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Demandware buy hastens its e-commerce trip

By [Jaewon Kang](#) Updated 05:25 PM, Oct-14-2014 ET

The acquisition of venture-backed retail analytics startup CQuotient on Tuesday by [Demandware Inc.](#) (DWRE) enables the buyer to accelerate its journey into e-commerce, according to one analyst.

Cambridge, Mass.-based CQuotient is a strong acquisition for Demandware, said Alex Zukin, a senior analyst with [Stephens Inc.](#), adding that more companies in the enterprise space are looking to tap into the predictive analytics industry.

Burlington, Mass.-based Demandware, which is paying an undisclosed sum for CQuotient, makes software-as-a-service, or cloud, solutions that allow companies to design and manage their e-commerce sites. The deal comes about nine months after the company acquired [Mainstreet Commerce](#) in January.

CQuotient, founded in 2010, has been backed by [Bain Capital Ventures](#) LLC and builds marketing solutions for retailers.

Zukin said buying CQuotient appears to be an opportunistic, tuck-in acquisition that is relatively small in scale and doesn't necessarily signal that Demandware will be ramping up its pace of acquisitions.

While this is going to be a low-impact acquisition on the revenue side for Demandware, the fit is great, said Tarang Shah, managing director at investment bank Bois Capital LLC.

For players in the advertising industry, the goal has been reaching customers in a cost-effective way, Shah explained, adding that analytics allows companies to get a step ahead and predict what consumers may want.

In fact, predictive analytics companies will continue to be an M&A driver in the enterprise technology space, according to Stephens' Zukin, citing Santa Monica, Calif.-based [Cornerstone OnDemand Inc.](#)'s (CSOD) agreement to acquire [San Francisco](#)-based [Evolv](#) Inc. last week.

Within the predictive analytics space, he added, the consumer vertical has particularly been active.

Paul Plaia, a partner at investment bank SilverCloud Partners LLC, explained that bigger enterprise companies have been increasingly expanding their e-commerce footprint.

Germany's **SAP SE** (SAP) recently agreed to buy **Concur Technologies Inc.** of Bellevue, Wash., after picking up **Hybris GmbH** of Switzerland in August 2013.

In addition to SAP, **eBay Inc.** (EBAY) of San Jose, Calif., and **Oracle Corp.** (ORCL) of **Redwood** City, Calif., have been actively obtaining e-commerce players, he said.

"Everything [e-commerce] touches is what big enterprise companies are trying to do," Plaia explained.

The CQuotient deal may put the spotlight on its VC-backed competitors, he noted, though he declined to name specific companies.

Demandware posted \$36.1 million in total revenue for this year's second quarter, up from \$23.2 million during the corresponding period last year. Gross profit also jumped to \$26.1 million in the quarter, versus \$16.7 million for the same period last year. But the company's net loss deepened to \$9.2 million compared to \$8.5 million a year ago.

Demandware CEO Tom Ebling said in an e-mail Tuesday that CQuotient will support and extend the company's vision to power engagement across every channel and device.

"As part of Demandware, the CQuotient team will work to accelerate Demandware's existing R&D efforts to leverage the extensive data in the platform and deliver dynamic shopping experiences," Ebling wrote. He declined to disclose the outside advisers Demandware engaged for the deal.

CQuotient officials didn't respond to requests for comment.

Demandware has a market capitalization of \$1.73 billion and shares are down about 23.5% year-to-date after finishing at \$49.04 Tuesday.

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