Brief: Oracle Commerce Gets The Cloud Treatment
Part New, Part Old — Oracle’s Commerce Cloud Represents A Credible New Platform Option For SaaS-Oriented eBusiness Teams
by Peter Sheldon
July 6, 2015

Why Read This Brief
For the past two years, Oracle has committed substantial R&D resources to developing a new software-as-a-service (SaaS) version of its popular on-premises commerce product. As of March 2015, the new SaaS offering “Commerce Cloud” joins other SaaS-enabled Oracle customer experience solutions in the Oracle Cloud. The development work has been happening behind closed doors with little industry insight into Oracle’s strategy. eBusiness teams will, however, soon see a ramp up of marketing behind the new offering as it is already generally available on the Oracle price list and — more importantly — close to seeing its first customers go live. This brief analyzes the key differentiating capabilities of this new offering and will provide guidance to eBusiness and channel strategy professionals on how to evaluate this solution as part of their commerce technology replatforming initiatives.

Key Takeaways

Commerce Cloud Capitalizes On Oracle’s Successful On-Premises Offering
The Commerce Cloud is a genuine hybrid of old and new code. There is a high degree of commonality with the long-standing on-premises version in regard to features and capability, but differentiators include standardized, web-based administrative tools, a new REST API architecture, and a responsive starter store.

Commerce Cloud Sets Out to Fill Oracle’s Midmarket B2C Gap
At its onset, Commerce Cloud seeks to improve Oracle’s midmarket presence in its already burgeoning portfolio of commerce solutions. This will put Oracle head-to-head with Demandware. As the platform matures, however, Oracle plans to target larger accounts and add B2B features to serve manufacturers, wholesale firms, and distributors.

Early Adopters Should Set Expectations Accordingly
Although Commerce Cloud inherits a feature set from its mature on-premises sibling, the two offerings will not reach feature parity for at least a couple of years. This means early adopters may find key features have yet to be ported to the new Commerce Cloud version.
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Oracle Takes A Hybrid Approach To New Commerce Cloud Offering

Oracle is going all-out to grow its existing $2 billion cloud business. Cloud revenues were up 47% to $519 million in its fiscal Q2 versus a year earlier, with a total of 460 new customers adopting customer experience (CX) cloud apps as of December 2014 (that’s 53% of all of Oracle's new cloud clients).¹ As part of Mark Hurd’s public commitment that almost all of Oracle’s products and services be available via the cloud by year-end 2015, it should come as no surprise that Oracle’s previous $2 billion investment in commerce should be a core part of the firm’s SaaS strategy.² In fact, this strategy started over two years ago when the Oracle Commerce product management team was given the mandate to bring a cloud offering to the market. To date, Oracle has invested significant financial resources developing Commerce Cloud, an investment it hopes to recoup given that 73% of online retailers make a full or partial shift to using SaaS-based commerce technologies (see Figure 1).

On paper, Oracle Commerce Cloud is an all-new SaaS commerce platform, positioned to compete in the marketplace against the incumbent leader in SaaS commerce, Demandware. Peeling back the covers however, reveals that not everything is new. Rather, Oracle Cloud is a major re-engineering effort based on the DNA and core codebase of the company’s highly successful Oracle Commerce on-premises product, itself the respective amalgamation of the acquisitions of ATG and Endeca. However, the new cloud offering includes a complete re-architecture of the existing code to make it SaaS ready; sprinkled on top are new capabilities and administrative tools designed to appeal to today’s savvy online merchandiser.
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FIGURE 1 Online Retailers Increasingly Seek SaaS Commerce Solutions

“What are your firm’s plans to use software-as-a-service (SaaS) to complement or replace your existing commerce software?”

- Don’t know/does not apply: 5%
- No plans to use SaaS: 22%
- Using some SaaS to complement: 28%
- Plan to replace most/all with SaaS within two years: 18%
- Plan to complement with some SaaS within two years: 13%
- Already replaced most/all with SaaS: 14%

32% of firms already have or plan to move to a SaaS eCommerce environment within two years.

Base: 439 North American and European retail, wholesale, and manufacturing software decision-makers who are planning/have implemented commerce software (20+ employees)

Source: Forrester’s Forrsights Software Survey, Q4 2013

Oracle’s Established On-Premises Product Provides The Basis For The Cloud Version

Competitors will be quick to hypothesize that Commerce Cloud is little more than a bit of the proverbial “lipstick on a pig” — an on-demand, cloud-deployed version of the on-premises ATG/Endeca acquisitions. But this is not the case; Commerce Cloud is a genuine hybrid of old and new code. In setting out on this endeavor, Oracle did not want to create a “light” or midmarket offering; it wanted to bring to the cloud a mature product that would be able to hold its own against the company’s existing on-premises commerce platform. The only conceivable way to do this in a reasonable time frame was to inherit (with a bit of re-engineering) 80% of the code from the on-premises version.

In doing this, the new platform has a high degree of commonality with the long-standing on-premises version in regard to features and capability. However, there are many all-new capabilities that differentiate the cloud version that include:

› The Oracle cloud itself. Commerce Cloud lives exclusively in Oracle’s cloud environment which means high availability and elastic scalability across a mature, global cloud infrastructure. It also means four upgrades per year on an automatic push model, with Oracle planning to increase the velocity of upgrades to every six weeks. Enterprise clients will, however, be able to request a temporary stay of upgrades to ensure environment stability at peak times such as around Thanksgiving in the US.
Oracle Cloud Marketplace for extensions. Although there are no extensions available today, Commerce Cloud will eventually leverage the Cloud Marketplace for both paid and commercial extensions to the platform as well as prebuilt integrations to third-party commerce ecosystem solutions.

Web-based administrative tools. For Commerce Cloud, gone is the legacy Flex-based “Business Control Center” inherited from ATG and the web-based “Workbench” inherited from Endeca. These tools are instead replaced by an all-new web administration tool built using Oracle’s Alta UI platform, on which the company is standardizing all of the new cloud products. This means the new Commerce Cloud administrative tools: 1) are responsive and mobile-ready; 2) share a common UI and design principals with the other Oracle Cloud products; 3) can easily be globalized for international support; and 4) bring all of the commerce administrative and merchandising functions under one roof.

A new REST API architecture. The underlying codebase of the on-premises version of Oracle Commerce has been completely wrapped in a new level 3 REST API that uses Swagger (an open source API management platform) to manage all of the APIs. Developed on top of these APIs are the new administrative tools, a reference storefront, and integration points. The new REST APIs abstract away all of the nastiness of the legacy ATG and Endeca code and APIs.

A new responsive starter store. Commerce Cloud ships with a single-page design and responsive-enabled starter store, loosely based around a fictitious consumer coffee maker brand. The new store exposes many of the mature features of Oracle Commerce as well as a new widget model designed to allow store merchandisers to “drag and drop” layouts, themes, and extension widgets directly into the store experience.

New “cloud”-exclusive features. In keeping with the mantra of old and new, Oracle is developing a new A/B testing tool for Commerce Cloud (due for release in the later part of 2015) that will be natively integrated with the new administrative tools and is designed to remove the need to use and integrate a third-party testing tool. Furthermore, Commerce Cloud ships with embedded dynamic image management tools and also includes edge caching from Akamai included in the price.

A new pricing model. Initially Oracle will provide two term-based pricing models for Commerce Cloud: 1) A usage-based, tiered model based on annual page views of the storefront and 2) a revenue share model designed to allow Oracle reps to put apples-to-apples proposals in front of clients also considering Demandware.
With Commerce Cloud, Oracle Takes Direct Aim At Demandware

There's no denying that integrating the acquisitions of ATG and Endeca into what is today Oracle Commerce v11.1 was a tough journey for Oracle. During this time, Oracle's sales team has struggled to significantly grow net new license deals, although Oracle has seen success with contract renewals and upsells by incentivizing existing B2C retail tenant clients to upgrade from older versions of ATG and Endeca to Oracle Commerce v11.x.

When it comes to midmarket deals, Oracle has faced fierce competition from Demandware and Magento, with some existing Oracle Commerce customers choosing to launch new brands or sites in new markets outside of the US on these platforms rather than expand their footprint of the Oracle Commerce on-premises solution. Oracle’s phase 1 go-to-market strategy for Commerce Cloud is to take direct aim at Demandware by targeting midmarket B2C opportunities. As the platform matures, however, Oracle plans in phase 2 to target larger accounts doing more than $100 million in online revenue and to add B2B features to serve manufacturers, wholesale firms, and distributors. In a fully mature, future state, Commerce Cloud will compete head-to-head in many deals with its on-premises sibling (see Figure 2).
Commerce Cloud Fattens Oracle’s Presence In The Commerce Technology Space

Before the unveiling of Commerce Cloud, Oracle already had a burgeoning portfolio of commerce solutions. eBusiness teams engaging in a sales process with Oracle should be aware of the different solutions that exist and expect that their account representative may — in addition to the new Commerce Cloud solution — also propose:

› **Oracle Commerce**. Oracle’s core commerce product revenues today and for the foreseeable future will come from license sales of Oracle’s on-premises platform, Oracle Commerce, itself the merger of two previous acquisitions — ATG and Endeca. Oracle Commerce will continue to be positioned as the main strategic commerce product at Oracle and will compete with IBM and hybris at enterprise accounts with complex B2C and B2B commerce requirements.

› **Oracle Commerce on-demand**. For many years, Oracle has offered Oracle Commerce as a hosted/managed option with approximately 30 clients using this “on-demand” offering today. Although officially still on the price list, Oracle hopes to retire this offering by directing new clients that want a SaaS ownership/operational model to Commerce Cloud and migrating existing “on-demand” customers over to the new cloud offering.

› **Oracle Retail Open Commerce Platform Cloud Service**. The Oracle Retail OCP platform, (formerly Micro’s OCP), is a single-tenant, on-demand application hosted by Oracle that is pre-integrated to the Micros Xstore POS, OMS, Order Broker, and Customer Engagement solutions. Although not a strategic go-forward commerce product offering from Oracle (this honor is bestowed on the Oracle Commerce and Oracle Commerce Cloud products), the Retail Global Business Unit (RGBU) will continue to position this product in midmarket, end-to-end omnichannel retail solution deals for the foreseeable future, at least until such time that Commerce Cloud has been fully integrated with the broader Oracle retail stack of product solutions.

What It Means

Put Oracle Commerce Cloud On Your Ecommerce SaaS Shortlist

eBusiness teams responsible for leading a future eCommerce replatforming project now have another credible enterprise SaaS offering to add to their shortlist that carries with it both pedigree and credibility from the scale of the Oracle Cloud in which it resides. However, there are short- to medium-term risks associated with picking Cloud Commerce that eBusiness vendor selection teams must be aware of:

› **Cloud Commerce does not yet have feature parity with its on-premises sibling**. Although the underpinnings of cloud commerce have a high degree of code commonality with the on-premises version, Oracle to date has only exposed approximately half of the functionality available in the ATG/Endeca engine within the Cloud edition. This means that today, some advanced features,
including B2B capabilities, are missing or lack the in-depth control that existing Oracle Commerce customers may be familiar with. Oracle plans to bring the cloud version up to functionality parity with the on-premises version; however this will take a further 18 months or so to complete.

› **The partner ecosystem is not yet enabled.** Few system integrators and digital agencies with existing Oracle Commerce implementation experience (and those with legacy ATG and Endeca experience) are yet trained or certified for cloud implementations. In the short term, this will limit the available pool of implementation partners.

› **No clients are yet in production.** Oracle has already sold Cloud Commerce deals and is in implementation with a handful of early customers; however, the proof in the pudding can only come as these initial customers go live and become referenceable. Oracle is planning the first deployments in Q3 2015. Furthermore, Oracle must prove that it has successfully re-engineered the platform to be upgradable, such that merchants automatically receive updates without the need for post-upgrade development work — even in environments with extensive integration to third-party solutions or where front-end customizations have been implemented.

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Endnotes


Note: Oracle’s Q2 runs October — December.


3 Forrester defines midmarket online retailers as those with between $10 million and $50 million in online revenues.

4 Micros was acquired by Oracle in September 2014.
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