xTuple looks to expand clients' digital businesses with xTupleCommerce platform

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451 Research®

Our Digital Transformation and Corporate Mobility 1H 2018 survey shows that 41% of responding manufacturing, wholesale and distribution organizations have formal digital transformation strategies, with sales and service departments representing the departments ripest for improvements. Keeping in-line with businesses' digital transformation initiatives, xTuple's recently released B2B web experience and e-commerce platform aims to transform the way its manufacturing and distribution clients approach their own customers by leveraging the company's core open source ERP system and harnessing its data pool. By exposing the ERP's data-driven modules, including products, inventory, scheduling and CRM, the new xTupleCommerce platform gives clients a digital sales site with feedback loops to workflows across the organization. This is an important product to launch – our data shows that 48% of manufacturing businesses are prioritizing investments in e-commerce.

THE 451 TAKE

As a 17-year veteran of the ERP business, xTuple has long held up the flexible nature of its open source enterprise software as the right mix of affordable and scalable for B2B SMBs. While this message has proven successful, the competitive field within ERP continues to add functionality – through new in-house software, as well as integrations with third-party CRMs and e-commerce platforms. Keeping pace while holding true to its open source roots, xTuple has committed resources to building out new capabilities in its core accounting, CRM and ERP modules – and now a new e-commerce front end, as well. The xTupleCommerce Web Portal fills a void in the company's portfolio and creates a potential strategic boost for its B2B customers, which need purpose-built order management and commerce capabilities to handle the complexities of B2B customer requirements. As an increasing number of sales across business segments shift to online, the ability for SMBs to integrate in real time the online storefront with one's ERP will help to not only meet customer expectations, but also to save time and lower costs.

CONTEXT

For 17 years, Norfolk, Virginia-based xTuple has built a wide portfolio of open source applications around its core ERP technology. The recently unveiled e-commerce product provides a defined window for outside users, such as customers, vendors and other trading partners, into desired ERP functionality while making the full back-end ERP available to internal users. With no institutional investors to date and bootstrapped from the beginning, xTuple often attracts interest through a free open source starter edition of its product before drawing up contracts, including advanced commercial versions, professional services, support and maintenance.

XTuple touts over 600 customers globally and counts 30 employees. Much of the know-how and workforce involved in the xTupleCommerce product joined the team through the 'acquihire' of a local web design and marketing firm, which has now been fully integrated into the xTuple team. The company is now seeking to expand its existing partner channel of ERP resellers and implementers to include other web design shops, with a particular interest in the PHP-based Drupal, an open source content management system that provides much of the UI/UX for xTupleCommerce, as well as basic website modules and content types.

Historically, xTuple has sought to extend the technological tools of B2B companies through its own open source software. Much of this work has lived within back-end systems, including ERP and CRM. The release of xTupleCommerce positions xTuple tools to work alongside customers throughout the product lifecycle – from production to final sale, be it online or otherwise. The move into e-commerce falls in-line with xTuple's recent efforts to implement increased digital transformation across its product lines. Over the past several years, the company has also made a product-wide push to migrate clients to the cloud, provide robust APIs for third-party partners and experiment with multiple mobile platforms.

PRODUCTS

As businesses continue to align with a digital culture, they need to invest in new approaches to remain relevant in the eyes of their customers. The power of a digital transformation strategy lies in executive leadership driving its vision and objectives. Digital transformation may begin with creating the ideal experience for customers, but it quickly expands throughout all departments. It's not just for consumer-based businesses – 56% of B2B businesses, such as manufacturing and distribution, are already in formal digital transformation.

Businesses selling to other businesses are facing rising customer expectations for more digital experiences, such as self-service and e-commerce. They often prefer to research products online as opposed to talking with a sales rep. The problem was that not enough information was online, so buyers were forced to make those phone calls.

Functionally, xTuple's newest product module provides an online storefront for its customer base. The web portal allows administrators to display goods for sale and customize marketing content, while end customers can shop and save carts for subsequent visits. At its core, the xTupleCommerce product seeks to improve the success rate of the B2B sales funnel through optimized product search, wider payment options and reusable order lists – fully integrated in real time with the back-end ERP system. For instance, xTupleCommerce will display real-time updates for key data desired by customers, including product catalog changes, inventory availability, account information and order status.

Built on top of the open source content management framework Drupal, work started on the xTupleCommerce platform four years ago. After roughly a dozen client pilots over the last two years, xTuple announced the offering in mid-June alongside its xTuple ERP 4.11 release. The product is being sold as either an annual subscription or a one-time purchase. If sold as a stand-alone platform, the web portal starts at $8,500 annually and $25,000 if sold in perpetuity. It can also be bundled with the company's other products in packages that include maintenance and support.

XTuple plans to unveil subsequent update releases on a biannual cadence, including versions 1.1 and 2.0 in 2019. Since customer experience is a catalyst in many digital transformation projects, it is important to understand where businesses are making investments in new digital technologies and improved processes to more effectively engage customers, partners or employees. Organizations can digitally transform their businesses to best attract, win, retain and support customers by leveraging new modern technologies to deliver a differentiated experience that is not a luxury, but a necessity for survival.

COMPETITION

By developing its own B2B e-commerce tool, xTuple is keeping pace with other SMB open source application companies, including Openbravo and Odoo (fka OpenERP), which have each created their own similar applications. To a lesser extent, the move pits xTuple against small to medium-size pure-play B2B e-commerce companies such as Contalog, Goecart, InsiteCommerce, Kibo and NetSuite. This group has grown both in number and market revenue over the last few years due to rising demand within the segment. Within the company's core ERP business, xTuple will continue to see Tier 2 and 3 players like Sage and Microsoft in competitive deals.

SWOT ANALYSIS

STRENGTHS

The multi-module functionality of the xTuple portfolio, including CRM, accounting and e-commerce tools, is a potential differentiator when compared with other affordable B2B ERP players.

WEAKNESSES

While integration with its ERP back-end can set the xTupleCommerce portal apart within its own competitive landscape, the field of pure-play e-commerce platform vendors has never been deeper, and appears difficult to contend with from a technical perspective.

OPPORTUNITIES

As companies outgrow the large installed base of Quickbooks, many manufacturing, distribution, and B2B enterprises need an integrated sales, inventory and order management system. This wide base of potential customers appears ripe for digital transformation.

THREATS

Due to the crowded nature of the space, e-commerce-first companies are continuously looking for new areas to disrupt. Small to mid-market B2B sales remain less tapped comparatively. This could change as these companies increasingly integrate with back-end systems such as ERPs.