

IDC MarketScape

IDC MarketScape: Worldwide Headless Digital Commerce Applications 2020-2021 Vendor Assessment

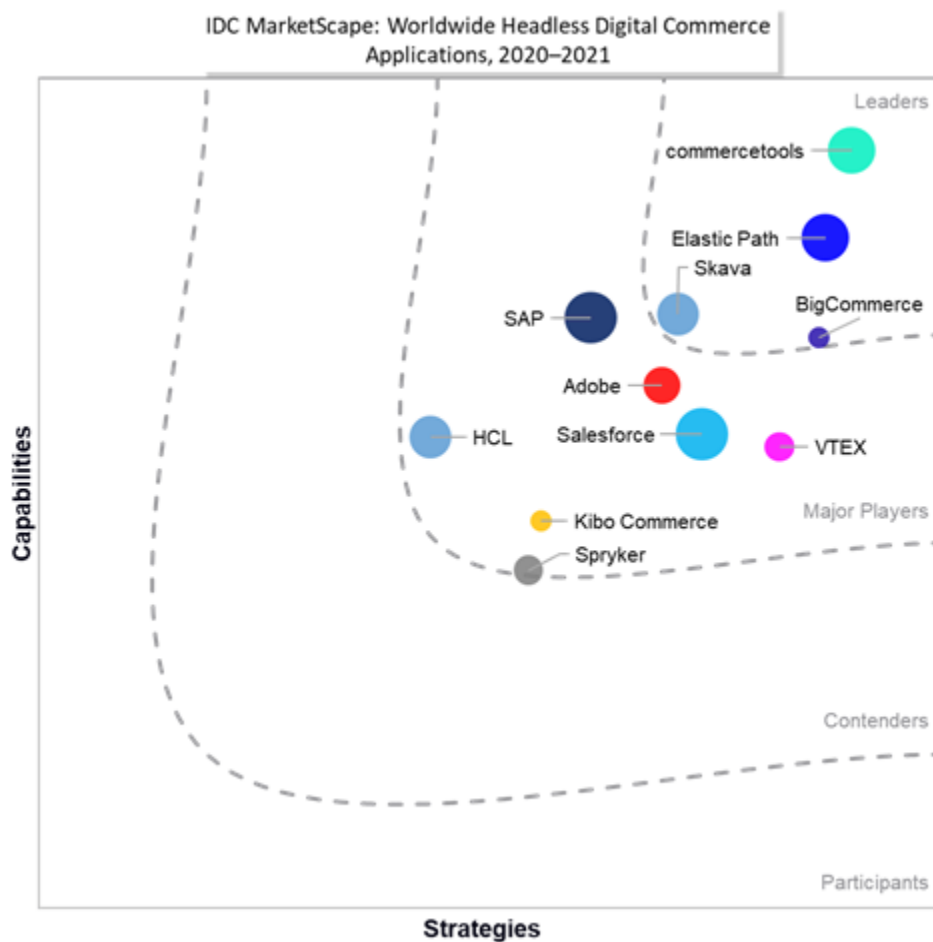
Jordan Jewell

THIS IDC MARKETSCAPE EXCERPT FEATURES COMMERCE TOOLS

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Headless Commerce Applications Vendor Assessment



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 Headless Digital Commerce Applications 2020-2021 Vendor Assessment (Doc # US45741620). 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

The Future of Commerce Is API First

Channel explosion – the proliferation of buying channels and devices that consumers and business buyers engage with – has put pressure on every B2C and B2B merchant to deliver excellent commerce experiences across an increasing number of touch points where their customer is. The COVID-19 crisis has added fuel to this fire by accelerating the shift from offline to online shopping. However, most traditional digital commerce software products on the market were only designed to power a browser-based website, perhaps a mobile app, and maybe a point of sale, but not much else. To help solve this problem, headless digital commerce has emerged as a method to power commerce across all of these channels using APIs.

Headless or "API first" digital commerce applications refer to software offerings where the commerce back end (catalog, shopping cart, promotions engine, etc.) is decoupled from the front end (website, mobile app, point of sale, etc.). By doing so, merchants can build their store once, including their products, prices, and business logic and push that store to a myriad of channels with the help of front-end technology. With a headless digital commerce vendor's APIs, merchants can create unique commerce use cases for their customers, such as beautiful and unique mobile storefront, cars that preemptively hire an auto repair worker before they break, or a conversational voice-based shopping experience. Figure 2 depicts a high-level overview of a headless or an API-first digital commerce architecture.

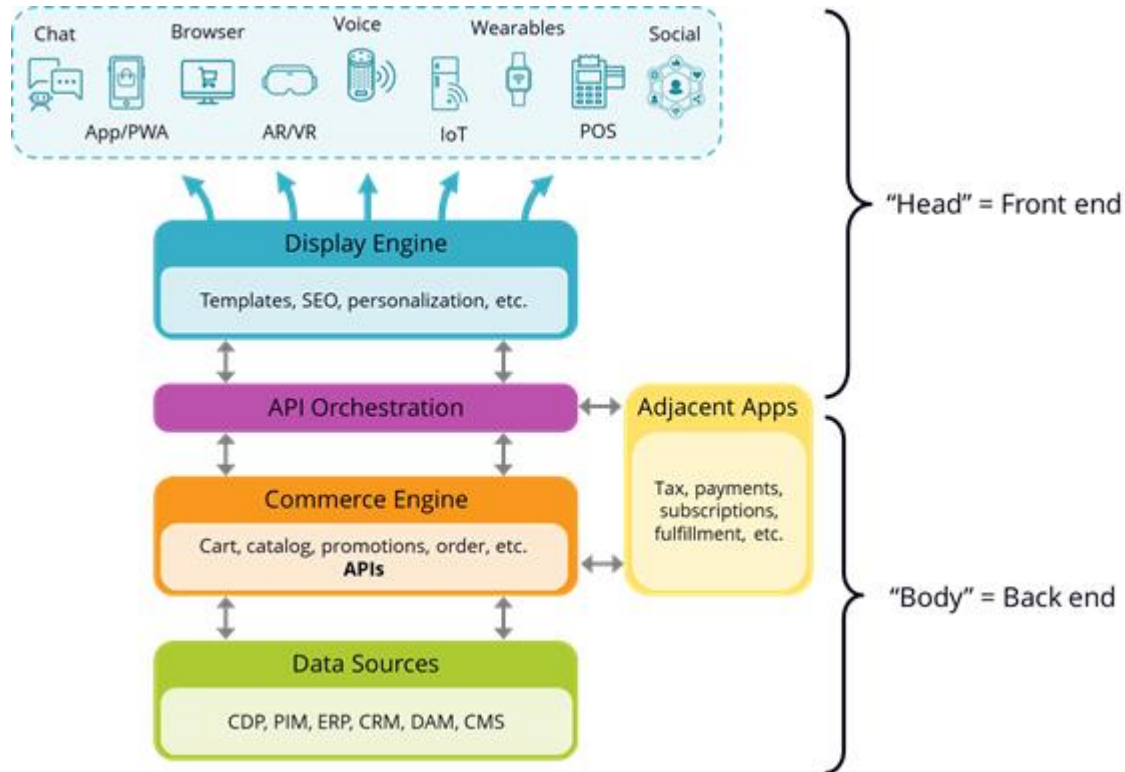
In Figure 2, the orange box represents the role of headless digital commerce applications within the broader commerce technology stack; notably, it is a narrower scope than all-in-one digital commerce platforms, which provide tools to manage both the front end and back end of digital commerce. It is also notable that while "headless commerce" has become a widely used term, a headless digital commerce platform cannot act in isolation without front-end technology. Front-end software, such as digital experience platforms (DXPs), front-end-as-a-service providers, and custom-built front ends enable merchants to embed commerce on a myriad of channels devices (shown at the top of Figure 2 in blue). Headless digital commerce providers' applications should be judged based on the quality and coverage of their APIs, the developer tools they make available to customers, and the depth and breadth of their partner ecosystem.

This IDC MarketScape looks specifically at vendors providing headless (API-first) digital commerce platforms that satisfy both B2B and B2C commerce requirements. IDC recently published two vendor

evaluations on B2B and B2C digital commerce platforms, to best assist IT buyers of both models (see the Related Research section).

FIGURE 2

Headless Commerce: An API-First Approach



Source: IDC, 2020

The Benefits of Going Headless

A headless commerce approach carries challenges for online merchants, particularly the need to integrate APIs from numerous technology providers and associated costs. However, leveraging a headless commerce approach carries numerous benefits, including:

- **Engaging digital experiences:** Headless commerce gives merchants the freedom to create a customized user experience (UX) and shape their brand's identity without sticking to predefined templates.
- **Business agility:** Headless commerce enables merchants to alter front-end online storefront content without impacting the back-end business logic.
- **Deeper integrations:** An API-first approach enables merchants to build more integrations, since all functionality is exposed as APIs, which can feed data to other systems.
- **Flexibility:** With a headless commerce architecture, merchants are not limited by the content management functionality of their commerce system and have a wide variety of options.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The vendor list for this evaluation consists of 11 vendors and was selected to depict the vendors that are most representative of any given headless digital commerce application buyer's selection shortlist. Inclusion criteria include:

- The vendor has an active customer base and is reported as seen in deals by other headless digital commerce application vendors.
- The vendor meets IDC's definition for a headless digital commerce application in terms of functionality supported, such as shopping cart, order management, and catalog management (see the Market Definition section).
- The vendor's headless digital application is qualified as "SaaS or cloud enabled."
- The vendor goes to market as a headless digital commerce application, specifically seeking out customers to deploy their commerce back end with third-party front-end technology.

ADVICE FOR TECHNOLOGY BUYERS

Headless digital commerce applications are not optimal for every merchant. Typically, a headless digital commerce strategy is best for organizations that want to create innovative digital experiences and have the technical know-how or budget to make it happen. While making digital commerce software purchasing decisions, organizations should ask themselves the following questions to determine if an API-first approach is a good fit:

- Do you already have a front end, such as a DXP provider, in place?
- Do you intend to deploy across many touch points, in addition to a traditional online storefront?
- Are you a midmarket organization or larger?
- Do you value delivering rich digital experiences over business-user agility?
- Do you want the ability to add and swap out front ends in the future?

Responding "yes" to one or more of these questions means headless digital commerce might be a good approach for your organization. If so, the following section provides questions that merchants should ask/consider when evaluating providers:

- Does the vendor offer a modern cloud-native and/or modular architecture?
- Can the vendor provide a proof of concept for the specific use case you are trying to solve?
- Do I want to select a vendor that provides in-house front ends, or one that relies entirely on third-party front ends?
- Does the vendor have a monolithic digital commerce tech stack or is it made up of smaller services/ modules?
- How difficult is the upgrade process between major releases of the application?
- Does the vendor provide high-quality APIs and documentation, including example code and troubleshooting?
- Does the vendor provide extensive business user tooling?

- Does the vendor have a strong partner ecosystem, specifically for API-first implementation, integration, and support?

VENDOR SUMMARY PROFILES

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

commercetools

After a thorough evaluation of commercetools' strategies and capabilities, IDC has positioned the company in the Leaders category within this 2020 IDC MarketScape for worldwide headless digital commerce applications.

commercetools is a privately held vendor of digital commerce software. The company was founded in 2006 and is headquartered in Munich, Germany. The company's headless digital commerce product, commercetools SaaS Platform, is a cloud-native, SaaS, and microservices-based digital commerce platform for both B2C and B2B and was launched in 2013. commercetools is built API first and is completely headless, meaning customers must leverage external technology for the presentation layer.

Quick facts about commercetools:

- **Employees:** Over 250
- **Global reach:** Digital commerce customers with headquarters in over 71 countries
- **Headless customer base:** 100% of commercetools' overall customer base deploying the application in a headless fashion
- **API coverage:** 100% of functionality exposed via REST APIs and 100% of functionality exposed via a GraphQL API
- **Cloud:** Deployed in Google Cloud and AWS as a first-class multitenant *service* (rather than hosted) (Extensions/customizations are most often performed using native cloud concepts like functions as a service.)
- **Pricing model:** Transaction-based or flat-fee models, depending on customers' business case
- **Partner ecosystem:** Has over 130 implementation partners and over 60 technology partners specifically for headless digital commerce

Strengths

- **Modular architecture:** commercetools has a flexible architecture consisting of over 300 APIs that customers can purchase à la carte, if they desire, to build a commerce platform that suits their specific needs.
- **Performance:** commercetools' platform was build cloud native and uses an event-driven architecture and asynchronous processing. This allows it to achieve scale with less hardware and flex based on load, removing concerns about expensive hosting costs and site issues during peak.

Challenges

- **Line-of-business positioning:** commercetools performs well in deals led by technical teams who have complex architectural requirements. The company has a harder time conveying its value to business users such as the CMO.
- **Business tooling:** Customers that we interviewed expressed that they would like to see improvements in commercetools' business tooling. Specifically, they would like to see more investment in the company's merchant center for more flexible back-end experiences.

Consider commercetools When

You are an upper midmarket to large enterprise brand or manufacturer that is looking for a headless commerce platform that can support both B2C and B2B. Your organization is primarily focused on differentiating with technological agility and adapting to change.

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 represents the market share of each individual vendor within the specific market segment being assessed.

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

Market Definition

IDC defines headless digital commerce applications as those that have a decoupled front end (display layer) and a back end (commerce engine). They should support essential digital commerce functions, such as catalog management, pricing, promotions, order management, transaction processing, and

site search. True headless digital commerce applications are API first, where 100% of functionality/data is exposed via APIs. Headless digital commerce application providers might also provide front ends for merchants to manage the experience, but those front ends should not benefit from any additional functionality. Examples of headless commerce use cases include:

- IoT-based ordering/commerce
- Smart speaker/voice-based commerce
- Chat-based commerce
- Mobile and web apps
- Wearables
- Vending machines

LEARN MORE

Related Research

- *IDC MarketScape: Worldwide B2C Digital Commerce Platforms 2020 Vendor Assessment* (IDC #US45741420, September 2020)
- *IDC MarketScape: Worldwide B2B Digital Commerce Platforms 2020 Vendor Assessment* (IDC #US45741520, September 2020)
- *Market Analysis Perspective: Worldwide Digital Commerce Software, 2020* (IDC #US46868520, September 2020)
- *Worldwide Digital Commerce Applications Market Shares, 2019: Headless Commerce Goes Mainstream* (IDC #US45243220, June 2020)
- *IDC Market Glance: Digital Commerce Software, 1Q20* (IDC #US46151020, March 2020)

Synopsis

This IDC study provides an assessment of the primary headless digital commerce application vendors. The study also discusses what criteria are most important for companies to consider when selecting a system.

"The proliferation of channels and devices where commerce happens, as well as customers' heightened expectations for frictionless experiences on these channels, has driven substantial interest in headless digital commerce in the past couple of years. As a result, the headless digital commerce applications market has seen rapid growth," says Jordan Jewell, research manager of IDC's Digital Commerce program. "But there is also a lot of misinformation and confusion about what headless – or API first – digital commerce is and which merchants it is a good fit for. The top headless digital commerce vendors must provide merchants with full API support, a wide array of developer tools, and have a large partner ecosystem devoted to headless digital commerce in order to enable great commerce experiences while nailing the fundamentals for an ecommerce store."

About IDC

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