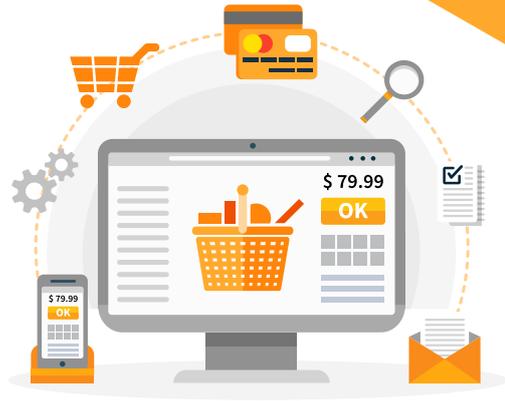


Moving on from Magento 1



1. Introduction

That e-commerce is booming is beyond dispute. More and more people are buying online instead of at physical stores. As a Retailer it is more important than ever to have an e-commerce system linked to your retail business that's rock solid, is easy to use, contains the latest features and is regularly updated. Magento has been the major player in mid market e-commerce for years, but this is changing, because other e-commerce platforms are shooting up like mushrooms while Magento's new upgraded platform has received mixed reviews. Shopify and Shopware offer platforms with distinctive features that are delivering them a growing presence in the marketplace, and allowing them to challenge Magento's market leader status.

Many web shop owners running on Magento 1 infrastructure are being encouraged to switch to Magento 2 due to the approaching end of Magento's support for Magento 1 in June 2020. However, there are now numerous other options besides Magento 2 to consider, for example the recently introduced Shopware 6 or Shopify Plus. This SupportDesk white paper aimed to weigh up the various options that Magento 1 stores should consider; and our conclusion was that Magento 2 was often not to be the best destination platform to work with. In general we prefer Shopware 6 as the best upgrade to Magento 1. Recent stats are showing that on all levels merchants are reluctant to migrate from Magento 1 to Magento 2. If you look at table 1 you will see the total amount of Magento shops as scanned and reported by Willem de Groot.

Table 1

Total Magento shops	156686	100,00%
M1	118762	75,80%
M2	35360	22,57%
Total NL Magento shops	10688	100,00%
M1	8395	78,55%
M2	2175	20,35%
Total UK Magento shops	15503	100,00%
M1	12598	81,26%
M2	2751	17,74%
Total DE Magento shops	14705	100,00%
M1	12751	86,71%
M2	1759	11,96%



2. SupportDesk

SupportDesk is an independent and technology agnostic webshop support agency, based in Amsterdam. We pride ourselves on our wealth of e-commerce knowledge and expertise, our understanding of current best practice, and our knowledge of a range of ecommerce platforms and applications. The tailor made advice we provide to our customers helps them make sensible decisions in ecommerce.

Of course, due to its profile in Mid-Market ecommerce, Magento holds an important position in our offering, and we specialize in all aspects of supporting and managing Magento web stores, whether it is Open Source or the Enterprise edition, Magento 1 or Magento 2.

For many of our customers Magento 2 is not the best e-commerce platform for their needs, due primarily to the cost of building and maintaining it to a performant standard. As a result we are increasingly considering other options for our customers. We believe you should offer the platform that suits your customer best based on their needs.



3. E-commerce platforms

Although Magento is still the largest e-commerce platform for mid-market web shops, there are a range of platforms are catching up. Shopify (and its premium Shopify Plus platform) has made great strides at the smaller end of the market. Shopware is also gaining traction. Other comparable options include BigCommerce and Salesforce. We will discuss these options in this white paper.

3.1 Magento

Magento is the mid market leader in terms of number of top 1000 webstores. It is an open source platform, which means that it is readily customizable and has an unprecedented number of options and add-ons that far exceeds other e-commerce platforms. Magento is offered in both free and paid-for versions, making it relatively easy to access for web shop owners. The wide range of possibilities that Magento offers ensure that this system is above all an excellent option for owners of large web shops. The main disadvantage of the system is that it is very complex. Setting up and running a Magento shop takes a lot of time and effort and realistically it requires the support of either expert internal staff or an ecommerce agency.

3.2 Shopify

Shopify is a very popular SaaS platform throughout the world. Working with Shopify is simple and the platform is sleekly designed. It is an all-in-one platform, which ensures that there are numerous options, such as online marketing options, a host of themes with a responsive design that can be customized and many "add-ons". For simple stores it represents a compelling proposition, however for more complicated and mature businesses the restrictions of the platform become apparent.

3.3 Shopware

Shopware is a German platform and owes its popularity to its user-friendliness, flexibility and progressiveness, with a focus on new marketing options. Shopware is an open source platform, which ensures that a lot can be customised within the system. In Germanic countries it is neck and neck with Magento. Shopware focuses on visually oriented web stores and has a strong focus on dynamic online marketing opportunities. In addition, the platform is very user-friendly and has a simple, attractive design. A disadvantage of Shopware is that the latest system (Shopware 6 – in its initial release) is still in its infancy. While the expectations are high as this is an API first, headless-ready platform, it will take some time for the new platform to build up the ecosystem of services and extensions that the Shopware 5 platform has.

3.4 BigCommerce

BigCommerce is a SaaS platform that has been gaining traction over the past year or two. It has a feature rich platform, that offers an improvement to the Shopify suite of features, and includes a strong API infrastructure and a range of solution partners. As a SAAS platform it offers reliable performance but is not as flexible as Open Source technologies, for example in its ability to manage multi language and currency stores. With a \$2,000 per month minimum charge, and additional monthly charges depending on the amount of orders taken, BigCommerce can be quite expensive.

4. Total Cost of Ownership (TCO)

Cost is often a defining question when it comes to which platform to choose, and this is often far more complex than it first appears. We have therefore looked at the cost of each platform across a four year timespan to get a true picture of the costs involved.

The costs of an e-commerce platform do not only consist of costs that you pay for the purchase of the platform, there are a wealth of other factors. That is why it is also wise to calculate the total cost of ownership per platform for your company before you decide which system you will adopt. It is often forgotten that after purchasing a system other costs may be incurred, such as maintenance, support, hosting, custom development, training and consultancy costs.

The total cost of ownership can be divided into two types of costs: the initial (CAPEX) and ongoing (OPEX) costs. By initial costs we mean the costs that you incur in building, configuring, data migrating, integrating, testing and launching on your webshop. This includes costs for testing, hosting, advice, data import, training, integration of third parties and costs for designing and building your webshop.

With the ongoing (OPEX) costs, however, it often only really increases. Ongoing costs are the costs for maintaining your webshop, ongoing hosting, maintaining and updating SEO, ongoing development and costs for licenses of third-party apps. For this whitepaper we assumed a generic and virtual webshop, based on our experience, see below.

Assumptions

All costs are based on a virtual webshop that has the main characteristics of a high performing ecommerce company. In our experience all shops are different, where some show a certain tendency to choose 'winning' solutions. All in all it depends on the market, their positioning in that market, internal processes, margin, etc. If we were to describe this virtual webshop it would look something like this:

5 million euro revenue per year

100.000 users per month with seasonal peaks around 250.000

conversion between 2%-10%

uses several storeviews/storefronts for international purposes

connection with an ERP and/or PIM

uses several third party extensions

implementation of DTAP and git versioning

implementation of front-end design based on professional design

implementation of online marketing plan

highly used blog/vlog in place

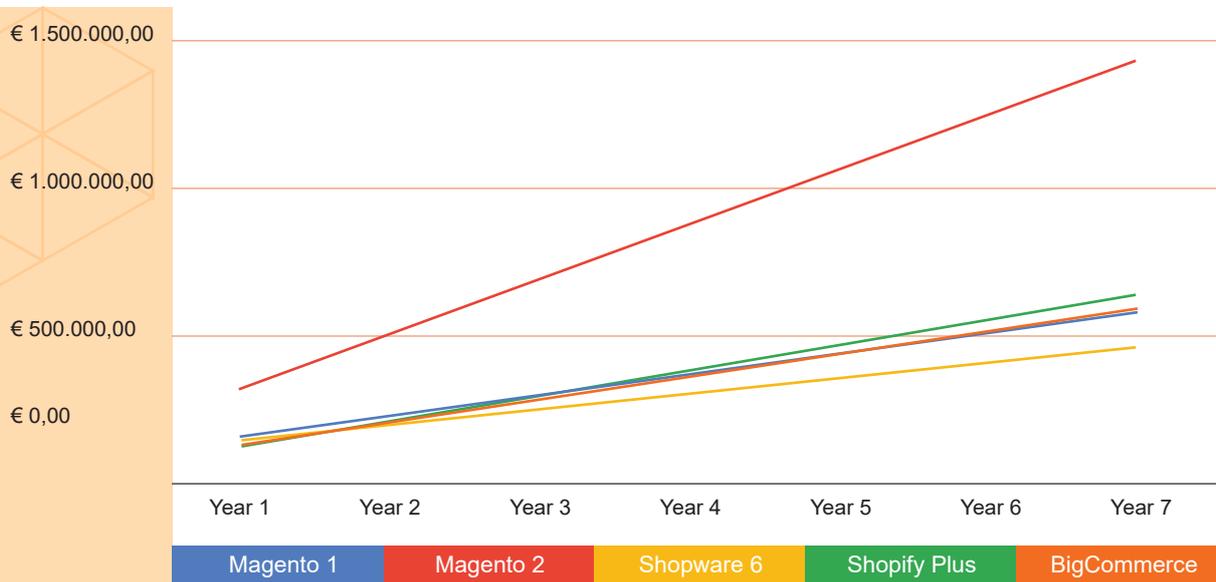
When you put all these costs together over several years you'll see the following overview of these costs.

Table 2. Total Cost of Ownership ecommerce platforms

	Magento 1	Magento 2	Shopware	BigCommerce	Shopify Plus
Initial building costs	€ 100.000,00	€ 150.000,00	€ 100.000,00	€ 60.000,00	€ 50.000,00
Hosting	€ 12.000,00	€ 24.000,00	€ 12.000,00	€ 0,00	€ 0,00
Yearly Licenses	€ 18.000,00	€ 80.000,00	€ 832,00	€ 40.000,00	€ 24.000,00
Support & maintenance	€ 25.000,00	€ 50.000,00	€ 25.000,00	€ 25.000,00	€ 48.000,00
Shop enhancements	€ 10.000,00	€ 25.000,00	€ 10.000,00	€ 10.000,00	€ 10.000,00
Extensions or App costs	€ 5.000,00	€ 5.000,00	€ 5.000,00	€ 2.000,00	€ 3.000,00
TCO 1st year	€ 170.000,00	€ 334.000,00	€ 152.832,00	€ 137.000,00	€ 135.000,00
TCO 3 years	€ 310.000,00	€ 702.000,00	€ 258.496,00	€ 291.000,00	€ 305.000,00

When putting these number into a graph over the years you will see the following:

Total Cost of Ownership



Explanation and assumptions

The table above shows the Total Cost of Ownership for Magento 1, Magento 2, Shopify Plus, Shopware and BigCommerce. To calculate these costs, an average hourly rate of € 100.00 is assumed. In terms of hosting, we have also assumed a reliable managed hosting partner. Many amounts are estimates based on our many years of experience in managing web shops. We have therefore assumed a relatively standard shop with the usual links (ERP, PIM, etc.) and the average need for adjustments (front and back end) and extensions.

Explanation per platform

Magento 1

Since Magento 1.7 there are few real surprises in this package. Over the years, more and more time has been spent on the security of the platform, which can be seen in the number of patches released. This puts more pressure on management hours, perhaps at the expense of further development. And of course, starting from June 2020, no more support!

Magento 2

The renewed license structure makes it difficult to name an average price for this, partly because this has also become revenue-dependent. Furthermore, the frontend in particular has become more complex (compared to Magento 1) and this in particular results in more development hours, both in the construction and management phases.

Shopify Plus

With Shopify Plus come costs that are difficult to estimate, namely in the license in which you may still pay a part transaction fee, depending on your turnover. The app costs can also rise on a monthly basis, depending on your functional needs.

Shopware

As you may have noticed, we have not assumed a specific version of Shopware. This has to do with the fact that Shopware 6 is in early access. The first web shops are already being delivered, but this is still limited. On the other hand, Shopware 5 has provided loyal service for many years and you can assume that many of the costs are comparable. In terms of hosting, for example, we see that there is little to no difference to make the shops run smoothly. The Shopware licensing model makes a significant difference in TCO. We have divided the Professional Edition over three years. This fee is actually for a lifetime licence.

BigCommerce

For BigCommerce the big driver is number of transactions and as a result we have assumed an annual transaction level of greater than 30,000. As A SAAS platform the hosting charges are included in the license/transaction charges, but there is still a requirement for an agency to maintain and develop the site.

5. Other USP's

Once we've quantified the TCO we wanted to do the same with other USP's for these platforms. Most of USP's we addressed are highly subjective. To take out a some of this subjectiveness we put all of these USP's, including TCO in a scorecard. It ranges from 1 to 5, 5 being the highest. Putting all the scores together would give a somewhat objective ranking of all the USP's combined. Depending on the weight you would give a certain USP you can create your own 'ranking' to obtain a more objective comparisson.

	Magento 1	Weight	Magento 2	Weight	Shopware	Weight	BigCommerce	Weight	Shopify Plus
TCO	3		1		5		3		3
Internationalisation	5		5		5		2		2
Feature Set	4		4		4		3		3
Technology Ecosystem	5		5		4		3		3
Agency Ecosystem	5		4		3		3		3
Performance	3		2		4		3		3
Future proofing	1		3		4		3		2
Corporate Issues / Positioning/Trust	3		2		4		3		3
Design	3		2		4		3		3
Architecture	2		2		5		3		3
Time to Market	4		2		4		4		5
Commercial Agility	2		2		3		4		5
Total Stars	37		33		44		30		30

Explanation of the USP's

Total Cost of Ownership	TCO
Facilities for offering multi language, currency and warehouse solutions	Internationalisation
CMS, Cat management, Order management, Import/export/integration, product types, promotions etc	Feature Set
Coverage for third party apps / modules / integrations	Technology Ecosystem
Agency Coverage	Agency Ecosystem
Underlying speed, peak vulnerability	Performance
Support Growth over 3-5 years, flexibility	Future proofing
Ownership, market positioning and record of delivering to roadmap	Corporate Issues / Positioning/Trust
Capability to produce best practice content and imagery	Design
Standardisation and scalability of architecture	Architecture
Improve Speed of Frontend development, ease of migration	Time to Market
Level of platform support required, portability of solution (to inhouse or alternate agency)	Commercial Agility

6. Conclusion

The support for Magento 1 ends June 2020 and that's why it's time for web shop owners who use this platform to look at the options on offer. Magento 2 is, of course, an option, but it is very complex and has a high total cost of ownership. In addition the migration from 1 to 2 is a complete re-platform, and therefore complex and expensive.

In this white paper we have covered Magento 1 and 2, Shopware, Shopify Plus and BigCommerce. All these platforms have a similar basic suite of functionality, and differing capabilities to extend and customize this functionality. The choice between SaaS or Open Source / on-premise offers a key strategic direction, which offers a trade-off between flexibility and simplicity - and this depends on the requirements of the business itself and the capabilities of its staff.

At SupportDesk we prefer to work with on-premise/open source, because this offers the widest scope for flexibility – something that cannot be retro fitted. If we take the TCO overview, Shopware turns out to be the big winner. This system is more affordable than Magento 2, works on-premise and is aimed at SME businesses (which coincidentally is also the market we serve!). Shopware is proving a good option as a next step for Magento 1 store owners. Nevertheless, the search for the right eCommerce platform is never the same for all businesses – and the other e-commerce platforms that are dealt with are all comparable and it always depends on the specific situation and strategy.

You can always contact SupportDesk for advice on the right e-commerce platform for your business. We've also created an excel tool to calculate specific platform solutions and comparing the scores using your own values and weighing factors. Please send an email to whitepaper@supportdesk.nu to receive this tool.