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Market Overview: Full-Service eCommerce Solutions

The Landscape Of Full-Service eCommerce Solutions Continues To Evolve

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EXECUTIVE SUMMARY

Full-service eCommerce solution providers represent an intriguing opportunity for companies faced with a lack of resources, competencies, and capabilities to do eCommerce well. Forrester advises that companies evaluate their specific needs and, in addition to considering point solutions, look to full-service providers to round out their needs. Only when the fit is evident across the board should eCommerce executives look to take advantage of the complete offering.

WHO'S RIGHT FOR A FULL-SERVICE SOLUTION?

eCommerce is hard. Retailers must execute many functional areas well in order to drive profitable sales with great service. The risks associated with operating this channel in an ineffective way go beyond lost sales. Delivering poor experiences to consumers can damage a brand and erode the core value and equity a company may have developed over many years.

Many an eCommerce initiative has begun with a declaration along the lines of “Let’s get a Web site up.” This has led, in many such cases, to an exploration of eCommerce platforms and perhaps agencies and integrators to support that effort. But many organizations lack other core competencies required to drive a strong online business. Full-service eCommerce solutions will be compelling for organizations with limitations in four key areas:

- **Infrastructure and operations for direct-to-consumer fulfillment.** This includes return logistics and inventory planning in addition to the physical warehouse investment. Many wholesalers or retailers will seek to leverage existing fulfillment operations, but the challenges and needs surrounding direct-to-consumer fulfillment are unique — and doing it efficiently and meeting order promise dates quickly can outstrip an organization tuned to more basic fulfillment scenarios.
- **Infrastructure or operations for direct consumer care.** Many eCommerce entrants lack a customer relationship management (CRM) solution tuned to direct customer service scenarios such as order placement, order service, order tracking, and returns. This kind of solution also includes the capabilities to respond to various service contact types such as email, phone, instant messaging, click-to-call, and even text messaging. Businesses can often leverage organizations that deal with B2B customer care as they begin direct-to-consumer eCommerce, but the staffing, technology, and more operational nature of consumer-oriented customer care requires that this become a competency unto itself.

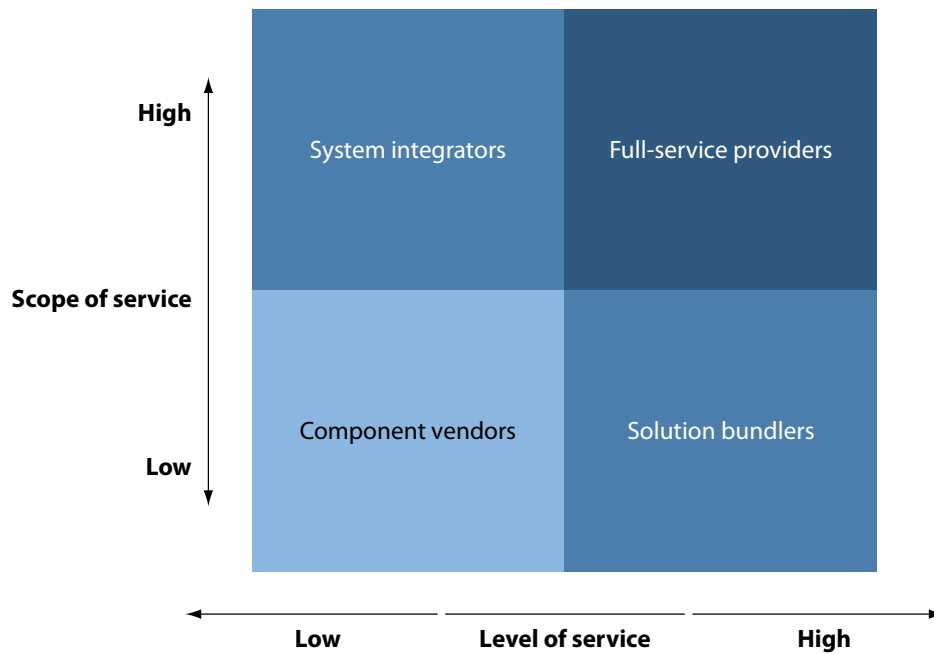
- **Experience and capabilities to drive direct-to-consumer online marketing.** Online marketing capabilities include email marketing, search marketing, affiliate marketing, portals, comparison shopping engines, and even direct mail. To meet their business goals, brick-and-mortar retailers, wholesalers, and B2B companies need to see these capabilities as a key competency.
- **Merchandising or content operations capabilities.** A well-organized, shoppable site — with deep, rich content tuned to the needs of the consumer — is critical to online success, though organizations often overlook this. It is not adequate to repurpose the brick-and-mortar retail or wholesale catalog operations assets and data. Nor will brand marketing assets work: Though this content will be useful, online retailing requires product content that supports consumer research and buying decisions.

FULL-SERVICE eCOMMERCE SOLUTIONS HAVE EVOLVED — AND CONTINUE TO EVOLVE

Full-service solutions have in many ways come full circle. In the past few years, the market has shifted, making it harder for eCommerce executives to evaluate vendors against a consistent menu of capabilities (see Figure 1 and see Figure 2). Full-service eCommerce solutions have evolved from:

- **A one-size fits all simple landscape . . .** Only a few years ago, the likes of GSI Commerce, Inc. (GSI) and Amazon Services, Inc. (ASI) were in the market with full-service offerings, and other vendors felt that they needed to respond.¹ But as the marketplace has matured and the available market for online retailers in need of full-service solutions has become more complex — with each customer’s needs unique in some way — the shape of the offerings has changed.
- **. . . to a confusing array of product suites.** It is now more common for the full-service providers to articulate a “suite of capabilities” than a single all-encompassing solution. Providers have begun to productize their various capabilities, mixing and matching according to their customers’ needs. This offers clients more control and the ability to leverage some of best assets of these providers in assembling a solution that bests meets their needs. But the value proposition of the full-service provider is truly the promise to combine the advertised capabilities with a level of integration and service that adds up to more than the sum of the parts — while providing the client with the proverbial “one throat to choke.”

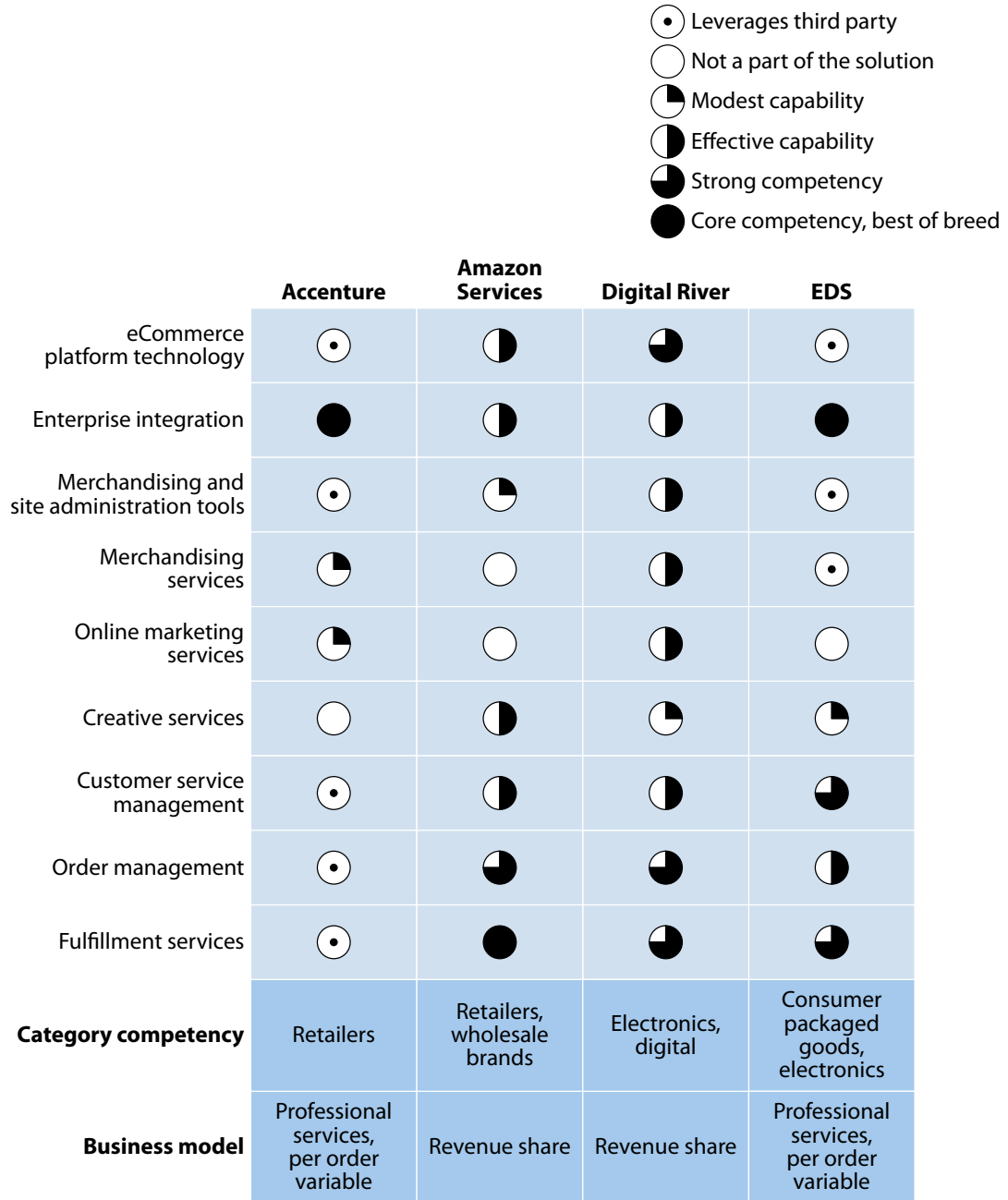
Figure 1 Scope And Level Of Service Are The Keys To Full-Service Providers' Value



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Source: Forrester Research, Inc.

Figure 2 A Sampling Of Full-Service Solution Offerings Compared



- Leverages third party
- Not a part of the solution
- Modest capability
- Effective capability
- Strong competency
- Core competency, best of breed

Figure 2 A Sampling Of Full-Service Solution Offerings Compared (Cont.)

| | eFashionSolutions | GSI Commerce | PFSweb | Sapient |
|---|-------------------|-----------------------------|---|-----------------------------|
| eCommerce platform technology | | | | |
| Enterprise integration | | | | |
| Merchandising and site administration tools | | | | |
| Merchandising services | | | | |
| Online marketing services | | | | |
| Creative services | | | | |
| Customer service management | | | | |
| Order management | | | | |
| Fulfillment services | | | | |
| Category competency | Wholesale fashion | Retailers, wholesale brands | Wholesale brands | Retailers, wholesale brands |
| Business model | Revenue share | Varies | Professional services, per order variable | Professional services |

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Source: Forrester Research, Inc.

THE DOWNSIDE OF FULL-SERVICE SOLUTIONS

As clients explore the opportunity to work with full-service providers, some common obstacles often present themselves. These include:

- **Significant solution costs and challenging fee models.** The cost of a full-service integrated solution can be significant, at times up to 40% or more of gross sales. At the same time, the revenue share model of many of these providers can also prove problematic, as an online retailer loses out on the leverage it can gain from this channel as it matures. This can cut into the margins the business expects to generate from the channel. On the flip side, by developing a business plan that incorporates the functional areas required to drive online direct-to-consumer business, retailers can determine if the premium is justified.
- **Lengthy and onerous agreement terms.** It is not uncommon for vendors to ask for five- or seven-year deals: GSI Commerce and Dick's Sporting Goods, for example, just agreed to a 15-year contract.² The length of these agreements can lead to a sense of being trapped — and perhaps handcuffed — as the channel and your online business continue to evolve. On the other hand, most eCommerce retailers will not replace their solution within five years, so it is reasonable to compare the length of these deals with the alternatives of building it yourself or pulling various providers together.
- **Real or perceived lack of control over the customer experience and road maps.** Many clients of full-service providers have talked in the past about having to “getting in line” to make site changes or having to deal with delays in innovation they want to drive their businesses. This presents a real tradeoff: Retailers look to leverage the shared investment in the capability set and in shared best practices but may wait for new or custom features since they must share resources across a common set of solutions and services.

RECOMMENDATIONS

EVALUATE FULL-SERVICE CAPABILITIES TOGETHER WITH POINT SOLUTIONS

eBusiness executives looking for a full-service solution should evaluate functional competencies and engage the full-service provider community around specific challenge areas. You may in many cases find that a full-service provider has a core competency — such as apparel fulfillment or content creation — that you dearly need. But also carefully evaluate how using a group of point solution providers (including the full-service players) may lead to the best technology and operations environment for your business, one that is flexible in the long term. Test and consider if the value of the integrated approach is right for you as well as if the vendor truly understands online commerce and your product set — and can meet your changing needs over time.

ENDNOTES

- 1 In 2004 and 2005, Amazon Services, Inc. (ASI) and Global Sports, Inc. (GSI) represented the two leading competitors in enterprise-class full-service eCommerce solutions. See the January 10, 2005, "[A Buyer's Guide To Hosted eCommerce Solutions](#)" report.
- 2 GSI Commerce and Dick's Sporting Goods announced their 15-year contract extension on August, 26, 2008, in a news release. Source: "GSI Commerce and Dick's Sporting Goods Extend E-Commerce Agreement With New 15-Year Contract," GSI Commerce news release, August 26, 2008 (<http://www.gsicommerce.com/index.php/en/article/711/>).