

ChannelAdvisor in prime position to tackle threats from all angles

Companies: AMZN, BBY, DWRE, EBAY, ECOM, IBM, ORCL, SAP, SHLD, SPLS

February 25, 2014

Research Question:

Will ChannelAdvisor's stand-alone channel management software solution lose out to third-party marketplace tools and broader e-commerce platforms?

Summary of Findings

- Eighteen of 23 sources across all silos view [ChannelAdvisor Corp.](#) (ECOM) as the industry leader, with comprehensive solutions that are scalable across many third-party marketplaces. Of retailers not using ChannelAdvisor, four of six cited price as a key reason.
- Third-party marketplaces such as [Amazon.com Inc.](#) (AMZN) and [eBay Inc.](#) (EBAY) cannot compete directly with ChannelAdvisor because their tools do not work across multiple channels, 11 sources said.
- Sources were mixed on whether big e-commerce software vendors like [IBM Corp.](#) (IBM), [Oracle Corp.](#) (ORCL) and [SAP AG](#) (SAP) will offer competing channel management tools; 12 of 14 sources doubted the ability of such companies to be as nimble or as focused on the space as ChannelAdvisor.
- ChannelAdvisor is not vulnerable despite gains by Amazon, 12 sources said, as retailers will continue using multiple channels to serve niche areas. Two sources disagreed, and predicted a possible drop in demand for channel management software.
- ChannelAdvisor will have to displace entrenched vendors or in-house operations to increase its 27% penetration of the [Internet Retailer 500](#) as sources believe most, if not all, big U.S. retailers have a channel management solution in place.
- Sources said there is not much churn with this software because of how customized solutions become once operational.
- Three sources identified the e-commerce markets of China and South America as growth opportunities for ChannelAdvisor.

Silo Summaries

1) Online Retailers Using ChannelAdvisor

All six customers lauded ChannelAdvisor's software and plan to stick with the platform. Four rejected the idea that site-specific management tools offered directly by marketplaces like Amazon and eBay could serve as a substitute for ChannelAdvisor. Sources were mixed over the possibility that major e-commerce software vendors will integrate channel management software into their platforms, but five believe such offerings would not be a significant threat. **Five sources agreed that Amazon will continue to grow at the expense of other third-party marketplaces, but such consolidation will not hurt demand for ChannelAdvisor's software.**

2) Online Retailers Not Using ChannelAdvisor

Of the six retailers interviewed, three use Mercent for channel management, one uses Hybris, one uses [Shopify](#) and one utilizes eBay and Amazon tools. **Four of the sources reported ChannelAdvisor's high cost as a reason for looking elsewhere**, with one criticizing ChannelAdvisor's focus on sales over support. Four sources doubt that major e-commerce software vendors will provide much of a threat in the channel management space. **Three sources suggested demand for channel management tools will remain robust even as Amazon scales.** One source disagreed, and said Amazon's growth could hurt ChannelAdvisor.

3) E-commerce Software Vendors

All five sources praised the company's software as **among the best on the market.** Two suggested its high cost is a problem for some retailers. Three said the tools provided by third-party marketplaces do not provide a viable alternative. The least bullish source said **ChannelAdvisor could be threatened by major e-commerce vendors**, who are acquiring companies with channel management tools to add to their platforms.

4) Industry Specialists

ChannelAdvisor was described by five of six sources as "dominant" and "a leader" in channel management software. The head of a UK-based marketplace said integrating with ChannelAdvisor is required to attract big retailers. **Three sources predict no major competitive threats to ChannelAdvisor from marketplaces directly or big e-commerce software providers.** Three sources think all or most big U.S. retailers already utilize a channel management solution.

	Strength of ChannelAdvisor's solutions	Competition from marketplaces	Competition from big vendors
Online Retailers Using ChannelAdvisor	↑	↓	↓
Online Retailers Not Using ChannelAdvisor	→	↓	↓
Software Vendors	↑	↓	↓
Industry Specialists	↑	↓	↓

Background

ChannelAdvisor provides software that helps retailers manage merchandise sales across hundreds of online channels. The company's revenue and customer base has been growing, but it faces uncertainty due to market saturation, competition from larger e-commerce platforms and macro trends in online shopping.

The company reported a 30% increase in core revenues for Q4 2013 and said this month that its customer base is up to more than 2,400 retailers and manufacturers, including just over a quarter of the Internet Retailer 500. ChannelAdvisor [has been praised](#) by customers for its ease of inventory management, delivery of centralized data and logistics, tech support offerings, and exposure to multiple marketplaces.

But ChannelAdvisor faces competition from other stand-alone solutions and channel management tools offered as part of broader e-commerce platforms from software giants like Oracle and SAP. Additionally, third-party marketplaces such as Amazon and eBay increasingly offer their own channel management tools to retailers.

ChannelAdvisor's software enables retailers to address the complexity and fragmentation of online sales, a key attraction as the number and variety of third-party marketplaces increases. Top e-tailers like [Sears](#) (SHLD), [Best Buy Co. Inc.](#) (BBY) and [Staples](#) (SPLS) have opened [their own web marketplaces](#), presenting a tremendous growth opportunity for ChannelAdvisor.

At the same time, the share of online sales made through a small number of larger channels, particularly Amazon and eBay, is increasing. If this trend toward consolidation around a few large online channels accelerates, navigating online sales could be easier for retailers, and demand for ChannelAdvisor's solutions may wane.

Current Research

In this initial report, Blueshift Research explored market opportunities for ChannelAdvisor and the competitive threats it faces. We employed our pattern mining approach to establish and interview sources in five independent silos:

- 1) Online Retailers Using ChannelAdvisor (6)
- 2) Online Retailers Not Using ChannelAdvisor (6)
- 3) E-commerce software vendors (5)
- 4) Industry Specialists (6)
- 5) Secondary sources (5)

We interviewed 23 primary sources and identified five of the most relevant secondary sources focused on e-commerce trends.

Next Steps

Blueshift Research will take a closer look at the challenge ChannelAdvisor faces in persuading big retailers to switch to its platform from an in-house solution or competing vendor. We will re-visit competitive threats facing ChannelAdvisor as big e-commerce vendors further integrate acquisitions that provide channel management functions, such as SAP's purchase of [Hybris Software](#) and [Demandware Inc.](#)'s addition of [Mainstreet Commerce](#). Finally, we will examine international markets ripe for ChannelAdvisor to exploit.

Silos

1) Online Retailers Using ChannelAdvisor

All six current customers lauded ChannelAdvisor's software as simple and effective, and all plan to stick with the platform.

Four rejected the idea that site-specific management tools offered directly by marketplaces like Amazon and eBay could serve as a substitute for ChannelAdvisor's comprehensive, multi-channel solutions. Sources were mixed over the possibility that major e-commerce software vendors will integrate channel management software into their platforms, but five believe such offerings would not be a significant threat as ChannelAdvisor would be more focused on the space and adapt more quickly as marketplaces evolve. Five sources agreed that Amazon will continue to grow at the expense of other third-party marketplaces, but such consolidation will not hurt demand for ChannelAdvisor's software as many retailers will want to use smaller, niche channels.

KEY SILO FINDINGS

ChannelAdvisor's Solutions

- 6 of 6 sources said ChannelAdvisor's tools are easy to use and effective.
- 0 of 6 reported any thoughts of switching vendors.

Competition

- 4 said tools offered directly by marketplaces are not substitutes for ChannelAdvisor.
- 5 believe major e-commerce software vendors are unlikely to provide direct competition.
- 4 think ChannelAdvisor faces no serious competition from other stand-alone products.

Market Opportunity/Demand

- 5 do not see Amazon's continued growth as a concern for ChannelAdvisor.
- 2 said all big retailers already have a channel management solution.

1. Co-founder of a sports apparel and memorabilia store

ChannelAdvisor makes it simple and cost-effective for small business owners like this source to sell on multiple online marketplaces. Some retailers forgo management software like ChannelAdvisor's and only use the tools provided by marketplaces like Amazon and eBay, but such an approach creates more work and precludes selling items on the numerous smaller channels. Amazon will keep growing, but there will continue to be multiple other marketplaces. Big e-commerce software vendors like Oracle could offer channel management software but are unlikely to approach ChannelAdvisor's expertise and connections.

ChannelAdvisor's Solutions

- "We started using ChannelAdvisor in 2006 or 2007. We started out as an eBay business and then we got on ChannelAdvisor to expand onto other marketplaces. We also picked up their website platform and use them for search and shopping to send out all of our products onto the search engines and shopping affiliates like [Shopping.com](#) and [Shopzilla](#)."
- "They really revolutionized our business. They gave us the ability as a small company to get on multiple platforms with our inventory. We have a large number of items but a small quantity of each. Even if I only have one of an item, I can list it on eBay, Amazon, [Buy.com](#) [now Rakuten.com], [Newegg.com \[Inc.\]](#), Sears, our website—I can list it on 10 different marketplaces. If I sell it on one of those places, it comes off the other ones."
- "The ability to multi-platform was really big for us. It allowed us to really increase our sales and we didn't have to spend time worrying about where we were going to try to sell one item."
- "ChannelAdvisor gives us the ability to create a set of inventory and then feed it out to all these different shopping channels, to [\[Google Inc./GOOG\]](#), and have it go out automatically every day from this one piece of inventory information. If we didn't have ChannelAdvisor—which does cost some money to be sure—we'd have to have five other employees to do what it does. It costs what maybe one employee would cost a month."
- "People sometimes balk at the price because there's a monthly fee and then you have to pay a percentage on the back-end in sales. For us, it pays for itself many times over."

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Co-founder
Sports Apparel & Memorabilia Store

- “We got in so early [with ChannelAdvisor] and got some really good terms and they’ve never raised them on us. I’ve talked to others who have gotten in more recently and their percentage on the back end is about the same but what they’re paying for set-up and monthly fees are a lot higher. I think our rate is pretty good and we’re getting good value on it. We pay a few thousand dollars a month minimum on their programming tools and then we pay 2.5% [of sales] on the back end, or something like that.”
- “They have outstanding support. The number of problems we’ve experienced over the years have been very few, but when there is a problem, I pick up a phone and get a live person within 30 seconds. They treat me like I’m one of their biggest customers. We’ve always had a sales rep we can reach out to.”

Competition

- “When we started with ChannelAdvisor, there really weren’t many other options. Some [alternatives] have cropped up over the years and I’ve looked into them, but we’re very happy with ChannelAdvisor. The only reason to switch would be if there was a cost savings, but I really feel like ChannelAdvisor is a great value.”
- “Maybe I could save money [with another vendor] but I’m so confident in what they do, I’d be concerned about letting someone else handle it just to save myself \$1,000 a month when so much of our success is tied up with ChannelAdvisor.”
- “Once you get on the platform and have your inventory in there and have employees trained in how to use it—it’s not rocket science, but there’s a learning curve there. If you switch to another platform, you have to get all your inventory in there, you’ve got to learn how to tweak that one to do the things you want to do. We’re kind of invested in ChannelAdvisor.”
- “If it were to go up substantially in cost or budgetary resources got tight, I could see looking at something else, but at this point, we haven’t. I’m getting some cold calls [from competitors] saying they know we’re ChannelAdvisor customers and would we be interested in trying them. We just tell them we can’t see how they could make it worth our while.”
- “If you really want to save money and not use ChannelAdvisor and just sell on the big marketplaces, you can do it but you’re going to spend a lot more time. You can use Amazon’s tools on Amazon and eBay’s tools on eBay, but you’re going to spend a lot more time because every time you make a change, you’re going to have to do it on every platform.”
- “And then cross-selling—if you’ve got five of something and want to list them on Amazon and eBay, if you sell four on Amazon, you better get them off of eBay. You’re going to do some overselling and create some headaches for yourself or upset some customers if you don’t have a way to tie them all together.”
- “Really big software companies like Oracle that want to get into the [channel management] game, I think they could. They have the resources. But ChannelAdvisor has a pretty good toe-hold. It would be hard to compete with their expertise and their connections in e-commerce.”
- “They’re connected well with Amazon and eBay and know what’s going on there, what’s going to be the next trend. They’re very proactive in updating the software. That’s one of the things I’d be concerned about if I went somewhere else. Are they going to keep evolving and improving their software? The e-commerce business has changed so much over the years. It’s a moving target.”

Market Opportunity/Demand

- “Some people don’t want to be multi-platform sellers. A lot of people just want to be on Amazon. That’s our best marketplace—75% of our sales are there. We could very easily say forget it, I’m going to cut ChannelAdvisor out and only sell on Amazon. But you’d be cutting off sales and potential growth. It’s possible, but we want to be on multiple channels.”
- “We have 10,000 SKUs but only one to 100 of each. Someone else might have only 100 SKUs and have 10,000 of each one. If that was the case, it might be easier to sell on multiple marketplaces without ChannelAdvisor.”
- “It’s going to become more fragmented with all of these little niche marketplaces. ChannelAdvisor integrates them all very quickly. Once you’re on the ChannelAdvisor platform, it’s a matter of very little work to customize your template to send to that [new] marketplace.”
- “Our sales [in those other marketplaces] are very small, but you never know five years from now what it will look like. I don’t know if maybe Newegg or Buy.com might be huge in five years. I want to be in those marketplaces.”

All of these other marketplaces, like Newegg and Buy.com, only amount to a few sales a day in January and February, but when you get to the fourth quarter, now you’re talking about enough sales to pay the bills around here. It’s worth it to us to be on those marketplaces. It gives us some diversity. If they don’t pan out or produce much sales, there’s really no cost for us.

*Co-founder
Sports Apparel & Memorabilia Store*

- “There’s going to be more marketplaces. Whether they succeed in the long run or eventually just fold to Amazon, who knows. We might as well be on them as long as ChannelAdvisor makes it easy to do so.”
- “All of these other marketplaces, like Newegg and Buy.com, only amount to a few sales a day in January and February, but when you get to the fourth quarter, now you’re talking about enough sales to pay the bills around here. It’s worth it to us to be on those marketplaces. It gives us some diversity. If they don’t pan out or produce much sales, there’s really no cost for us.”
- “Obviously, Amazon is going to continue to grow and eBay is trying to gain back their market share. There will probably never be another Amazon. Right now Amazon is 75% of our sales, but the other marketplaces could grow cumulatively and push Amazon down to 65%. You don’t want all your eggs in one basket.”
- “They’ve got some huge clients, Fortune 500 companies, and then they’ve got businesses like us with annual sales of a few million dollars. I don’t know what their mix is.”

2. General manager for an online retailer of snowboarding and other sports gear

ChannelAdvisor’s software is much better than any competing tools in terms of simplicity and scalability. Solutions offered directly by marketplaces like eBay and Amazon are fine for a few functions but not even close to a replacement for ChannelAdvisor. Big e-commerce vendors like Oracle and SAP’s Hybris have developed channel management add-ons for their platforms, but even many retailers using such systems will still want to use ChannelAdvisor. He expects Amazon to continue to gain market share and marginalize other marketplaces, but does not believe that will hurt demand for ChannelAdvisor’s software.

ChannelAdvisor’s Solutions

- “For a scalable model for selling on eBay and Amazon, I don’t feel like there’s a real No. 2 competitor to ChannelAdvisor. There’s [Mercent](#), which does a good job on Amazon. But the platform that ChannelAdvisor has, and the scalability of it, I think they’re the leaders in that space by a longshot.”
- “I am very satisfied [with ChannelAdvisor] but I always want to know what the No. 2 option is. I’m very happy with them but it is kind of scary to feel like, if I had to jump ship, I’m not very excited about the alternatives.”
- “We’re able to integrate directly into [ChannelAdvisor]. Our back end, our ERP [enterprise resource planning], can talk to them so we can tie in our inventory feed. From one spot, through ChannelAdvisor, we can manage our inventory.”
- “In the marketplace realm, managing your inventory and dealing with oversells is a big issue. To have one central point where we can feed out to all these marketplaces and have good inventory control is very important.”
- “They’ve been flexible with [terms], particularly a change in the monthly base to the sales percentage.”
- “We sell in several other channels, but eBay and Amazon are the most lucrative for sure.”

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General Manager, Snowboarding & Sports Gear Online Retailer

Competition

- “I will use some of the reporting tools [provided by the marketplaces themselves], but as far as [eBay’s] [Blackthorne](#) or anything like that, they’re kind of a joke. If you have a large volume of SKUs and are doing a significant amount of business, you need to ramp up your personnel exponentially to be able to grow your business [if you rely solely on the individual marketplace tools]. Whereas, if you have good software like ChannelAdvisor, you can still run a smaller crew.”
- “A lot of the [major e-commerce software vendors] do have those add-on build outs [for channel management] but when it’s not your core competency, it struggles. I think you’ll see a lot of retailers that are running something like Oracle or Hybris for their website or inventory but then peg on to ChannelAdvisor to handle their marketplace feeds and templates and all that.”
- **Market Opportunity/Demand**
- “[I expect further] consolidation [among marketplaces] without a doubt. Amazon has so much traction now. I think eBay still has a shot to get back some of that market share but Amazon is making it just so easy for consumers now.”
- “If I only sold on Amazon, I’d still use ChannelAdvisor. I don’t know any large sellers that are using Amazon directly [rather than a third-party like ChannelAdvisor], but if they are they’ve got a significant amount of development

invested to build their own tools so that it works off of Amazon's system. As far as reporting, they do have a good interface, but I don't know how you could sustain a large business without third-party software or doing custom development."

- "If [ChannelAdvisor] gets the information out about what they provide, they're only going to continue to gain more customers. They are the leader in a smaller niche. As retailers go through growing pains with these larger shops, ChannelAdvisor will be the first on the list for them to look at."
- "Their CEO and founder, [Scot Wingo](#), is a big part of their secret sauce. I think he understands online marketplaces probably better than anybody. He's a huge strength for them."

3. CEO of an online footwear and apparel retailer

ChannelAdvisor offers the only comprehensive channel management solution for small- and medium-sized Internet retailers. Their tools are not perfect, but the company offers great support and is willing to listen to its customers. Major e-commerce software vendors are more likely to try to integrate ChannelAdvisor's software into their platforms than to build their own channel management tools and compete. Even though Amazon is growing, smaller third-party marketplaces like Sears and Buy.com are going to continue to be an important part of the online retail landscape.

ChannelAdvisor's Solutions

- "I've been on the ChannelAdvisor platform for nine years. I've really seen it develop from where they had four or five competitors to them being the only ones on the block."
- "For our level of retailer—a couple of million to \$50 million in sales—we're trying to find sales online but we don't have \$100 million or \$200 million in venture capital money. We're not a [Rue La La](#) or [Gilt](#). But there are all these retailers like us across the Internet that are doing \$2 million to \$50 million [in annual sales], highly profitable businesses with little niches. ChannelAdvisor, they're really the only ones on the block any more in terms of offering a widespread solution to businesses like ours."
- "We're doing \$5,000-\$10,000 a week [in sales] on Sears and maybe \$3,000 a week on Rakuten. It's almost impossible to build your own integration with those marketplaces. I'd have to have an IT staff of 2-3 people just to be on those marketplaces. ChannelAdvisor allows me as a seller to concentrate on building my company, building the personnel, sourcing."
- "Am I going to tell you ChannelAdvisor is perfect? No. But 80% of the relationship I'm really happy about it and the 20% that doesn't work or we need to expand on, they listen to their sellers. Anything I've ever heard anyone [suggest to them] that's reasonable eventually gets done. They listen to their customers."
- "They have a great support team and they concentrate on keeping their customers happy. I think their account managers are stretched too thin right now and I think they should add former sellers as account managers, but I think they're starting to realize that."

Competition

- "There's a competitor out there, Mercent. They're Amazon guys. Their Amazon integration is really good. It's honestly better than ChannelAdvisor's. But nobody has an eBay integration like ChannelAdvisor. Nobody has a Sears integration like theirs. They're the first to bat on [[Wal-Mart Stores Inc./WMT](#)]. They're on all these eBay international marketplaces. Same with Amazon [international sites]. So overall, they're better. It's like a Maserati might be 2.2 seconds faster than a Mercedes in its class, but nobody is going to outdo Mercedes on marketing and distribution in the U.S. for that type of luxury car."
- "In the online world, to make money you can't be a large, Titanic ship. You have to be like a speed boat to navigate through the waters. ChannelAdvisor still talks to their customers. They still operate like they're a small company. I

In the online world, to make money you can't be a large, Titanic ship. You have to be like a speed boat to navigate through the waters. ChannelAdvisor still talks to their customers. They still operate like they're a small company. I think that will set them apart if IBM and these big [e-commerce software vendors] try to come into this space because they'll be able to navigate those waters quicker and nimbler and be able to react a lot faster.

CEO
Online Footwear & Apparel Retailer

think that will set them apart if IBM and these big [e-commerce software vendors] try to come into this space because they'll be able to navigate those waters quicker and nimbler and be able to react a lot faster."

- "I really see ChannelAdvisor, because they partner with these other software firms [like inventory management or shipping companies], as offering the full suite. You don't really need an IBM."
- "As ChannelAdvisor starts to sign more enterprise-level customers like [\[Under Armour Inc./UA\]](#), will there be competition at that level? Sure. But I think IBM and these other large software companies will look at how they can integrate ChannelAdvisor [into their platforms] rather than try to take over that business. A lot of people have tried and failed [to overtake ChannelAdvisor]. I don't see a lot of sellers, if IBM came out with a channel management solution, moving from ChannelAdvisor."
- "Don't forget, a big part of ChannelAdvisor's business is these \$1 million to \$50 million Internet retailers, and they're happy with the ChannelAdvisor software platform and their partners that integrate with them."
- "I've seen a lot of [competitors] come and go. I've seen three or four companies try to do what they've done and they failed."

Market Opportunity/Demand

- "Amazon continues to be the biggest growing marketplace for us. Our second biggest growing marketplace and opportunity for sellers is their own website, but a lot of small ChannelAdvisor sellers don't utilize it. That is a big category you can't forget. If ChannelAdvisor invests more in development and opportunities for sellers to fully integrate their website interfaces, that will be a key solution—more so than launching the latest marketplace like Sears or Best Buy."
- "With eBay, they have a great team over there and they're starting to get it but I talk to a lot of sellers who complain that their daily deals are outdated or they're changing everything every 30 days, and the business is going to [NoMoreRack](#) or Amazon. I don't think eBay is going to disappear but I think it's losing itself in the eye of the consumer. Obviously Amazon is going to be the kingpin."
- "As far as the other marketplaces go, it depends on the seller. Sears has a good clothing business so we do well on Sears. Is it going to be the \$150,000 to \$200,000 per week volume that we do on Amazon? No. But \$5,000 a week in a business, don't tell me you wouldn't take it."
- "If you sell electronics, maybe Rakuten or Buy.com or Newegg is good for you. If you sell office supplies to business people, maybe the Staples marketplace is good for you. The other marketplaces that develop are going to be more niche [than Amazon]."

4. VP of business development for a consumer electronics retailers

This retailer has been using ChannelAdvisor software for several years and is pleased with how easy its software makes it to manage sales on multiple channels. ChannelAdvisor does not face much direct competition among stand-alone software vendors, and the largest e-commerce platforms likely will not devote the resources necessary to develop competitive options. The recent explosion of new third-party marketplaces is overkill, and those that veer too far from their niche could struggle.

ChannelAdvisor's solutions

- "I'm responsible for all of the marketplaces we sell on, all of the alternate channels like Amazon and eBay. Initially, we did direct integrations [with the marketplaces] and what we found is that even though we allocated the resources internally to do the integration, we didn't have the resources on an ongoing basis to do the updates or additions or enhancements. The further we got from the initial integration, the more likely we were to have problems or issues or things that weren't working right."
- "After a while, I got a little frustrated and found ChannelAdvisor. My thinking there was as long as we have a clean integration with ChannelAdvisor, we could not only keep up with Amazon and their changes but any other marketplace that ChannelAdvisor tied into. We could very easily, through our existing integration with them, tie into these other marketplaces. As we added eBay and Walmart and others, it wasn't as easy as just flipping a switch but it was much easier than doing a direct integration and having to keep the resources on an ongoing basis."
- "We have been using ChannelAdvisor for a while and we use them on a couple of different fronts. In addition [to the marketplace integration], another area of our company works with them on search and the pricing engines and those types of capacities."

- “The biggest [negative for ChannelAdvisor] is timing. Anytime you add a third-party [like ChannelAdvisor], you’re adding incremental time between the time we send them a feed of products or an inventory update or a pricing update. Instead of just sending it directly to the marketplace, we’re sending it to ChannelAdvisor and then they’re sending it to the marketplace. So there can be some timing issues.”
- “It’s the same on the back-end. Amazon or whichever marketplace is sending the orders through [ChannelAdvisor] to us, and there’s timing issues there. Speeding that up so it’s more seamless and not having 15 minutes or an hour or whatever it is—any time that’s added to the process is a potential problem. The closer you get to real-time pricing and real-time updates, the better it is for everybody.”
- “They are absolutely very responsive [to customer concerns]. They’re very proactive and anything we bring to them, they don’t try to push it under the rug. They say, ‘Let’s see what we can do to get this working.’ They’ve been very open to suggestions from their customers.”
- “We do look at the cost [of ChannelAdvisor] and whether it’s something where we could bring people in and do it ourselves. We try to insure it’s a good value and that they’re bring extra expertise to the table. In a perfect world, we’d always want to keep everything in-house and keep control of everything, but we might have to allocate four or five people to this process when we can instead have one person internally work with ChannelAdvisor.”
- “We sell on Amazon, Buy.com, Walmart, Best Buy and eBay, both U.S. and Canada. There are probably a few more coming soon.”

Competition

- “We’ve been pretty happy with ChannelAdvisor so we haven’t looked too closely [at alternatives] I know there is another company out there called Mercent that does some of the things ChannelAdvisor does. There’s another called [Channel Intelligence](#) that we’ve worked with a little bit. They don’t do all the different things ChannelAdvisor does but they do some. So there are a few other companies out there, but for the most part, we have been pretty happy with what we’re doing with ChannelAdvisor.”
- “ChannelAdvisor has a suite of offerings and you can pick and choose what works for you. Integrating [ChannelAdvisor’s solutions] into bigger e-commerce programs makes sense and would make things that much easier for everybody.”
- “[The big e-commerce vendors] probably are [a competitive threat] but at the end of the day, a ChannelAdvisor or a Mercent focuses on just that small piece of the process. If an IBM or someone like that tries to [offer channel management software], are they going to be as focused or allocate the resources the way ChannelAdvisor does? The answer is probably not.”

Market Opportunity/Demand

- “Not everybody can be like an Amazon or Walmart and sell all things to all people. Most retailers are like us or Best Buy or [Home Depot](#) or Staples with a small, focused category, whether it’s office supplies or computers or electronics. And the further you get outside of that, the less relevant you become.”
- “With Best Buy, for example, the words don’t lock them into computers or electronics but that’s what people know them for. If they or we or Staples start selling things like ladies dresses or tools or things that have no relevance to our core value proposition, are people going to Best Buy to buy that stuff? The answer is no. Whereas I do think of going to Walmart or Amazon, the everything stores, because they’re all-purpose. You see people trying to copy Amazon [with their marketplaces] and I don’t think that’s the right answer in most cases. In Walmart’s case, it’s a good idea. But the Best Buys and Staples, that’s not a great idea.”
- “People have to test [various marketplaces] out and some will work and some won’t. To me, it’s going overboard [with all the marketplaces].”
- “One opportunity [for ChannelAdvisor to gain customers] is to get people who aren’t using them to switch. Another is, they have a lot of different services, so selling more to each customer. That’s really where the other opportunity is.”
- “Sears was wooing us onto their marketplace and we didn’t want to do a direct integration so we said, ‘Go through ChannelAdvisor and when you’re up on ChannelAdvisor, let us know.’”

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*VP of Business Development
Consumer Electronics Retailers*

- “We do our Best Buy integration through Buy.com because that’s how they were doing it at the time. They’ve since changed and you can now integrate through ChannelAdvisor. So there’s a possibility you could go through Amazon’s [management tools] into all these other channels, but I don’t see it happening because it’s a competitive thing. Amazon doesn’t want to deal with eBay and eBay doesn’t want to deal with Amazon. I don’t see them wanting to cooperate that much. Best Buy was in a hurry and figured if they teamed with Buy.com they could get a marketplace up and running quickly, and they probably didn’t see Buy.com as a threat. But I think it has to be a neutral third-party [that provides tools for multiple marketplaces] rather than someone like Amazon, which everyone looks at as the enemy out there.”
- “For the most part, as long as the software is working and there aren’t any issues, it’s a pretty loyal customer base. From time to time, if there’s an issue that comes up you may decide to look elsewhere, or a new executive team comes in and wants to use something else. I don’t know if it’s that tough to switch, but they do a pretty good job of locking in their customers. There’s a learning a curve [with new software]. So you’re not going to switch to save a dollar. There has to be a compelling reason. What’s the new [vendor] going to offer you and how do you know there won’t be problems with them?”

5. Marketing executive for an online gift basket retailer

This online retailer signed on with ChannelAdvisor last year and has since realized improved sales and cost-savings. He cited good technical support and good data crunching tools, and noted the software works as advertised. ChannelAdvisor pricing is in line with competitors’ offerings, while its software is more intuitive to use for this source. There is little to no churn in channel management solutions due to the complex setup process and in-house training needed to get value from the software. The growth of Amazon and eBay will not affect ChannelAdvisor, since its software solution is designed to work across multiple platforms and online sellers want to show their wares wherever customers are shopping, not just through the big sites like Amazon and eBay.

ChannelAdvisor’s Solutions

“We just started using ChannelAdvisor last year. It’s working well with our ordering systems.”

- “[ChannelAdvisor’s] support service is really first-rate. When you’re starting out with a new process, there’s almost always going to be bugs. We didn’t have any problem getting tech support on the line and helping us get everything sorted out. Once it’s working, it works as advertised.”
- “We’re using their tools to improve our performance on search engines. We’re definitely getting more visibility out there. By the end of the last quarter, we were seeing a nice pop in sales, more than what we had been seeing during the holidays, which is a busy time for us.”
- “Their inventory management tools are extremely helpful. We deal in food products and it’s important to be able to manage what we have, to align it as closely as we can with sales. The software also helps us manage customer relationships. If we sell out of an item, the system has been tracking that inventory and stops listing it so a customer can’t order something that’s out of stock. So we minimize a possible source of frustration.”
- “ChannelAdvisor is cost-effective for us. It automates a lot of processes that we would otherwise have to pay for, and we had already determined it would cost more to do that in-house.”

Competition

- “In looking at the available channel management services, ChannelAdvisor seemed like the best bet for us. It gives us a lot of sales data that we can really drill into for strategic planning.”
- “At the time we were looking at ChannelAdvisor last year, it seemed like the cost was in line with other service providers. ChannelAdvisor seems like it’s a little more intuitive to use.”
- “I don’t think Amazon is that big of a threat to ChannelAdvisor. They’re doing different things. Amazon’s selling tools work on the Amazon site, and we do a lot of business on Amazon, but ChannelAdvisor can be set up to work with a

We’re using their tools to improve our performance on search engines. We’re definitely getting more visibility out there. By the end of the last quarter, we were seeing a nice pop in sales, more than what we had been seeing during the holidays, which is a busy time for us.

*Marketing Executive
Online Gift Basket Retailer*

lot of different platforms. If you look at the large retailers and even some of the smaller ones, they're not just on Amazon. Their spots pop up everywhere a customer might be."

Market Opportunity/Demand

- "I seriously doubt there are any large online retailers who either don't have a channel management system or are not actively looking for one. The efficiencies alone are worth the cost, and the ability to increase your sales through broader exposure on the Internet is just a huge plus. There's pretty high awareness of this, of the sales potential."
- "Amazon and eBay are obviously going after all the business they can get, but so is everybody else. There's a lot of specialization in e-commerce, a lot of sites with a fairly narrow focus."
- "People like to comparison shop, and there's another set of consumers who research [a product] on one site and then go buy from another. You see that all the time in a bricks and mortar setting. It wasn't long ago that a customer would walk into a store, check out a product, then go buy it online. It's just evolved a little bit to include online comparisons. I think that online retail opportunities are going to grow and diversify, not necessarily consolidate on Amazon and eBay."
- "I don't think there's much churn for these types of software. Once you get the system up and running, and you're paying for that, then you're also having to train your team how to use the software so it actually provides some value. A competitor would have to show a pretty compelling value proposition to get that business."
- "You'd have to show the software is at least as good as what the client has already got and then you'd have to offer it at a lower cost—low enough to interest someone in switching. Unless ChannelAdvisor really bumps up their monthly pricing or goes after a larger percentage of sales, I can't see a reason for switching."

People like to comparison shop, and there's another set of consumers who research [a product] on one site and then go buy from another. You see that all the time in a bricks and mortar setting. It wasn't long ago that a customer would walk into a store, check out a product, then go buy it online. It's just evolved a little bit to include online comparisons. I think that online retail opportunities are going to grow and diversify, not necessarily consolidate on Amazon and eBay.

*Marketing Executive
Online Gift Basket Retailer*

6. Assistant Product Line Manager for a clothing retailer

This retailer, which sells through its own website and multiple third-party marketplaces, started using ChannelAdvisor software four years ago. In addition to using ChannelAdvisor's marketplace tools, the retailer also works with ChannelAdvisor on developing keyword-based advertising buys for added visibility. ChannelAdvisor does not have significant competition at present, and big e-commerce software vendors are more likely to want to integrate with ChannelAdvisor than compete with them. Specialty retailers will continue to rely on marketplaces in addition to Amazon and eBay.

ChannelAdvisor's solutions

- "We've used ChannelAdvisor for a little more than four years now. They work with our online store and all the other channels where customers can buy our products. It's been a big time-saver because ChannelAdvisor keeps up with changes on other sites, so we can devote our resources to other projects."
- "If it wasn't for ChannelAdvisor, we'd either need another software solution or we'd have to keep a team on this in-house. I think ChannelAdvisor is the more cost-effective solution."
- "We also work with ChannelAdvisor on paid search campaigns. Those have shown positive results."
- "ChannelAdvisor has great tech support. Never had any problems with that. If there's a problem, we can get someone on the phone to help us fix it."
- "With any outsourced software solution you measure its success by how well it does the job at a certain price, compared to doing it yourself in-house. For us, it's more cost effective to manage channels with this software."
- "We sell on Amazon and the other major retailers that have an online store, which means just about everywhere there is consumer interest in our product line."

Competition

- “I don’t think there we’re using any channel management software besides ChannelAdvisor.”
- “I haven’t heard anything internally about moving to another software system for this. What we have is working. Even if there was a discussion on changing vendors, I’m sure we’d have to look at the cost of making the switch because you can’t just change over that easily. Then there’s training on a new system, so you’ve got to look at the potential time involved.”
- “I can’t really say if other software companies are building channel management into their products. I think that competitors might look at creating platforms that will integrate with what ChannelAdvisor already does, instead of building software that does the same thing.”
- “There’s already competition in channel management, but I think the other thing is the size of the market you want to serve. I’ll bet the largest online retailers already use ChannelAdvisor software or one of their competitors. I’m just not sure [big software providers] would want to invest a lot of time and money in a very specific area of e-commerce that is already being served.”

Market Opportunity/Demand

- “The largest online retailers already use some sort of channel management tool. Just automating updates and managing stock saves a tremendous amount of time.”
- “You read all the time about economic growth in China. Maybe the opportunity is there. ChannelAdvisor could probably grow with their existing customers as well. ChannelAdvisor offers a lot of add-on services, so they could probably upsell.”
- “Amazon and eBay and Walmart are known for one-stop shopping, but we need to get our merchandise in front of people who are already going to specific websites. If you think of sporting goods and performance clothing, or even a certain clothing designer, you probably aren’t going to make Walmart.com or even Amazon your first visit. So in one sense we’re dealing with a smart customer who knows what she wants and where to look for it. She might shop around and maybe eventually buy from us on Amazon and that’s great. But we’re seeing solid sales figures on many other channels, too. We need to be on them.”
- “Smart retailers want to be on Amazon and eBay because there’s just a tremendous amount of traffic, but the retailers who also specialize in certain products want to get in front of customers who know the specialty channels or at least can find them easily through search.”
- “There’s a lot of channel growth, but as long as it’s tied to actual consumer demand for products on those channels, I don’t think you can have too many. I don’t think the market is saturated, but it could get there. Niche sites will probably do OK, but the newer general merchandise channels could struggle.”
- “I doubt there’s a lot of turnover with channel management software. It’s a commitment to your business to get these systems integrated and working smoothly. Unless a competitor offered a ridiculously low price to switch, and nobody is doing that.”

Smart retailers want to be on Amazon and eBay because there’s just a tremendous amount of traffic, but the retailers who also specialize in certain products want to get in front of customers who know the specialty channels or at least can find them easily through search.

*Assistant Product Line Manager
Clothing Retailer*

2) Online Retailers Not Using ChannelAdvisor

Of the six retailers interviewed, three use Mercent for channel management, one uses Hybris, one uses [Shopify](#) and one utilizes eBay and Amazon tools. Four of the sources reported ChannelAdvisor’s high cost as a reason for looking elsewhere, with one criticizing ChannelAdvisor’s focus on sales over support. Four sources doubt that major e-commerce software vendors will provide much of a threat in the channel management space because of how quickly marketplaces pop up and evolve. Three sources suggested demand for channel management tools will remain robust even as Amazon scales, because retailers still will want to utilize smaller channels. One source disagreed, and said Amazon’s growth could hurt ChannelAdvisor.

KEY SILO FINDINGS

ChannelAdvisor’s Solutions

- 4 of 6 sources reported choosing other vendors partly because of ChannelAdvisor's cost.
- 2 were not familiar with ChannelAdvisor.

Competition

- 3 are using Mercent, 1 Hybris, 1 Shopify and 1 utilizes marketplace tools.
- 4 doubt that major e-commerce software vendors will develop competitive channel management offerings.

Market Opportunity/Demand

- 3 believe demand for channel management software will remain strong because of the proliferation of third-party channels.
- One suggested consolidation around Amazon could reduce demand for ChannelAdvisor.

1. Owner of an online beauty products store with over 300,000 products

This source has been using Mercent's channel management software for several years and although it has proven reliable, it does not support eBay auctions and has significant weaknesses in its integration with Amazon. He plans to look at alternative solutions and will consider ChannelAdvisor. He does not expect major e-commerce players like IBM, Oracle and SAP to directly challenge the broad, stand-alone channel management solutions from vendors like ChannelAdvisor due to the speed with which third-party marketplaces pop up, disappear and change. The marketplaces themselves do not offer comprehensive tools.

ChannelAdvisor's solutions

- n/a

Competition

- "[We chose Mercent] several years ago. Compared to the other vendors, they were lower-cost and appeared to have more personalized service."
- "The strength [of Mercent's software] is the reliability of their platform. It's quite a sophisticated platform but our account manager works like an extension of our staff to implement our business goals so we don't have to have a 'geek' to do it. The Amazon 'price matching' technology [is also a benefit]."
- "Weaknesses include an inability to support eBay Auctions, an inability to support Amazon Webstore front-end and the lack of integration with the Amazon ASIN feed—Amazon's unique identifier—which prevents me from using them for any CSE [custom search engine], PPC CPA [pay-per-click cost-per-action] and affiliates, since we use [Amazon Webstore](#)."
- "Due to [Mercent's] weaknesses, we plan to evaluate alternative vendors and/or a direct integration for select channels such as Amazon. I'm looking at [GoDataFeed](#) for product syndication and have not decided who to look at for Amazon price matching, but there are several options."
- "If ChannelAdvisor can solve my Amazon issues, I would consider them, but I haven't looked."
- "We sell through Amazon, eBay, Sears, Shop.com. None of their [channel management software] can do what Mercent does."

[We chose Mercent] several years ago. Compared to the other vendors, they were lower-cost and appeared to have more personalized service.

*Owner, Online Beauty Products Store,
Over 300,000 products*

Market Opportunity/Demand

- "I doubt [channel management software] will come pre-integrated [on broader e-commerce platforms like those from IBM, Oracle and SAP] since it is a moving target as marketplaces change their specs and marketplaces come and go. Although I could see [big e-commerce software providers] integrating Amazon, since it's the 1000-pound gorilla."
- "I suspect Amazon will continue to innovate, grow, acquire, disrupt and morph to remain the No. 1 retailer online. The other marketplaces may drive a little more low-profit revenue [for retailers] but I don't think they will cannibalize the Amazon customer. [Consolidation around a few large online channels like Amazon] will mean less demand for [vendors like ChannelAdvisor and Mercent]."

2. CEO for a kitchen equipment retailer

This specialty retailer chose Mercent's software to manage sales across various marketplaces because of a better integration with Amazon. ChannelAdvisor may have a stronger overall offering but Mercent's tools are good enough, and this source was put off by ChannelAdvisor's focus on sales over support. He does not think major e-commerce software vendors will provide direct competition in channel management tools, which will be well in demand because of the ever-growing number of online marketplaces.

ChannelAdvisor's solutions

- "ChannelAdvisor is OK. Good software, but our experience with the support is just so-so. They always seem more intent on closing the sale than making the retailer profitable using their platform."

Competition

- "We selected Mercent about 18 months ago and are currently using the Marketplaces portion of their platform. We chose them because we believed their Amazon solution was stronger [than ChannelAdvisor's]."
- "We see Mercent being stronger with Amazon-related transactions and a more personal experience."
- "We think their software is good enough but not as powerful as ChannelAdvisor's. My channel merchant has mentioned this to me. And with the size of company, I would expect ChannelAdvisor to deliver a superior experience to Mercent."
- "We sell through Amazon, eBay, [Google's] [AdWords](#), CSEs [comparison shopping engines], and catalog."

Market Opportunity/Demand

- "No, I do not [expect channel management tools to be integrated into broader e-commerce platforms]. I don't think a 'jack of all' is superior to a 'master of one.'"
- "I expect more fragmentation [and more marketplaces]. Big brands will seek to leverage their brand and trust."
- "People naturally go to certain sites for certain things. So I think companies like Sears, Walmart and Best Buy, who have very strong brands, will look to leverage this brand awareness to sell more stuff. They can't necessarily carry everything but if you add a bunch of suppliers [and become a third-party marketplace], the product offering gets much bigger. I wonder what happens when [Grainger](#) [Industrial Supply] has a marketplace."

ChannelAdvisor is OK. Good software, but our experience with the support is just so-so. They always seem more intent on closing the sale than making the retailer profitable using their platform.

CEO, Kitchen Equipment Retailer

3. [Evan Fript](#), CEO and co-founder of [PaulEvansNY.com](#), an online retailer selling luxury men's footwear

ChannelAdvisor and similar e-commerce solutions will continue to grow, even as the pace of consolidation among online marketplaces escalates. Amazon and other third-party marketplaces can augment visibility but retailers, especially sellers of luxury or high-end branded merchandise, do best with a portfolio of e-commerce platforms and customized tools. This source uses Shopify for website and channel management, a product he viewed as comparable but more affordable than ChannelAdvisor. He will stick with Shopify through the current growth phase but likely will switch as the business scales, possibly moving to eBay's [Magento](#).

ChannelAdvisor's solutions

- "We sell directly to the consumer online. We use Shopify to manage our e-store and they have many other developer partners with third-party software applications that additionally connect us with e-commerce sites such as Amazon and e-Bay."
- "We chose Shopify because I read a great review of the platform. The platform allows us to upload product visuals and descriptions, connect to our warehouse. They also connect us with eBay and Google and Amazon. I am on all of the major platforms through Shopify."
- "I can guarantee ChannelAdvisor is far more expensive than Shopify. They don't even post the pricing on the site. They appear more geared toward enterprise customers."

I can guarantee ChannelAdvisor is far more expensive than Shopify. They don't even post the pricing on the site. They appear more geared toward enterprise customers.

CEO & Co-founder, PaulEvansNY.com

- “We are not using ChannelAdvisor and did not consider their solution, in part because they were not on our radar.”
- “Shopify does the same thing as ChannelAdvisor as far as I can tell. The ChannelAdvisor website suggests that no other company offers more solutions. But I guarantee that no matter what the platform, you still need to go in and tinker with things to make adjustments. There is no one uniform platform or solution that offers everything. They all work differently and all of them are missing something.”
- “Shopify offers a number of pricing plans at a monthly rate and they take a percentage of what you make. We have no immediate plans to renegotiate rates but as you achieve more sales, you can get a better rate with Shopify. You pay a higher monthly fee but they take a lower percentage. Right now we subscribe at the Professional level. We pay \$79 a month and Shopify takes 2.5% [of sales].”
- “I am pleased with Shopify and we don’t plan to explore other options. We have no problems with Shopify and plan to stick with them. We love Shopify. In the near-term to mid-term, we believe Shopify is fine for us.”

Competition

- “I have heard that as you scale up and achieve size, it may make more sense to go with a platform that offers more customization. Based on some research and suggestions of colleagues, Magento is the one I’ve been looking at. Magento is now owned by eBay.”
- “Our products in some cases do list on Amazon and eBay and Google. eBay provides more traction than the others. Amazon and Google are simply not as good for our product line. Maybe it’s the size of our company or number of offerings.”
- “The broader offerings [from big e-commerce vendors and third-party marketplaces] are not growing at the expense of the stand-alone platforms [like ChannelAdvisor’s]. In retail, you need to take a holistic approach and you need to use a package of programs so you can easily access as many platforms as possible.”
- “I don’t see the broader integrated offerings competing with stand-alones. I see them as augmenting. A brand like Tory Burch for example does not sell at just one store or website. Tory Burch sells in Bloomingdales and Saks Fifth Avenue and Nordstrom’s and Neiman’s. And there is an official, dedicated online retail site as well as brick and mortar stores.”
- “I don’t think Amazon’s third-party marketplace or others will compete [with ChannelAdvisor] necessarily. As a brand or as a brand with a niche customer, you really can’t do all you need to on Amazon. Amazon sells to anyone looking for men’s shoes in general. Our website is customized to our specific, unique brand and we only sell our brand. Amazon is just an additional distribution channel for me.”
- “If I were just a reseller of computers that were bought at wholesale and I now want to sell at retail, then Amazon can help. If you are not selling your own brand, it makes more sense to be on Amazon. But in fashion, especially luxury fashion, where your brand is everything, Amazon has less appeal. We are on all of the websites now and the resonance we get from them is de minimis compared to the benefits of our own website. Anything we sell on Amazon is just incremental.”

There are a number of online exchanges gearing up that cater to niche products. Amazon is gigantic and they will continue to grow. But I don’t think that means there aren’t opportunities out there for others.

CEO & Co-founder, PaulEvansNY.com

Market Opportunity/Demand

- “If you are a big player with online sales in the millions or billions, you are probably using a channel management solution already. If you are big enough to afford the cost, why wouldn’t you?”
- “I don’t necessarily see acceleration in consolidation. There are a number of online exchanges gearing up that cater to niche products. Amazon is gigantic and they will continue to grow. But I don’t think that means there aren’t opportunities out there for others.”
- “When you go to Amazon, you are looking for everything and every brand of that product. If you were looking for shoes you would have access to Zappos, which Amazon acquired.”
- “The big guys will continue to grow but the number of online channels available to retailers is absolutely continuing to increase. Growth is a function of online sales and online sales only represent 5% of retail, although it continues to grow by 15% quarter over quarter. The large guys will continue to grow but so too do online sales. The fact that the segment is growing means there is growing market share for everyone.”
- “There is a certain element of stickiness with the specific solution you choose. I can’t tell you how many hours I spend tweaking our website using Shopify. To suddenly go to another provider would not be an easy decision, having spent the time and money to make so many adjustments. I would be even more hesitant if we were a smaller

retailer. It comes down to finances or the need to streamline. There would have to be a clear financial benefit to make a lateral move.”

4. CTO for one of Europe’s biggest online retailers of winter sports equipment

This retailer has been a Hybris customer for more than a decade and has no plans to change. Customizing the platform to fit its needs has been a complex process that involves software pieces from other vendors, but this source is happy with how the operation runs. He expects some consolidation among marketplaces around Amazon, which could lower demand for channel management software. Even though Hybris was acquired by SAP, he does not expect the big e-commerce vendors to seriously challenge stand-alone solutions like ChannelAdvisor’s.

ChannelAdvisor’s solutions

- “In addition to managing channels, we have had to provide data to affiliate partners, which is a bit challenging—this partners wants that data format, another wants a different format. It took us a while to get this process smooth, but right now we control this pretty well.”
- “Maybe if we had known about a company like ChannelAdvisor some years ago we would have used it, but right now I don’t think we have much need for such a solution. We export a master data sheet out of Hybris and then we do some chops on that data and spread it out to the affiliates. There was a lot of hands-on work [to get it running smoothly], but it’s working now.”

Competition

- “Fifteen years ago we were searching for an e-commerce solution. We had a simple, basic shop that was rented and did not have those [e-commerce] functions. We traveled to a trade show and there were about 20 solutions at the time, this was before the dot-com crisis in 2002. Hybris had a very small stand and the founders were sitting there and we could talk with them directly—they were three or four students just starting up—and they gave the best impression of all those 20 solutions. Looking back, only two of those 20 survived—Hybris and [Intershop](#)—so I think our decision was a good one.”
- “At that time, Hybris was out-of-the-box software that was something to install on your desktop. We are now on Hybris 4, which is a totally different solution. We’re using it as an e-business system. Inside Hybris, we use the product catalog and we upload text, photos and media. Mainly, Hybris is our e-commerce solution where we try to show our products and get the orders in and get the orders processed and move them to our data warehouse.”
- “What Hybris does well is that this is solely an e-commerce system which works well if you work it out well. You need a good Hybris partner, otherwise a lot of things can go wrong. Hybris alone is not enough. You need an implementation partner with good experience. In new markets, that may be a little bit challenging for Hybris.”
- “We still have contact with the founders and key people, so if we have an issue, I have a number to call. Over the years, there have been times that Hybris has tried to build some new solution or started a new strategy and found out it didn’t work and stopped it. For example, for product listings, we’re using an add-on solution. We are not sure if this is the best way and we hear Hybris may develop something on their own, but we don’t know if they will or not.”
- “[Hybris’] customer care is working fine and they told us we shouldn’t worry about [the acquisition by] SAP and that they’ll still operate as an independent unit.”
- “Hybris is a good company. It’s stable. The same people have been there for 12 or 13 years. We’ve had some problems here and there over the years but have always found a good solution.”

Market Opportunity/Demand

- “We have products on Amazon but we are not pushing it that much. We have our own websites and we have physical stores. There are other niches where you need to be in a lot of marketplaces, like consumer electronics, but we are carrying a lot of small brands and independent brands and we want the customer to see them only on our site and not everywhere.”
- “There will be some consolidation [around big third-party marketplaces]. There have been a lot of new marketplaces and we’ve gotten a lot of offers [to sell on them] from Rakuten and many others knocking on our door but at the end

There have been a lot of new marketplaces and we’ve gotten a lot of offers [to sell on them] from Rakuten and many others knocking on our door but at the end of the day, Amazon is really the only marketplace where you can [generate] really significant revenue.

*CTO, Large Winter Sports Equipment
European Online Retailer*

of the day, Amazon is really the only marketplace where you can [generate] really significant revenue. Amazon is controlling about 40% of the German e-commerce market, for example.”

- “[Such consolidation] may mean less demand for [software like ChannelAdvisor’s].”
- “All those marketplaces knocking on our door and asking us to put our product on their sites, we tell them we don’t want to. It’s a lot of work, and you don’t know if you’ll get enough orders from those partnerships. We try to focus and not spread our products on too many partner sites. We’re just focused on trying to provide the best product selection worldwide so customers will buy directly from us.”
- “I think [stand-alone solutions] will continue to exist because the big software providers don’t really care and don’t have time to provide all the data formats that all the different marketplaces are asking for.”

5. Vice president of a party supply retailer

Mercent software was the more affordable choice for this specialty retailer, which wanted a channel management solution at a lower price than ChannelAdvisor offered. This niche retailer focuses on a select set of online marketplaces and does not need the exhaustive functionality that ChannelAdvisor provides. Mercent gets the job done at the right price. Competitors ultimately will win or lose business on price relative to the size of the customer’s business. The software is so specialized, he doubts larger e-commerce companies will enter the space.

ChannelAdvisor’s solutions

- “We felt that ChannelAdvisor was recommending more than we needed to manage our business. They have a good product, but Mercent was a better fit for us, mainly on the price.”
- “We’ve been using Mercent for about seven years now. They’re helping us grow. We don’t have any reason to look for another software provider.”
- “We haven’t had any conversations about negotiating on price [with Mercent]. I suppose if we were to talk about switching to another software company, that might open the door, but we’re nowhere near that point. We’re pretty happy with Mercent.”

Competition

- “We manage about 5,600 SKUs on [Mercent’s] platform across multiple sales channels. The software saves us a huge amount of time, and it gives us exposure and sales tracking tools that would cost more if we had to hire someone to design it and get it running. We would have to hire a developer and bring on at least one person who could manage just the sales channels.”
- “This Mercent software can scale up to wherever we need it. I don’t think we’re going to max out on what it can do.”
- “I don’t know that Amazon is going to take a lot of market share from other sites, although they’re trying to sell a lot more products. Isn’t everyone? There are a lot of niche channels and we do a lot of business on many of them. The channels that stick to the markets they serve the best will probably be OK.”
- “These tools are so specialized I don’t know if other companies really want to jump into this space. Mercent and ChannelAdvisor seem to have most of the market. They’ve also got the expertise.”

Market Opportunity/Demand

- “If you’re selling products online at any scale—I’m not talking about people listing items one at a time on eBay—you can operate a lot more efficiently and reach more customers with these software tools. I’m pretty sure all the major retailers are using these kinds of tools to hit multiple channels. It’s like having more stores in the best locations.”
- “EBay and Amazon naturally want to sell as much merchandise and as many different kinds of products as they can, but people buy from a lot of different places and they shop around.”
- “If you’re in a specialty business like us, you want to be out there on channels where your customers are shopping. It’s not Amazon or nothing. It’s Amazon and anywhere else you need to be seen. There’s a lot of companies selling very specific types of products and channels that cater to them in addition to the big guys like Amazon.”

We felt that ChannelAdvisor was recommending more than we needed to manage our business. They have a good product, but Mercent was a better fit for us, mainly on the price. ... These tools are so specialized I don’t know if other companies really want to jump into this space. Mercent and ChannelAdvisor seem to have most of the market. They’ve also got the expertise.

Vice President, Party Supply Retailer

- “There’d have to be a pretty solid reason to switch from one channel management service to another, like a big price difference or features you need but can’t get from anyone else. I really don’t think there’s a lot of moving around between software companies.”
- “Once you’re set up, you need to spend a little time with it to make sure the software is helping your business. And once you’re satisfied with that, there’s no reason to switch unless something better at a lower price comes along.”

6. Owner of a specialty winter sports retail site

This retailer is a customer of [Brightleaf LLC](#), a website designer and content manager, and additionally uses eBay and Amazon tools to post selected items on each marketplace. The source was unfamiliar with ChannelAdvisor and said her company has little need for sophisticated e-commerce management solutions beyond the current vendors. Although the company website is poised for an overhaul, the source intends to stick with Brightleaf and [Elavon Inc.](#), which provides merchant and pay services. She plans to retain a presence on eBay and Amazon using their tools, and knows of no other way for small e-commerce sellers to utilize eBay and Amazon—suggesting that the two Internet giants were assisting a category of retailers with no other options.

ChannelAdvisor’s solutions

- “I don’t maintain any of the website in-house. We have a webmaster. They designed our site and the user interface. They handle our content management system and graphics but other services are incorporated into the website.”
- “We use Brightleaf, which is a full-service web design and hosting company. We chose them because we prefer to deal with local vendors and they came highly recommended.”
- “Elavon handles our merchant and pay services for all domestic and global customers.”
- “We are pleased with all of our web vendors and will stick with them but it’s time to update. Our website and tools are currently in transition. Our existing site is old and it was actually done using program code.”
- “I’ve never heard of ChannelAdvisor but that doesn’t mean anything because we are not large enough to have or to pay for a more sophisticated platform.”
- “As for scalability, our current site was put up in code so I can’t even make changes. We need a webmaster to do that.”
- “We will still use Brightleaf but our new site will be on WordPress and that at least will allow us to participate in building the website.”

Competition

- “We did select certain items to go through and sell on eBay and Amazon but generally our merchandise is too specialized and niche. We use [Amazon’s and eBay’s] software to sell our stuff on their sites but I can’t say much about it. I don’t handle that part of the business.”
- “The only comment I have about Amazon is that if we didn’t use their service we would not be visible on Amazon because they would not bother carrying our products. We can’t compete with them but for certain items like some of our books and clothing, we can at least have a presence and visibility on their site.”
- “I don’t know of any software or tools that can do for us economically what Amazon does for us. Other than that, we have no need for channel management tools.”

Market Opportunity/Demand

- n/a

3) E-commerce Software Vendors

All five sources, including four that partner with ChannelAdvisor, praised the company’s software as among the best on the market. Two suggested its high cost is a problem for some retailers. None of the sources identified any significant competitive threat from other stand-alone solutions, and three said the tools provided by third-party marketplaces do not provide a viable alternative. The least bullish source said ChannelAdvisor could be threatened by major e-commerce vendors, who are acquiring companies with channel management tools to add to their platforms. That same source thinks consolidation around Amazon and Walmart could reduce demand for ChannelAdvisor’s software, but three other sources expect demand to continue to grow.

KEY SILO FINDINGS

ChannelAdvisor's Solutions

- 5 of 5 sources said ChannelAdvisor's solutions are effective and among the best available.
- 2 said ChannelAdvisor's high cost is an issue for some retailers.

Competition

- 3 said management tools offered directly by marketplaces have limited utility.
- 1 believes ChannelAdvisor will face significant competition from major e-commerce software platforms.

Market Opportunity/Demand

- 3 think demand for ChannelAdvisor's software will be healthy even as Amazon grows.
- 1 said consolidation around Amazon and possibly Walmart will pressure ChannelAdvisor.
- 1 listed China as a growth opportunity for ChannelAdvisor.

1. Business development executive for an online financing firm

ChannelAdvisor has made management tools affordable for small- and medium-sized businesses, and its cloud-based solutions help retailers gain insight into their customers. Big marketplaces like eBay and Amazon are providing retailers with more management software, but such tools are not a replacement for ChannelAdvisor because they are site specific. Amazon and eBay will continue to grow, but there still will be room for many other marketplaces, which will keep demand robust for ChannelAdvisor's broad solutions.

ChannelAdvisor's solutions

- "The strengths [of ChannelAdvisor's solutions] are bringing previously unaffordable software to small- to medium-sized businesses. Their product is great for those types of businesses because it puts all the necessary tools in a business' hands, whereas before the business would have to use many different solutions that generally don't sync well together."
- "One comparison [to competitors] is the fact ChannelAdvisor is a SaaS [software-as-a-service] product. Other solutions are open source and are products that strictly live on a business' closed network. These products have no true insight into their customer's business."
- "Being a SaaS product, ChannelAdvisor has a great advantage by being able to continuously see their customer's data. This is where the future of multichannel management systems should and is going. It's all about API [application programming interface] connections into other platforms and marketplaces, and providing valuable insights to businesses based on the business' own, ongoing data."
- "We partnered up [with ChannelAdvisor] because they have a similar base to us and our product—financing—can help them close deals and upsell customers. We don't currently have other similar partners, but we've worked with [Miva Merchant](#) [Miva Inc.] in the past as well."

Being a SaaS product, ChannelAdvisor has a great advantage by being able to continuously see their customer's data. This is where the future of multichannel management systems should and is going.

*Business Development Executive
Online Financing Firm*

Competition

- "I do see eBay and Amazon offering more tools for sellers, but they don't offer full systems for inventory management between many different marketplaces."

Market Opportunity/Demand

- "Amazon has a huge, growing, third-party marketplace. However, it's not nearly perfect, and there's still tons of room for other marketplaces to thrive—especially niche, third-party marketplaces. [Amazon's growth] shouldn't affect ChannelAdvisor too much."
- "Amazon and eBay will continue to grow, but again, there's significant room for niche marketplaces, like [Reverb](#). Niche marketplaces typically have a much stronger community and more in-tune buyers."
- "A business selling online should always be on both eBay and Amazon, but there will always be other, smaller marketplaces that have higher value buyers—buyers that know the product better, repeat buyers, seller can gain

more buyer loyalty—on them. As long as management tools can continue to connect and partner with as many marketplaces as possible, there will still be a need [for ChannelAdvisor].”

2. IT executive for firm that helps auto parts retailers feed product information to different distribution channels

ChannelAdvisor has the best management tools available and little competition from the third-party marketplaces or the big e-commerce software providers. However, as Amazon—and possibly eBay—get even bigger, the demand for channel management tools should increase and bring more competitors to the market. Even big retailers that have the resources to build their own tools could be drawn to ChannelAdvisor’s software.

ChannelAdvisor’s solutions

- “They have the best solution on the market.”
- “We have an exclusive relationship where we feed ChannelAdvisor our data for select customers to use when listing [automotive] parts in the marketplace. We have been working together for about a year, and we do not have any other relationships like this involving marketplaces.”

Competition

- “I don’t see any trends [towards retailers using tools provided by marketplaces] because I think ChannelAdvisor has the best solution for listing many parts on the marketplaces.”
- “As the marketplaces [like Amazon and eBay] grow, so will the demand [for channel management tools], giving ChannelAdvisor more competitors.”
- “If anything, you’ll see more marketplaces [rather than consolidation], in my opinion. We still have [Burger King](#) and [McDonalds](#) with [Wendy’s](#) as a close second but usually third. In the past 20 years, [Panera](#) and [Subway](#) have become players in the field as well. I see no difference in the online market place world.”

Market Opportunity/Demand

- “I think the ChannelAdvisor solution is more cost effective than developing a product in-house [making large retailers a legitimate target for ChannelAdvisor].”

3. CEO of a software company that designs accounting solutions to connect online stores

ChannelAdvisor’s customization makes it a popular solution for companies with multiple channels and complex management needs. The high cost is the principal complaint, but no other software solution can match ChannelAdvisor. Amazon and eBay offer basic tools that cannot be tailored to unique business needs to any significant degree. As more specialty channels emerge, ChannelAdvisor is in the best position to connect retailers to them. Customer support is the single greatest factor in maintaining customers. This source says customers who use ChannelAdvisor are loyal.

ChannelAdvisor’s solutions

- “ChannelAdvisor works as advertised. They don’t have any serious competition or issues with scalability.”
- “ChannelAdvisor is the leading company in channel management. Amazon and eBay have tools for their sellers, but they’re pretty basic and there’s not much customization.”
- “The only weakness we hear is the pricing. Some of our customers have mentioned the ChannelAdvisor price as being high.”
- “The thing with ChannelAdvisor is it automates a lot of the processes and integrates smoothly with your business.”
- “We started working with ChannelAdvisor about three years ago. They make it easy for customers with less technical background to manage multiple channels. We only partner with ChannelAdvisor right now.”
- “Support service is the key. If they crash during a holiday period, for instance, that would be bad.”

Competition

ChannelAdvisor is the leading company in channel management. Amazon and eBay have tools for their sellers, but they’re pretty basic and there’s not much customization.

CEO, Software Company,
Designs Accounting Solutions

- “Amazon and eBay will keep growing. That won’t necessarily hurt ChannelAdvisor because there are a lot of specialty channels that still need management tools and they can grow, too.”
- “There’s kind of a mixed response to Software-as-a-Service, which is what ChannelAdvisor offers, and software that exists at the company, where the company owns it and controls it. Some companies I’m sure want to have the software on their servers.”

Market Opportunity/Demand

- “I do not know of any large retailers who are not using some kind of software solution to manage their channels.”
- “There’s opportunity for specialty channels to grow. Also, Amazon and eBay take a pretty good cut of sales, so from the seller’s standpoint, you’ve got to look at the fees. It’s kind of a trade-off between exposure and cost. With Amazon and eBay you’ve got a lot of traffic, but also a lot of fees.”
- “Our customers say they stay with ChannelAdvisor. Once they’ve got a solution in place and it’s working for them, they really don’t want to change over to a new system.”

Our customers say they stay with ChannelAdvisor. Once they’ve got a solution in place and it’s working for them, they really don’t want to change over to a new system.

*CEO, Software Company,
Designs Accounting Solutions*

4. E-commerce store designer for a ChannelAdvisor partner

ChannelAdvisor does not face serious competition at present. Although eBay and Amazon are still growing, the tools offered by those sites are limited. Online sellers want the broadest possible exposure and will need a solution such as ChannelAdvisor to manage operations across multiple sites. Growth opportunities exist mainly with specialty sellers and small to mid-sized sellers, as most large U.S. retailers already have a channel management solution. China represents a key growth market for ChannelAdvisor software.

ChannelAdvisor’s solutions

- “ChannelAdvisor meshes well with a company’s ordering and inventory system. You can scale it as the business grows, and it offers a lot of really useful analytic tools for looking at customer behavior.”
- “ChannelAdvisor monitors what’s going on every step of the way and you can pull a lot of useful data together to look at trends, plan future sales, study other opportunities for upsells and getting repeat business, things like that.”
- “We do work for other companies. We’re an eBay certified provider. We design a lot of eBay storefronts as well as Amazon.”

Competition

- “ChannelAdvisor doesn’t really have major competition for what they do. Amazon and eBay have management tools, but those are set up to work on their sites and there’s no compatibility with other markets right now.”
- “I’m not aware of a lot of bundling [by major e-commerce software vendors]. Channel management software is still an add-on.”
- “Amazon isn’t that big a threat. Sellers want to be on Amazon, but they want to sell everywhere else, too. Amazon’s tools work on Amazon’s site, but you need another solution to sell products across multiple sites.”

Amazon and eBay are still growing their markets, but sellers want other sites as well. Specialized sellers can still do very well in niche markets.

*E-commerce Store Designer
ChannelAdvisor Partner*

Market Opportunity/Demand

- “I really don’t think there are too many large retailers operating online without some sort of channel management, whether it’s in-house or cloud-based. Smaller and mid-size sellers who have a lot of product variety would benefit from the efficiencies that channel management can bring to the transaction.”
- “I know ChannelAdvisor is trying to grow in China, so there’s obviously some opportunity there.”
- “Amazon and eBay are still growing their markets, but sellers want other sites as well. Specialized sellers can still do very well in niche markets. They also have customers who know what they are looking for. I think there’s maybe less window shopping on these specialty sites and more actual buying.”
- “The thing that makes ChannelAdvisor effective is you can use it across multiple channels so sellers can offer their products in a lot of different markets. Amazon and eBay are probably the best known, but a lot of our customers want to be visible everywhere they can, not just on eBay and Amazon.”

5. Top sales executive for a developer of retail e-commerce solutions for Magento, Demandware and Oracle platforms

ChannelAdvisor has a strong platform, though some retailers are turned off by the price. The company faces increasing competition from major e-commerce software vendors like Demandware, that are adding channel management tools to their suite of offerings through acquisitions. The fragmented nature of online channels should start to consolidate around a few marketplaces like Amazon and Walmart, which could put further competitive pressure on outside software solutions like ChannelAdvisor's.

ChannelAdvisor's solutions

- "ChannelAdvisor has an amazing solution and one that I feel is one of the best for what it does. However, people are price sensitive to their offering."

Competition

- "Yes, [channel management tools are being integrated into broader e-commerce software platforms] as Demandware has shown by [their recent acquisition of Mainstreet Commerce](#). E-commerce platforms are moving towards an all-inclusive model—[Magento/eBay acquisition of GSI Commerce](#), [SAP's acquisition of Hybris](#), etc."

Market Opportunity/Demand

- "[I expect] consolidation around a few large-scale market places, such as Amazon, eBay and Walmart. Companies, I feel, understand that it's becoming increasingly difficult to compete against these marketplaces or shift consumers to their product. We are already seeing requests for integration to these companies' systems—Amazon and eBay specifically."
- "I don't see a loyalty to a product, honestly. People have shown a willingness to move to another offering if it's superior to their current solution. And that can be said for platforms, third-party offers, hosting, etc. My company fields calls daily seeking our opinion and thoughts on [switching vendors]."

ChannelAdvisor has an amazing solution and one that I feel is one of the best for what it does. However, people are price sensitive to their offering.

*Top Sales Executive
Retail E-commerce Solutions Developer*

4) Industry Specialists

ChannelAdvisor was described by five of six sources as "dominant," "top tier" and "a leader" in channel management software. The head of a UK-based marketplace said integrating with ChannelAdvisor is required to attract big retailers, though he noted that many of his sellers are smaller and use a competing product from [Linn Systems Ltd](#). Three sources predict no major competitive threats to ChannelAdvisor arising from tools offered by marketplaces directly or from big e-commerce software providers. Three sources think all or most big U.S. retailers already utilize a channel management solution, but two see international growth opportunities, particularly in China and South America.

KEY SILO FINDINGS

ChannelAdvisor's Solutions

- 5 of 6 sources consider ChannelAdvisor a leader in channel management solutions.

Competition

- 1 said retailers at his UK-based marketplace tend to be small and more often use Linnworks, offered by Linn Systems, than ChannelAdvisor.
- 3 said neither marketplace-specific tools nor big e-commerce vendors represent major competitive threats.

Market Opportunity/Demand

- 2 said international markets, including Asia Pacific, represent a growth opportunity for ChannelAdvisor.
- 3 believe big U.S. retailers have some type of channel management solution in place.

1. CEO for a UK-based third-party marketplace

ChannelAdvisor has developed a dominant position, serving many large companies and making integration a must for marketplaces to attract big retailers. Sellers using this source's marketplace retailers tend to be smaller and thus more

use Linn System's competing product, in part because of its fee structure. Online selling will continue to be fragmented with many marketplaces because there is a perception among retailers that their brands are getting lost on huge sites like Amazon and eBay. It will be difficult for big e-commerce vendors to lure customers away from ChannelAdvisor because of how customized software becomes over time.

ChannelAdvisor's solutions

- "We are just in the process of finalizing integration with ChannelAdvisor."
- "Once a retailer suggests they want to sell [on our site], if they've got more than, say, 100 products, it's easier for them to coordinate all the activities between different marketplaces and their own website through an e-commerce partner [like ChannelAdvisor]. The most basic tool is to coordinate inventories so you reflect the same inventory on eBay as you do on Amazon or [Play](#) or anywhere else, so when a sale occurs, all the sites reflect the same count."
- "As one of the bigger e-commerce companies, ChannelAdvisor has a very dominant position in the market and they represent some of the biggest retailers. For us, our involvement with them came about because one of our retailers was selling so much and it was all going through manually. They were already a client of ChannelAdvisor, and they said we need to integrate so the orders can be coordinated, so that facilitated our relationship with ChannelAdvisor."
- "For us, it's a must to have [integration with ChannelAdvisor]. That's because we are meeting retailers who are bigger than just one or two-man bands—we've just signed one of the biggest companies in the world to sell through [our marketplace]. It's these kinds of opportunities for us as a company, that once we start talking to the big boys, these guys tends to have different sets of suppliers—sometimes because of the sheer quantities and sheer complexities of what they do and where they sell. We would then move up to integrate with [their channel management vendor], so those retailers can do what they do anywhere else, and that is to sell on our platform."
- "ChannelAdvisor and the others' part in this is pretty good. They have to obviously differentiate themselves in the service they provide, but their future looks like a pretty healthy one."

Competition

- "We will recommend an e-commerce company to our retailers if they don't have one. All these companies—ChannelAdvisor, [eSellerPro](#), [Etail Systems](#), [Brightpearl](#)—they have different price points, different business models, some just offer certain features. If you want to sell on eBay, for example, but you wanted still to use Amazon FBA [Fulfillment by Amazon], there are tools out there to have your orders pass from eBay to Amazon to fulfill."
- "We're working with all of those [channel management software providers]. Our job is to try and find the easiest solution for the retailer to get their products into our marketplace."
- "For us, the relationship with ChannelAdvisor was because of a retailer needing integration between us and them. But it works both ways. ChannelAdvisor earns [a commission] from a sale that occurs on a marketplace, so the more sales that occur anywhere earns them money."
- "This is one of the differences between the [channel management companies]. Some of them don't charge a commission rate. Because our market had started with the smaller end of the retail market, the greatest share of our retailers who use [channel management software] use Linnworks."
- "ChannelAdvisor is a much bigger provider of services to bigger retailers. You have to look at their fee structure to understand that a retailer has to be turning over a decent amount to justify the expense."
- "No, [big e-commerce vendors are not a threat to steal customers from ChannelAdvisor] because a lot of these companies who use stand-alone solutions [like ChannelAdvisor's] would find it difficult to move over to another solution. It would be hard for them to untangle the processes that are already put in place, which in 99% of the cases have certain patches and fixes created specifically to deal with their own requirements."
- "It starts off as a generic piece of software but it quickly becomes [customized]. That's happening with all [channel management] companies. They have different solutions for different clients. It's not a one-size-fits-all solution. They mold their platforms around what the clients need."
- "This is the key to all these solutions—they have to adapt their software to the customer. These are all solutions that are created around a generic service, the marketplace, but the clients have different needs."

Market Opportunity/Demand

- "From the retailers we work with and talk to every day, my sense is the likes of Amazon in particular and to a lesser extent eBay, they are just enormous magnets. They are sucking up enormous amounts of traffic, so everything is

ChannelAdvisor is a much bigger provider of services to bigger retailers. You have to look at their fee structure to understand that a retailer has to be turning over a decent amount to justify the expense.

CEO, UK-based Third-party Marketplace

moving there. I talked to one retailer who said he's been working on his website for three years—SEO [search engine optimization], advertising, Google Ads, you name it—and he's getting nowhere. He's fighting a losing battle to the marketplaces.”

- “But on the marketplaces, retailers are discovering that they are losing their brands. You go to a marketplace and predominantly you use the search bar, so your loyalty is to price and price only.”
- “There will be more fragmentation [and more retail channels] as the market begins to see that it's not satisfied by the solutions delivered by the big marketplaces. Yes, they provide massive quantities of people looking and buying but they don't do anything more for their brand.”
- “If I'm building a family business, the idea is I'm building something that people will recognize and if someone buys from me, they'll remember they bought from me and they'll come back. That doesn't tend to happen in marketplaces. There isn't really any loyalty. When someone buys a gift on Amazon or eBay, they tend not to remember who they've bought from. When they're asked who they bought the gift from, they'll say Amazon, but Amazon may not have been the retailer.”
- “There will be more marketplaces. We exist because there was this area that we've been filling that's not been filled by Amazon or eBay, because retailers want to move away from there or they want an alternative, or they want everything.”
- “I would say it's highly unlikely that Amazon would [provide competitive software to ChannelAdvisor]. The tools they provide are specifically geared for retailers to use Amazon and Amazon only.”
- “There are some things retailers can do, if they know how, with their data from Amazon. If you're manually uploading products into Amazon, there are ways in which you can create files to assist you in running your business that could ultimately end up being used on another marketplace. But it wouldn't have been created by Amazon to help a retailer achieve something else elsewhere. I think that's unlikely. The tools they create are to help retailers within their own marketplace.”

2. Professor of retail/revenue management and multi-channel strategies at a California university

ChannelAdvisor is well respected as a top-tier channel management platform. ChannelAdvisor likely can remain a stand-alone solution in the short run, but the retail trend toward using a comprehensive e-commerce solution makes the company a strong candidate for acquisition. Being part of a larger platform is important, because scalability for e-commerce retailers is less about tools and more about the ability to quickly handle exponential increases in traffic and transactions, which requires cloud computing. Tier 1 retailers already have channel management solutions in place, while Tier 2 retailers are still in play and searching.

ChannelAdvisor's solutions

- “ChannelAdvisor has a good reputation and name. I've heard positive things about them in the retail, omni-channel community.”
- “Looking at the overall market, where is ChannelAdvisor today in the pecking order? If they are number one or number two, it would bode well for the short term. But in retail management, people are deciding whether to buy or build, a decision that is internal and may lead to acquisition.”
- “The odds that ChannelAdvisor will remain independent seem slim to none in my mind. With all of the consolidation they are more likely to get bought.”
- “I would say ChannelAdvisor is not going away. They seem to be doing pretty well but they may not be an independent solution for long.”
- “The subscription fee is a good solution for retailers and offers benefits. It means they don't have to make a capital expense up front and it helps them in terms of flexibility. It's good and bad for ChannelAdvisor. It's easier to get people signed up but it also makes it easier for customers to drop off because they have not invested X-amount of dollars.”

Competition

- “The trend toward integration is a critical point for ChannelAdvisor. If I have or allege to have the best in breed and now there is a great push toward integration, either through the development of relationships with given

The odds that ChannelAdvisor will remain independent seem slim to none in my mind. With all of the consolidation they are more likely to get bought. ... I would say ChannelAdvisor is not going away. They seem to be doing pretty well but they may not be an independent solution for long.

*Prof. of Retail/Revenue Management & Multi-channel Strategies
California University*

- vendors or through the development of functionality by acquisition, it could pose a challenge.”
- “The overriding goal for any retailer is to minimize the number of vendors and to maximize how much functionality they can get from a certain set of tools. Use of a stand-alone may turn on the level of expertise available within the company and its potential to achieve system integration in house.”
- “[The Columbia Consulting Group](#) provides the retail industry with expertise on both the technology side and the business side. They know more about [JDA \[Software Group Inc.\]](#) than JDA does. But they are vendor agnostic. That puts them in a strong competitive position because individual retailers are going to upgrade a system every five to ten years. At the point of transition, they are not familiar with the key players or top market vendors. But CCG is out there every day and they see and know who the top dogs are at any given time. That’s critical because in the technology sector, the top dog today is not likely to be the top dog in two years.”
- “The market dynamic for scaling up has created an environment where retailers are saying, ‘How much can I get out of this vendor today,’ while not focusing on the future because the market is too fluid. If you have a free standing application or a software-as-a-service in the cloud, it might be a benefit.”

Market Opportunity/Demand

- “I seriously doubt any of the Tier 1 retailers are without a channel management solution. By Tier 1 I am referring to [Macy’s](#), [Gap](#), [Nordstrom](#) and other key retail corporations. Right now, those in the Tier 2 group are all over the place. This covers the next level down and would include companies like the [Cost Plus World Market](#). Their choice depends on the application areas that require most attention and also may depend on how much in-house sophistication they have.”
- “Most retailers have seen e-commerce growth in the double digits. It is significant but still represents a small percentage of overall sales. Even if your e-commerce growth is 15% a year, that reflects 15% growth within 5% of your business. That’s like growing 3% of the rest of your business.”
- “The issue of scaling up in e-commerce is more about how many users you can handle on your website at once. Can your systems scale up when you are planning 50 new brick and mortar stores? Yes. When you scale up your website, the challenge may be whether you can simultaneously handle 100,000 new customers or transactions at once. It’s not like you need more tools. Really, you just need to be able to deal with more simultaneous users. You can do that in the cloud.”
- “Customers like to test new stuff but they also don’t want to make a switch after making a big investment.”

3. VP for a web developer specializing in e-commerce solutions

ChannelAdvisor may soon peak in U.S. market penetration for the largest retailers, although expansion opportunities are vast in China and South America. ChannelAdvisor excels at integrating with a retailer’s back office in ways no other software solution can right now. Amazon and eBay tools are set up to serve sellers on their platforms and don’t offer any utility on other sites. The most successful online retailers sell across every available site, so this source believes neither Amazon nor eBay can gain much market share from ChannelAdvisor’s core business, much less assume a dominant position.

ChannelAdvisor’s solutions

- “The web’s so malleable that there’s many ways of doing the same thing. ChannelAdvisor is very good at integrating with a company’s back office. For large operations with many, many channels, it’s a good solution. Companies that sell products with a lot of options, a lot of customization, probably need a big management tool like what ChannelAdvisor offers.”
- “ChannelAdvisor is designed to be scalable. Amazon and eBay software tools are set up to be used with their own sites.”
- “Tools for marketing, keyword bidding and search engine optimization are also important. ChannelAdvisor does a good job in those areas.”

Competition

- “Personal service helps for people who need a lot of hand-holding. That’s typically going to apply to smaller companies who may not need scalable software.”

- “For e-commerce, we’ve used Zen Cart, Big Commerce, a few others. Some are more intuitive than others. What we recommend depends on the expertise level of the client and what they’re selling. A product with a lot of options is going to need more complex software. Colors, sizes, add-on features, things like that.”
- “It’s been my experience that the retail sites who make money use all of the channels available to them, including Amazon and eBay.”
- “Most all of my successful sites are niche sites.”
- “ChannelAdvisor I think appeals to very large retailers. There’s plenty of room in the marketplace for niche companies who need e-commerce solutions and ChannelAdvisor might be more than they really need.”
- “I don’t think Amazon is going to take away a lot of market share. Everyone who’s successful at selling online is selling on as many sites as they can. The main thing they’re looking at is not just channel management, but the cost of selling on different sites. I know a lot of sellers who complain about eBay’s fees.”

ChannelAdvisor has a lot of opportunity in China and South America. I think demand for their software is probably peaking in the [U.S.] if it hasn’t already.

*VP of Web Developer Specializing
E-commerce Solutions*

Market Opportunity/Demand

- “I think all the large retailers understand the need for channel management and probably have software in place.”
- “At the planning stage, you try to anticipate growth and set up an e-commerce solution that will accommodate that growth. So I think once these companies have a solution in place they are probably not going to switch over to another software package anytime soon.”
- “ChannelAdvisor has a lot of opportunity in China and South America. I think demand for their software is probably peaking in the [U.S.] if it hasn’t already.”

4. Veteran e-commerce executive and consultant

ChannelAdvisor is considered a leader with strong e-commerce solutions and an aggressive approach toward growth and change. Competitive platforms are pursuing partnerships and integrations that would allow them to offer a broad suite of services. ChannelAdvisor has a stellar reputation, but could face competition from players developing integrated offerings rather than a stand-alone solution.

ChannelAdvisor’s solutions

- “ChannelAdvisor is a proven leader and a proven solution. They are viewed as the cream of the crop. They are not sitting around and doing nothing. They are always acting aggressively and working toward improvement and change.”
- “ChannelAdvisor is the 800-pound gorilla in the room. All of the other platforms and solutions contain different aspects of the same offerings that are in ChannelAdvisor.”
- “Magento and Shopify are working to integrate. They are not there yet but they all are working on broader services and products that would solve the problem of needing to go to a separate solution.”

Competition

- “At this point, all of the platforms are trying to integrate all capabilities into their offerings. Typically, they started either at the back end or at the front end but more and more we see efforts to integrate. [Netsuite](#), Magento of eBay and others are all thinking about it or doing something about broadening solutions.”
- “The overriding trend is that the landscape keeps changing. It’s an interesting time and there’s the understanding and sense that platforms can’t stand alone. They need to find ways to integrate.”

Market Opportunity/Demand

- “I would be surprised if there were any large meaningful retailers out there without a channel management solution.”

ChannelAdvisor is a proven leader and a proven solution. They are viewed as the cream of the crop. They are not sitting around and doing nothing. They are always acting aggressively and working toward improvement and change.

*Veteran E-commerce Executive &
Consultant*

5. Founder of an e-commerce consultancy focused on China and Asia Pacific

ChannelAdvisor appears to have a strong product, but this consultant has yet to integrate it into a client's operations. China and Asia Pacific represent a long-term opportunity for companies like ChannelAdvisor, but they are immature markets right now and retailers are not focused on channel management tools. Third-party marketplaces dominate the landscape, but the trend is towards retailers trying to develop their own e-commerce channels.

ChannelAdvisor's solutions

- "I cannot say much in regard to [ChannelAdvisor's software] since we have not integrated a stand-alone e-commerce platform with ChannelAdvisor before. But compared to a few channel management solutions I've seen before, I think ChannelAdvisor has a very powerful product."

Competition

- "There is a local competitor in China called [Channel Effect](#) that integrates with local marketplaces. They are backed by a big fulfillment and logistics provider, [4px](#). They are just starting up though, so it's difficult to predict how well they will do."
- "We are currently seeing quite a few [channel management] service providers like ChannelAdvisor and others trying to enter the market. I think there is a lot of potential in the medium to long term, but it will take a bit of time."

Market Opportunity/Demand

- "In general, the Chinese and Asia Pacific e-commerce market is much less mature than those of the U.S. or Europe."
- "The ecosystem is completely different. EBay and Rakuten are not present in China, instead [Taobao](#), [Tmall](#) and [Jindong](#) dominate the market."
- "The East Asian marketplaces are completely different. For them, channel management is of no importance yet since each of them is currently individually trying to dominate as much of the market as possible. It's still a step behind the U.S. market in terms of evolution."
- "In China and APAC, [third-party] marketplaces dominate the e-commerce market, [representing] more than 95% of the consumer-to-consumer market and more than 85% of the business-to-consumer market."
- "The trend is slowly shifting towards stand-alone e-commerce platforms since retailers are looking for a platform they can control fully and where they can set their own margins, as marketplaces are mostly driven by discounts."
- "I don't think most retailers [in Asia Pacific] are using channel management solutions yet. Especially looking outside the U.S., I see a lot of opportunities for growth [for channel management software vendors]."
- "I think given that the seamless integration with the stand-alone e-commerce platforms of e-merchants takes time and needs a considerable budget, customers rather carefully compare solutions before moving on to other solutions quickly if they are not satisfied."

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*Founder, E-commerce Consultancy
, Focused on China & Asia Pacific*

6. Veteran retail consultant with expertise in distribution infrastructure and operations

This source said almost all large retailers that are likely of interest to ChannelAdvisor as a potential customer already have channel management solutions. The largest retail players tend to develop such platforms, solutions and other apps in-house, rather than go to a stand-alone solution or third-party vendor. Amazon continues to grow, but retailers using their channel management tools may be at a disadvantage because Amazon is likely using those tools to rule out merchandise that does not sell well on its site.

ChannelAdvisor's solutions

- n/a

Competition

- "Amazon actually poses a big risk to those [retailers] using their channel management tools. Amazon's modus operandi is to see what moves and

I can't imagine at this point that any large meaningful retailer is without a channel management solution. Not in this connected world where online sales continue to grow.

Veteran Retail Consultant

sells for them and they use that information to rule out products that don't move. The retailer using their tools may be at a disadvantage.”

Market Opportunity/Demand

“I can't imagine at this point that any large meaningful retailer is without a channel management solution. Not in this connected world where online sales continue to grow. Some of the big players like [Costco \[Wholesale Corp.\]](#), for example, have their solutions developed totally in house. They don't use a third party and the in-house tools are proprietary.”

Secondary Sources

The following five sources show growing international e-commerce sales, ChannelAdvisor partnering with [Bigcommerce](#), [Tictail](#) entering the U.S. e-commerce platform market, the possible entry of [Twitter](#) (TWTR) into the e-commerce space and the competition between online retail giants.

E-COMMERCE TRENDS

Jan. 30 PYMNTS.com [article](#)

ChannelAdvisor is partnering with Bigcommerce to expand its Webstores Amplifier for small and medium businesses, allowing them to use a single inventory feed for multiple channels. One Bigcommerce user praised this partnership for automatically syncing inventory and the quantity of details across the marketplace.

- “ChannelAdvisor Corporation, a leading provider of cloud-based e-commerce solutions that enable retailers and manufacturers to increase global sales, today announced the expansion of its Webstores Amplifier with support for Bigcommerce, a powerful e-commerce website platform that allows small and medium businesses to quickly set up online stores. The ChannelAdvisor Webstores Amplifier simplifies product creation, automatically synchronises inventory and standardises fulfilment across multiple online channels and retail websites for its customers.”
- “‘Bigcommerce offers our customers an easy-to-use online store with the most advanced functionality already built in, which retailers really appreciate as they grow to the next level,’ said Marc Sebes, senior product manager at ChannelAdvisor. ‘It provides a flexible and user-friendly e-commerce storefront that can be launched in hours instead of months, enabling retailers to spend more time selling instead of waiting for their site to be finished.’”
- “‘At Bigcommerce, we see 2014 as the year of the SMB, when small- and medium-sized businesses finally have the tools they need to compete with the big box stores,’ said Kirsten Knipp, vice president of marketing at Bigcommerce. ‘Partnering with a recognised leader in the multichannel space like ChannelAdvisor will help our online merchants sell in more places at once, improving their profile, extending their reach and empowering them to increase their sales.’”
- “‘Bigcommerce offers an excellent online store solution, one that we’ve successfully used for many years,’ said Jennifer Kimble, CEO at [MadSportsStuff](#). ‘We’re thrilled that Bigcommerce and ChannelAdvisor are working together. Now, we can automatically sync inventory and quantity details across marketplaces and our website all through the ChannelAdvisor system. This frees up a significant amount of time to focus on sourcing new products and driving top line revenue.’”
- “With the addition of Bigcommerce, ChannelAdvisor’s Webstores Amplifier supports industry-leading webstore platforms, including Amazon Webstores, Shopify and Yahoo! Stores. Through a single inventory feed, ChannelAdvisor customers can manage their overall online selling process, from listing to order management, from one platform. By eliminating the tedious tasks of optimising online listings and analysing performance, ChannelAdvisor allows sellers to increase sales and successfully scale their e-commerce businesses.”

Feb. 19 The Guardian [article](#)

Tictail, a Swedish e-commerce startup, is entering the U.S. market with its \$8 million fundraising round.

- “Swedish e-commerce startup Tictail has announced an \$8m Series A fundraising round to support its expansion in the U.S.”
- “Tictail lets business owners set up online shops free of charge, leading Wired magazine to call it ‘Tumblr for e-commerce.’ It hit headlines in November after pairing with Britain’s oldest manufacturing company, the Whitechapel Bell Foundry, to launch the latter’s first online store.”

- “The round includes the first investment the teenage entrepreneur Nick D’Aloisio has made since his start-up [Summly](#) was bought by Yahoo in 2013 for a reported \$30m. The Australian-born Briton, 18, is one of four strategic investors the company named, alongside Scott Bellsky, the CEO and founder of digital portfolio firm [Behance](#).”
- ““When we structured our Series A, we had a fantastic opportunity to choose who we would work with,” said Tictail CEO and co-founder Carl Waldekrantz. “We try and choose people who will bring something beyond their investment.”
- “With the investment, Tictail plans to open an office in New York City with its eyes set on the U.S. market. Waldekrantz, who spoke to the Guardian from the company’s new premises on Broadway and Broome street, said that the company’s previous user growth had come mainly from word-of-mouth, so ‘it would be unwise to spend our money on anything else than building the product.’”
- ““We’ve always considered Tictail to be more than a tool, it’s a community for us. What we’re doing next year is connecting the community much more, and bringing the merchants closer to the consumers.”

Feb. 18 Multichannel Merchant [article](#)

U.S. online retail sales will grow to be 16% of international sales by 2020 or \$11 billion currently to \$50 billion. ChannelAdvisor, LinkedIn groups, and the Growing Global conference were mentioned as methods to help expand brand awareness to other countries.

- “International sales from U.S. online retailers will jump from \$11 billion in 2014 to almost \$50 billion by 2020, which would make up 16% of the overall U.S. online retail market, according to a report released today by OC&C Strategy Consultants.”
- “One thing you can do is sell on Amazon. If you’re looking to get started there, or refine your selling methods, you can register for this webinar with ChannelAdvisor, which will air live at 2 p.m. EST on Feb. 20. If you can’t make it, register anyway—it will be available in our archives.”
- “Another thing you can do is talk with others who are either looking to grow their global ecommerce, or have successfully done so. That’s why we have launched a LinkedIn group specifically for those merchants who want to grow their global footprint.”
- “And the third thing you can do: Come out to Long Beach, CA this July for our Growing Global conference. This is a place where you will hear actionable ideas to grow global sales for your business, and learn how to get immediate ROI on your global ecommerce investment.”

Feb. 17 Read Write [article](#)

Rumors have emerged that Twitter may be moving to be an e-commerce platform, with a startup called [Fancy](#) as a possible partner.

- “The reported but still-unconfirmed news that Twitter is moving into e-commerce—[first broken by Re/code](#)—is baffling to most people.”
- “There were unconfirmed reports of Twitter partnering with a New York-based startup called Fancy—where Jack Dorsey is an investor—and there was something about Twitter using [Stripe](#) for payments. These reports are also still unconfirmed, but they have been picked up by mainstream media.”
- “Twitter has been in the spotlight after their first quarterly report as a public company, so one can take the company’s lack of denial as a reasonable indication there might be some truth to these reports.”
- “Now that Twitter is public, the company is motivated to grow its user base and bottom line, but advertisers are used to results-based advertng, and Twitter cannot beat Google or [Facebook](#) in offering advertisers a wealth of data. What Twitter can do, however, is leverage its dominance of the real-time Web.”
- “This is what should get Amazon and eBay worried. Even more so, it should worry [Groupon](#). This is not about daily deals, *it’s about real-time deals.*”

Feb. 20 Daily Finance [report](#)

Costco and Amazon are outpacing Wal-Mart in the e-commerce space.

- “[Wal-Mart] seems to be clearly losing market share versus competitors like Amazon and Costco, and this could be a far more serious and permanent problem for Wal-Mart, as opposed to transitory economic headwinds.”
- “Amazon is unquestioningly the most disruptive force that the retail industry has seen in decades, and the company continues gaining market share in different categories as time goes by.”
- “Online is a key area in the retail business, and Wal-Mart is showing considerable progress in that segment, with global e-commerce sales growing by 30%, and the company surpassing the \$10 billion mark in e-commerce

revenues during the year. However, as online becomes an increasingly bigger part of the retail business, the changing battlefield will most likely benefit Amazon more than Wal-Mart in the retail war.”

- “Costco announced an increase of 5% in comparable sales in the U.S. during the 22-week period ending on Feb. 2... Costco’s performance compares quite favorably versus the 0.1% decline Wal-Mart reported in Sam’s Club comparable-store sales.”

Additional research by Carolyn Marshall, Steve Evans

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