IDC MarketScape

IDC MarketScape: Worldwide Retail Commerce Platform Service Providers 2020 Vendor Assessment

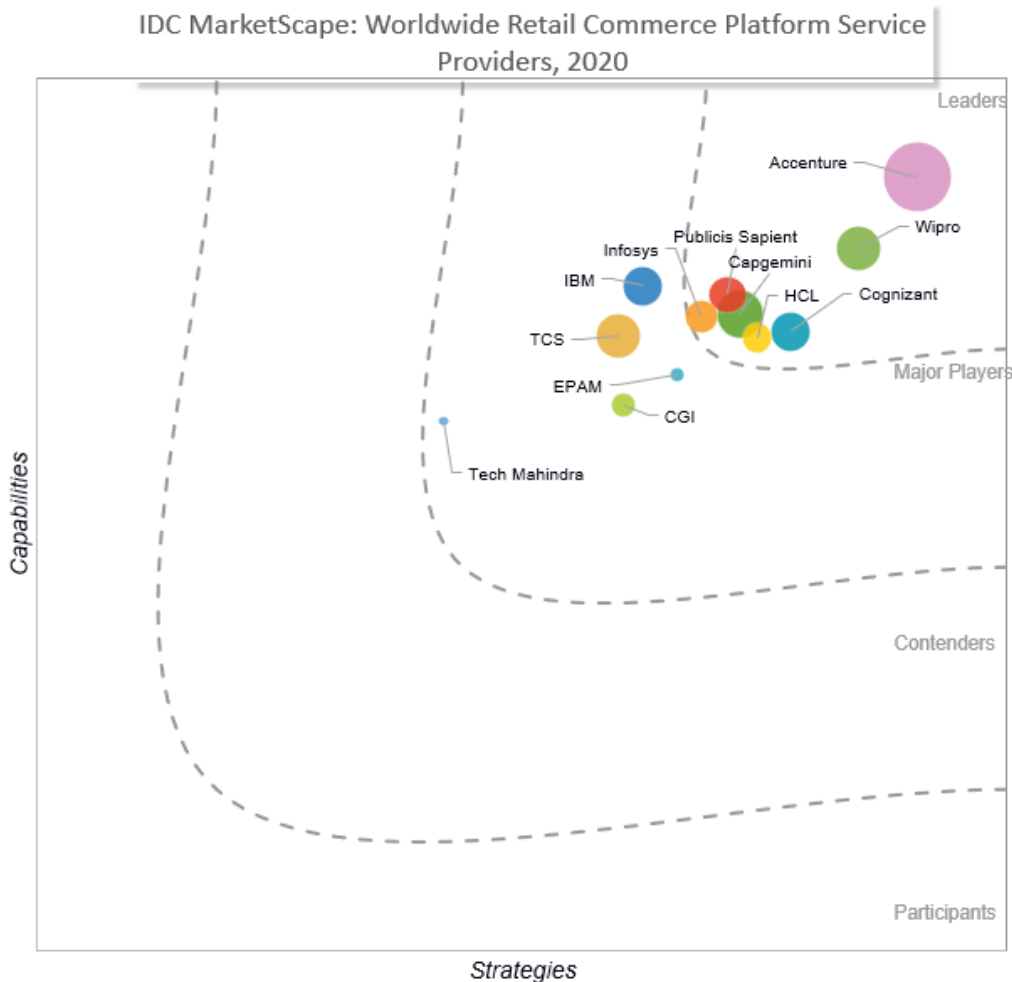Filippo Battaini   Giulio Raffaele   Ornella Urso

THIS IDC MARKETSCAPE EXCERPT FEATURES HCL

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Retail Commerce Platform Service Providers 2020 Vendor Assessment

IDC MarketScape: Worldwide Retail Commerce Platform Service Providers, 2020

Source: IDC, 2020

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 Retail Commerce Platform Service Providers 2020 Vendor Assessment (Doc # US46162920). 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

Retail has been accelerating toward the next normal, a phase characterized by rapidly changing consumer behavior – including a dramatic shift toward online shopping – and resulting in greater complexity in retail operations. In this context, the Commerce Everywhere business model – the ability to serve whenever and wherever the customer wants – becomes key, together with back-end operations such as supply chain and fulfillment. The brick-and-mortar store will take on a new role in distribution and continue to evolve into an experiential hub.

Retailers ahead in their innovation journeys – focusing on the implementation of the essential capabilities, services, and innovative technologies of the retail commerce platform (RCP) – are finding themselves in a privileged position to take advantage of opportunities that the next normal offers.

As such, retailers are moving rapidly toward retail commerce platform adoption. Around 42% of retailers globally have already implemented or are currently implementing the retail commerce platform, while 57% plan to invest in the retail commerce platform over the next 12 to 24 months, according to IDC's 2020 *Global Retail Innovation Survey.*

Noticeable trends emerging from the assessment of retail commerce platform service providers' offerings for this IDC MarketScape include:

- **Agile approach to headless commerce.** Service providers continue the shift toward agile cloud-based microservices, DevOps, and API infrastructures to offer retailers greater flexibility and rapid deployment of new capabilities on top of existing infrastructures.

- **Back-end capabilities.** Vendors are focusing on services to provide retailers with solid distribution capabilities to ensure optimal customer experience (CX). With the shift to online shopping and the emergence of the Commerce Everywhere business model, shopping journeys become less linear and occur across multiple interfaces. The increasing operational complexity requires retailers to develop stronger supply chain and fulfillment capabilities.

- **Digital marketing.** Some service providers are expanding their capabilities to support retailers with digital marketing, often by partnering and/or acquiring digital agencies. The growth of ecommerce and the emergence of the Commerce Everywhere business model make it key for retailers to be able to provide customers with consistent engagement across multiple interfaces.

- **Artificial intelligence/machine learning (AI/ML) analytics foundations.** Some vendors continue to develop proprietary AI platforms to help retailers gain cost efficiencies, increase agility, and enhance customer experience. The implementation of the retail commerce platform relies on AI/ML foundations to continuously gather and process real-time customer data and processes information.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

In this IDC MarketScape, IDC Retail Insights assesses the capabilities and strategies of selected enterprise service providers in serving the specific needs of retail companies worldwide across industry segments (food and non-food retail).

Service providers are assessed on specific capabilities in designing/managing organizational change and implementing, releasing, and supporting the evolution of a complete retail commerce platform (please refer to the Market Definition section and Figure 2). In particular, service providers are evaluated according to their success in business consulting (strategy, operational improvement, finance and accounting, governance, risk, and compliance), IT consulting (IT strategy, IT operations), systems integration, network consulting and integration, custom application development, outsourcing services (business process outsourcing or BPO), application management, IT outsourcing, support and training services, and software deploy and support.

To be included in this report, IDC Retail Insights analysts stipulated that vendors should meet the following minimum criteria:

- The provider must demonstrate evidence of strong market penetration through direct presence and knowledge of the U.S., EMEA, and Asia/Pacific business context. The provider is able to support global retailers in their activities and expansion across mature and emerging markets.
- The vendor supports clients in designing, developing, installing, configuring, and maintaining the systems, applications, or platforms that run the business. The provider needs to deliver software solutions (and hardware, when available) regarding the core capabilities of the retail commerce platform: CX services, commerce services, order fulfillment services, and content optimization services (including the real-time integration layer). Furthermore, the provider must be able to deliver the platform as a cloud-first solution (with the possibility to deliver on premises or as public, private, or hybrid cloud, when necessary). The vendor must also be able to provide AI foundations embedded in the core platform capabilities.

The vendor must deliver the capabilities and skills for relevant use cases as determined by *IDC's Worldwide Digital Transformation (DX) Use Case Taxonomy, 2020* (please refer to the Market Definition section).

Providers must have relevant experience in implementing retail industry software solutions in the broadest possible set of industry processes and segments; providers with no relevant experience will not be included.

ADVICE FOR TECHNOLOGY BUYERS

The retail commerce platform is essential for retailers to compete in the current environment and prepare for the future as it enables piloting, implementing, and scaling innovation at speed. Retailers evaluating the introduction or expansion of their commerce platforms should consider the following:

- Accelerate retail commerce platform investments to achieve successful innovation implementation, CX differentiation, Commerce Everywhere business models, and a unified, best-of-breed, and data-centric digital retail commerce platform approach.
- Select a partner that has proven experience in supporting the implementation of the four components of the platform (customer experience, commerce, order fulfillment, and content optimization services).
- Implement an AI/ML foundation road map that embeds advanced analytics, ML, and AI capabilities right into the application components of the platform as and when necessary. Retailers should choose vendors that have developed proprietary AI platforms and take advantage of their broad ecosystems to support retail commerce platform services.

- Customer experience differentiation is built on strong capabilities to collect customer data and deliver real-time contextual experience services to consumers. In this context, marketing and advertising become key to increase customer knowledge and engagement across the entire customer journey. Retailers should prioritize vendors that offer services for managing marketing and advertising strategies as part of CX strategies.

- Design integration services along the four core components of the retail commerce platform and to/from enterprise services, consumer services, and data services. Choose service providers with proven experience in designing and delivering API- and microservices-based architectures. This will help support the implementation and rapid expansion of the retail commerce platform's capabilities and make integration with third-party services easier based on a best-of-breed approach.

- Choose vendors with strong innovation capabilities, with services centered around business model innovation support. Choose vendors that can help build a companywide innovation culture and strategy.

- Define a clear digital road map. In the context of the next normal, targeted investments in retail business use cases need to be reprioritized. Retailers should engage with vendors that provide a strong, long-term retail use case road map offering, demonstrate the ability to scale, and plan to support retailers in innovating their business models in response to unexpected changes.

- Seek vendors' partner ecosystems. The implementation of retail commerce platforms with a best-of-breed approach requires a strong innovation culture. Prioritize the selection of vendors that have a propensity to an open ecosystem approach and are open to new ideas, investing in retail R&D, M&A, and retail technology start-ups.

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 criterion outlined in the Appendix, the description here summarizes each vendor's strengths and opportunities.

HCL

HCL is positioned in the Leaders category in this IDC MarketScape for retail commerce platform service providers for 2020.

Retail/CPG is the fastest-growing vertical within HCL's portfolio and the company has over 150 retail commerce platform customers worldwide. HCL provides services that address business areas such as omni-channel commerce, order management, and ecommerce.

HCL summarizes its retail commerce platform offerings as follows:

- **Platforms.** This category includes HCL Commerce and Unica (market intelligence product), developed from repackaged and improved preexisting IBM products (HCL acquired the platforms from IBM in 2019). HCL also offers its proprietary platforms Prizm, ConsumerCX, and DRYiCE to support the company's services capabilities.

- **Services capabilities.** IT outsourcing, the company's traditional offering, includes digital and analytics, IoT, cloud, and cybersecurity, the latter being an area in which HCL is investing heavily as it sees growth potential.

HCL services that support the implementation of the retail commerce platform include business consulting services such as digital strategy and planning, customer experience strategy/design, program/product management, industry capability definition, business process optimization, agile delivery transformation and organizational agility, and change management. HCL Commerce complements the package with a proprietary commerce platform.

HCL also offers IT consulting services to assist retailers' IT transformation strategies, mapping business objectives with IT objectives, formulating channels strategy and analytics strategy, and providing systems integration services to integrate the digital commerce ecosystem with digital marketing systems, analytics and reporting systems, order management systems, delivery channels, CRM, contract management system (CMS), personal information management (PIM), ERP, tax and payment systems, and rating and review systems.

In custom application development services, HCL's 21st Century Application Development Model is based on three elements:

- Ecosystem-driven and emergent technology innovation
- Lean delivery through MVP, agile, and DevOps
- Applied automation

Moreover, HCL's network consulting services are characterized by IP- and AI-driven orchestration, automating operations through DRYiCE NetBot and cognitive network assessment. DRYiCE NetBot uses AI to automate tasks across the network infrastructure and application services.

HCL focuses on IT outsourcing services to support areas such as technology infrastructure and digital transformation and is expanding its "as a service" outsourcing model. HCL's BPO services include finance and accounting, customer care, SCM, procurement, and HR. The company also has a solid framework for internal training (HCL TEX Academy) and collaborates regularly with customers for training needs.

HCL has been developing partnerships with about 150 companies in different technology areas to forming go-to-market alliances and collaborations on niche technologies and specific customer requirements. Together with partners, HCL has been developing joint solutions for its customers such as Commerce Tool, a cloud-based ecommerce platform developed with CT, and other initiatives in collaboration with Google and Microsoft.

HCL's recent M&A activities include its acquisition of IBM products Commerce and Unica in 2019. Acquisitions are a key component of HCL's growth strategy. HCL has invested more than $3 billion in the past three years to acquire capabilities and IP that can help to enhance market presence. Most recent acquisitions include Symantec Security Consulting, acquired from Broadcom in 2020, and SON Technology, acquired from Cisco in the same year. Similarly, HCL's start-up acquisition strategy is aimed at expanding the company's capabilities in key areas of development such as AI, Big Data, mobility, and robotics.

Strengths

- HCL's offering combines services and products and delivers it in a consumption model. Moreover, customer interviews highlight that the price is competitive. Coupled with the company's flexible pay-as-you-go pricing model, pricing is an appealing feature of the company's offering. Customers also highlighted that they notice no significant differentiators in terms of capabilities versus competitors with higher price points.
- HCL's investment in R&D is higher than the market average and has a clear focus on developing capabilities in areas such as augmented and virtual reality, cybersecurity, unified commerce, contactless, AI, and analytics. In the long run, HCL's innovation strategy, combined with the its clear vision on retail industry trends such as the shift from capex to opex business models – could strengthen its ability to support retailers with retail commerce platform implementation.

Challenges

- According to customer feedback, project execution against time and budget was below expectations, with the company underestimating the time and resources needed for implementing digital transformation projects.

- Retailers looking for a vendor with strong IT training capabilities should note that – according to feedback from customer interviews – training on the new technology that HCL provided to a client was below expectations. HCL's team expertise appeared inconsistent, showing strength in areas such as IoT and weakness in other areas.

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, and it is based on IDC Retail Insights' best estimates of the vendor revenue on a global basis for IT services (together with hardware and software, when available) related to the retail commerce platform.

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 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 to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

The retail commerce platform (Figure 2) includes all the core capabilities that enable customer experience differentiation and seamless commerce, along with the required operational efficiencies for profitability and business model agility. The core capabilities of the platform are:

- **Customer experience services.** This enables the discovery of the customer context, real-time customer journey personalization (including loyalty), and customer interface enablement across voice, image, text, and AR.
- **Commerce services.** This set of capabilities provide a single, unified engine to process transactions, from order capture though configuration and payments to delivery setup.
- **Order fulfillment services.** This set of capabilities provide fulfillment optimization through networked-based fulfilment, fulfilment objectives and KPIs (for example, optimizing margin or delivery speed depending on the customer), efficient delivery execution, and returns management.
- **Content optimization services.** These provide content management and adaptive, personalized content distribution.

The retail commerce platform relies on a cloud-first architecture (with possibility of on-premises, or public, private, hybrid cloud delivery, when necessary). It provides development services and API-based integration with enterprise services, data services, and consumer services while delivering business logic and retail commerce services for four core capabilities. At the same time, the platform leverages AI, ML, or an advanced analytics foundation. In addition, the retail commerce platform provides proprietary or third party-sourced development services that enable retailers to address the areas of application modernization, development paradigm, code packaging shift, and cloud deployment.

Customer experience is a key priority, and most retailers globally feel the pressure to adopt experience-based business models, prioritizing investments in areas such as hyperpersonalization and real-time contextual interactions. CX-focused organizations are reinventing how commerce works, combining commerce with interactive activities to create more meaningful connections with customers and, ultimately, to boost sales.

LEARN MORE

Related Research

- *IDC MarketScape: Worldwide Retail Co-Innovation Services Providers 2020 Vendor Assessment* (Forthcoming)
- *IDC MarketScape: Worldwide Retail Commerce Platform Software Providers 2020 Vendor Assessment* (IDC #US46038320, November 2020)
- *IDC FutureScape: Worldwide Retail 2021 Predictions* (IDC #US46921120, October 2020)
- *Commerce Everywhere Business Models and the Path Toward Retail Innovation Excellence* (IDC #EUR146908220, October 2020)
- *The Status of Retail Customer Experience in the Next Normal: Challenges and Opportunities for Improving Customer Experience at Scale* (IDC #US46598721, October 2020)
- *IDC MaturityScape: Retail Customer Experience Personalization* (IDC #EUR146782620, September 2020)
- *IDC's Worldwide Digital Transformation Use Case Taxonomy, 2020: Experiential Retail* (IDC #US44303120, June 2020)
- *IDC PeerScape: Practices to Enable Food and Grocery Retailers of the Future* (IDC #US43664619, June 2020)

Synopsis

This IDC MarketScape assesses the capabilities and strategies of selected enterprise service providers in serving the specific needs of retail companies worldwide across industry segments (food and non-food retail). It assesses service providers based on capabilities in designing and managing organizational change and in implementing, releasing, and supporting the evolution of a complete retail commerce platform – including core capabilities that enable customer experience differentiation and seamless commerce and the required operational efficiencies for profitability and business model agility.

"Retail has been accelerating to the next normal, with rapid changes in consumer behavior resulting in greater operational complexity. In this context, Commerce Everywhere business models become key, supported by solid distribution operations and the new role of the brick-and-mortar store," said Filippo Battaini, head of IDC Retail Insights Europe. "IT service providers are rapidly evolving their strategies to support the implementation of API- and microservices-based retail commerce platforms, enabling retailers to become more agile and to achieve flexibility for rapidly deploying new services and capabilities, following a best-of-breed approach."

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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