APPS RUN THE WORLD

Retail

Vertical Applications Market Report 2009-2014, Profiles Of Top 10 Vendors

7/30/2010

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Summary

This applications market sizing report analyzes the 2009 performance of the top 10 applications vendors in the retail vertical, which includes general and convenience stores, and restaurants.

While most retail applications vendors have seen declining sales in 2009 because of the recession, the renewed consumer spending could spur retailers into action by investing in new applications in order to win back customers or in some cases erecting barriers to prevent future competitors from entering their markets.

On the other hand, large retailers are devising plans to expand around the globe, while working closely with suppliers and partners to bridge the visible gaps between their order management and supply chain systems. In any case, the worst appears to be over for the retail vertical and applications vendors are anticipating a new wave of technology implementations by shoring up their product portfolios through acquisitions or stepping up their development efforts.

Top Line and Bottom Line

On the top line, retailers are beginning to invest once again. Early tallies of publicly-traded applications vendors that focus on the retail vertical have reported either rising software sales or stabilizing business in their most recent quarters. Micros, for instance, saw a 7% rise in software sales during the first quarter of 2010 citing improved demand from its retail customers. The same applies to DemandTec, Par Technology and Radiant Systems. Radiant attributes the 26% jump in its system sales in the first quarter of 2010 to new store openings and capital spending among its Americas hospitality customers comprised of mostly quick service and table service restaurants.

The bottom line is that after a sharp drop in sales to the retail vertical applications vendors have begun to experience pent-up demand that could mean double-digit growth over the next 18 to 24 months because of relatively low comparisons in year-earlier period.

Market Overview

The market for applications for the retail vertical plunged 8% in 2009 as big chains and small retailers slashed their IT expenditures in order to ride out the recession with little hopes of a quick recovery.

Some retailers such as Nordstrom did venture into full-scale IT projects. In 2009 the specialty retailer embarked on a program to rationalize multiple merchandizing and supply chain systems that it had been relying on for the past several years.

The 193-store chain found that its business processes and IT strategies were not properly aligned leading to heavy dependence on customized systems. It picked Oracle Retail planning application, Siebel CRM, and supply chain systems for a complete makeover. So far the new strategy appears to be yielding positive results with Nordstrom's latest monthly same-store sales in May 2010 rising 5.4%.

Applications vendors, on the other hand, have set their sights on acquisitions. Last year JDA, for example, revived its bid to acquire i2 Technologies, a supply chain applications vendor that sold to retailers such as Gap, Payless ShoeSource, and Woolworths South Africa.

SAP, on the other hand, ramped up its push into the retail vertical by picking up IP assets including the global forecasting and replenishment applications from SAF in July 2009. SAF focuses on selling applications for retailers that operate superstores and warehouse stores.

As retailers search for a better way to serve their customers, multi-channel selling, mobility and social media integration will be critical for them to stay relevant to the discerning buyers, who now have more information than ever. Hence, the challenge for retailers is to simplify the shopping experience in a way that provides buyers with easy access to rich product information, while still asserting the control of pricing, availability, and upselling and cross-selling capabilities by relying on advanced analytics and single version of truth on its interactions with customers. All these will depend on how retailers leverage the latest applications designed to steer shoppers to the checkout areas with optimal results.

Implications Of The Great Recession of 2008-2009

The recession has dealt a severe blow to retailers, many of which have either been forced into bankruptcy or insolvency as consumer spending tumbled.

Now as the economy started perking up again, shuttered restaurants and empty stores began to reopen under new names or owners.

While major retailers such as Wal-Mart continued to post anemic growth especially in mature markets like North America, their international operations fared much better. Restaurant chains experienced the same trajectory for their outlets in fast-growing regions from Asia Pacific to Latin America. Subway, which is vying to become the largest restaurant chain in the world, plans to add hundreds of locations in countries such as China and Thailand over the next few years.

Following the recession, the retail marketplace has woken up to the fact that innovation will play a much bigger role than ever, perhaps eclipsing cost containment as the new priority. Judging from the spectacular success of Apple Stores, something that Microsoft and many other companies are trying to replicate, any retail and merchandising head would have to pay attention to creative retail concepts as consumers remain wary about frivolous purchases. The same applies to online branding and social media marketing, which have upended the retail marketplace.

What it boils down to is the fact the world of retailing will never be the same as many retailers have been brought down to their knees. In order for retailers to restore growth, smart use of technology will continue to be a key differentiator for those that seize the opportunity to innovate and deliver better customer experience.

Customers

In the coming years retailers are expected to regain control of such fundamentals as pricing, availability and positive customer experience through system standardization. Successful retailers will be those that make the most out of mission-critical applications for financial management, HR performance management as well as operations efficiency.

Retailers in fast-growing regions such as Asia Pacific, the Middle East and Africa have already taken the cue from their counterparts in the West by building a scalable and standardized infrastructure that allows them to meet customer expectations in terms of value-based pricing, just-in-time availability and comprehensive after-sale service. What they plan to do next is to up the ante by incorporating new technologies such as mobility support into their environment seamlessly, something that their Western counterparts are still trying to adapt.

Top 10 Applications Vendors In Vertical

The following table lists the 2009 shares of the top 10 applications vendors in the retail vertical and their 2008 to 2009 applications revenues(license, maintenance and subscription) from the vertical.

Vendor	2009 Share(%)	2009 Applications Revenues From Retail($M)	2008 Applications Revenues From Retail ($M)
Micros	10.91%	276	300
Oracle	8.50%	215	205
SAP	8.19%	207	230
Torex Retail	7.67%	194	215
Radiant Systems	5.89%	149	163
JDA	5.14%	130	140
DemandTec	2.49%	63	60
Partech	1.98%	50	55
Epicor	1.78%	45	50
Retalix	1.70%	43	84
Subtotal	54.25%	1372	1502
Other	45.75%	1157	1234
Total	100.00%	2529	2736

Vendors To Watch

Despite the market consolidation, a long list of applications vendors have emerged as disruptive forces in the retail vertical. They include Clarity Commerce, KSS Retail, Predictix, Retail Pro, and Revionics. The forecasting and replenishment applications from Predictix have helped customers better manage their inventory, while delivering more accurate forecasting data on critical areas such as product returns.

After years of aggregating customer and supplier information, the challenge for retailers is to have a simple to use but powerful system that serves up real-time information on customer purchases.

The advent of such systems that combine master data management and customer information management could be the next frontier of retailing. Some companies like Microsoft have spent hundreds of millions of dollars building such systems that contain billions of rows of customer information. The issue is whether it can scale up or down to meet the needs of everyday's requirements of a retailer.

Another development to watch lies in mobility support, which has yet to be connected to the shopping experience. Coupons that can be easily downloaded onto a mobile phone, for example, are being tested for broad-based deployment by retailers with the help of technology providers such as Tech Mahindra. Suffice it to say the future of retailing will still be based on how retailers can effectively and profitably sell and deliver goods via multiple channels, but mobile technology will be a constant presence in every step of the buying and fulfillment process.

Outlook

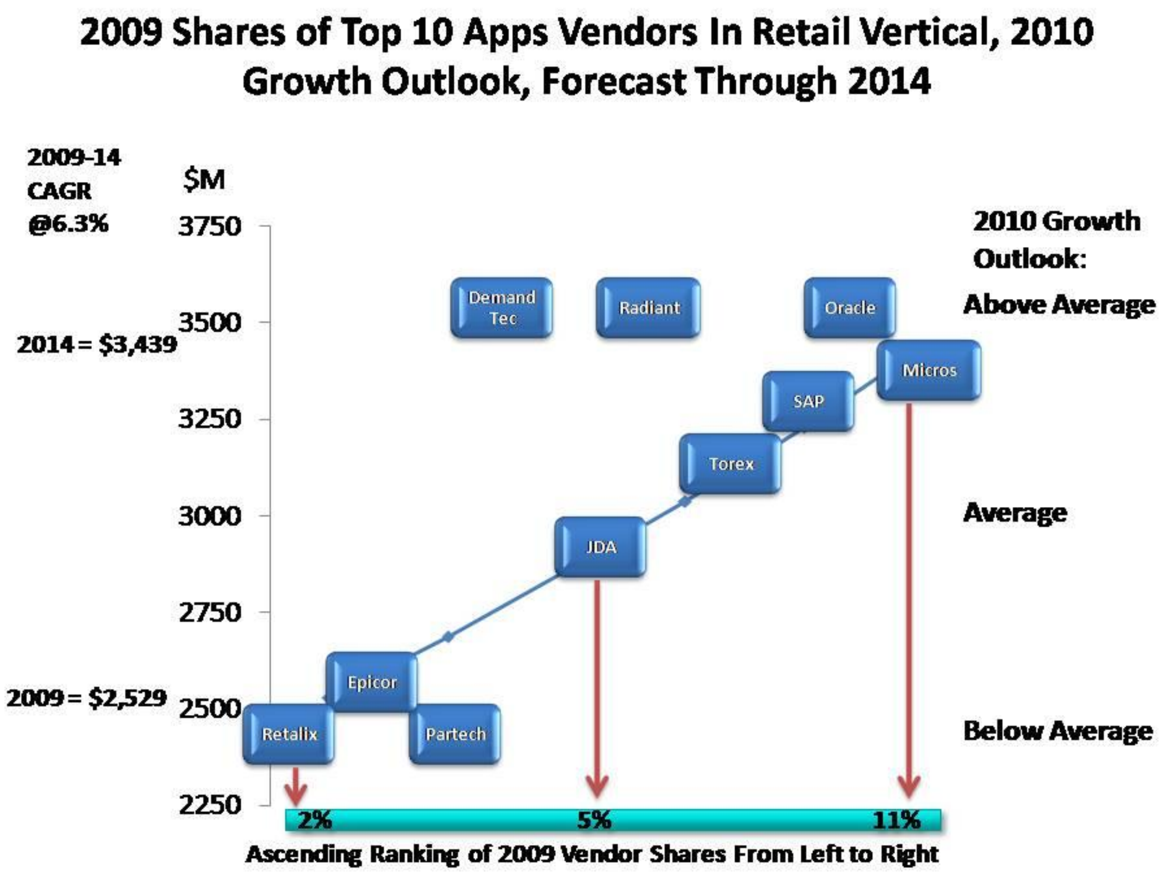
As the retail vertical is regaining its momentum, applications vendors are focusing on specific segments such as warehouse stores, specialty retailers and fast-growing countries like Indonesia and Brazil where local retailers are scrambling for best-in-class applications in order to help them accentuate their key differentiators.

On the upside, retailers are setting their sights on tangible differentiation that draws and retains customers. That can only achieved by years of tending to their needs. Now technologies have replaced long-term observation with predictive analytics, customer information management and financial control to determine customer needs and the prerequisites to meet them precisely.

On the downside, legacy systems abound in the retail vertical where many operators are still loath to invest in new technologies that may require considerable customization and integration. Social media, for example, is still a phenomenon that leaves retailers more bewilderment than excitement. Meanwhile retailers are still trying to establish the base line where they can measure how and when to deploy a whole new breed of applications with predictable outcome.

SCORES Box Illustration

The following graphic shows the 2009 shares of the top 10 retail applications market with Micros claiming the top spot at 11%, followed by Oracle, SAP, Torex, Radiant, JDA and others. Based on our SCORES methodology, Oracle, Radiant, and DemandTec are rated above average for their growth potential in 2010. The market is expected to achieve a 6.3% compound annual growth rate rising from $2.5 billion in 2009 to $3.4 billion by 2014.



Profiles of Top 10 Applications Vendors In Vertical

- Micros
- Oracle
- SAP
- Torex Retail
- Radiant Systems
- JDA
- DemandTec
- Partech
- Epicor
- Retalix

Micros

Columbia, MD

www.micros.com

Overview:

Founded in 1977, Micros has grown to become a leading applications and point-of-sale hardware vendor focusing on retail and hospitality verticals. Typical customers range from major restaurant chains and retail outlets with hundreds or thousands of outlets.

Applications Revenues In Retail:

	2008	2009
$(M)	300	276

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	157.3	57%
EMEA	88.3	32%
Asia Pacific	30.3	11%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	165.6	60%
Large(1K-5K ees)	82.8	30%
SMB(1K ees and below)	27.6	10%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total
License	80	29%
Maintenance	196	71%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 10.9% share in the retail vertical, Micros' ability to maintain and win share in the market segment in 2010	Average

Full overview:

Micros has enjoyed a growing share of the retail vertical, especially among chain restaurants and large food service and entertainment venues. Micros products have been installed at more than 200,000 restaurants and 150,000 retail locations. It expects to become more entrenched in the vertical through expanded relationship with chain restaurants, international franchisees and retailers.

Micros shored up its retail offerings by purchasing Fry, Tangent POS, and CommercialWare. In 2007 Micros acquired RedSky, which offered solutions for retail and hospitality verticals. In 2008, Micros acquired Check-In Data AG, its distributor of hospitality and retail products in Switzerland. Currently the majority of Micros sales comes from restaurants, hotels represent 35% of its business and retail accounts for 13%.

Key Applications For Retail Vertical:

Fry, Tangent POS, CommercialWare, Store 21, Datavantage Marketing, Xstore Java POS, TradeWind Retail POS, CW Store, Direct, Locate, Collaborate for cross-channel retailing

SCORES Analysis

Strengths

As the leader in the hospitality vertical, Micros is on track of capturing a bigger share in the retail market. Already its growing ties with chain restaurants and multi-channel retailers have placed it in an enviable position as the incumbent for ongoing system replacement and upgrade, which could multiply its recurring revenue streams.

Micros offers a complete suite of applications for retail industry ranging from point-of-sale terminals to back-end inventory management systems. For restaurants, it offers Simphony(Web POS)v2.0, WS5 POS Terminal, and Web Central On-line Ordering. For retailers, it offers Xstore POS, Enterprise Merchandising, Fry eCommerce, and Supply Chain(Creations). Micros applications are typically designed for Microsoft environment and Oracle databases. Some customers also run the systems in the IBM AIX environment.

Micros is banking its growth on the Simphony applications, which have been well received by retailers such as Starbucks. The giant coffee chain is rolling out such Web-based point-of-sale terminals at more than 10,000 locations to reduce its operating and IT support costs.

Customers

Micros has more than 200 retail and restaurant chain customers with more than 350,000 installations in thousands of locations around the world.

Micros estimates that it has more than 130 restaurant chains as customers, representing more than half of the market among major table-service and quick-service restaurant operations in North America.

Recent wins in the retail space included Ben & Jerry’s Scoop Shops, Burger King, Cracker Barrel, Famous Brands, Five Guys Burgers and Fries, Hilo Hattie, IHOP, Interstate All Battery Center, Red Mango, Ruby Tuesday, Starbucks, The Coffee Club, Wagamama and Yum Brands.

Opportunities

Retailers traditionally are laggards in IT adoption and legacy systems abound. Being the incumbent in many retail environments, Micros stands a good chance of framing the migration process to its advantage because of its end-to-end solutions covering everything from eCommerce to customer-facing store systems. In addition its sizable presence in the POS market segment gives it a competitive edge as retailers consider their store systems a top investment area to improve customer service. POS systems are often placed in the front and center position for tight integration into supply chain and order management systems.

Thirdly much of its retail business has been coming from the North American market and Micros plans to take its retail applications to the global stage by adding country-specific functionality for handling different currencies and compliance requirements.

Risks

The wired generation presents new opportunities as well as challenges for Micros. In one case, a restaurant chain is using Micros mobility plug-in to send millions of text messages to its patrons. While Micros is profiting from such new ways to extend the reach of its customers, much more is needed to ensure the viral marketing strategy will not backfire on customer reputation as well as technology backbone of Micros. The same applies to the increasing pressure to stay on the leading edge of technology innovation in order to accommodate certain restaurant and retail customers, while still addressing the needs of those that may still be running older versions of its applications.

Ecosystem

Micros relies mostly on its direct sales force and it also operates an extensive professional services organization that implements its different products.

Shares

With a 10.9% share in the retail vertical, Micros is uniquely positioned because of its entrenched presence among restaurants and retailer chains that require real-time access to POS data. However its sales have been hit hard by the recession as many of its customers have either gone out of business or through significant retrenchment.

On the upside, its dominance in the POS market should help Micros recover lost ground and expand again once the economic recovery becomes more resolute.

On the downside, the continuous consolidation in the restaurant and retail market segments could make it difficult for Micros to expand especially in mature markets such as the United States.

As a result, Micros' ability to gain share in the vertical is average.

Oracle

Redwood Shores, CA

www.oracle.com

Overview:

Since 2005 Oracle has been on a tear buying up applications vendors specializing in retail vertical and rounding out its offerings that meet the back-office and customer-facing requirements of emerging and well-established retailers around the world. Typical customers are national retail chains and fast-growing outlets in developing countries.

Applications Revenues In Retail:

	2008	2009
$(M)	205	215

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	86	40%
EMEA	75.25	35%
Asia Pacific	53.75	25%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	129	60%
Large(1K-5K ees)	64.5	30%
SMB(1K ees and below)	21.5	10%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total
License	80	37%
Maintenance	135	63%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 8.5% share in the retail vertical, Oracle's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

For the past few years, Oracle has mastered the art of selling into the retail vertical by honing its integration capabilities while lining up additional partners to shore up its ecosystem. Its continued success in selling into major retailers is a testament to the growing appeal of its applications from merchandizing to customer service even when consumer spending remains cautious at best.

After buying Retek, 360Commerce and Revenue Technologies between 2005 and 2007 for their retail-specific applications, Oracle has incorporated these products into its ERP and CRM packages to create a complete solution for retailers overhauling their financial, planning, and store systems, while reasserting control over a slew of business processes from tighter supply chain to better use of their properties.

Then Oracle established linkage among these systems to multiply the benefits for customers that now have better visibility into their operations as well as how they perform in different sales channels.

The result is rising sales to major retailers especially in developed countries such as the United States where national chains are controlling growing shares of the retail market.

Key Applications For Retail:

Retek, 360Commerce, Demantra, TempoSoft, Profitlogic

SCORES Analysis

Strengths

Following its acquisitions of retail-specific applications, Oracle has focused on making these products run better in an integrated fashion.

For example, the value proposition of Oracle for Retail version 13 released in summer of 2008 was not just limited to its improved applications price optimization and assortment planning, but also the fact that it was the first release that reflects Oracle aggregation of its acquisitions, including Retek, ProfitLogic, Temposoft, and 360Commerce. It also delivers architecture and business process improvements through such technologies as Fusion and Application Integration Architecture. Despite the timing of the release in one of the toughest retailing environments, the product's momentum became evident in 2009.

Then Oracle followed with an end-to-end business process integration for retailers using the Oracle Retail Merchandising Suite and Oracle Financials. The product, leveraging Oracle’s Application Integration Architecture, was a big step toward helping former and existing Retek customers to extend their merchandizing applications for real-time synchronization with their back end financial systems including Oracle E-Business Suite and PeopleSoft Financial Management. So when financial postings occurred, they could immediately be notified supplier payments had taken place.

More recently, Oracle unveiled enhancements from Oracle CRM with Siebel Loyalty that includes advanced in-store loyalty engine and POS integration through Applications Integration Architecture. Oracle CRM will also start delivering enhanced multi-channel retail CRM capabilities through mobile devices and social media marketing.

All these product releases underscore Oracle's emphasis on ensuring that not only it has best-of-breed retail applications for price optimization or assortment planning, it has assumed the heavy lifting of integrating different moving parts on behalf of its retail customers that can now focus on what they do best –merchandizing and selling.

Customers

With more than 500 major retailers as customers, Oracle's presence in the vertical has been widely felt in developed and emerging retail market segments.

In 2009 its customer wins included Belk Inc., Central Madeirense, Gander Mountain, Indiska, Magazine Luiza, Macys, Metro Cash and Carry, Nordstrom’s, Phones 4u, PT. Matahari Putra Prima, Sunrider, C&S Wholesale, El Corte Inglés, Embik Media & Fashion, Katz Group, Lojas Riachuelo, Sears, True Religion Apparel, Best Buy, BUT SA, EBay, Gander Mountain, Gap, Group Auchan, Kroger, Neiman Marcus, Nordstrom, Perry Ellis, Rent-A-Center, US Medical Supplies, Wal-Mart, Wilkinson Hardware, X5 Retail, Darden Restaurants, Digico, FNAC, Reitman's, La Rinascente, and Woolworth's.

Indiska is a good example of Oracle's reach. The $125 million retailer, which has 80 stores in Sweden, Norway, Finland and Denmark, has launched a major campaign to overhaul its operational systems in order to boost efficiency and profitability. The retailer plans to implement the Oracle EBS Financials prior to rolling out the Oracle retail applications. The decision to use a full suite of Oracle applications was based on the vendor's incumbent position as Indiska's database provider. However the integrated applications offerings from Oracle also helped convince Indiska the value of standardizing its front-end and back-end systems on everything from Oracle.

Opportunities

Oracle's biggest opportunities in the retail vertical lie in the overseas market where local retailers are strengthening their internal systems as a preemptive strike against outside rivals seeking to compete on their own turf. Digico, a retailer in Saudi Arabia, is a good example of using Oracle Retail Point-of-Service, Oracle Retail Central Office and Oracle Retail Back Office to support the development of best practice to manage critical store operations and drive a consistent shopping experience for its customers. Digico operates 25 Blink stores. The implementation of Oracle Financials, Inventory Management, Order Management, Purchasing, HR and Payroll will help create a scalable and flexible architecture that supports the growing demands of Digico's business and provides a holistic view of business performance. The EBS implementation is expected to improve integration and consolidate operational results between its stores and back-office systems as well as enhancing reporting capabilities at its parent company Saudi Inteltec. Digico plans to complete its Oracle deployment with Oracle's Siebel Loyalty Management to support the creation of customer loyalty campaigns, offering more targeted promotions and greater service levels.

Risks

As retailers are seeking to reduce their IT infrastructure through business process outsourcing and on-demand offerings, the traditional way of selling and implementing Oracle for Retail will go through fundamental changes. While Oracle has succeeded in using the ondemand delivery model to sell its CRM applications, it has not been able to do so with its retail-specific products, a void that many upstart software vendors have been able to fill with a great deal of success.

Oracle is also moving into the on-demand delivery model with its upcoming release of Fusion applications, the issue is whether it plans to rearchitect its retail-specific applications for the new paradigm shift.

Ecosystem

Oracle has been beefing up its ecosystem for the retail vertical by working closely with systems integrators such as Accenture. For example, the Indiska win in Sweden highlighted Accenture's role in helping Oracle gain inroads into major accounts in a country that has started embracing business process outsourcing. Accenture will be responsible for implementing the systems out of its delivery centers in Sweden and India.

On the other hand, Oracle is warming up to the midmarket retail segment. The expanded tie between Oracle and SPS Commerce, which provides multi-tenant Software-as-a-Service (SaaS) supply chain integration, will mean improved connectivity, visibility and intelligence to thousands of trading partners from both vendors. The SPS Trading Partner Intelligence service, which will be based on Oracle Business Intelligence Suite Enterprise Edition, will help SPS' 37,000 customers optimize their retail supply chains.

Shares

With 8.5% share in the retail vertical, Oracle's ability to gain share is above average because of its extensive product portfolio and robust ecosystem that extends to different parts of the retail space.

On the upside, Oracle is beginning to realize substantial cross-selling and upselling opportunities among its ERP, CRM and retail-specific applications customers.

On the downside, many of its retail customers are still running older versions of Oracle for Retail and the migration has been gradual. It seems much more is needed to incent its customers to take the upgrade path in order to drive additional upselling and cross-selling opportunities.

SAP

Walldorf, Germany

www.sap.com

Overview:

The leading enterprise applications vendor has been selling into the retail vertical for a number of years and its momentum has grown following a series of acquisitions and product enhancements. Typical customers are major retail chains and retailers that run diverse operations around the world.

Applications Revenues In Retail:

	2008	2009
$(M)	230	207

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	62.1	30%
EMEA	103.5	50%
Asia Pacific	41.4	20%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	113.85	55%
Large(1K-5K ees)	57.96	28%
SMB(1K ees and below)	35.19	17%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total
License	41.4	20%
Maintenance	165.6	80%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 8.1% share in the retail vertical, SAP's ability to maintain and win share in the market segment in 2010	Average

Full overview:

SAP has been competing in the retail vertical for a number of years, but it decided to ramp up its push by purchasing IP assets including the global forecasting and replenishment applications from SAF in July 2009. SAF focuses on selling applications for retailers that operate superstores and warehouse stores.

That followed earlier acquisitions of Triversity and Khimetrics in retail vertical.

For the retail vertical, SAP offers industry-specific applications that address the following business process requirements: Shopper Insight, Merchandize Lifecycle, Supply Chain, Shopper Experience and Corporate Operations.

Recently its decision to acquire Sybase, which had a big following in the mobile database market, could translate into new opportunities in the retail vertical.

Key Applications for Retail Vertical:

SAP for Retail, Triversity, SAF AG, Khimetrics

SCORES Analysis

Strengths

SAP is capable of solving many of the financial management and customer-facing problems of its retail customers, drawing from the best practices of its large army of developers, partners and ERP consultants, not to mention many fast-growing retailers as reference wins.

Retailers such as 7-Eleven (Australia), Sport Chalet, The Bon-Ton Stores, Wolverine World Wide and Zappos went live or upgraded in 2009 on SAP retail applications.

Last year SAP also saw increased adoptions of SAP for Retail applications especially with modules such as SAP Price Optimization for Retail, which supports strategic planning by evaluating shoppers' buying patterns and behavior so retailers can forecast accurate pricing down to the store and stock keeping unit level. Dozens of retailers have standardized on the Price Optimization module.

Customers

With more than 800 customers in the retail vertical, SAP has experienced growing momentum among large and regional retailers around the world. Recent customer wins included American Greetings Corp., Big Lots, Brown Shoe Co., Dairy Farm, Dansk Supermarked A/S, Franklins Pty Ltd., Grupo Pão de Açúcar, Hobby Lobby, LensCrafters, Loblaw Companies Ltd., MSC Industrial, Direct Co, Inc., ORSAY Gmbh, REI, Servicios Liverpool, Tawa Supermarkets, and Woolworths Ltd.

Opportunities

Food retailing has been a bright spot for SAP in recent years and that's likely to continue with growing concerns about food safety and environmental impact of food production and distribution. SAP is boosting its offerings in such areas as Environmental, Health & Safety as well as its global campaign designed to position SAP as a key enabler for helping companies address sustainability issues.

In addition, the growing use of business intelligence and analytics among retailers will play to SAP's advantage with its continuous innovation in such areas as in-memory databases and BusinessExplorer from its BusinessObjects and Sybase product offerings.

Risks

Because of the need to support a base of more than 50,000 ERP customers operating in different verticals, the best interest of SAP's retail customers may not be fully represented in its technology road map as well as voluminous service requests.

Additionally SAP has not articulated its vision with regards to its on-demand offerings for retailers, who are expected to become more demanding when it comes to the speed and flexibility of such implementations to help them fix short-term problems such as erecruiting and workforce management as well as tactical issues like demand management and real-time profitability analysis.

Ecosystem

SAP's ecosystem in retail vertical includes a number of third-party ISV and implementation partners including Accenture, Capgemini, CIBER, Deloitte Consulting LLP, Glenture, Groupsoft, IBM, Open Text, PricewaterhouseCoopers, UCS, Vistex, and Zaffera.

Shares

With a 8.1% share in the retail vertical, SAP's ability to gain share is average as the vendor ramps up product offerings as well as ecosystem support to address end-to-end requirements of its retail customers.

On the upside, the acquisition of SAF is expected to help SAP expand into high-volume retailers that operate superstores and warehouse stores, fast-growing segments that have not been addressed by SAP in the past.

On the downside, SAP may need to reiterate its commitment to the retail vertical by either making additional acquisitions or bulking its ecosystem to support the diverse needs of global and regional retailers that are hard pressed to resolve a host of operational, merchandizing and multi-channel selling challenges.

SAP may stand to gain the most in the retail vertical if it starts delivering an integrated solution to help its customers meet those challenges holistically.

Torex Retail

Dunstable, UK

www.torex.com

Overview:

With its point-of-sale offerings as a starting point, Torex Retail has made considerable impact on different segments of the retail vertical through a series of acquisitions and broad alliances with key partners to expand globally. Typical customers include quick service restaurants and national convenience stores.

Applications Revenues In Retail:

	2008	2009
$(M)	215	194

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	38.8	20%
EMEA	135.8	70%
Asia Pacific	19.4	10%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	97	50%
Large(1K-5K ees)	58.2	30%
SMB(1K ees and below)	38.8	20%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total

License	97	50%
Maintenance	97	50%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
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Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 8.1% share in the retail vertical, SAP's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Torex Retail has been riding on a wave of acquisitions since 2005, while capitalizing on its gains in Europe as well as its recent expansion in Asia/Pacific and the Middle East. In these regions, Torex has been targeting subverticals including retail and hospitality, grocery, petrol and convenience stores.

The expansion plans have paid off in a number of ways. One of its reference wins in the large-account segment was the January 2009 signing of the Subway chain as its flagship customer in North America. The deal paved the way for Subway to implement its Quick Service Restaurant POS solution in more than 31,000 of its restaurants in 91 countries.

Over the past few years, Torex has made acquisitions including Alphameric PLC, Retail-J, Savista, Systech Retail, Retail Petroleum, XN Checkout, Retail Store Systems, Hoffman, and Anker PLC. Torex itself was acquired by Cerberus Capital Management in 2007 and General Atlantic provided additional funding later that year.

Key Applications for Retail Vertical:

Alphameric PLC, Retail-J, TQIPS, Savista, Systech Retail, Retail Petroleum, XN Checkout, Retail Store Systems, Hoffman, Anker PLC

SCORES Analysis

Strengths

Few retail applications vendors can rival Torex's capabilities in serving customers that operate in multiple countries.

Because of Torex's multi-national support capabilities in such areas as currency, taxation and legislative guidelines, retailers can often standardize on its platform and start delivering consistent customer experiences in numerous countries.

For example, the signing of the Subway chain underscores its ability to serve a multinational food retailer, which plans to roll out the Torex system in 106 countries. The same applies to its winning of the McDonalds account as its major reference account in North America, which until recently accounted for a small part of its business.

The Alphameric acquisition has been instrumental in helping Torex boost its presence among UK restaurant establishments, allowing these retailers to access a full array of customer-facing, back-office administrative and supply chain systems, which in turn will make it easier for Torex to expand into adjacent markets such as demand planning and financial management.

On the midmarket front, Torex's offerings include Torex Retail POS Business Edition (formerly DRS-POS) and Torex Petroleum & Convenience POS (formerly Lucas-POS). Both products are designed for small and medium-sized retailers, with automation of processes and reporting as well as easy integration into legacy forecourt equipment and payment systems, retail management, merchandising, and stock solutions.

Customers

With more than 7,000 customers in the vertical, Torex Retail has built a large following among quick service restaurants and chains of convenience stores around the globe. Recent wins included Admiral Taverns, Conbipel, Costa Coffee, DSG International, Game and Servex, Pizza Pal, Stena Line, TJ Hughes, Ethel Austin, Furniture Brands International, Mothercare, and Torfs.

Opportunities

After digesting the acquisitions, Torex has started articulating a clear product strategy for its three major industries – retail, hospitality and convenience stores, while delivering integrated offerings that combine enterprise applications and POS systems.

One example is the January 2010 introduction of its flagship application Torex Retail POS 9 system, which offers plug-and-play integration with business analytics, loss prevention, loyalty and mobile POS applications from Torex. Other innovative features include mobile phone top up, cross channel e-Gifting, dynamic currency conversion and tax-free trading.

Another major opportunity lies in multi-channel selling. Torex is in the process of extending the multi-channel capabilities of the Torex Retail POS platform, helping retailers integrate their e-commerce and store operations. The cross-channel features are bolstered by such enhancements as Torex Loyalty and other forthcoming ones that include the ability to validate refunds of goods purchased online, in-store, and wider support for click and collect services that bridge different channels.

Risks

Following its many acquisitions, Torex's challenge lies in ensuring interoperability across its product lines to mitigate the integration challenge on behalf of its customers, especially those that plan to standardize on its applications in multiple countries. In addition such standardization will help boost the economy of scale of its research and development effort at a time when cost saving becomes a priority for its operations in many parts of the world.

In Western Europe where Torex has already established a major foothold, operations efficiency will take precedent over other issues because of sluggish sales in key markets such as France.

In June 2010 its French subsidiary Torex Retail SAS applied for court protection from its creditors because of continued losses despite investment of several million euros from the Torex Group. What it suggests is that in mature and slow-growing markets, Torex may have to undergo major restructuring in order to stem further losses due to customer inertia as well as macro economic conditions.

Ecosystem

Torex is expected to deliver new products covering all aspects of retailing through alliances with partners such as HP, IBM, and Microsoft Dynamics in order to sustain its growth. Over the past year it has started shipping a new version of its merchandising planning and stock allocation applications as well as loss prevention tool and customer loyalty system that supports text messaging, email, and Bluetooth devices.

Torex also maintains close ties with IBM, HP, and Oracle, leveraging their hardware and software platforms.

In addition Torex sells its products through channel partners around the world. Its resellers include AquaSora, FLO Solution, G7 EPOS, Headstart, PMC, Quintek, Rhiscom, Sanderson, Sens, Total Enterprise Solutions, TRC, and Triple Software Ltd.

Shares

With 7.6% share in the retail vertical, Torex's ability to gain share is average because of its diverse base of retailers that are increasingly interested in leveraging the latest Web and mobile commerce channels to reach their tech-savvy customers.

On the upside, Torex has gained the critical mass to steer many of its customers to adopt its applications as well as complementary services from its partners.

On the downside, Torex needs to step up the release schedule of its integrated solutions following a series of acquisitions and customer adoptions are likely to be slow given the shaky economic recovery in Western Europe where Torex continues to rely the bulk of its license and maintenance revenues.

Radiant Systems

Alpharetta, GA

www.radiantsystems.com

Overview:

A string of acquisitions has more than doubled its installed base of retail-specific applications customers allowing Radiant to cast a wide net across the vertical around the world. Typical customers are quick service restaurants, convenience stores and fuel centers.

Applications Revenues In Retail:

	2008	2009
$(M)	163	149

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	126.6	85%
EMEA	17.8	12%
Asia Pacific	4.4	3%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	74.5	10%
Large(1K-5K ees)	44.7	30%
SMB(1K ees and below)	29.8	60%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total

License	69	46.3%
Maintenance	40	26.8%
Subscription	40	26.8%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 5.8% share in the retail vertical, Radiant's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Over the past few years, Radiant has made a number of acquisitions to expand into different segments of the retail vertical. Additionally Radiant has experienced considerable growth selling into major restaurant franchisees and holding companies that operate multiple restaurant brands for a variety of niches.

Radiant's acquisitions included Aloha, Synchronics, and Orderman. The 2008 acquisition of Orderman has doubled its installed base to 100,000 allowing Radiant to cast a wide net across the retail industry around the world. Orderman, which has put in 50,000 mobile POS terminals in restaurants mostly in Europe, is expected to be instrumental in helping Radiant become more readily accepted by stadiums, parks, arenas, cinemas, convenience stores and fuel centers.

Key applications for retail vertical:
Aloha Point-of-Sale systems, CounterPoint SQL Enterprise, SQL Enterprise Express, V7, POS Systems for Sport and Entertainment complexes, petroleum and convenience stores, retail outlets, and restaurants

SCORES Analysis

Strengths

Radiant has been selling its POS systems into different franchise operations such as Arby's and Burger King Canada for a number of years, while keeping strong relationship with a growing number of reselling partners that are instrumental in extending its reach into hard-to-reach countries with minimal sales and marketing overhead.

Additionally Radiant's recent successes with its hosted applications – which saw a 30% growth in 2009 - underscore the flexibility of its product line, allowing customers to access a full array of capabilities such as loyalty, eCommerce as well as supply chain and workforce management, while still running their existing systems continuously. Currently Radiant posts more than $10 million in hosted applications revenues every quarter and it plans to double the recurring revenue stream in the coming year.

Customers

With more than 1,500 customers and 50,000 installations in the retail vertical, Radiant has amassed some of the big names in the restaurant and convenience store segments.

Recent customer wins included Bento Nouveau Group, Blue Horizon Hospitality Group, Cafe Rio Mexican Grill, Focus Brands, Gas City Ltd., Gippsland Petroleum Group, Legends Hospitality, Noodles & Co., Pizza Company, Pollo Campero, Romano's Macaroni Grill, San Francisco Giants, Sizzler and Dairy Queen in Thailand, Smokey Bones Bar & Fire Grill, Wendy's Supa Sundaes, and Zoës Kitchen.

Opportunities

In addition to strong sales of its hosted solutions, Radiant is banking on new products and the international markets to sustain its growth.

One of the key product initiatives is Aloha Restaurant Guard, which helps restaurant owners better control operations and increase their profit by as much as 5 percent by analyzing point-of-sale data and transactions to identify common restaurant employee scams and fraudulent activities.

Radiant expanded globally by opening a new subsidiary in China in 2009. Already Radiant and its reseller partners have planned deployments for point of sale and back office systems in more than 200 restaurants in China including Paul Bakery and Hop Hing Group.

Risks

The next phase of Radiant's growth will depend on its ability to continue to innovate technologically in order to meet increased demands of its quick service restaurant customers whose operations are becoming more complex in terms of unit count as well as customer sophistication. Radiant has been preparing for such shifts by improving its POS systems to accommodate new lines of business and market opportunities for its customers.

While Radiant seeks to accelerate its hosted applications business, it has also expanded its field and telesales operations to sell those products exclusively. The issue is whether any growth in Radiant's hosted applications business will come at the expense of its resellers, which have been instrumental in selling and servicing its POS products. The key to Radiant's long-term success is to eliminate any channel conflict by laying out clear rules of engagement between its on-premise and hosted offerings.

Ecosystem

Over the past year Radiant has expanded its ecosystem by adding resellers including Tierney's Office Automation, which provides Radiant's hardware products, Aloha software and associated services to Ireland.

The 2005 acquisition of Synchronics brought in more than 200 dealers that supported more than 10,000 stores.

Shares

With a 5.8% share in the retail vertical, Radiant's ability to gain share is above average because of its strong momentum with its hosted offerings that can be easily implemented among its large installed base.

On the upside, the widening acceptance of its robust applications, including the strategic hosted offerings, will keep Radiant humming for the next year as many of its restaurant customers – representing nearly two-thirds of its business – are once again jumpstarting IT projects in order to boost productivity and customer satisfaction, while trimming labor costs through improved business processes.

On the downside, the expansion of its direct sales activities could test the loyalty of its resellers, something that could tip the scale in favor of its competitors if Radiant does not manage the expectations of its channel partners well.

JDA

Scottsdale, AZ

www.jda.com

Overview:

One of the biggest names in retail-specific technologies, JDA has been selling applications to retailers helping them tackle myriads of supply chain management and store planning challenges for more than 25 years. Typical customers range from major retailers with global presence to local grocery outlets.

Applications Revenues In Retail:

	2008	2009
$(M)	140	130

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	91	70%
EMEA	32.5	25%
Asia Pacific	6.5	5%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	52	40%
Large(1K-5K ees)	52	40%
SMB(1K ees and below)	26	30%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total
License	45.5	35%
Maintenance	84.5	65%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 5.1% share in the retail vertical, JDA's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Although JDA has been expanding into other industries through multiple acquisitions over the past few years, its presence in the retail vertical continues to spread across different segments from drug store chains with hundreds of outlets to mall-based retailers.

Recent acquisitions included Timera, QRS, Manugistics, Intactix, E3 Corp., and Arthur Retail. The latest was its revived bid to acquire supply chain applications vendor i2 Technologies in November 2009.

The acquisitions, coupled with its expansion into fast-growing markets in Asia Pacific, has reinforced JDA's positioning as the premier technology provider for a full spectrum of large and mid-sized retailers that have grown to be dependent on the vendor's applications for such mission-critical functions as space and category management, replenishment, and allocation, as well as demand signal visibility.

Key applications for retail vertical:

JDA Promotions Management, JDA Shelf Price Optimization, JDA Point-of-Sale, JDA Workforce Management, JDA Enterprise Planning, JDA Buying and Assortment Management, JDA Allocation, JDA Fulfillment, JDA Replenishment – Warehouse, Store and Vendor Managed

SCORES Analysis

Strengths

JDA, which helped transform the store operations of retailers for a number of years, has embarked on a new journey to redefine the world of retailing. For one thing, JDA has been touting the benefits of using its applications as the system of record for data management as well as a source of working capital with advances such as network-wide inventory optimization.

What JDA has been able to achieve is to leverage its best-of-breed qualities allowing retailers to run their store operations effectively, while harnessing staggering amounts of sales and demand chain data to determine the best ways to price and merchandize their products for optimal results.

More importantly JDA has demonstrated its ability to help retailers execute better selling, marketing and merchandizing programs through their past experiences of dealing with customers. By pinpointing what they typically would buy in order to anticipate customer behavior, JDA is addressing the root cause of customer support problems that have been plaguing many of these services industries.

Inventory replenishment is a case in point whereby product lifecycle can be broken into granular details to discern the patterns that lead to excess inventory, stock-outs, and erroneous markdowns, all of which could easily turn off customers. With JDA's expertise in item management, purchase order management and allocation and replenishment, retailers would be able to identify those traits and make adjustments accordingly.

Customers

With more than 1,500 customers in the retail vertical, JDA has achieved a critical mass of followers that have been using its applications for many years.

In 2009 JDA scored big by securing major wins including A.S. Watson, a European retailer with 80,000 employees; Charming Shoppes, a U.S. retailer with 30,200 employees; and Superdrug, a 913-store chain in the United Kingdom with 16,000 employees. Superdrug, a long-time customer, bought its space and category management solutions to further its growth. Among 2009 customer wins in the mid-market space were Bayer Santé Familiale, Chico's FAS, Inc., Dimar SpA, Duty Free Philippines, Market Basket Stores Inc., New City Commercial Corp., Rose Pharmacy and Wilkinson.

Opportunities

The future of JDA will largely depend on its ability to capture add-on sales among its existing base of 4,700 customers, while delivering tools and applications to a new generation of retailers seeking to leapfrog competition by harnessing rich customer data and demand signals coming from all touch points and distribution channels.

Already JDA is banking on growth in emerging markets such as India and Poland. In July 2009 JDA acquired Strategix Enterprise Technology GmbH and Poland-based Strategix Enterprise Technology sp. z o.o. to establish a bigger presence in Europe.

Additionally it recently strengthened its relationship with Agora Europe, a supply chain consulting company, to provide support and services to its customers in Spain and Portugal.

Risks

In January 2010 JDA completed the i2 acquisition becoming an applications powerhouse that is capable of meeting a full range of supply chain and front- to back-office technology requirements for retail and other vertical customers. However the strategy has already raised questions about its commitment to the retail vertical. In the first quarter of 2010, JDA's sales to retailers dropped below 50%.

Merging the two product lines – including overlapping applications for retailers - will be time consuming. JDA estimates that it will take three years for some of these applications to converge, which will initially be subsumed by an overriding layer that encompasses the best attributes of both product lines. It's important to point out that JDA has reiterated its commitment to the retail vertical in recent events such as the FOCUS 2010 conference where it has released integration roadmaps for all overlapping applications.

There is also the question of how customers are responding to the change. While JDA reported strong orders and uninterrupted pipeline from the i2 installed base, cracks began to form.

In June 2010 a jury in the District Court of the State of Texas awarded Dillard's, a major retailer, $246 million in damages following a verdict that supported the claims of a failed implementation of i2 applications since 2000 at the 300-store chain. JDA shot back suggesting that Dillard's had been using the i2 applications for several years before filing the lawsuit and the retailer continues to use one of the two applications from i2.

Whatever the case, it's safe to assume the acquisition of i2, which had its share of execution and implementation problems for a number of years, will not be smooth sailing for JDA.

Ecosystem

JDA primarily sells direct to its retail customers, but it also uses more than a dozen value-added resellers to target retailers of less than $100 million in sales. They include ABU ISSR Supply Chain Solutions, DBO Services, e-Future Information Tech, EXT C&T, Genietech, ICE Consulting, Logis, MCC Solutions, NRI, NS Solutions, ROCE Partners, RPE, Safezone, SDLVO Ltd., Sims, Smollan Group, Solteq, Soltius, Strategix, Symetrix Solutions, TruEconomy Consulting, UCS Solutions, and Wincor Nixdorf.

On the implementation side, JDA works closely with systems integrators such as Accenture, Cap Gemini, IBM, TCS, and Wipro.

In addition, JDA has been working with partners such as GXS to better leverage demand signals – especially at the messaging level - between retailers and their suppliers as they become more collaborative in nature.

Shares

With a 5.1% share in the retail vertical, JDA's ability to gain share is average as it wrestles with product transitioning and integration issues following its purchase of i2.

On the upside, JDA stands to benefit from its midmarket push as well as its expansion into emerging markets such as China.

On the downside, its sprawling portfolio could be a big challenge for JDA struggling to articulate the benefits of its overlapping retail offerings including two separate merchandizing optimizing applications from the JDA and i2 product line. JDA responded by stressing its commitment to supporting all deployed solutions for maintenance paying customers and there will not be any forced upgrades or sunsetting of these solutions.

DemandTec

San Mateo, CA

www.demandtec.com

Overview:

DemandTec offers a range of strategic and tactical applications for retailers helping them boost their bottom line through price optimization and target marketing. Typical customers are national retailers with complex merchandizing and product pricing requirements.

Applications Revenues In Retail:

	2008	2009
$(M)	60	63

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	54.81	87%
EMEA	8.19	13%
Asia Pacific	0	0%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	63	100%
Large(1K-5K ees)	0	0%
SMB(1K ees and below)	0	0%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total
License	0	0%
Maintenance	0	0%
Subscription	63	100%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Above average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 2.5% share in the retail vertical, DemandTec's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

DemandTec focuses on two strategic verticals – retail and consumer packaged goods(CPG) companies. Because there are so many similar requirements between the two when it comes to pricing movement, product placement and promotional trends that have to be monitored constantly, DemandTec's applications have become indispensable in the decision-making process of these companies.

The result is that DemandTec's price optimization, promotion management, assortment and space planning, marketing and trade effectiveness applications have been extensively used by retailers and CPG companies to help them boost their profitability and strengthen their relationship with customers and suppliers.

In 2009 DemandTec acquired Connect3 Systems for its advertising planning and execution applications.

Key Applications for Retail Vertical:

DemandTec Lifecycle Price Optimization, DemandTec End-to-End Promotion Management, DemandTec Assortment & Space, DemandTec Shopper Insights, DemandTec Targeted Marketing

SCORES Analysis

Strengths

With proven results for retailers, DemandTec's pricing optimization applications have become one of the key profitability enhancers allowing retailers to quickly adjust prices based on the latest demand signals from consumers and suppliers.

In addition its Promotion Management applications have enabled retailers to effectively run promotional campaigns across media channels to optimize their investment by zeroing in on the most effective way to promote certain items.

The same applies to its applications that leverage analytics and historical purchasing data to enhance collaboration between retailers and their suppliers, while boosting returns for all parties involved.

Customers

With more than 100 retail customers, DemandTec has been particularly good at winning sizable deals from some of the biggest names in grocery chains and specialty retailers. Its 2009 retail wins included Advance Auto Parts, Ahold USA, Best Buy, Big C Thailand, Fresh Direct, Giant Carlisle Stores, Golub Corp., HEB Mexico, Office Depot, Penn Traffic, Price Chopper, Radio Shack, Safeway, Schnucks and The Source.

Opportunities

DemandTec has fully exploited the ondemand delivery model to sell its applications. Because of its first-mover status as a category leader in pricing optimization via the Software As A Service delivery model, DemandTec should be able sustain its growth by getting valuable insights from a growing number of customers and the associated pricing data, which in turn will generate better analytics and pricing trends from a holistic standpoint.

Another key opportunity lies in the network effect of its DemandTec Trade Point Network, which should make business to business negotiation and collaboration between retailers and their suppliers more transparent, scalable and manageable.

Risks

With a relatively small number of customers, DemandTec is considered a best-of-breed applications vendor that has succeeded in layering via ondemand delivery its pricing optimization and promotion management applications on top of the retail platform that its customers have been running. Integration between DemandTec applications and other core products being used by its customers remains a challenge.

The same applies to its marketing applications, which often need to rise above the occasion in a multi-channel environment in order to make sense of different customer touchpoints from point-of-sale to eCommerce sites.

Ecosystem

Demandtec primarily sells direct, but it works with a number of implementation partners including Accenture, Booz & Co., IBM and Winston Weber & Associates. In 2009 it signed an agreement with a consulting firm Emnos to jointly market services. Another key alliance was with Weather Trends International to incorporate weather forecasting into its applications and services.

Shares

With a 2.5% share in the retail vertical, DemandTec's ability to gain share is above average with growing acceptance of its pricing and promotion management applications for a much larger installed base.

On the upside, the addressable market for DemandTec applications is vast compared with what the vendor has secured so far. In addition the growing consolidation in DemandTec's two key verticals should also help make its products more compelling with the aggregated benefits of more abundant pricing and customer data available from an enlarged customer base.

On the downside, DemandTec's pricing optimization technology will face new hurdles with the proliferation of next-generation sales channels from mobility to social media and its early adopters may have to come up with different pricing and promotion management strategies in order to better meet changing customer expectations.

PAR Technology

New Hartford, NY

www.partech.com

Overview:

PAR Technology is a diversified technology provider selling into multiple industries including hospitality, retail and government verticals. Typical customers range from major quick service restaurants and food service providers.

Applications Revenues In Retail:

	2008	2009
$(M)	55	50

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	40	80%
EMEA	5	10%
Asia Pacific	5	10%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	25	50%
Large(1K-5K ees)	15	30%
SMB(1K ees and below)	10	20%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total

License	10	20%
Maintenance	40	80%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 1.9% share in the retail vertical, Partech's ability to maintain and win share in the market segment in 2010	Below average

Full overview:

PAR Technology has been successful selling its retail applications into well-established quick service restaurants such as Yum Brands, McDonald’s, and CKE. PAR Technology has been a point-of-sale provider to McDonalds since 1980. PAR also sells into different parts of Taco Bell and is considered the POS vendor of choice at KFC Corporate Restaurants.

Acquisitions for retail vertical included Siva Corp. in 2006.

Key Applications for Retail Vertical:

PAR Smart Systems, InFusion, iSIVA, PixelPoint, QSR, POS, Loyalty

SCORES Analysis

Strengths

For years PAR Technology has relied heavily on sales to McDonald's and Yum Brands, which together accounted for 38% of its total revenues last year. Such reliance has placed PAR in an enviable position to influence the technology direction of these two customers.

Customers

Recent wins included Subway Restaurants, LegalSeafood, Boston Market, CKE Restaurants including Hardees and Carl's Jr., and Catalina Restaurant Group.

Opportunities

PAR Technology is banking on a massive POS upgrade program under way at McDonald's, which is expected to replace 12,000 POS systems at many of its restaurants. The program entails replacing anywhere between 700 and 800 terminals in a given month and the rollout should last through the second half of 2012. McDonalds was the second largest customer of PAR Technology in 2009, representing 25% of its revenues, behind the US Department of Defense, which accounted for 34%.

Risks

Because of its large base of legacy POS systems, PAR has been slow to respond to technology shifts especially in areas such as handheld POS terminals, which are experiencing faster growth than countertop devices. Similarly PAR has to play catch-ups with competitors on Web-based solutions because of its client-server roots.

Another risk facing PAR has to do with its considerable exposure to McDonald's, which could turn into a liability if the fast food chain decides to switch vendors.

Ecosystem

Par Technology primarily sells direct and it doesn't have a formal channel program.

Shares

With a 1.9% share in the retail vertical, PAR Technology's ability to gain share is below average because of lingering effects of the recession, which prevents its restaurant customers from widening their applications upgrade efforts.

On the upside, there are signs that some of its more recent wins such as the one at Subway will generate incremental opportunities for the vendor.

On the downside, PAR Tech's precipitous decline in applications license revenues over the past two years underscores the effects of the extended product refresh cycle that some of its restaurant customers have been gravitating toward. The vendor's reliance on a few major accounts could also exacerbate the situation when any part of its rollout process runs into unexpected problems.

Epicor

Irvine, CA

www.epicor.com

Overview:

Following a number of major acquisitions, Epicor has expanded its presence in the retail vertical while adding new customers among regional and specialty retailers. Typical customers are midsize retailers and those in niches such as college bookstores and entertainment venues.

Applications Revenues In Retail:

	2008	2009
$(M)	50	45

2009 Applications Revenues In Retail By Region:

Region	2009($M)	% of total
Americas	22.5	50%
EMEA	13.5	30%
Asia Pacific	9	20%

2009 Applications Revenues In Retail By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	6.75	15%
Large(1K-5K ees)	22.5	50%
SMB(1K ees and below)	15.75	30%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total

License	12	26.77%
Maintenance	33	73.3%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 1.7% share in the retail vertical, Epicor's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Epicor, a major ERP applications vendor, has invested heavily in the retail vertical through acquisitions.

In 2007 Epicor paid $288 million for NSB Retail, which vastly expanded the vendor's footprint in the retail vertical with the addition of more than 170 retailers including the likes of Harrah's and Dillard's.

Previously, Epicor served more than 130 specialty retailers through its CRS product line, which was acquired in 2005. Altogether Epicor serves hundreds of retailers including Aéropostale, American Eagle Outfitters, Ann Taylor, Zales and Zumiez.

Key Applications For Retail Vertical:

CRS Retail Suite, Connected Retailer, CRM, NSB

SCORES Analysis

Strengths

As a key strategy to expand its reach into midsized retailers, Epicor has been beefing up its hosted offerings for customers that want to access the latest retail-specific applications without incurring additional IT overhead. Last year Epicor's hosted retail applications were awarded compliance status with the Payment Card Industry-Data Security Standard version 1.1 (PCI DSS), safeguarding information security requirements and processes of its retail customers as well as their handling of consumer data.

In addition, Epicor's standardization on the Windows platform has made the transition easy for retailers needing to leverage their existing investments in SQL database, SharePoint portal, and other Microsoft technologies. In such cases, retailers have reported rapid returns of their investment.

Customers

With 250 customers and more than 50,000 installations, Epicor has established a strong presence among mid-tier retailers.

Recently, it has won a number of midsize retailers including Boot Barn, Bikini Village, Cavaliers Operating Co., Costa Coffee, Barnes & Noble College Booksellers, Inc., ClearVision Optical, Metropolitan Opera Retail Outlet, Styles For Less, The Paper Store and Tory Burch.

For example, it won Sheplers, a 20-store chain that specializes in western wear. Sheplers will rely on Epicor's point-of-sale systems and other retail applications to help support a range of retail transactions, processes and workflow. The retailer expects the Epicor implementation to improve the accuracy and speed of transactions, reduce manual intervention, accept debit cards and target promotions using customer receipts.

Opportunities

One of the key opportunities lies in its Epicor Retail SaaS – the vendor's hosted offering that has won growing customer acceptance because of its flexibility and low-cost deployment. Cavaliers Operating Co., The Paper Store and Tory Burch were among retailers that subscribe to Epicor's hosted applications. Cavaliers Operating Co., which owns a National Basketball Association franchise, has been relying on the ondemand applications to sell branded merchandise throughout nine retail outlets as well as its online operations.

Growing adoptions of its hosted applications are expected to spur cross-selling of modules for mobility and business intelligence, which in turn will help Epicor become more entrenched within these accounts and sustain customer loyalty.

Risks

Because Epicor also focuses on other verticals from manufacturing to professional services organizations, it could be difficult to expand its presence among retailers without clearly articulating its positioning and long-term commitment. At the same time, its installed base of retailers remains small, compared with more than 20,000 customers that Epicor supports in more than 150 countries. As a result, it is not clear whether Epicor's commitment to the retail vertical will translate into additional investment for a market whose recovery may lag that of other target industries for Epicor in the coming year.

Ecosystem

For retail vertical, Epicor primarily sells direct. But it has established long-running alliances with platform vendors such as IBM and Microsoft. IBM has been co-marketing with Epicor for retailers by combining IBM's point-of-sale hardware and Epicor's retail applications. Microsoft, on the other hand, has been working with Epicor to optimize its applications on the Microsoft Dot Net platform.

Shares

With 1.7% share in the retail vertical, Epicor's ability to gain share is average as it starts ratcheting up its product strategy while upgrading its installed base of retail customers.

On the upside, Epicor's growing momentum with its SaaS applications for retailers could accelerate the upgrade path and adoptions of add-on applications.

On the downside, Epicor's lackluster results in 2009 could force the vendor to reevaluate its retail strategy, or its vertical strategy for that matter.

Retalix

Ra'anana,Israel

www.retalix.com

Overview:

Armed with strong supply chain domain expertise, Retalix has grown steadily in the retail vertical after making its name among fuel center and convenience store operators. Typical customers range from grocery chains to operators of convenience stores.

Applications Revenues In Retail:

Year	2008	2009
$(M)	84	43

2009 Applications Revenues In Retail By Region:

Year	2009($M)	% of total
Americas	12.9	30%
EMEA	25.8	60%
Asia Pacific	4.3	10%

2009 Applications Revenues In Retail By Company Size:

Year	2009($M)	% of total
XL(5K ees and above)	12.9	30%
Large(1K-5K ees)	21.5	50%
SMB(1K ees and below)	8.6	20%

2009 Applications Revenues In Retail By Revenue Type:

Type	2009($M)	% of total
License	15	34.9%
Maintenance	28	65.1%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 1.7% share in the retail vertical, Retalix's ability to maintain and win share in the market segment in 2010	Below average

Full overview:

With more than 28 years of experience serving the retail vertical, Retalix has become the strategic applications partner for a large number of retailers. Its major customers include Food Lion, Food Services of America, Hannaford Bros., Hy-Vee, Odom Beverage, Save-A-Lot, Save Mart, AS Watsons, Carrefour, Delhaize, Intermarche, Morrisons, Sainsbury's and Tesco.

The long list of major retailers suggests the broad geographical coverage of Retalix as well as its ability to handle complex financial accounting and operational requirements ranging from forecasting and replenishment to transportation and warehouse management.

Recent acquisitions in the retail vertical included StoreNext, IDS World, TCI Solutions, and OMI International.

In 2009 Retalix completed a private investment by a group of investors including Boaz Dotan, Eli Gelman, Nehemia Lemelbaum, Avinoam Naor and Mario Segal. The sale netted the vendor $32.9 million.

Key Applications for Retail Vertical:

Retalix StoreLine, Store.net, StorePoint, Back Office, HQ, HQ for C-Stores, TRICEPS Warehouse Management, StoreNext, IDS World, TCI Solutions

SCORES Analysis

Strengths

Retalix has positioned itself as the strategic link between food and gasoline suppliers, distributors and their point-of-sale retailers, allowing everyone involved to optimize visibility across the entire supply chain and establish greater cost savings and higher margins.

Customers

With more than 250 customers and 40,000 installations, Retalix has established a significant presence among retailers that have hundreds of locations in different regions.

Recent customer wins included Wesco, Price Chopper, Odom, Big Y, K-VA-T Food Stores, Argos, Roche Bros., Pro's Ranch Markets, Falabella Hypermarkets, Ben E. Keith, Sunflower Farmers Markets, and Save Mart Supermarkets.

Opportunities

One of the key opportunities for Retalix is in the emerging market. To that end, the vendor is working with ISV partner DOMS to incorporate DOMS forecourt products to the Retalix StorePoint for customers in Russia. The partnership will provide fuel operators in Russia with a fully integrated solution for petrol sales in a retail environment.

Risks

With stiffening competition, Retalix has seen little growth over the past few years and its back-to-back declining product sales since 2008 highlighted its inability to branch out beyond the gas station and convenience store segments. Its dual support of both the Dot Net and J2EE platforms has spread itself too thin with misplaced resources that could have been better allocated to develop new applications.

While its recent private placement should give Retalix some breathing room, the growing influence of its private investors could presage the move of taking the company private, a scenario that its competitors would use to raise doubts about its long-term viability.

Ecosystem

Retalix primarily sells direct in North America and Western Europe, but it also uses a number of reseller and systems integrator partners to help distribute and implement its products in Asia Pacific, Africa, Latin America and other regions.

The partners include Belltech, BISON Systems AG, BT Expedite, Capgemini, CEB Software Services/Trade Link Retail Systems, Changyi Technologies, Contechno FSG, Eniac, IBT Ltd., IST, MSGSB Science & Tech Development Co. Ltd., Rinpak Technology (Shanghai) Ltd., Rinpak Technology Holdings Ltd., Siemens, Unisys and Wincor Nixdorf.

Shares

With a 1.7% share in the retail vertical, Retalix's ability to gain share is below average because of execution and product integration challenges.

On the upside, much of Retalix's growth is likely to come from emerging markets where barriers to entry are less than those in mature areas like the United States. In addition its domain expertise should help drive its sales into additional convenience store and gasoline retailers.

On the downside, recent management changes, coupled with flat performance, could usher in major changes to the way Retalix approaches the market forcing it to sharpen its focus on convenience stores and gasoline retailers, while scaling back on Main Street retailers. Recently Retalix indicated that while it completed a strategy review of its operations, no decisions have been made.