



The Business Value of Adobe Commerce Cloud

RESEARCH BY:



Leslie Hand
Group Vice President Retail
and Financial Insights, IDC



Jordan Jewell
Research Manager, Digital Commerce
and Enterprise Applications, IDC



Matthew Marden
Research Director, Business Value
Strategy Practice, IDC





Navigating this White Paper

Click on titles or page numbers to navigate to each section.

Business Value Highlights	3
Executive Summary	3
Situation Overview	4
Adobe Commerce Cloud	5
The Business Value of Adobe Commerce Cloud	6
Study Demographics	6
Choice of Adobe Commerce Cloud	7
Use of Adobe Commerce Cloud	7
Business Value and Quantified Benefits	8
Business Enablement	10
Enhanced Development and Agility	12
Other Operational Efficiencies	14
ROI Summary	15
Challenges/Opportunities	16
Conclusion	17
Appendix: Methodology	18
About the Analysts	19
Message from the Sponsor	20

BUSINESS VALUE HIGHLIGHTS



Click on highlights below to navigate to related content within this white paper.

247%
three-year ROI

11 months
to break even

\$46.46M
in incremental
revenue per year

29% higher
incremental revenue on
Adobe Commerce Cloud

67% faster
development of new
features

50% more productive
developers

35% more productive
ecommerce teams

Executive Summary

2020 saw consumers and business buyers transacting over digital channels more than any previous year. For example, consumers increased online shopping by about 90%, according to IDC's September 2020 *Retail Consumer Insights Survey*. The COVID-19 crisis has transformed ecommerce from a "nice to have" to a "must-have" for many organizations as their customers turn to digital alternatives to engage with brands. In 2020, IDC witnessed more business to consumer (B2C) and business to business (B2B) merchants than ever standing up online stores to handle this demand and meet customers' lofty expectations.

These forces have added immense pressure on merchants, which are being challenged to digitally transform their commerce operations beyond just offering a digital storefront. Being digitally transformed, with technologies, people, and processes in place to drive growth, has proven to be a differentiating advantage in the digital commerce and supply chain markets during the initial and current COVID-19 response and recovery periods. Companies that were able to adapt and scale flexible commerce platforms capitalized on surges in online sales and outperformed less adept peers.

However, while growth of ecommerce certainly occurred faster than expected due to COVID-19, the underlying forces for digital adoption were already in place. Consumers and business buyers have steadily been spending an increasing share of their wallets over digital channels for decades, and most consumers were already accustomed to digital marketplaces, social media, and mobile checkouts. Digital commerce is expected to continue driving growth for organizations across all industries in the future; a futureproof digital commerce platform is a critical component for merchants to capitalize on this growth.

IDC interviewed organizations that have established ecommerce operations on Adobe Commerce Cloud, powered by Magento Commerce. These Adobe customers, all of which operate in competitive and fluid markets, linked their use of Adobe Commerce

Cloud to significant incremental revenue gains. They reported that Adobe Commerce Cloud enables a robust and user-friendly ecommerce presence, which enables them to compete for and win new business and extend existing customer relationships.

IDC estimates that interviewed Adobe customers will achieve benefits worth an annual average of \$6.54 million per organization (\$32,100 per \$1 million in sales on Adobe Commerce Cloud) by:

- ▶ **Realizing higher revenue** by offering their products and services on a robust, flexible, and user-friendly omni-channel ecommerce platform
- ▶ **Speeding up delivery** of new products, brands, and services to the market
- ▶ **Enabling teams that support their sellers and sales operations** to work more effectively and efficiently
- ▶ **Consolidating** on a single high-performing ecommerce platform

Situation Overview

2020 was a year like no other for online merchants, marked by a steep increase in ecommerce shopping driven by COVID-19, leaving a permanent stamp by driving new customer behaviors. Consumers and business buyers conducted a record proportion of their shopping online, accessing more self-service, mobile, and contactless capabilities and a variety of fulfillment options (delivery, curbside, and pick up in-store). According to the U.S. Census Bureau, ecommerce as a percentage of all retail sales gained about 5%, with ecommerce sales up 29.1% year over year in October 2020 and Cyber 5 weekend ecommerce sales up by over 34% year over year.

According to a recent IDC Retail Insights survey, consumers reported that the percentage of time spent shopping online increased by 90% in 2Q20 and 3Q20, and more importantly, consumers said that they will shop more online even when concerns about COVID-19 fade. Bottom line, previous buying trends have been altered, new habits have been formed, and this already has shaped, and will continue to shape, merchants' priorities, as follows:

- ▶ In the near term, businesses are prioritizing investment in digital and contactless services and processes, all while being mindful about maintaining a safe and secure environment for employees and customers. New ways of working and running businesses are required.
- ▶ Data and analytics will enable customer-centric engagement among B2C and B2B sellers. Focus has shifted toward responsive and personalized customer engagements designed to drive greater loyalty, better conversion rates, higher traffic, and higher-value orders/carts.
- ▶ In an effort to build resilient, adaptable, and scalable enterprise capabilities, merchants will make holistic commitments to modernized technology infrastructure and tools, embracing headless commerce, microservices, and containerized platforms to support rapid development and adaptation approaches.

While the effects of the COVID-19 crisis are expected to fade through 2021, prompting more regular business and social practices, digital commerce is here to stay. Organizations of all sizes and in every industry, including across B2C or B2B—or both, should consider how they can digitize their commerce practices to improve their buyers' experiences across the customer journey.

Adobe Commerce Cloud

Adobe Commerce Cloud, built upon Magento Commerce, is offered as part of the Adobe Experience Cloud product portfolio. The solution includes integrations with Adobe Experience Manager, Adobe Target, and Adobe Analytics. Magento Commerce provides a full-featured digital commerce platform for both B2C and B2B commerce, as well as order management and business intelligence services offered as software as a service (SaaS). Magento Commerce also provides native services that enable customers to access and monitor a single repository of consumer orders (including order generation and receipt, inventory availability, shipment, delivery tracking, return, payments, and taxation).

Magento Commerce provides a full-featured digital commerce platform for both B2C and B2B commerce, as well as order management and business intelligence services offered as software as a service (SaaS). Magento Commerce also provides native services that enable customers to access and monitor a single repository of consumer orders.

Adobe provides its customer experience and content management system (CMS) applications through a two-level approach:

- ▶ The first level is delivered by the native Magento Commerce CMS called Page Builder. The native CMS supports sellers with advanced page and storefront creation and management to build online storefronts that work across web and mobile browsers. Similarly, Magento Commerce comes with PWA Studio, a development framework that enables merchants to design decoupled storefronts that are optimized for mobile.
- ▶ The second level relies on Magento Commerce's integration with Adobe Experience Manager, supporting merchants' with more advanced requirements. This level aims to coordinate customer experience and content management services by providing content life-cycle management, digital asset management, and dynamic content personalization. Adobe Experience Manager also supports full experiences beyond the storefront such as lookbooks, buyer guides, digital signage, and other omni-channel scenarios. For its CMS, Magento Commerce integrates Adobe Substance on 3D product design and review and image management via Adobe Experience Manager. Adobe Experience Manager leverages Adobe Sensei to personalize content, pages, videos, and images based on machine learning (ML). Finally, Adobe Creative Cloud enables design and marketing teams to collaborate on content creation and delivery via Adobe Experience Manager or Magento Commerce.

Across the suite, Adobe Experience Cloud leverages AI/ML analytics through Adobe Sensei in different use cases. For example, Magento Commerce leverages Adobe Sensei for AI-driven product recommendations. Adobe Launch uses Magento Commerce–based sites to add Adobe services such as content personalization (Adobe Target), customer journey analytics (Adobe Analytics), social and email

personalization (Adobe Campaign), shopper retargeting and remarketing (Audience Manager), and customer profiling based on Adobe's Real-Time Customer Data Platform (RT-CDP).

Adobe has established partnerships with large technology providers that are part of the digital commerce platform ecosystem (e.g., Microsoft, Google, AWS, and ServiceNow) and companies with specific capabilities (e.g., Drupal, PayPal, Nosto, Signifyd, and Facebook).

The Business Value of Adobe Commerce Cloud

Study Demographics

IDC conducted in-depth interviews with eight Adobe Commerce Cloud customers using the platform to sell their products and services. Interviews were designed to understand both the quantitative and qualitative impact of using Adobe Commerce Cloud. Study participants were generally large enterprise-level organizations, with complex business operations across many markets and regions, with an average of almost 67,000 employees and average annual revenue of \$29 billion. Overall, they have customer bases that count well into the millions (average of 2.57 million customers) that they service through an average of almost 123 million transactions per year. Interviewed Adobe customers brought the perspectives of organizations based in North America, Europe, Middle East, Africa (EMEA), and Asia Pacific (APAC) and industry verticals that included sellers and retail/wholesale, pharmaceutical, manufacturing, and technology companies (see **Table 1**).

TABLE 1
Demographics of Interviewed Organizations

	Average	Median
Number of employees	66,988	40,500
Number of customers	2.57 million	1.12 million
Number of transactions per year	122.97 million	5 million
Revenue per year	\$29.0 billion	\$8.35 billion
Countries	United States (3), Czech Republic, Spain, Switzerland, Kuwait, and Singapore	
Industries	Retail (3), pharmaceutical (2), manufacturing, retail/wholesale, and technology	

n = 8, Source: IDC In-depth Interviews, November 2020

Choice of Adobe Commerce Cloud

Study participants cited varied reasons for choosing to run their ecommerce operations on Adobe Commerce Cloud but expressed a common need for a powerful, flexible platform. They also wanted a platform that would allow them to demonstrate their digital expertise to customers that are increasingly digital first in buying patterns and expand their business footprints with confidence into new markets, brands, and channels. Interviewed Adobe customers referred to the strong functionality of Adobe Commerce Cloud, as well as their ability to use it as a businesswide platform that still offers strong customization as necessary. Finally, they noted the value of the platform's ability to integrate it into their broader Adobe ecosystems, including Adobe products such as Adobe Experience Manager, Adobe Target, and Adobe Analytics.

“Adobe Commerce Cloud offered the amount of flexibility we needed at the time There’s a lot of nuance around what each store might have to offer, and customization is important.”

They spoke to their decision criteria in more detail:

▶ **Ability to customize across seller footprint:**

“Adobe Commerce Cloud offered the amount of flexibility we needed at the time There’s a lot of nuance around what each store might have to offer, and customization is important; for example, some stores do loyalty programs, but some don’t It was all customizable within the Magento platform.”

▶ **Ease of development and quality of system resource:**

“The first reason for choosing Adobe Commerce Cloud was the ease of development and finding resources to support the system. The other main reason was being able to turn over some of these capabilities to our business partners so they could self-serve and be able to have some level of control over content.”

▶ **Strong technological and functional foundation:**

“The technology and functionality of Adobe Commerce Cloud were good. Adobe also provides hosting, and we’re really trying to outsource, using an outside hosting-first model.”

▶ **Ability to run substantial number of websites efficiently:**

“We wanted a platform robust enough for more than one hundred websites, and nothing else close to being able to do this.”

Use of Adobe Commerce Cloud

Interviewed organizations have leveraged Adobe Commerce Cloud to build out their online and omni-channel ecommerce capabilities. Several interviewed organizations used Adobe Commerce Cloud as a first sustained effort to establish ecommerce capabilities, while others described Adobe Commerce Cloud as their core ecommerce platform capable of running their disparate digital sales activities. Study participants had both robust B2C and B2B activities, with roughly two-thirds of their sales on Adobe Commerce Cloud being B2C in nature and the other one-third being B2B. They reported using the platform to “meet the customer” at the desired means of completing a transaction, with about 50% of platform sales bought online and then delivered, 10% bought in the store, and almost 40% bought online and then picked up in the store.

Interviewed Adobe customers described using Adobe Commerce Cloud to initiate varied digital sales strategies that reflect their diverse and sometimes complex business activities. These models included:

- ▶ Establishing a “factory model” for online sales of various brands
- ▶ Integrating online sales activities with brick and mortar for models like click and connect
- ▶ Moving B2B customers from inefficient and ineffective call-in to online ordering
- ▶ Using an enhanced online presence as a motivator to get customers in-store
- ▶ Providing customers with a more self-service-type option with price/stock transparency as a way of reaching new customers

Table 2 provides an overview of the digital commerce businesses that study participants were running on Adobe Commerce Cloud at the time of interview. While several interviewed organizations were still relatively new to the platform, Table 2 demonstrates the substantial business operations already attached to Adobe Commerce Cloud, including an average of 3.75 million transactions per year, 1.59 million customers per year, and annual sales volumes of \$204.12 million.

TABLE 2
Use of Adobe Commerce Cloud

	Average	Median
Number of transactions per year	3.75 million	640,000
Sales per year	\$204.12 million	\$72.43 million
Number of goods/products	40,125	34,000
Number of languages supported	12	2
Number of unique customers per year	1.59 million	168,200

n = 8, Source: IDC In-depth Interviews, November 2020

Business Value and Quantified Benefits

IDC research underscores the significant business impact for organizations of improving and extending their digital commerce presence with Adobe Commerce Cloud. Study participants reported winning significant new online and omni-channel business opportunities, which has resulted in substantial revenue gains. Interviewed Adobe customers cited various reasons for this business growth, but their ability to win incremental revenue ties back to having a robust, flexible,

and customizable platform that enables them to deliver a robust digital experience that existing customers prefer and new customers value.

They described some of the most significant ways that Adobe Commerce Cloud has affected their business activities:

▶ Ability to deliver new brand in less time:

“Adobe Commerce Cloud has allowed us to build a factory model for our multiple brands Now, we can churn out a brand in two weeks for market sales. It’s very easy now and completely standardized. That is a lot of value we’ve done with Adobe Commerce Cloud.”

▶ Automation of sales orders:

“Our business colleagues estimate they’re saving about 5–7 minutes per order with Adobe Commerce Cloud. We have hundreds of thousands of orders globally, and when we look at the numbers just in our early ramp, we’re seeing that the customers are using it and coming back Instead of talking to customers to do data entry, now they can go out there and try to sell, come up with more creative ways to increase sales.”

▶ Strong customer experience:

“Adobe Commerce Cloud allows us to have a very relevant brand presence for those that are visiting our site. We know that over half of the customers that visit our site have a good enough experience where they say they’re going to go into the store next. That is just worth everything to us. Our business case is very much driven off the website’s propensity to keep that customer engaged enough to have them come into the store.”

“Adobe Commerce Cloud allows us to have a very relevant brand presence for those that are visiting our site. We know that over half of the customers that visit our site have a good enough experience where they say they’re going to go into the store next. That is just worth everything to us.”

Figure 1 (next page) demonstrates the value that interviewed Adobe customers attributed to their use of Adobe Commerce Cloud. IDC calculates that interviewed Adobe customers will achieve benefits worth an average of \$6.54 million per year per organization (\$32,100 per \$1 million in platform sales) in terms of:

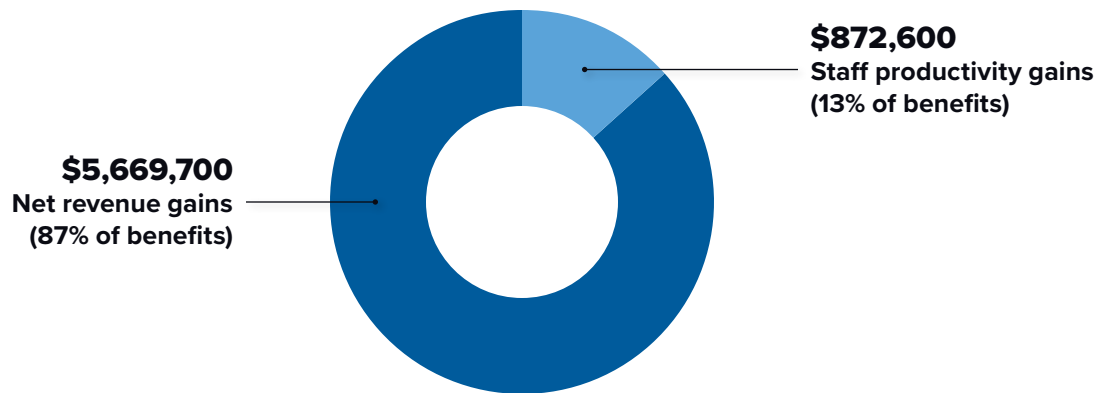
▶ Net revenue gains:

Study participants reported achieving substantial incremental revenue by offering customers new ways to shop, providing an enhanced digital experience, and being faster to market with new brands and into new markets. The value of higher revenue makes up most of the overall value that they reported achieving, with IDC putting the value of higher net revenue at an annual average of \$5.67 million per organization (\$27,800 per \$1 million in platform sales).

▶ Staff productivity gains:

Study participants linked the use of Adobe Commerce Cloud to efficiencies for various teams working in developing seller platforms and supporting digital sales, including customer support and ecommerce teams. IDC estimates that time savings and higher productivity for these teams will be worth an annual average of \$872,600 per organization (\$4,300 per \$1 million in platform sales).

FIGURE 1
Average Annual Benefits per Organization



\$6.54 million per year per organization

n = 8, Source: IDC In-depth Interviews, November 2020

Business Enablement

Study participants linked significantly higher revenue to their use of Adobe Commerce Cloud. Importantly, they confirmed that they were not only shifting sales from other channels or platforms to Adobe Commerce Cloud but that the platform was helping them address, compete for, and win net-new business opportunities. All interviewed Adobe customers operate in highly competitive markets, some of which are relatively mature, requiring them to not only hold onto their existing customers but win new customers. Finding ways to create meaningful competitive differentiation is therefore essential but also often challenging. However, study participants consistently described ways that they have used Adobe Commerce Cloud to deliver ecommerce possibilities to their customers in ways that generate new business opportunities, unlock latent demand, and create increased customer enthusiasm for their products.

Because interviewed Adobe customers all face unique business challenges that require finding individualized opportunities for growth, they described a variety of ways that Adobe Commerce Cloud has helped them differentiate their ecommerce offerings, including the following:

▶ **Factory model enabling timely deployment of new brands:**

One study participant credited Adobe Commerce Cloud with enabling it to bring new brands to the market in far less time, allowing it to address demand for these brands in a timely way: *“The factory model with Adobe Commerce Cloud enables fast deployment per brand per market. This is a model where the technology is basically seamless, and you just have to change the logo and the vendor’s name.”*

▶ **Platform flexibility enabling local markets:**

One interviewed Adobe customer noted that Adobe Commerce Cloud provides sufficient flexibility for it to tailor its ecommerce offerings to local market conditions:

“The most significant benefit for us of Adobe Commerce Cloud is the flexibility we get from the platform—be it merchandising activities, marketing demand generation, spinning up a campaign, or creating content quickly Overall our markets can do more a lot more quickly, which is ultimately what it’s all about.”

▶ **Provided the ability to pivot business as needed during COVID-19:**

One interviewed organization credited Adobe Commerce Cloud with helping it adapt to the major transformation that the COVID-19 pandemic has imposed upon it: *“There were a lot of different pivots relative to the COVID-19 pandemic, and we were able to accomplish those pivots with Adobe Commerce Cloud. Our team really got to shine when we made several changes on our own without the involvement of a systems integration and without a lot of new investment in Adobe Commerce Cloud.”*

▶ **Better customer experience in buying products:**

One study participant described how it has used Adobe Commerce Cloud to move phone-based sales to ecommerce transactions that are more user-friendly and likely to result in sales: *“When our sales representatives are in the field trying to sell a new multimillion-dollar deal and we say, ‘You’ve got to call in and rattle off a 50-line item order sheet, and our material numbers are 11–18 characters long,’ our customers would get frustrated, and this doesn’t happen with Adobe Commerce Cloud.”*

Interviewed Adobe customers reported that Adobe Commerce Cloud has not only provided an efficient and flexible platform for transitioning some of their existing sales to ecommerce channels but also enabled incremental business. They cited results on Adobe Commerce Cloud such as higher conversion rates, lower bounce rates, and higher average transaction values as evidence of incremental business gains that also included offering more brands (average of 14% more brands) and serving more customers (average of 7% more customers).

They provided examples of how Adobe Commerce Cloud has driven business growth:

▶ **Improved across-the-board sales metrics:**

“We’ve improved our conversion rates by over 50% with Adobe Commerce Cloud in a number of the markets that we’ve launched in so far. Our mobile conversion is also up, but not to the same degree Also, our average order value is up 5–10% and bounce rates are down 10–15%, which is great.”

▶ **Demonstrating digital expertise and higher average transaction values:**

“We need to show to market that we understand and know digital retail and are market leaders, Adobe Commerce Cloud is helpful for us in showing this Also, we tend to see average transaction values that are 2–3x higher with online transactions than in-store transactions.”

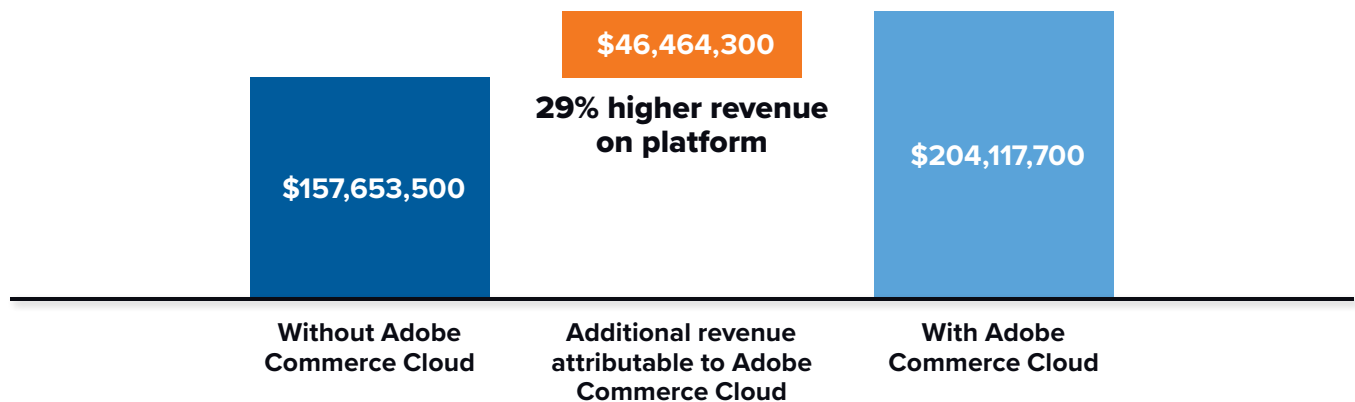
Figure 2 (next page) presents IDC’s analysis of the incremental business gains that study participants attributed to their use of Adobe Commerce Cloud. Of more than \$200 million per organization per year in sales on the platform, they noted \$46.46 million as incremental sales (i.e., business that they would have been unlikely

“The most significant benefit for us of Adobe Commerce Cloud is the flexibility we get from the platform—be it merchandising activities, marketing demand generation, spinning up a campaign, or creating content quickly Overall our markets can do more a lot more quickly, which is ultimately what it’s all about.”

to win without Adobe Commerce Cloud). Otherwise stated, IDC calculates that study participants will recognize additional revenue related to their use of Adobe Commerce Cloud that will be worth more than 22 times their total investment costs in Adobe Commerce Cloud over three years (\$113.39 million in higher revenue compared with investment costs of an average of \$5 million per organization over three years).

These higher sales attributable to Adobe Commerce Cloud represent 29% higher revenue on the platform. These business gains relate to reaching new customers, having existing customers spend more, and establishing a platform agile and flexible enough to match business needs. Thus, while study participants recognized that much of the sales they are moving to their ecommerce platforms represents a shift from brick and mortar or other online sales channels, they also reported that Adobe Commerce Cloud has enabled them to create and address sizable new sales opportunities, resulting in significant revenue gains and ultimately better business results.

FIGURE 2
Revenue Gains on Adobe Commerce Cloud
(\$ per organization per year)



n = 8, Source: IDC In-depth Interviews, November 2020

Enhanced Development and Agility

Study participants reported benefiting a significant extent from the agility and flexibility of Adobe Commerce Cloud. As a result, they can use Adobe Commerce Cloud in a variety of business situations—including rapidly changing conditions such as those caused by COVID-19—and ensure that the platform delivers the functionality and features required by their ecommerce and business operations.

For interviewed Adobe customers, the benefits of Adobe Commerce Cloud begin with deployment. Several noted appreciating the ease with which they could implement the platform across their complex and changing business operations. One study participant commented: *“The speed of deployment with Adobe Commerce Cloud is an important benefit for us because we went from zero to a fully integrated system in three months. This just doesn’t typically happen in a company our size.”*

Once deployed, study participants have continued to derive value from their ability to leverage it as an agile platform for adapting their ecommerce activities to changing market conditions. One study participant noted: *“What we’re doing with Adobe Commerce Cloud is the first truly agile program I’ve ever worked on at scale Magento’s been fantastic like that. In the first nine months of this year, we did about 80 releases. It’s so very agile and very quick for us to make changes because we have control. I’d say our ability to make changes has improved by at least 200%.”* Another participant cited its ability to make changes in days rather than up to months: *“If we see an opportunity and we make a change, we just make that change in one day with Adobe Commerce Cloud, whereas it might have taken our previous systems integrator one month to complete the change. As a result, we’re far more nimble.”*

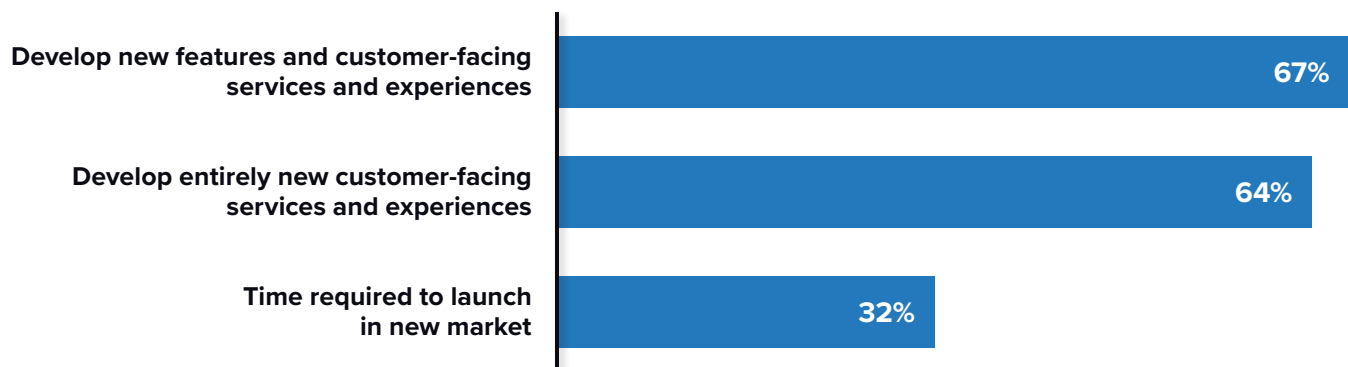
Enhanced agility with Adobe Commerce Cloud has a direct impact on interviewed organizations’ ability to adapt to business conditions, those imposed by market conditions as well as customers and partners. One interviewed customer noted: *“With Adobe Commerce Cloud, we’re much more flexible in adapting to distributors. The flexibility of Magento [Commerce] in any and all environments is its underlying strength.”* Another study participant reported: *“Adobe Commerce Cloud has 10+ years of capabilities that have been built into it. The speed to get things out in front of people is paramount, especially in this landscape.”*

Figure 3 demonstrates the substantial impact that Adobe Commerce Cloud has had on interviewed organizations’ development activities related to their ecommerce efforts. Study participants reported that they can deliver new features and customer-facing services in far less time with Adobe Commerce Cloud, requiring 67% and 64% less time, respectively. From a business perspective, these gains allow them to launch earlier in new markets—32% earlier on average. Overall, these efficiencies contribute to much more productive and valuable ecommerce development activities, with interviewed Adobe customers reporting that these development teams are on average 50% more productive working on the Adobe Commerce platform (refer to **Table 3, next page**).

If we see an opportunity and we make a change, we just make that change in one day with Adobe Commerce Cloud, whereas it might have taken our previous systems integrator one month to complete the change. As a result, we’re far more nimble.”

FIGURE 3
Development-Related Efficiencies with Adobe Commerce Cloud

(% of improvement)



n = 8, Source: IDC In-depth Interviews, November 2020

Other Operational Efficiencies

Study participants reported benefiting from an operational perspective with Adobe Commerce Cloud by having a robust, consolidated ecommerce platform. This not only helps them consolidate in terms of ecommerce subscriptions required, but it also benefits teams responsible for day-to-day ecommerce operations. For example, one study participant commented on how Adobe Commerce Cloud has enabled more efficient and robust stocking at its dispersed locations and the importance of these efficiencies to its business: *“Stocking is important for us because we have no central warehouse and instead have warehouses at various locations around the world This means that our ability to link stock to Adobe Commerce Cloud is critical, and we can interface with Magento [Commerce] to make sure that our products are in stock and create rules not to display a product if it is not in stock.”*

Study participants described benefits similar in nature for other teams such as customer support and ecommerce teams who must support and execute day-to-day business operations. As a result, these teams are more productive with Adobe Commerce Cloud, with 13% higher average productivity levels for customer support teams with an average of more than 100 employees and 35% higher productivity for ecommerce teams. These productivity gains further demonstrate, in addition to incremental revenue gains and demonstrable development efficiencies, the positive impact that Adobe Commerce Cloud has on study participants' ability to efficiently run their ecommerce businesses on a day-to-day basis (see **Table 3**).

TABLE 3

Impact of Adobe Commerce Cloud on Operational Team Efficiency

	Without Adobe Commerce Cloud	With Adobe Commerce Cloud	Difference	Productivity Gain
Development teams (equivalent productivity levels, FTEs)	9.1	13.7	4.6%	50%
Customer support teams (equivalent productivity levels, FTEs)	113.8	128.0	14.2%	13%
eCommerce teams (equivalent productivity levels, FTEs)	11.8	15.9	4.1%	35%
Other operational teams (equivalent productivity levels, FTEs)	17.0	21.7	4.7%	28%

n = 8, Source: IDC In-depth Interviews, November 2020

ROI Summary

Table 4 provides IDC's summary of the benefits and investment costs for interviewed organizations' use of Adobe Commerce Cloud. Study participants reported achieving discounted benefits worth an average of \$15.30 million per organization (\$74,900 per \$1 million in platform sales) over three years based on higher net revenue and staff efficiencies. These benefits compare with total discounted investment costs of \$4.41 million per organization (\$21,600 per \$1 million in platform sales) over three years, which include the cost of third-party support for both initial and ongoing development of Adobe Commerce Cloud. These levels of benefits and investment costs result in an average three-year ROI of 247% and breakeven in investment in 11 months, reflecting the strong value for study participants of using Adobe Commerce Cloud.

TABLE 4
Three-Year ROI Analysis

	Average per Organization	Average per \$1 Million in Platform Sales
Benefit (discounted)	\$15.30 million	\$74,900
Investment (discounted)	\$4.41 million	\$21,600
Net present value (NPV)	\$10.89 million	\$53,400
Return on investment (ROI)	247%	247%
Payback	11 months	11 months
Discount rate	12%	12%

n = 8, Source: IDC In-depth Interviews, November 2020

Challenges/Opportunities

Even prior to COVID-19, the digital commerce market was experiencing rapid change, prompted by evolving customer expectations. This trend is expected to continue well into the future, meaning the digital commerce technology market will also see significant change over the next decade. To achieve its ambitions of unlocking better commerce experiences for its merchants, Adobe has to take advantage of opportunities and overcome numerous challenges in the market. The challenges and opportunities that IDC foresees for Adobe are discussed in the sections that follow.

Challenges

▶ **Open source offering:**

One of Adobe Commerce Cloud's greatest strengths, its open source offering, is also a potential challenge. Because Magento Commerce's core product is open source, and can be leveraged by smaller merchants for free, Adobe has to essentially compete with itself to move merchants over to the fully featured and paid enterprise edition. To continue to overcome this challenge, Adobe needs to walk the fine line of encouraging innovation among its open source community while differentiating the functionality of its enterprise product.

▶ **Fierce competition:**

Because the whole world of commerce is becoming digital, there are numerous incumbents and market entrants in the digital commerce platform space. IDC tracks over 100 digital commerce platform providers in total that compete directly with Adobe Commerce Cloud. To beat out the noise, Adobe needs to look to differentiate its messaging and base product decisions off of customers, above all else.

▶ **Legacy customers:**

Adobe has a massive Magento Commerce customer base, many of which are on older versions of the product. To ensure that customers are successful and benefit from latest innovations, Adobe will need to move B2C and B2B merchants to the newer versions of its digital commerce platform. This is a people and culture challenge more than a competitive or technology problem.

Opportunities

▶ **Headless commerce:**

Adobe has seen success in recent years offering Magento Commerce as a headless digital commerce application, where merchants consume commerce functionality as APIs and use any front end, such as Adobe Experience Manager or PWA Studio, for web store design. Adobe has seen strong traction among customers in the headless commerce segment of the market, and customers that IDC spoke with this year are investing heavily in headless commerce so that they can build unique storefronts on top of Magento Commerce.

▶ **Ecosystem:**

Adobe has one of the largest ecosystems of technology partners, systems integrators, digital agencies, and developers in the entire digital commerce market. This ecosystem helps

current customers succeed with their platform while drawing in net-new customers. In the enterprise applications space, a large ecosystem is reinforcing as more partners and developers tend to join ecosystems that are active.

▶ **Experience management:**

Since Magento Commerce is a part of Adobe's broader Experience Cloud offering, Adobe has a huge opportunity to deliver a more comprehensive digital commerce and experience management platform to merchants. Adobe has a lot of greenfield in this area by allowing merchants to augment their core commerce platform in areas such as web content management, digital asset management, analytics, and marketing automation.

Conclusion

2020 saw consumers and business buyers make greater use of digital channels to make their purchases. Forces driving this trend toward digital purchasing channels are both longer term in nature (e.g., offering a convenient and attractive new channel) and unique to 2020. While COVID-19 spurred faster-than-expected growth to ecommerce, it reflects a steady move of wallet share to digital channels that will continue in the years to come. This makes an organization's digital commerce platform an essential component of their business strategies going forward.

Interviewed Adobe customers described how they have leveraged Adobe Commerce Cloud to address and win significant new online and omni-channel seller business opportunities, resulting in sizable incremental revenue gains. They linked their use of Adobe Commerce to these revenue gains in various ways but stressed that having a robust, flexible, and customizable platform has enabled them to meet the expectations of existing and new customers and face challenges presented by changing customer preferences as well as the COVID-19 pandemic. As a result, they are achieving better business results through their omni-channel commerce operations and better serving their customers. IDC calculates that interviewed Adobe Commerce Cloud customers will achieve overall value worth an average of \$6.54 million per year per organization (\$32,100 per \$1 million in platform sales), which would yield an average three-year ROI of 247%.

Appendix

Methodology

IDC's standard Business Value methodology was utilized for this project. This methodology is based on gathering data from organizations using Adobe Commerce Cloud as the foundation for the model.

Based on interviews with organizations using the platform, IDC performed a three-step process to calculate the ROI and payback period:

- 1. Gathered quantitative benefit information during the interviews using a before-and-after assessment of the impact of using Adobe Commerce Cloud.** In this study, the benefits included revenue gains, staff time savings and productivity benefits, and cost reductions.
- 2. Created a complete investment (three-year total cost analysis) profile based on the interviews.** Investments go beyond the initial and annual costs of using Adobe Commerce Cloud and can include additional costs related to migrations, planning, consulting, and staff or user training.
- 3. Calculated the ROI and payback period.** IDC conducted a depreciated cash flow analysis of the benefits and investments for the interviewed organizations' use of Adobe Commerce Cloud over a three-year period. ROI is the ratio of the net present value (NPV) and the discounted investment. The payback period is the point at which cumulative benefits equal the initial investment.

IDC bases the payback period and ROI calculations on a number of assumptions, which are summarized as follows:

- ▶ Time values are multiplied by burdened salary (salary + 28% for benefits and overhead) to quantify efficiency and manager productivity savings. For purposes of this analysis, based on the geographic locations of the interviewed organizations, IDC has used assumptions of an average fully loaded salary of \$100,000 per year for IT staff and an average fully loaded salary of \$70,000 per year for non-IT staff members, including nurses. IDC assumes that employees work 1,880 hours per year (47 weeks x 40 hours).
- ▶ IDC applies a margin assumption (15%) for additional gross revenue attributed to interviewed organizations' use of Adobe Commerce Cloud, resulting in the net revenue gain calculations applied to IDC's model.
- ▶ The net present value of the three-year savings is calculated by subtracting the amount that would have been realized by investing the original sum in an instrument yielding a 12% return to allow for the missed opportunity cost. This accounts for both the assumed cost of money and the assumed rate of return.
- ▶ Because use of Adobe Commerce Cloud requires a deployment period, the full benefits of the solution are not available during deployment. To capture this reality, IDC prorates the benefits on a monthly basis and then subtracts the deployment time from the first-year savings.

Note: All numbers in this document may not be exact due to rounding.

About the Analysts



Leslie Hand
Vice President, IDC Retail Insights, IDC

As Vice President for IDC Retail Insights, Leslie Hand is responsible for the research direction for IDC Retail Insights, and leads research related to the digital transformation of retail omnichannel operations. Leslie works with retailers and technology providers on developing best practices and strategies, aligned with where they are, and where they want to go, leveraging IDC quantitative and qualitative data sets. Leslie's specific research includes a particular emphasis on mobile, IoT and augmented/virtual reality technologies and the threats and opportunities now facing the entire retail ecosystem from evolving consumer behaviors. Leslie likes to say that she will always be a retailer through and through, but in her current role she now has the opportunity to work for many top retailers and the technology providers that serve them.

[More about Leslie Hand](#)



Jordan Jewell
Research Director, Cloud Infrastructure Services, IDC

Jordan Jewell is a Research Manager for IDC's Enterprise Applications and Digital Commerce team and leads IDC's Digital Commerce research practice. In this role, he leads research initiatives addressing both B2B and B2C digital commerce platforms, digital marketplaces, and adjacent technologies that facilitate online commerce. Jordan conducts quantitative and qualitative research in these areas and acts as a thought leader on the future of commerce. Jordan also engages in modeling and forecasting for IDC's Software Tracker research for various software markets including commerce, order management, financials, ERP, procurement, and enterprise asset management.

[More about Jordan Jewell](#)



Matthew Marden
Research Director, Business Value Strategy Practice, IDC

Matthew is responsible for carrying out custom business value research engagements and consulting projects for clients in a number of technology areas with a focus on determining the return on investment (ROI) of their use of enterprise technologies. Matthew's research often analyzes how organizations are leveraging investment in digital technology solutions and initiatives to create value through efficiencies and business enablement.

[More about Matthew Marden](#)

Message from the Sponsor

Adobe Commerce Cloud empowers businesses to build differentiated shopping experiences that are unique to their brand and supports multiple business models from D2C to B2B all from a single platform at scale. Adobe Commerce Cloud is built on a headless, cloud native, extensible architecture and backed by a global eco-system of developers, partners and users who contribute to innovation on the platform. Adobe's Digital Experience platform, powered by Adobe Sensei, unlocks data-driven insights in real-time to create AI-driven, personalized shopping experiences through creative, content, and merchandizing ingenuity that drives revenue growth.

[Learn more about Adobe's digital commerce solution.](#)

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

IDC Custom Solutions

This publication was produced by IDC Custom Solutions. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies. A license to distribute IDC content does not imply endorsement of or opinion about the licensee.



[idc.com](https://www.idc.com)

[@idc](https://twitter.com/idc)

Copyright 2021 IDC. Reproduction is forbidden unless authorized. All rights reserved.

Permissions: External Publication of IDC Information and Data

Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Doc. #US47329121