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DIGITAL

Magento VS shopifyplus

MAGENTO COMMERCE VS. SHOPIFY PLUS - WHO WINS THE 'BEST PLATFORM FOR DTC ECOMMERCE' RACE

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I. INTRODUCTION

The Direct-to-Consumer Opportunity

As a young direct-to-consumer brand, you're naturally concerned with a growth strategy, and your eCommerce platform is obviously very central to all of your plans. In all likelihood, you launched your brand with a free or low-cost platform like Magento Open Source or Shopify, and now you're considering an upgrade within the next year or two. Which should you choose, Magento Commerce or Shopify Plus?

The goal of this eBook is to help you begin your journey of upgrading to a more robust platform that enables continuous growth.

DTC 1.0: A Cautionary Tale

Over the past 10 years, DTC brands such as Everlane, Allbirds, Casper, Dollar Share Club, Parker Warby and Away, were bright spots in the retail apocalypse. While major retail chains floundered, these brands dazzled consumers, investors, and industry pundits alike with their radical approach to storytelling, customer centricity, and bespoke products. The IAB opined that these young entrepreneurs are changing the retail landscape.

And the IAB is not wrong. To say these brands broke the retail mold is an understatement. Long-established brands like Unilever and P&G never even conceived offering subscriptions to purchase premium shaving products or toilet paper. Yet, that was just par for the course for many of these brands. They leveraged their one-to-one relationship with their customers to get product feedback, develop their product roadmap, and optimize the customer journey. Their growing pools of first-party data meant they could market to their customers as they went about their digital lives without running afoul of GDPR or CCPA.

Recently, however, the star DTC brands have lost some of their lusters. As the Harvard Business Review points out in its recent article, Reinventing the Direct-to-Consumer Business Model, Casper's February IPO valued the company $600,000 lower than its last private fundraising round. And within days of that fiasco, "Brandless — akin to a DTC dollar store — ceased operations and laid off 90% of its employees. Glossier suspended its color cosmetics line Play after lackluster sales, and Outdoor Voices CEO Tyler Haney was forced to resign amid a reported $2 million monthly burn rate on $40 million of annual sales."

Why the DTC bloodbath? According to HBR, the favorite tactics of DTC brands -- social media marketing, influencer marketing -- can't offer the kinds of scale brands need to sustain growth. Founders angst over selling products via marketplaces or distributors, and the impact of those channels on their sense of purity cut them off from a potentially large pool of new customers.

Moreover, the initial success and abundance of the press have caught the attention of potential competitors from several corners. Numerous entrepreneurs and investors, eyeing the initial success of DTC brands, jumped into the market, launching and funding competitive DTCs. The competition for the same set of customers consequently drove up customer acquisition costs, which had a negative impact on margins. And, incumbent brands either launched their own DTC lines, or followed Unilever's route when it purchased Dollar Shave Club for $1 billion, and purchased an existing one.

Although the original DTC brands now struggle to survive, all commerce executives now recognize the innovations they brought to the market. Focus on quality, extreme customer centricity, community development, and a content-focussed approach to marketing have pushed the consumer products market forward. These tactics will not fall by the wayside, even if some of the brands that pioneered them do. They will almost certainly be core components of the next generation of the DTC business model we see emerging. Call it DTC 2.0.

II. THE DTC 2.0 PLAYBOOK: POSITIONED FOR GROWTH

What does the next evolution of DTC brands look like? They're focused on growth, and they see growth as a multi-faceted endeavor: more customers, more products, more channels, more markets to sell in and even introducing more brands.

If you're a DTC brand and have every intention of thriving in the coming years, you will need to:

#1: Plan Multiple Customer Journeys Upfront

Modern DTC brands will need to sell to multiple consumer personas in multiple arenas. To succeed, you'll need to plan and execute a number of end-to-end customer journeys, from awareness and consideration, to purchase and post-purchase experiences.

This journey will encompass your customer and employee experiences, internal business processes, and technologies.

#2: Think B2B

The most successful DTC brands expanded beyond the initial model of selling directly to consumers and have formed relationships with wholesalers, distributors, and other retailers. Brands like Allbirds still sell directly to consumers, but they also sell via Amazon and Nordstrom's. B2B relationships offer significant growth potential, allowing you to benefit from the sales and marketing initiatives of your partners.

#3: Create Omnichannel Experiences

Your customers may first consider a need based on a video ad they saw on their connected TVs, Google your brand on their mobile phones, be reminded of your product in a display ad, pick up their research on their tablets, and ultimately convert on their laptops. The successful brand knows how to recognize those customers across every touchpoint and can tell a unified story across the entire journey.

Creating an omnichannel experience also requires you to connect your eCommerce platform to your ERP so that online shoppers have access to real-time product availability data. And in the age of COVID-19, many customers want to order online and pick up at a specific location.

#4: Create a Culture of Content

This is one of the most important lessons of the first generation of DTC brands: consumers are hungry for product data and brand stories, and will actively seek them. As a brand, you'll need to create abundant content and map it to each stage of the customer journey. Social proofing -- customer reviews, testimonials, social media posts -- will all play a crucial role in your content strategy (and alleviate some of the burden of content creation for your brand). This means you'll need a robust content management system that allows you to publish content across all touchpoints in your customer journeys.

#5: Think Sub-Brands

You may have a set of niche products in your product catalog today, but to sustain growth, you will likely expand it to cater to new customers. For example, let's consider that you're a cosmetics brand that sells a range of neon lip glosses to Gen Z females. To continue expanding, you may need to reach new customer cohorts for which you could add muted colors to Boomers, or even lip balm to men. In such cases, your primary retail site might not be appropriate to the new customers you wish to target, and you'll need to create sub-brands so as not to dilute your message.

Your potential for multiple brands and sites is a critical consideration when selecting an eCommerce platform.

#6: Use Marketplaces as a Stepping Stone

Online marketplaces, such as Amazon, eBay, Walmart, and Alibaba, can provide a stepping stone as you prepare your DTC channel. Many consumers begin the discovery phase of their purchase journey on an Amazon, making it an important brand awareness channel for your brand. A marketplace strategy will teach consumers that they can buy from you directly, which might drive them to your online store.

#7: Go Global

Depending on your product's price points and the long-term effects of COVID-19 on the U.S. economy, you may need to market to consumers overseas. Selling overseas isn't nearly as daunting as it once was, thanks to the rise of companies such as Route, ShipStation, and Flow.io. These companies developed platforms, networks, and systems to allow merchants to take orders, pay duties, and deliver products to customers worldwide.

You may not be thinking of selling internationally quite yet. Still, it is entirely likely that overseas sales will become a vital component of your growth strategy, which means your eCommerce platform should have seamless multi-language and multi-currency capabilities.

III. MAGENTO COMMERCE VS. SHOPIFY PLUS

Both Magento and Shopify offer fully-featured eCommerce platforms and have substantial footprints in the marketplace. Shopify has traditionally focused on the lower end of the market, with prebuilt functionality and templates that allow retailers to get up and running quickly. Its code is proprietary, meaning you can't easily customize it. The company launched Shopify Plus in 2014 to attract higher-end retailers. There are about 427,000 sites that use Shopify, including 5,000 that run on Shopify Plus.

Magento Commerce, on the other hand, was always designed for the mid to large scale retailers (Gartner has named it a 'Leader' in its category). Magento is an open-source platform, which means any developer can download its code and create extensions and add-ons. More than 250,000 eCommerce sites use Magento, and it adds new businesses to its rolls every quarter.

A. Cost

Shopify Plus generally has lower start-up costs, thanks to its pre-built, out-of-the-box themes and templates. Magento Commerce was designed to be wholly customizable and requires more developer time and skills.

	Magento Commerce	Shopify Plus
Average Cost to Build	$100K -- $250K	$60K -- $250K
Annual Licensing/Hosting	$24K -- $48K	$24K .25% fee for revenue that reaches $800K

B. Transaction Fees

Initial costs, annual licensing, and host fees are only part of the story, however. Transaction fees -- the costs you incur each time a customer buys from your site -- are an important consideration.

Generally speaking, Magento gives retailers full ownership of their operations, meaning the company doesn't charge transaction fees. The only fees you'll pay are those charged by the payment processor or payment gateway you choose for your site.

This contrasts with Shopify Plus, which charges transaction fees, though the company isn't upfront about those costs. Transaction fees may run 1.6% + $0.35 and 2.15% + $0.30 per transaction. Shopify Plus offers its own payment process, Shopify Payments, but you're free to use another provider. It will, however, cost you an additional 0.15% transaction fee.

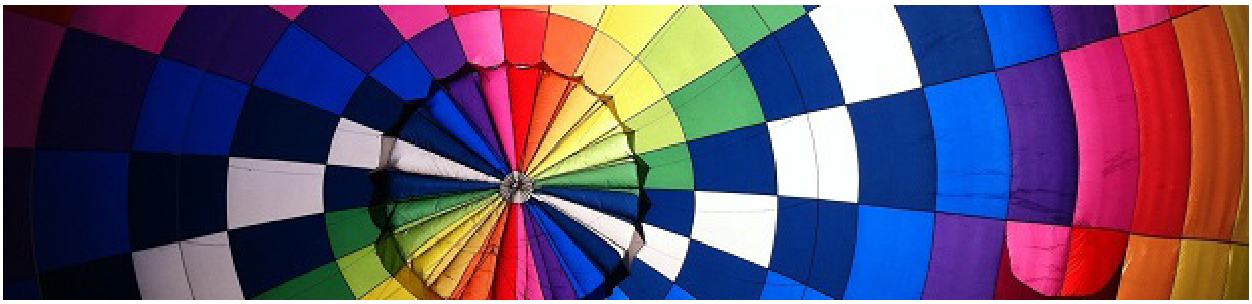
C. Time-to-Market

	Magento Commerce / Cloud	Shopify Plus
With no integration *	3 months	1 to 2 months
With integration	4 to 5 months	

D. Scalability

In the DTC world, scalability involves infrastructure, number of products in your catalog, and markets in which you expand.

	Magento Commerce	Shopify Plus
Infrastructure	With Magento Commerce Cloud, infrastructure scales automatically	Scales automatically
Product Catalog	Allows for unlimited products, product variations and attributes Supports 7 core product types	Supports a smaller product catalog (product variants capped at100) Supports 2 core product types
Multiple Brands	Supports multiple sites/brands from one interface	Multiple brands/stores must be managed as multiple entities



E. Global Expansion

We believe this is an important consideration for many DTC 2.0 brands. You may need to look overseas for customers. In this aspect, Magento Commerce is a clear winner:

	Magento Commerce	Shopify Plus
Local Product Management	Yes	Not yet but coming
Local Payment and Pricing	Yes	No (some functionality has been announced
Local Shipping Options	Yes	No
Global Data Setting (Product Name, Price, Attributes)	Yes	Yes, but with workarounds

F. Security

Shopify Plus is hosted on Level 1 PCI DSS compliant service, which means the platform is PCI compliant automatically. The same is true if you opt for Magento Commerce Cloud, but if you decide to host your eCommerce site yourself, you will assume responsibility for server security as well as implementing security patches to the Magento core codebase.

All areas of Shopify Plus are fully encrypted using SSL, which isn't the case with Magento Commerce.

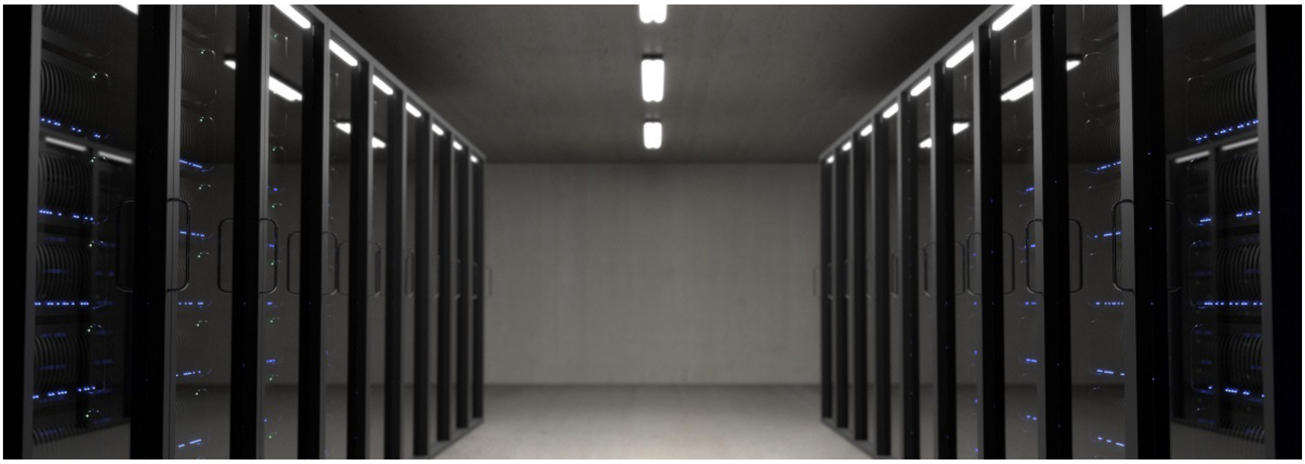
That said, many DTC brands opt to integrate a payment gateway rather than process the payment on their own sites, and gateways have very robust servers.

G. Omnichannel

Shopify Plus offers some omnichannel capabilities, thanks to its Point of Sale solution and integrated card reader. Merchants can take payment offline, accept online returns and exchanges in-store, and manage inventory across multiple locations.

With Magento, you have two options for synching online and offline sales: Magento Order Management, which can be costly but may ultimately be worth the investment as you expand your channel partners. You can also sync online and offline sales via one of the many extensions from the Magento Community.

The other aspect of omnichannel is the support for mobile. Both platforms support responsive web design natively. Magento Commerce supports progressive web app natively, while with Shopify, you'll need a third-party app, which is readily available.



H. Hosting

Hosting is included with Shopify Plus and Magento Commerce Cloud. If you want to arrange for your own hosting, you can do so with Magento Commerce.

I. Marketing Tools

Both companies offer a suite of marketing tools, along with a developer community that offers a wide array of extensions.

IV. GIVE US A CALL

Once you've mulled over the considerations presented here, feel free to give us a call or mail us at contactus@ziffity.com or key in your requirements in our [Contact Us] page. Our experts will sit down with your team to explore a path forward that's right for your brand.