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Demandware adds to omni-channel retail capability

By **Jaewon Kang**   Updated 05:20 PM, Jan-12-2015 ET

Demandware Inc. (DWRE) said Monday that it has agreed to **Tomax Corp.** for approximately $75 million in a deal that highlights the growing appetite that retail technology companies like the acquiror have for omni-channel retail.

The cloud service provider is paying about $60 million in cash and $15 million in contingent retention-based payments for Tomax, a Salt Lake City provider of software for point-of-sale and store operations. Tomax lists L.L. Bean Inc. and Hallmark Cards among its customers.

Demandware's deal comes the Burlington, Mass., company acquired data analytics startup CQuotient and order management company **Mainstreet Commerce** last year.

Omni-channel retail is a model that seeking to integrate various shopping channels, such as mobile, web and in-store. Ninety percent of retail transactions take place in-store while 10% come from online, and "that number is going to shift dramatically," said Tarang Shah, managing partner at investment bank Bois Capital LLC.

The Tomax acquisition underscores the retail technology market's general direction towards boosting omni-channel retail in a more aggressive way, Shah added.

Only last week, **Epicor Software Corp.**, which targets similar customers as Demandware, obtained **ShopVisible LLC** in order to expand its omni-channel offerings, he pointed out.

Plenty of players, such as Jda Software Group Inc., stand ready to make deals. Privately held Jda competes with Tomax and could be in the spotlight next as a potential acquisition candidate, according to Shah.

Ditto for Epicor, a software developer that was taken private by **Apax Partners LLP** in 2011 for $976 million, Shah said, adding that it could return to the initial public offering market within the next two years if it is able to strengthen its position on the e-commerce side.

"The idea of omni-channel is a really big deal," said Terry Tillman, an analyst at **Raymond James Financial**

Inc.

Larger technology companies are increasingly looking to play in omni-channel retail, he explained, adding that **SAP SE** (SAP) and **Oracle Corp.** (ORCL) are examples of players that will strengthen their retail verticals.

"We think this acquisition is strategically sound for Demandware from a technological perspective and highlights the increasing emphasis being placed on omni-channel operations as well as customer and transactional data aggregation/analytics in marketing," wrote Raimon Lenschow, an analyst at **Barclays Capital Inc.**, in a note Monday.

Tomax will give Demandware a "meaningful entry into the brick and mortar retail space," Lenschow wrote, adding that Tomax generated $24 million in revenue in its 2014 fiscal year ended June 30 and is expected to contribute about $22 million to $24 million in 2015 to Demandware.

"[In] the retail world, integration between on-premise store purchases and the Web is the cornerstone to the thesis of 'omni-channel' systems," wrote Richard Davis, an analyst at **Canaccord Genuity Inc.**, in a Monday note.

Davis added that Demandware management believes that an integrated system is the way to build a big company.

Demandware and Tomax officials didn't respond to requests for comment Monday.

In a statement, Demandware CEO Tom Ebling said the addition of Tomax "creates a tremendous opportunity for Demandware, by expanding [its] market to include in-store retail sales."

Tomax CEO Eric Olafson said in the statement that his company "will continue to drive transformational change into retail through a single platform powered by the cloud."

Demandware, which went public in 2012, has a market capitalization of approximately $2 billion.

The company reported third-quarter earnings results in November, posting $38.2 million in total revenue, up from $24.5 million over the corresponding period a year ago. It suffered a $6.9 million net loss, compared to $6.3 million the prior year.

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