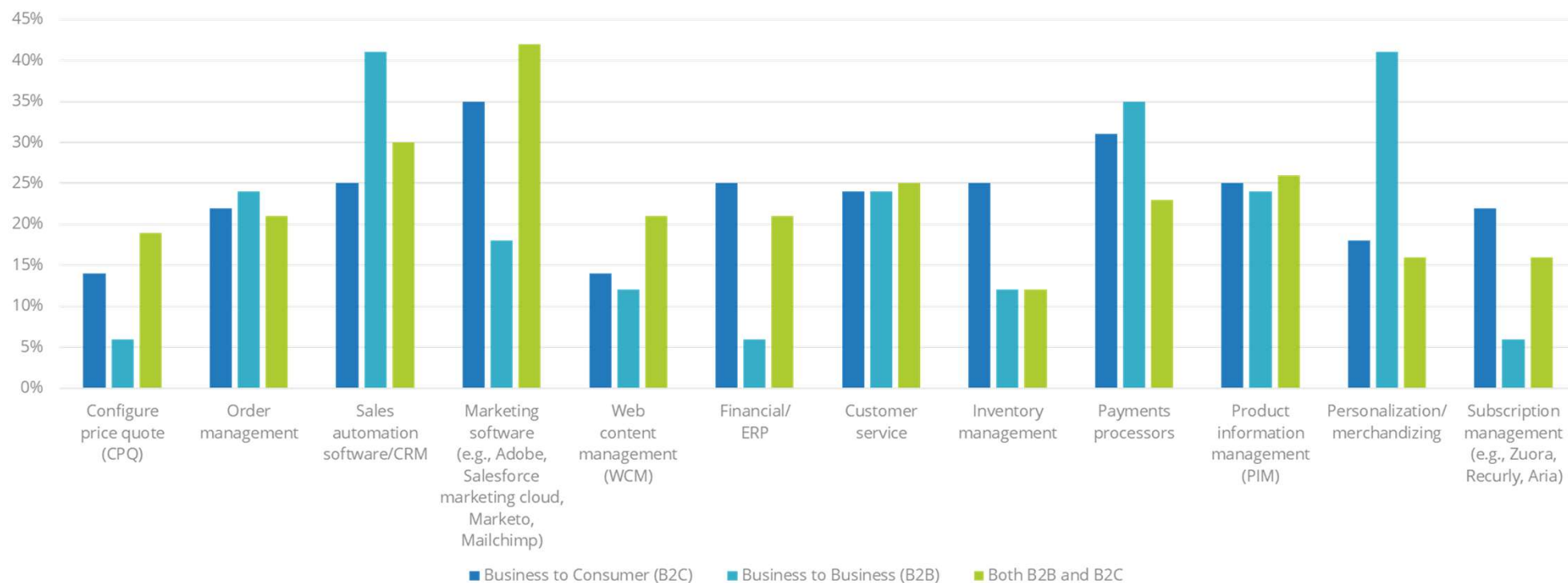
n = 110

Source: IDC SaaSPath, April 2022

These ratings represent an overall average across all vendors in this enterprise application category

Navigating the digital commerce divide: Why is integration criticality all over the map?

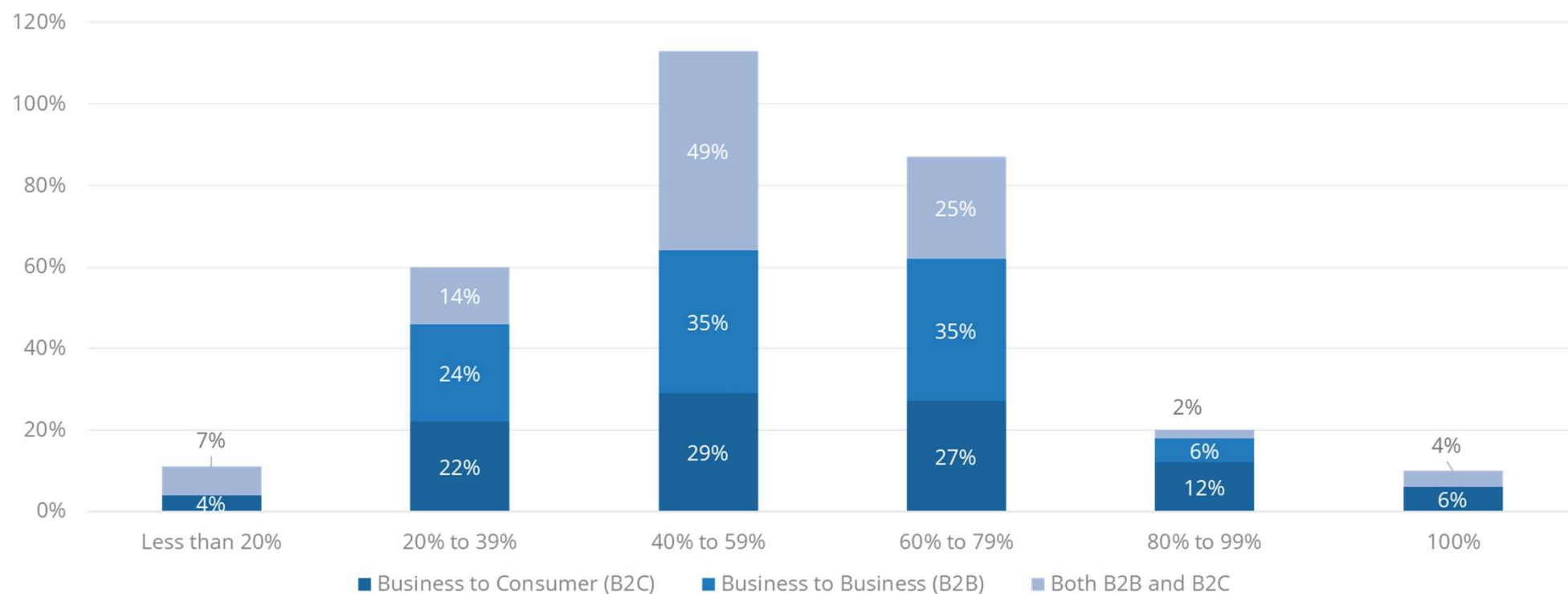
Q: What enterprise software integrations do you have that are the most critical for your digital commerce processes?



n = 125; Source: IDC's SaaSPath Survey-2022, March 2022,
Source: Navigating the Digital Commerce Divide: Integration Criticality Is All Over the Map (IDC #US49146922, May 2022)

Digital Commerce: To what extent does adoption of digital commerce channels influence B2B, B2C, and B2B2C sales?

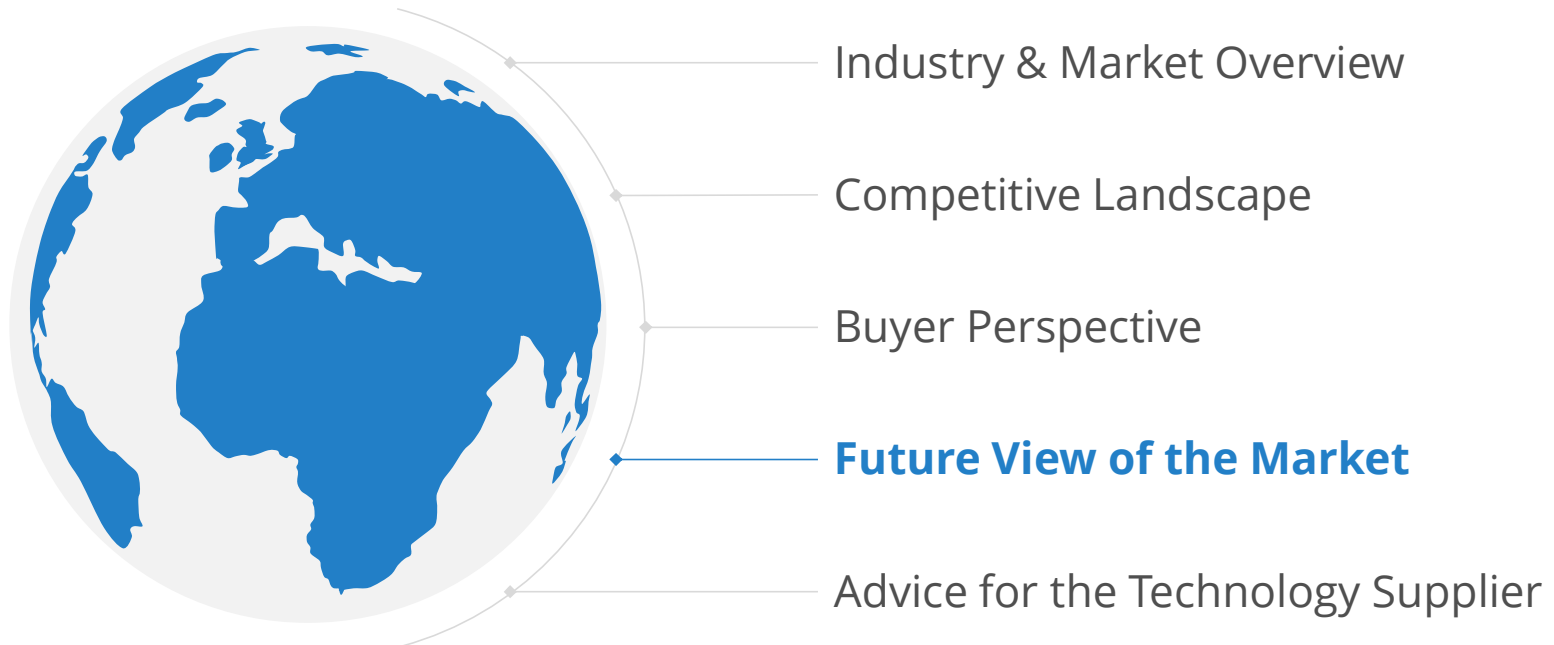
Q: Roughly what percentage (%) of your organization's total sales occur through your digital commerce application(s)?



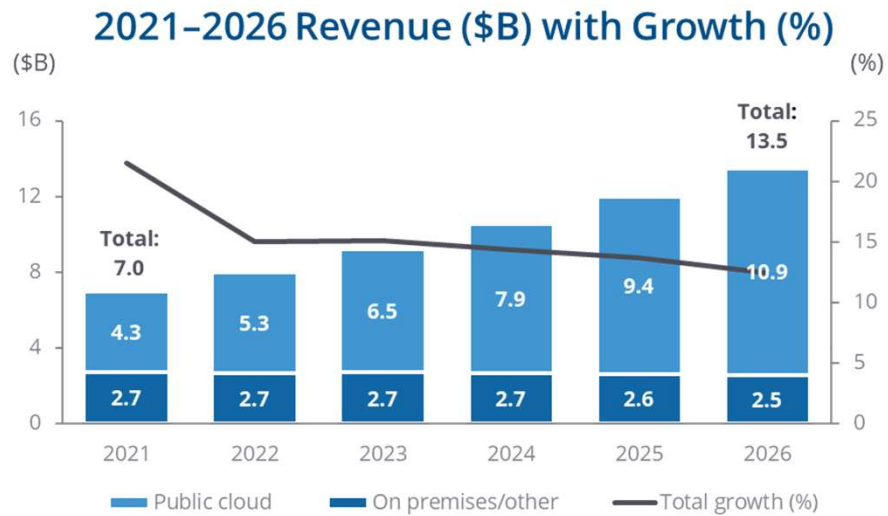
n = 125; Source: IDC's SaaSPath Survey-2022, March 2022

Source: Digital Commerce: To What Extent Does Adoption of Digital-First Commerce Channels Influence B2B, B2C, and B2B2C Sales? (IDC #US49226522, June 2022)





Worldwide Digital Commerce Software Applications Revenue Snapshot



Selected Segment Growth Rate

- ▼ On premises/other CAGR -1.3%
- ▲ Public cloud CAGR 20.8%

Total Market CAGR

14.1%



Top Digital Commerce Forecast Assumptions



Omnichannel digital commerce

Omnichannel commerce experiences that flow seamlessly between both the physical and digital worlds can provide customers with a valuable escape from their increasingly digitized everyday lives and give them some control over where they choose to engage with those experiences.



Headless commerce adoption rates will increase once the total cost of ownership (TCO) goes down

Headless websites may still be cost-prohibitive to most SMBs in 2022, but there are vendors (such as Shogun Front End) stepping up to fill in that gap. This will reduce the advantage for enterprise overtime as SMBs adopt similar site speeds, but also presents an interesting opportunity for enterprise to create cutting edge customer-driven experiences that SMB upstarts may not be able to match.



Custom digital marketplaces

Opening a marketplace will be an attractive prospect for enterprise companies with a clear vision for how this strategy will enhance their current market position. Marketplaces typically focus on promoting products and categories, not brands, and are not a viable strategy for any business wherein branding is the most important component of what differentiates it from its competitors.



Future limitations of stand-alone websites

74% of worldwide digital advertising happens on a pay-per-click (PPC) property owned by one of three companies: Google, Amazon, and Facebook (Meta Inc.). Software vendors will need to prioritize the development and/or acquisition of novel solutions (headless PWA website experiences, social commerce, marketplaces, etc.) to help their clients circumvent this potential impediment.



Continued flight to first-party data

Wide-spread adoption of GDPR, CCPA, and other such regulations, will encourage governments and technology providers to continue the expansion of end-user digital privacy controls, limiting the reach of digital commerce brands and online marketers.

The Future of Commerce is Channel Ubiquitous

- Speed, agility, and availability are critical factors in digital commerce
- Software should remove friction for technology buyers as they test novel omni-channel strategies
- New channels with native checkout will continue to proliferate and the digital commerce technology buyers of the future need software agile enough to keep pace and provide the partner ecosystems and API connectors required to launch in any new commerce channel quickly
- Channel ubiquity is a strategy describing a brand's ideal availability in channels that make sense for their goals; technology buyers in digital commerce need to enable transactions in that channel without driving prospects elsewhere to capture and complete the sale



Uncertainty Driving DC Digital Innovation

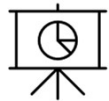
84% have increased interest in delivering innovation

35% will deliver innovative digital products at a faster pace than last 2 years

What would allow your organization to rapidly deliver/more rapidly deliver innovative digital products and services?



Access to
advance
technology
like AI



Improve
Internal
Processes



Increase
Budget



Hire more
people with
Tech Skills



Invest in
Automation





ADVICE FOR TECHNOLOGY SUPPLIERS

Invest in social commerce enablement tools if you are B2C digital commerce. Multichannel digital strategy is becoming a crucial differentiator between enterprise B2C brands and those in the small and medium-sized business (SMB) market, the latter of which often lacks the means — technology, advertising budget, or skilled talent — to compete across a diverse range of complex walled garden sales channels at meaningful scale.

Don't misuse the term "headless" in your marketing. This is not helpful to tech buyers in the long run and strips the term of its meaning, potentially reducing it to just another term relegated to the euphemistic treadmill of ambiguous digital buzzwords. Most tech buyers are expecting "headless" to be synonymous with MACH (microservices based, API first, cloud native, and headless). There is a technical distinction, namely that MACH is a type of headless infrastructure but not the only one available. This means that it is important for tech suppliers to adequately communicate any differences between the type of "headless" digital commerce solution they're selling and the MACH model that dominates most of this conversation.

Understand the different needs of B2C and B2B digital commerce tech buyers. Enterprise B2B buyers typically prefer proven, well-known solutions from monolithic powerhouse software suites where name recognition can ease the approval process for large purchases. Well-capitalized B2C brands that market direct-to-consumer (DTC) stand to reap the most rewards from the speed, agility, and adaptability of a cloud-native, best-in-breed, API-first microservices solution. While there is opportunity to split the difference to try to appeal to B2B2C companies, be aware that the needs of dedicated B2B and B2C tech buyers may be mutually exclusive if there is no intention to cross over into both business models. Refine your tech buyer personas to ensure you're hitting the intended targets.

Invest in the development of APIs. All digital commerce application suppliers provide RESTful (and increasingly GraphQL) APIs as part of an integration layer to facilitate tighter and simpler integrations across the front office and back office. An API-first architecture is also essential to provide a headless digital commerce offering.



For More Information

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Navigating Digital Commerce Divide: Integration Criticality Is All Over the Map	IDC #US48516722	May 2022
Digital Commerce: To What Extent Does Adoption of Digital-First Commerce Channels Influence B2B, B2C, and B2B2C Sales?	IDC #US49226522	June 2022
Worldwide Digital Commerce Applications Market Shares, 2021: Online Business Is Still Booming Despite the Restart of the Physical Shopping Experience	IDC #US47968322	June 2022
Worldwide Digital Commerce Applications Forecast, 2022–2026: Channels Evolve into Experiential Commerce Wonderland	IDC #US49420322	July 2022
Top 15 Market Influences on Digital Commerce: Out-Maneuver Competitors, Win the Customer, and Future-Proof Your Business	IDC #US49593122	September 2022
Worldwide Order Management Applications Market Shares, 2021: OMS Vendors Need to Boldly Assert the Role of Fulfillment in Customer Experience Strategy	IDC #US47968422	September 2022
Worldwide Order Management Applications Forecast, 2022–2026	IDC #US47968222	September 2022
The European Union Versus Big Tech: The Digital Services Act	IDC #US49593022	September 2022