Understanding the Total Cost to Upgrade & Implement on Magento 2

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Goals and Expectations

Goals for the Study and this Session

- Magento commissioned FitForCommerce to do a study of the total cost of Magento 2 Enterprise projects

- Interviewed about 20 companies and partners about implementations
  - Cost
  - Time to market
  - Breakdown of effort
  - What factors do (and don't) drive cost and time

- Today at this session:
  - Look at some of the findings
  - Deep dive into two case studies
  - Q&A

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About FitForCommerce

FitForCommerce

Boutique consultancy and team of former practitioners founded to help online businesses figure out what is needed, what to prioritize, how to do it , where to find it.

FFC Benchmarking

Structured detailed benchmark studies across capabilities to help prioritize investments.

Recruiting

For strategic and senior talent that aligns with e-strategy.

eCommerce Diligence™

A philosophy and methodology based on diligent preparation and decision-making to ensure success

Multichannel Strategy	Usability &Optimization
eMerchandising	Technology Selection
eMarketing	Organizational Development
Operations	

Trusted Advisor to 100+ eCommerce & Multichannel Retailers

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Research and Methodology

Merchant Respondent Profiles

Type	5 upgrades,	re-platforms and several new	
Sales/yr	$500K	➡	$20 Million
Transactions/yr	1,800	➡	120,000
SKUs	100	➡	1,000,000
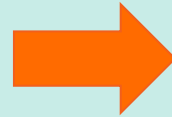
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Location of Merchant Respondents

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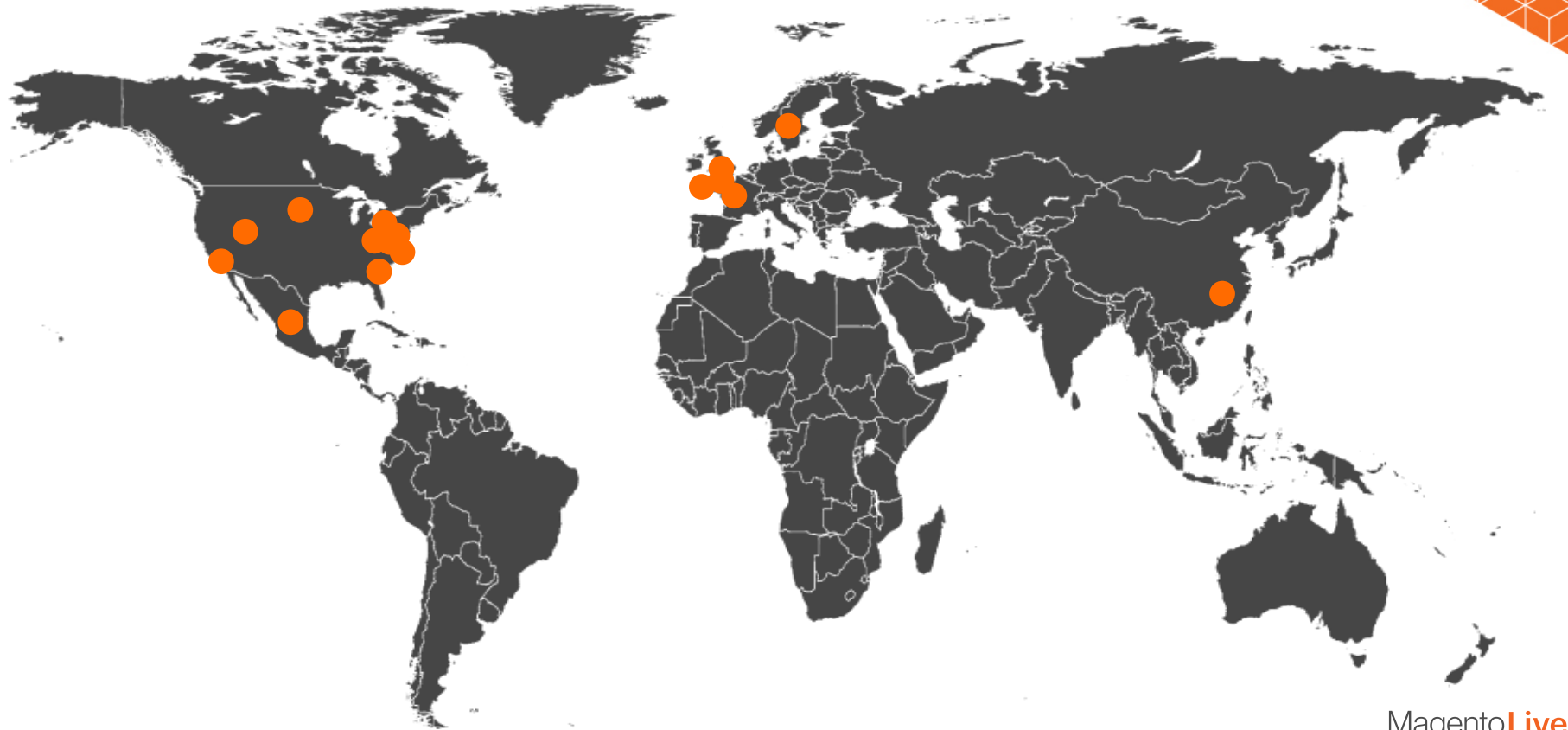
Breakdown of an Ecommerce Projects

Baseline or Core	Standing up and configuring Magento2
Front end development	M2's new front end framework for UI/UX
Customization	Customizations to code that extend functionality (modules)
Extensions	Installation, configuration and testing of extensions
Integrations	Data exchange using M2's web API

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Segmentation of Respondents

Volume	Number of transactions per month (low, high, avg.)
Scale	Number of SKUs and customers
Complexity	Customizations and integrations
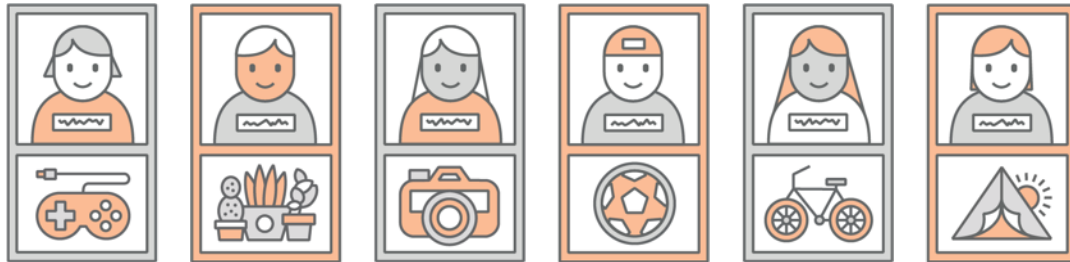
Two Response Profiles

Standard

Ground up Magento theming

Configuration rather than customization of business logic

Handful of popular and mature 3rd party extensions

Data exchange integrations via Magento APIs

Complex

Complicated UX/UI / retrofits

Customization of business logic

Early versions of extensions, many extensions, custom extensions

Complicated integrations

About the Results

- Cost and time of implementation only

- Normalized costs for implementations that were done by partners and those that were done internally
  - internal hours counted as $150/hour

Results

Cost of **Standard** Implementation

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Time for **Standard** Implementation **2.1**

Months

	0	1	2	3	4	5

J — 3
L — 3
O — 3

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Cost of **Standard** Implementation **2.1**

$0	$50,000	$100,000	$150,000	$200,000	$250,000

J

O

L

$133K Avg.

£105k Avg.

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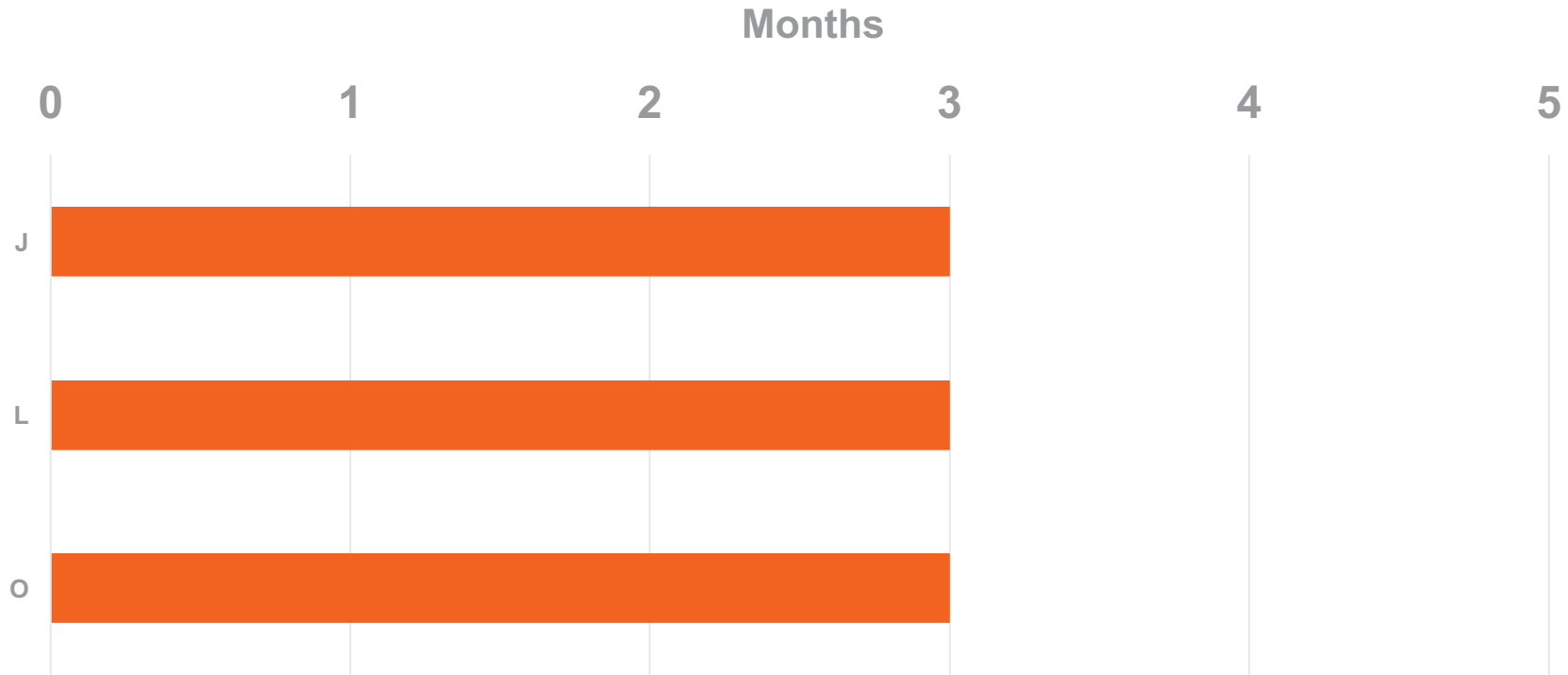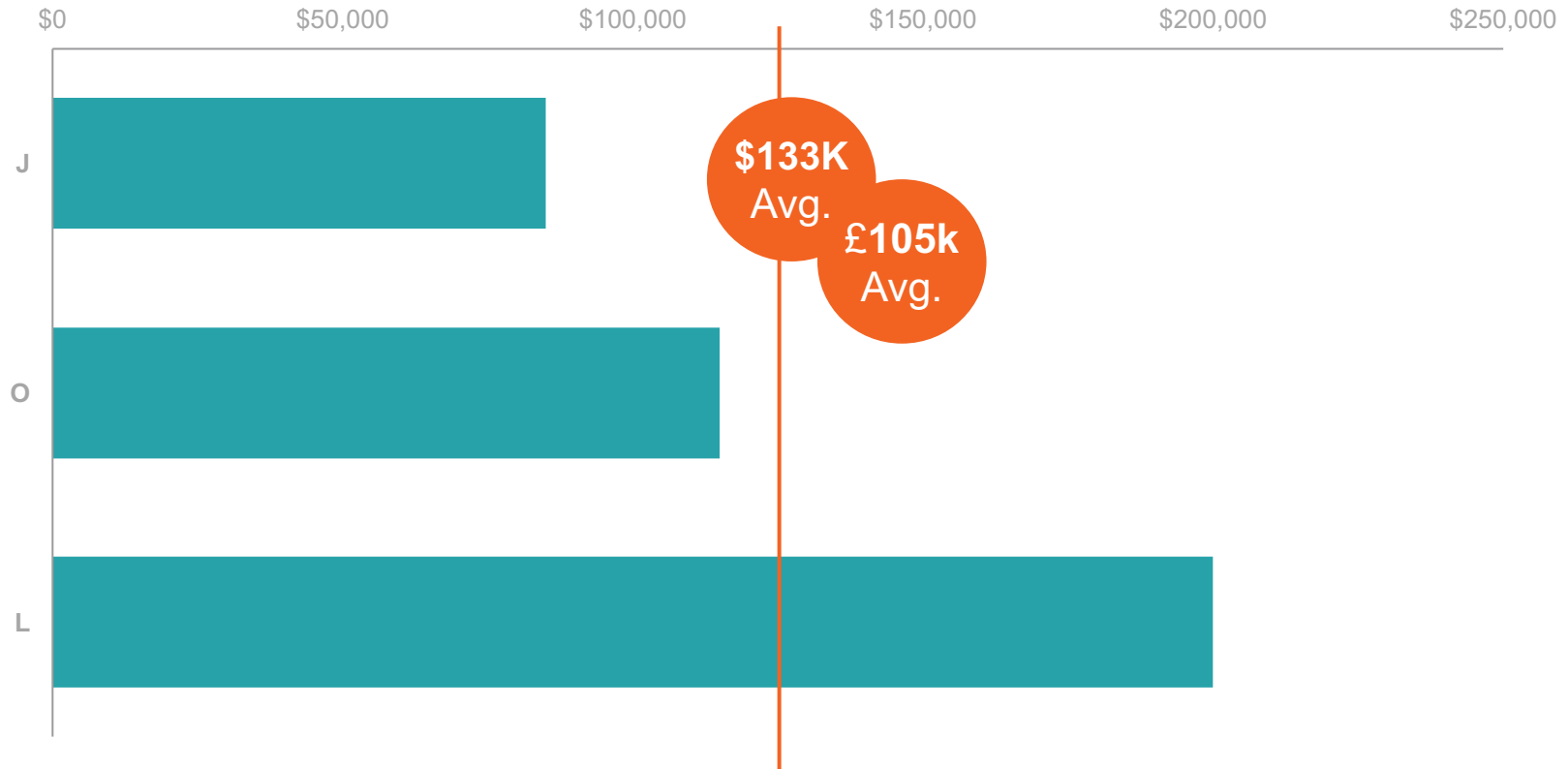
Time for **Complex** Implementation

Months

					6.14 months Avg.				
0	1	2	3	4		6	7	8	9

M

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H
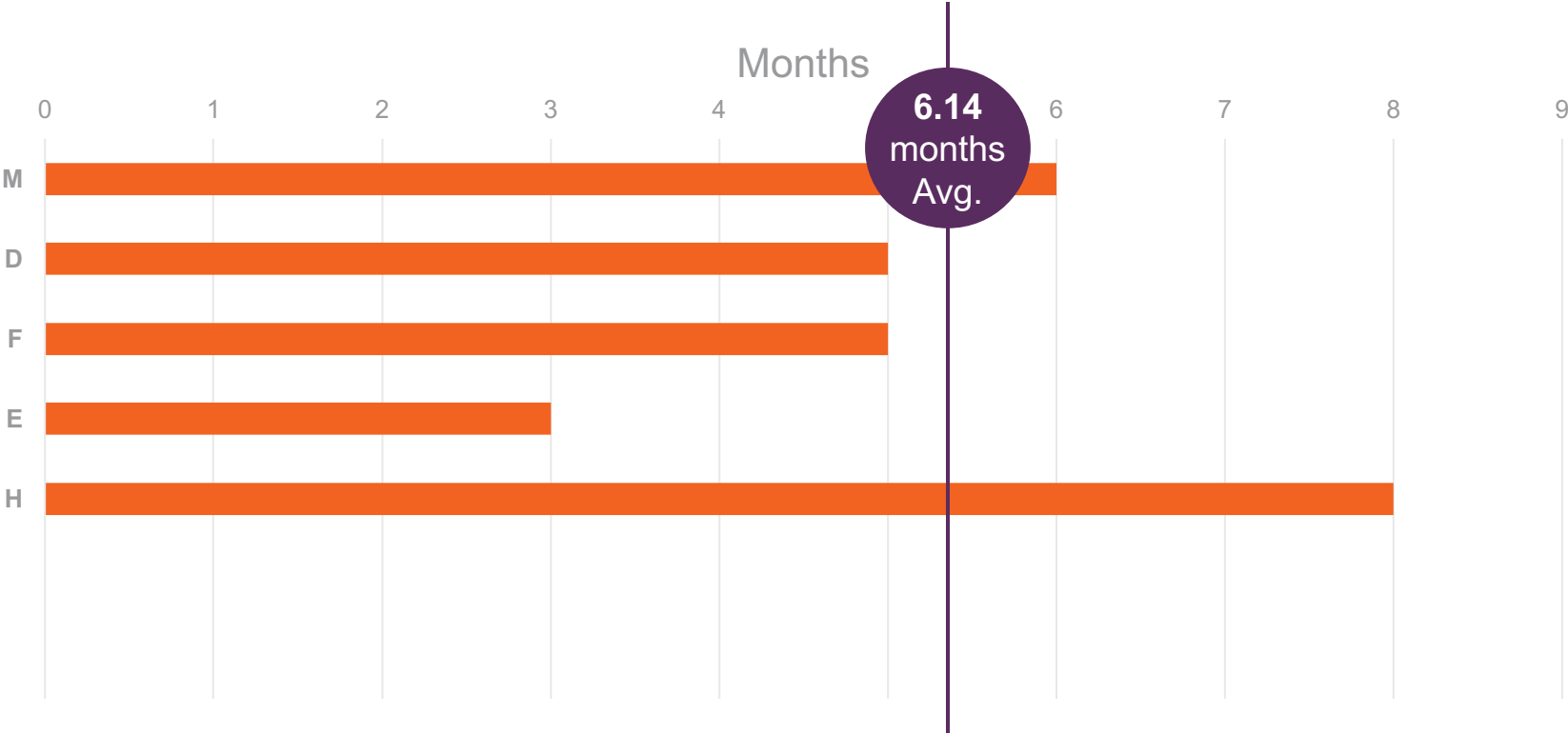
Cost of **Complex** Implementation

| | $0 | $100,000 | $200,000 | $300,000 | $400,000 | $500,000 | $600,000 | $700,000 |

$319k Avg.

£252k Avg.

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Breakdown of Effort

Standard	28%	15%	24%	12%	28%
Complex	20%	8%	30%	15%	42%

■ Front End ■ Core ■ Customization ■ Extensions ■ Integrations

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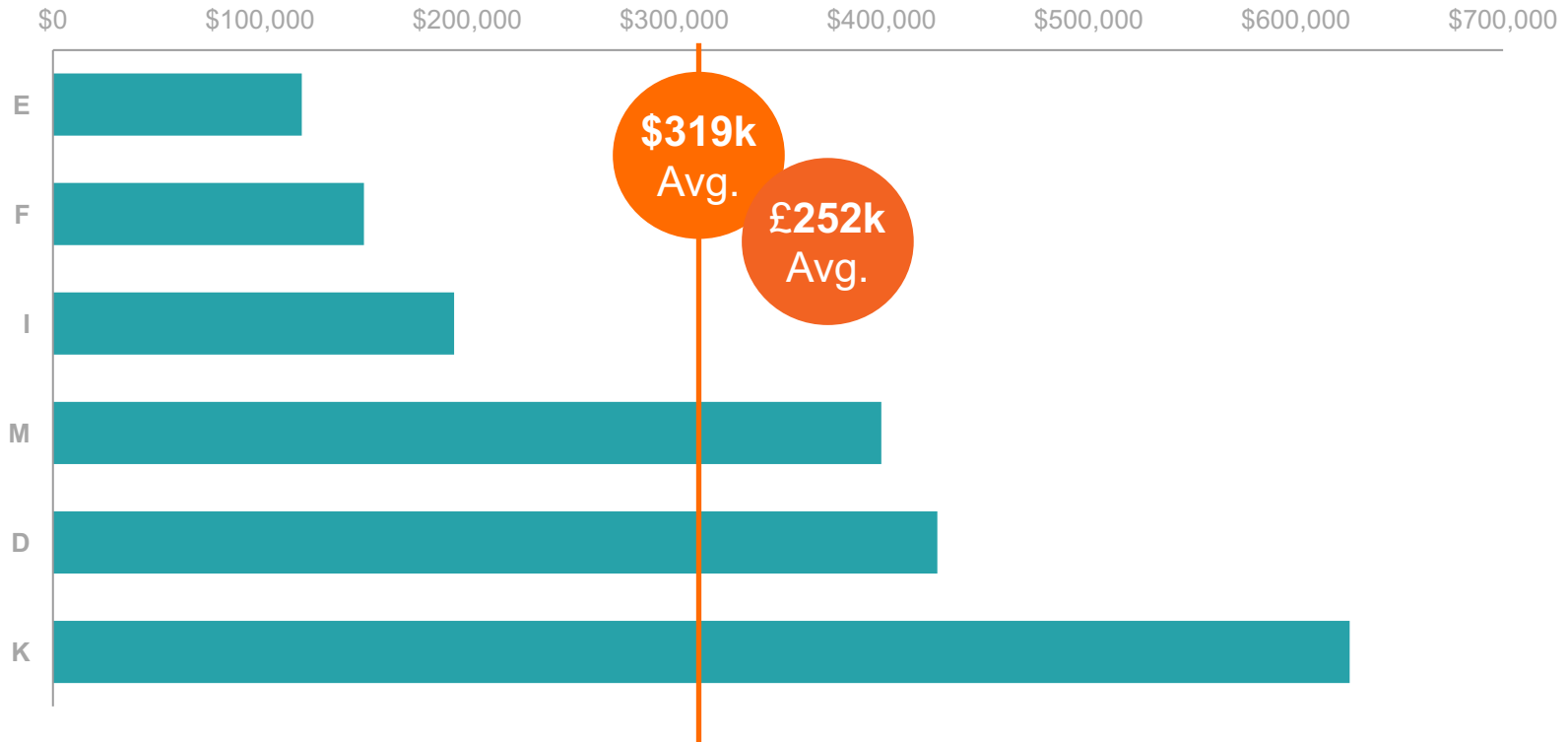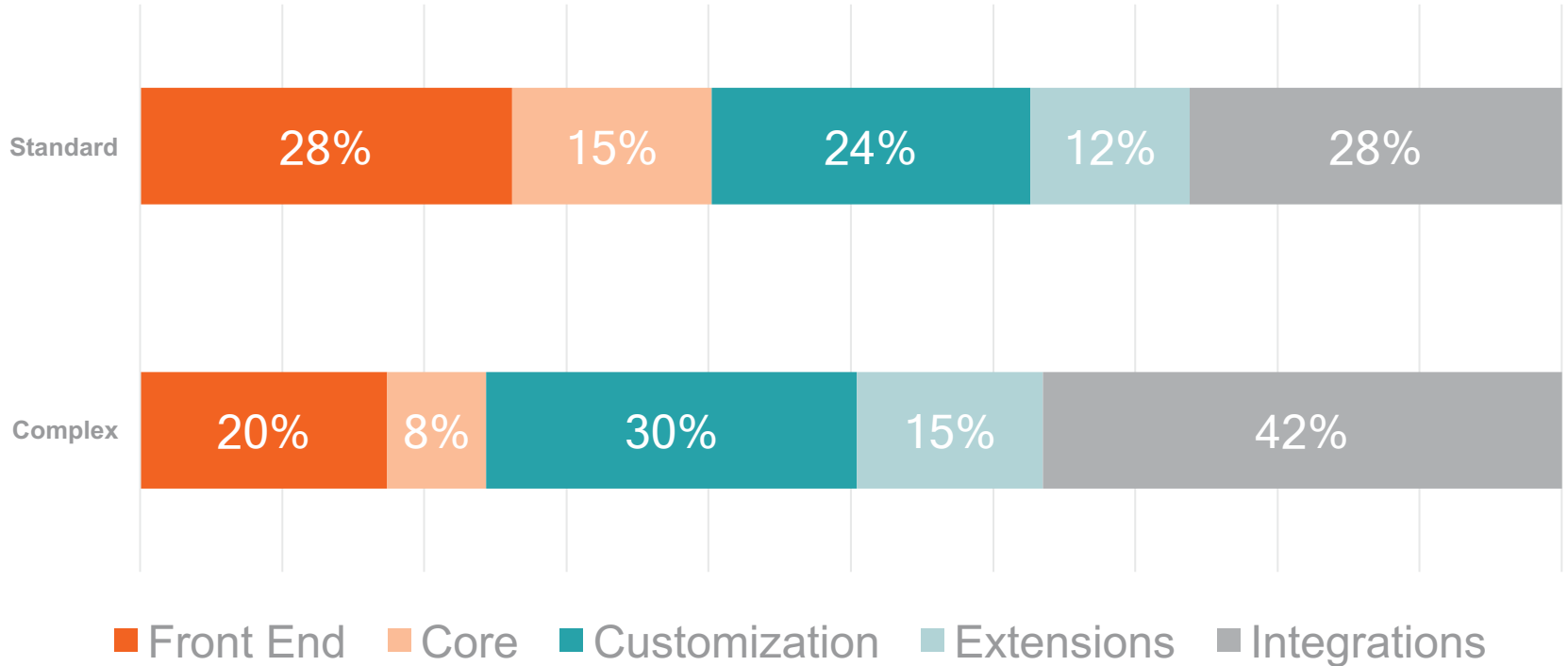
Drivers of Cost and Time

Not Significant

- Revenue
- Transaction volume
- Integrations via APIs
- Widely used and mature extensions

Significant

- Data Migration
- Complex UI requirements
- Theme migration
- Complex customization of business logic
- Experience of partner
- Early version of extensions
- When you implemented M2

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Case Study: Oliver Sweeney

Alex Barbier

Digital Marketing Director

About Oliver Sweeney

Founded in Britain in 1989, Oliver Sweeney have been making shoes great for over 25 years. Taking inspiration from around the world and filtering it through a very British lens.

Vital statistics

$5,000,000 online revenue

20,000 online orders per year

5000 SKUs (shoes and apparel)

Was on bespoke e-commerce platform before Magento 2.0

Oliver Sweeney

Hours	1,600
Cost	$427,000
Elapsed time	5 months
Integrations	Epos, CRM, OMS
Extensions	Zendesk, Amasty, Extento, Rocketweb, Dotmailer,and SLI…
Hosting	Cloud Enterprise
Partner	Redbox

Distribution of Effort

- Front End 10%
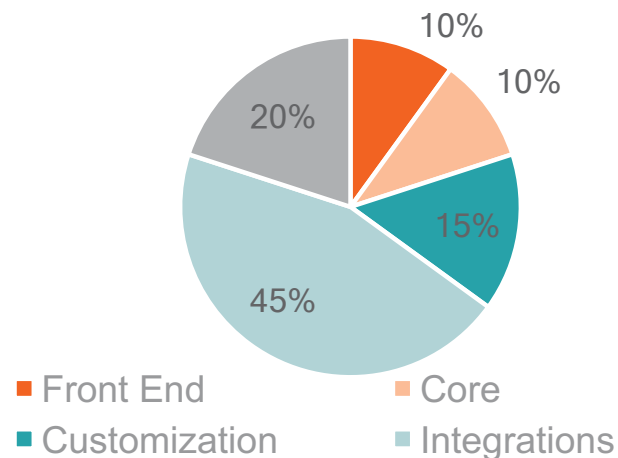- Core 10%
- Customization 15%
- Integrations 45%
- (gray) 20%

Highlights

Speed and ease of deploying a new campaign

Stable platform

Drag and drop remerchandising

Great results

Challenges

Early adopter of Magento 2 Cloud

Identified core bugs which took a while to resolve

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Oliver Sweeney: Before and After Magento 2

	Before	**After**
KPIs	Conversion Rate: 1.87% Cart Abandonment: 68% Bounce rate issues	Conversion Rate: ~2% +6.57% (mobile conversion rate: +21.5%) Cart abandonment below 55% Bounce rate: -6% Revenue up 14% vs. prior year Avg. Transaction up 9%
Capability	Slow merchandising Limited promotional options No real CMS	Drag and drop merchandising Promotion engine opened opportunities Ability to create new content easily, including landing pages etc.

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Case Study: Sana Safinaz

Moeed Ahmed Sheikh

Deputy Manager - Digital Business

About Sana Safinaz

Premier luxury retailer offering elegant ready-to-wear and fabrics, tastefully printed and embroidered along with avant-garde silhouettes to suit the modern woman.

30 brick-and-mortar stores

Ship products to customers around the global

Vital Statistics:
$5M - $10M online revenue
Seasonal Collections & Everyday

Sana Safinaz

Hours	450
Elapsed time	30 Days
Integrations	Order fulfillment, Point of Sale
Extensions	Custom – social (Instagram)
Hosting	Magento
Partner	Webwork Solution

Highlights

Easily integrated POS solution to streamline order fulfillment and inventory management

Improved store / customer experience

Shoppable product catalogs

Phased release approach

30-DAY
TIME TO
MARKET

Sana Safinaz: Before and After Magento 2

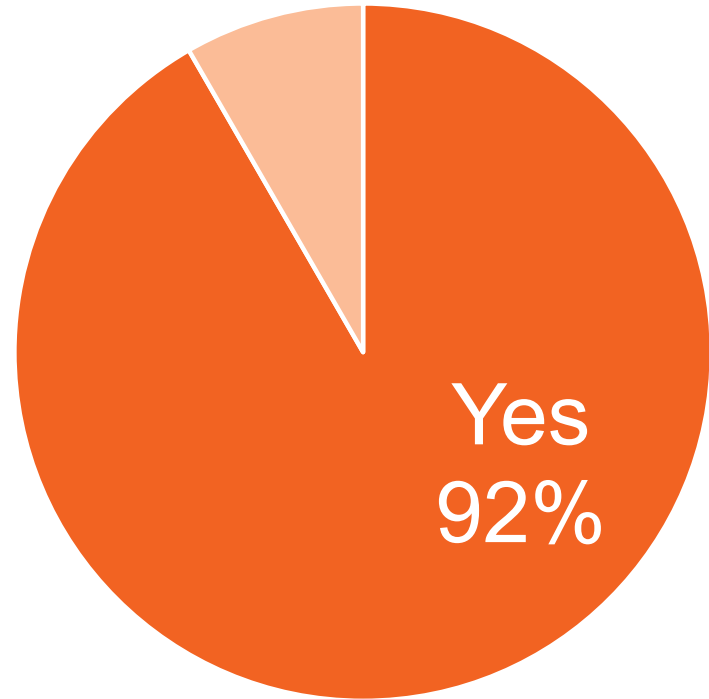|	Before	After
KPIs	Processed 1,000 orders max per day	Orders received increased 1.7x Processed > 5,000 orders / day Increased digital share of company's overall revenue 35% reduction in page loads
Capability	.NET eCommerce Sub-optimal experience	Prestige among customers Seamless fulfillment integration

Key Takeaways

Magento 2 Adoption Curve

WE ARE HERE

2.1.x, Maturing extensions and data migration tools. More predictable costs and timelines. Experienced developers and SIs.

Bulge bracket

As the market matures, more developers and SIs are certified, but the most experienced ones are in high demand

Early Market

Beta, GA, 2.0.x, …extensions become available and begin to mature, community grows, SIs become experts…

Late Market

Playing catch-up with your competition and with shopper.

Chasm

Beta   Early Adopters   Early Majority   Late Majority   Laggards

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Strong Loyalty for Magento 2

Question:

"Would you recommend implementing Magento 2?"

Yes
92%

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Summary Wrap Up

Quotes

"Stable and doesn't breakdown."

"Created and implemented correctly"

"Does what it says"

"A new version of Magento with all the old features plus new ones"

"Brilliant!"

Success factors for moderate TCO

Strong and experienced partner/team

Build a UX from the ground up for Magento 2

Leverage out of the box – there is quite a bit there.

Build a business case for any significant customization of business logic

Thank You

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Q & A

Supporting data

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Representative Implementations

	P	B	J	O	I	N	E	D	F	K
Revenue 2016	$360,000	$800,000	$840,000	$840,000	$1,100,000	$1,200,000	$1,500,000	$4,475,086	$16,114,560	$20,000,000
Transactions 2016	6000	16,000	14,400	1,800	7,000	2,400	10,000	19,200	120,000	-
SKUs	150	100	4,500	1,900	1,000,000	1,200	1,000	5,000	1,500	~5,000
Project Type	New	Migration (M1)	Migration (Mag Com.1.7)	New	New	New	New	Migration bespoke	Migration M1	Migration Mag Com.1.9