



Oracle Cross-Channel Commerce Platform = Retail + Siebel + ATG

PERSPECTIVE #GRRS52T
Ivano Ortis

IN THIS PERSPECTIVE

This IDC Retail Insights Perspective provides analysis of the recent acquisition of Art Technology Group (ATG) by Oracle.

Oracle Acquires ATG: Implications for Retailers

In November 2010, Oracle announced its intention to acquire ecommerce platform provider ATG and its 1,000+ customer base for a sum of \$1 billion. The deal closed on January 5, 2011. The acquisition connects the online channel with Oracle's existing retail suite, enabling the vendor to offer a set of products that — when used in tandem — have the potential to support a complete omnichannel experience.

What this means for retailers is the availability of a cross-channel commerce platform: combining Oracle's existing retail suite and customer relationship management (CRM), enterprise resource planning (ERP), and supply chain applications with the front-end, customer-facing Web commerce technologies provided by ATG.

The purchase of ATG is one in a line of many retail-related acquisitions for Oracle. The software company has significantly invested in building a retail application offering since outbidding SAP for retail management vendor Retek in April 2005 after a closely fought bidding war. The subsequent acquisitions of ProfitLogic and 360Commerce closed in the next ten months. The acquired software, combined with existing technology, formed an application stack of fully integrated core retail functionality: ERP, supply chain management (SCM), retail business intelligence (BI), and CRM.

For starters, online has developed into a substantial channel for transactions. At the very least, retailers are expected to offer products for sale in an online store. Moreover, customers now expect retailers to provide a seamless experience regardless of the channel they use to interact. For example, customers who purchased a product online may choose to contact the call center in order to determine if their local store stocks a related or complementary product. Upon providing a few details, customers will expect the call center to know who they are, what they bought, and what in-stock product the call center can recommend in their local store. Customers will then expect to be able to reserve the product in the store and pay for the item on collection or

home delivery. Whenever online, consumers expect to receive product or service recommendations based on contextual and historical information, which is also where CRM integration will play an important role.

As a matter of fact, in two separate consumer surveys conducted in the U.S. and Europe involving 3,000 online shoppers, we found that cross-channel ordering and cross-channel loyalty services along with real-time product availability information are the top 3 factors for ensuring customer satisfaction; hence, loyalty. Customer journeys of this nature are becoming the norm. In the back end, this behavior requires the support of a sophisticated and fully integrated CRM connected to the online store, physical stores, and the call center.

Without an ecommerce platform, Oracle was missing a piece in this puzzle and was therefore unable to provide a *complete* technology stack to support these cross-channel expectations. Acquiring a sophisticated ecommerce platform now enables Oracle to provide consistent demand forecasts across the channels natively. Also, IDC Retail Insights research shows that multichannel retailers are more profitable if supply chain and merchandise management are fully integrated across channels, including online. ATG completes the puzzle and allows Oracle to offer a true end-to-end multichannel retail suite.

The acquisition is befitting for a number of other reasons, the most pertinent being that ATG was the largest independent ecommerce platform player — the ripest for acquisition — and both ATG and Oracle focus on the larger and upper midmarket retailers and share a number of clients such as Tesco, Walmart, El Corte Inglés, and Best Buy. Current and future Oracle/ATG customers may also benefit from the acquisition with a more flexible content management software (CMS) support than the one typically provided by ATG alone (ATG Commerce includes the ATG Content Administration component for content management, which in some instances forced retailers to duplicate content whenever running a separate content management system). According to an IDC report titled *Worldwide Content Management Software 2009 Vendor Shares* (IDC #223503, May 2010), Oracle is one of the top 5 providers of CMS.

An area of strength where ATG differentiates itself from other ecommerce platform providers is online personalization. The application can be used by retailers to increase the loyalty of their online shoppers. Using granular shopper behavior, the engine also helps retailers achieve higher revenues through better-targeted prices as well as products. ATG is very much ahead of the curve with this offering in that personalization on this scale is not a key investment priority yet, but IDC Retail Insights believes that it will very soon be as competition in online retail continues to intensify.

Even with this added functionality, Oracle knows that it must not rest on its laurels. Retail continues to evolve at a rapid pace; emerging channels such as mobile and social commerce grow more prominent by the day. New functionality should be quickly developed — or

acquired — to support retailers in the uptake of these trends. Oracle is not naïve to these issues and, as such, is developing a detailed integration and development road map for their cross-channel commerce platform. The objective is to integrate ATG with Oracle's Siebel CRM, Oracle E-Business Suite, Oracle Retail Suite, and Oracle Fusion Middleware while releasing product enhancements and support for new functionalities. We believe that the following integration work will address existing Oracle and/or ATG users' needs, as well as capture current and future retailer requirements:

- Basic integration between ATG and Siebel order management, Siebel loyalty and marketing integration with ATG Live Help and Product Recommendations, integration with Oracle retail merchandising and store solutions, ATG Commerce internationalization and extended language support, adoption of Fusion technology
- Advanced Siebel/EBS order management, loyalty, and marketing integration with ATG; ATG Commerce release version 10.1 with visual merchandising and mcommerce; integration with Oracle Retail planning and optimization solutions; Fusion-enabled integration with Distributed Order Orchestration
- Siebel Service integration with ATG Self Service, Knowledge Management, and marketing integration with ATG Commerce; integration with Oracle supply chain solutions; ATG Commerce release version 10.2 including in-store clientelling and kiosk support; Fusion Commerce Solution release based on Oracle Fusion Applications 1.1

IDC Retail Insights estimates that each phase is set to take 9–12 months, that is, we believe that the integration work will be completed by 2013 at the earliest. Although the integration is no mean feat, Oracle will soon face stiff competition in a quickly consolidating market. In particular, the mcommerce release will need to be a complete offering (i.e., support all major mobile OS, app development and mobile Web, SMS and MMS, and all other mobile interaction eventualities) in order to compete with the other products that will be available by the time it goes to market in late 2011.

Nonetheless, we believe that through the acquisition of ATG, Oracle is creating a strong differentiation in cross-channel CRM. The combination of Siebel CRM, Oracle's BI and analytics capabilities, and Oracle Retail merchandise planning and optimization with ATG's personalization engine — once fully integrated — will become the most compelling message for retailers.

Essential Guidance for Retailers

IDC Retail Insights recommends that retailers consider the following when evaluating investments in ecommerce and multichannel management platforms:

- If you are already an ATG customer, new version releases may be slightly slower to market initially, but in the long run, the updates will be much more function rich. For example, we expect that Oracle will integrate its optimized delivery scheduling application as standard. Ultimately, the options available will be much more vast and integrated, but otherwise, the impact on the day-to-day running of the ATG platform will be minimal if that preferred. However, we recommend using this integration period to have some real input into the strategic direction of the technology development road map — time taken now to ensure that ideas are aligned will save potential headaches later down the line.
- If you are in the process of considering technology platforms as part of new ecommerce strategies or are replatforming to ensure scalable ecommerce for the future, we recommend that the ATG and Oracle combination be shortlisted for consideration. Investment strategies must also take the wider benefits of integrated channels into account. Focus on achieving differentiation and innovation at the customer touch points while standardizing multichannel commerce management.
- In order to enable multichannel retailing, international retailers might think about adopting a cloud strategy. In implementing a central multichannel management platform on the cloud, local application engines are required to support stores and online and mobile commerce. A private cloud infrastructure hosted by third-party managed service providers allows for flexible on-demand capacity and may better address broadband availability, security issues, and in particular, data management.
- Retailers should invest in multichannel management platforms based on a single unified engine that is capable of providing the abstraction of data, business logic, and rules regardless of channels, while ensuring that presentation layers can be adapted to a variety of customer-interaction scenarios and touch points (mobile, kiosks, online, point of sale [POS], scales, self-checkout [SCO], and others). This will benefit customer experience, ensure tight process integration across channels, and reduce integration complexity and hence IT costs.

LEARN MORE

Related Research

- *Worldwide Retail Industry 2011 Top 10 Predictions* (IDC Retail Insights #GRI226393, December 2010)
- *How to Achieve Profitable Multichannel Retail* (IDC Retail Insights #GRRS52S, May 2010)
- *Technology Selection: Mobile Solutions and IP Telephony Strategies in European Retail Stores* (IDC Retail Insights #GRRS02S, May 2010)

- *Business Strategy: Social Commerce Opportunities, Strategies, and Risks for Retailers Globally* (IDC Retail Insights #GRRS01S, January 2010)
- *Technology Selection: IDC Retail Insights Guide to Enabling Immersive Shopping Experiences* (IDC Retail Insights #GRRS03R9, December 2009)
- *Satisfying the Omnichannel Consumers Whenever and Wherever They Shop* (IDC Retail Insights #GRI220046, September 2009)
- *Business Strategy: eCommerce and Omni-Channel Retailing Directions* (IDC Retail Insights #GRRS01R9, March 2009)

Copyright Notice

Copyright 2011 IDC Retail Insights. Reproduction without written permission is completely forbidden. External Publication of IDC Retail Insights Information and Data: Any IDC Retail Insights information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Retail Insights Vice President. A draft of the proposed document should accompany any such request. IDC Retail Insights reserves the right to deny approval of external usage for any reason.