The Truth about Total Cost of Ownership

Discover why TCO may be lower with Adobe Commerce than with Magento Open Source.

The velocity of e-commerce growth today is unprecedented. E-commerce advanced by a *decade* during the first three months of 2020.[1] And it just kept growing. In 2019, digital retail sales reached $2 billion on only two days outside the holiday season. In 2020, more than 130 days exceeded that milestone as of August,[2] and the year ended with the single biggest Cyber Monday in history.[2]

Businesses are investing in commerce technology to capitalize on this growth. However, they're also very concerned about total cost of ownership (TCO) given ongoing economic uncertainty. Business capital expenditures dropped 11.4 percent in 2020.[3] And almost 70 percent of CFOs say their companies were affected either negatively or very negatively by the crisis.[4]

> **"** E-commerce advanced by a decade during the first three months of 2020.
>
> **McKinsey.com**
> Our Insights,
> Five Fifty | The Quickening

When businesses are comparing the TCO of Adobe Commerce and Magento Open Source, many assume Open Source is less expensive because the software license is free. But that isn't always—or even usually—true. Adobe Commerce offers many more features than Magento Open Source. Any TCO comparison between the two products should consider the needs of your unique business and the potential costs of development, extensions, integration, equipment, cloud services, support, and more.

This eBook highlights some topics to consider when estimating the TCO of Magento Open Source and Adobe Commerce for your organization.
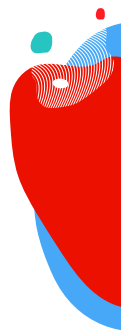
TCO consideration #1: development costs

Adobe Commerce comes with many more features built in than Magento Open Source. This means you have fewer custom features to build when you choose Adobe Commerce. Features exclusive to Adobe Commerce include the following:

- Product Recommendations powered by Adobe Sensei delivers automated, AI-powered product recommendations.

- Page Builder is an easy-to-use tool for creating, staging, and publishing web content without code.

- Customer Segmentation can display content and promotions to specific customers based on their location, behavior, etc.

- Visual Merchandiser includes advanced tools for creating product categories and displays.

- Business Intelligence provides flexible commerce dashboards for monitoring all aspects of your e-commerce business.

- B2B e-commerce delivers complete B2B functionality fully integrated with Adobe Commerce for multi-channel selling.

- Headless Commerce is the ability to build a custom interface on top of the Adobe Commerce back end.

To get Magento Open Source to work the way you'd like it to, you may have to create some of the features already built into Adobe Commerce. Remember, every customization you undertake comes with both upfront development and longer-term maintenance costs, including security and functional updates. Even if you have an IT team, the development hours needed to customize and maintain a commerce platform can be substantial.

Skincare leader upgrades to Adobe Commerce for a better mobile experience.

Innovative skincare brand ELEMIS was doing fine on version 1 of Magento Open Source. When mobile traffic reached 70 percent of their overall web traffic, they decided it was time for a change. After considering several solutions, they chose Adobe Commerce because of its ability to natively support Progressive Web App (PWA) development with PWA Studio.

Because Adobe Commerce comes with an out-of-the-box PWA framework, both the platform and the storefront can be hosted on the same cloud infrastructure. By having everything in the same environment, ELEMIS was able to save both time and resources while improving their mobile experience.

Since PWA Studio was launched:

- Page load speed has improved significantly—from 7.58 seconds on Magento Open Source to 2.98 seconds on Adobe Commerce.

- Because PWAs built on Adobe Commerce integrate with its built-in capabilities like Page Builder— a simple drag-and-drop interface for web page building and editing— ELEMIS spends much less time on content updates.

Read the complete case study

TCO consideration #2: extension costs

Every extension is another piece of software that must be periodically updated and maintained. These extensions will also require you to pay licensing fees. Because Adobe Commerce comes with more features, you'll be relying on fewer extensions, reducing maintenance and upkeep costs.

Because many Magento Open Source sites can end up with 50 or more extensions, extension consolidation is a major benefit of migrating to Adobe Commerce. Some research suggests an upgrade to Adobe Commerce can reduce total extension costs (including licensing, customization, maintenance, etc.) by as much as $12,000 per extension.[6]

Focus on development costs

Today, design and development costs are higher than ever:[5]

- **Web design:**
  $80–$100/hour
- **Web development (full stack):**
  $140–$180+/hour

TCO consideration #3: on-premises infrastructure costs

Both Magento Open Source and Adobe Commerce can run on premises. However, the vast majority of Adobe Commerce customers choose a managed cloud package. That's because scaling up an on-premises environment means buying, deploying, and supporting new equipment, which can be costly and so time-consuming that you miss new opportunities.

Running Magento Open Source on premises requires an investment in equipment (servers, network routers, etc.) as well as the staff or third-party contracts required to deploy new releases, upgrades, and security patches. Plus, you're responsible for securing your digital commerce platform, which may require significant time, effort, and possibly third-party advisory services. If you are running Magento Open Source 1 on premises—which is no longer supported—you will also have to certify your compliance with the [PCI-DSS](#) standard.

TCO consideration #4: DIY cloud costs

Magento Open Source can also run in the cloud. However, you'll need to build your own cloud infrastructure and manage all your infrastructure vendors' invoices, warranties, support contracts, etc. At a minimum, you should secure vendors to supply hosting, a content delivery network (CDN), and performance monitoring.

Managing multiple vendors can be a significant challenge, especially when something goes wrong. Having to coordinate multiple support contacts across multiple firms can complicate operations, making it time-consuming to troubleshoot issues and find their root cause. In turn this will frequently result in longer slowdowns and outages that can adversely affect revenue.

TCO consideration #5: support costs

Although Magento Open Source has a large and vibrant development community, it does not provide any sort of dedicated support.

If you want support for your Magento Open Source site, you will need to hire an Adobe partner or rely on your IT department. Depending on the arrangement you negotiate, you may have to wait hours or even days for a response to questions and operating issues. Plus, IT teams must often balance competing organization priorities, which means problems with your commerce platform may not be the first thing they address within their work queue.

Conversely, Adobe Commerce is available with a variety of support contracts. It also comes with tools like these to help you maintain your store and minimize costs associated with support and upgrades:

- The Site-Wide Analysis tool provides 24x7 performance monitoring as well as recommendations for addressing issues.

- Magento Managed Alerts powered by New Relic technology can notify your Adobe Commerce support team and your IT organization of potential issues.

- The Upgrade Compatibility Tool identifies potential issues in your custom code that must be addressed before your instance of Adobe Commerce can be upgraded.

TCO comparison worksheet

	Magento Open Source	Adobe Commerce
B2B commerce	Add custom development + maintenance	
CMS tools	Add custom development + maintenance	
Product Recommendations	Add custom development + maintenance	
Customer Segmentation	Add custom development + maintenance	
Marketing and merchandising	Add custom development + maintenance	
Business Intelligence	Add custom development + maintenance	Software licensing fees + managed cloud
Hosting/infrastructure	Add hosting + CDN	
Performance monitoring	Add New Relic	
Service and support	Add support or IT hours	
Systems integration	Add costs for integration of third-party CMS and other systems needed to replicate the full functionality of Adobe Commerce	
Design/test/implement	Add Adobe partner fees or IT hours	Add Adobe partner fees or IT hours
Extensions and customizations	Add Adobe partner fees, developer fees, or IT hours	Add Adobe partner fees, developer fees, or IT hours

Take the next step.

Every business is different. For many organizations, Adobe Commerce will deliver a lower TCO than Magento Open Source. But try not to make any assumptions. Instead, you should thoughtfully assess your company's unique e-commerce requirements, compare Magento Open Source and Adobe Commerce features, and consider your custom development and maintenance needs.

Many businesses ultimately choose Adobe Commerce because it provides foundational capabilities that help them stay agile, scale quickly, and capitalize on new opportunities. When Adobe Commerce is used to support long-term business goals, it almost always pays for itself.

Start your evaluation with the help of this TCO worksheet.

To learn more about how Adobe Commerce can help you create a successful, scalable solution that keeps your customers coming back for more, view the following report:

The 2020 Gartner Magic Quadrant for Digital Commerce

Sources

[1] https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-fifty-the-quickening

[2] https://blog.adobe.com/en/publish/2020/12/01/cyber-week-online-shopping.html#gs.ptnawz

[3] https://www.reuters.com/article/us-usa-election-capex/u-s-corporate-spending-plans-could-stumble-as-risks-rise-idUSKBN27D3AS

[4] https://www.cfoconnect.eu/en/resources/finance-insights/cfo-covid-survey/

[5] https://www.hellobonsai.com/freelance-rates

[6] https://magento.com/resources/business-value-migrating-magento-commerce-2

Adobe Experience Cloud

Adobe Experience Cloud is the most comprehensive suite of customer experience management tools on the market. With solutions for data, content, engagement, commerce, personalization, and more, Experience Cloud is built on the world's first platform designed explicitly for customer experience. So each product is infused with artificial intelligence and works seamlessly together, but also integrates with your existing technology and your future innovations so you can consistently deliver the right experience every time.

Adobe Commerce

Adobe Commerce is the world's leading digital commerce platform. With Adobe Commerce, you can build engaging shopping experiences for every type of customer—from B2B and B2C to B2B2C. It's built for enterprise on a scalable, open-source platform with unparalleled security, premium performance, and a low total cost of ownership. Businesses of all sizes can use it to reach customers wherever they are, across devices and platforms, including marketplaces. It's more than a flexible shopping cart system. It's the building block for business growth.