



Spryker Systems GmbH



The 6 Biggest Challenges in Digital Commerce

And how Spryker's and Magento's solutions differ

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Outlook

The intention of this document

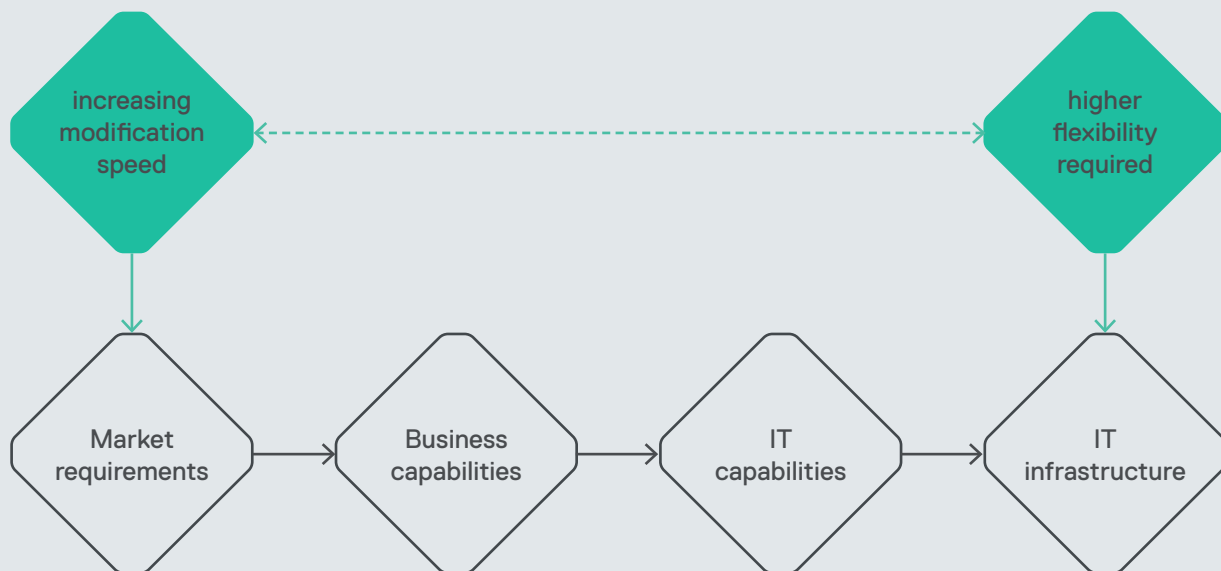
This summary is supposed to provide a snapshot of the overall challenges in digital commerce as well as comprehensive insights into trends, digitization and innovation design. Opportunities, challenges, and solutions of digital commerce are discussed from a business perspective to enable decision makers to assess their e-commerce needs and form an educated understanding of how their digital commerce strategy should look like.

The environment we operate in

Businesses operate in a constantly changing market environment. However, the velocity is accelerating. In addition to universal trends, each economic sector develops its own dynamics. As a result, there is no uniform solution for digital commerce. Every business model and every solution is unique.

Innovation as a key differentiator

Speed and differentiation is a key success factor for organizations to win the race for digital excellence. An effective innovation but also change management is a necessary organizational capability that will be considered in detail in this document.



The demands on digital commerce technology

New customer needs, channels and technologies are shaping the new era of digital commerce, which cannot be mastered with outdated systems. Thus, succeeding in this phase of digital commerce requires commerce technology that is scalable to accelerate growth, flexible to easily adapt to evolving business strategies, and modern to strengthen business-consumer relationships across all possible touchpoints.

Spryker's approach to enable successful digital commerce

The Spryker Cloud Commerce OS goes far beyond the classic shop functionality. We provide much more than a modern, flexible technology proven at scale for our customers. Our customer's ambitious projects - no matter if you are looking at online shops, mobile apps, voice integration, chatbots or IoT applications - are supported by our various expert teams - from solution design up to project management and even talent acquisition support. Our agile and modular platform allows our customers to test new approaches and, depending on their success, to expand or discard them.

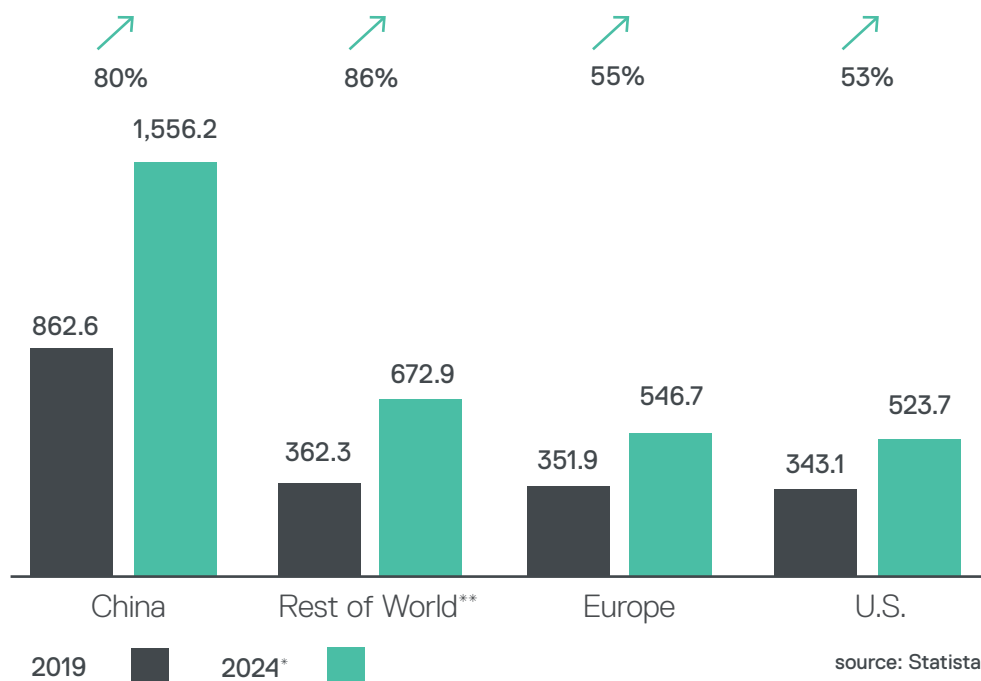


Introduction

Digital commerce is more relevant than ever before. Digital sales are increasing in almost every industry and every region in the world. In 2020, the global revenue through digital sales will already exceed 4 trillion USD¹. The market is huge already and yet its potential is far from being exhausted, because as of today, only 22 percent of the global population shops online². With the overall increase of internet penetration and accessibility, even more people will start to buy digitally, which leads to the expectation that digital commerce will reach double-digit net growth around the world. In Europe and the U.S., digital commerce is expected to grow by more than 50 percent until 2024, while China and Rest of World are forecasted to almost double their digital sales in the next 4 years:

Where E-Commerce is Growing Fastest

Projected increase in e-commerce sales in selected countries between 2019 and 2024 (in billion U.S. dollars)



* projected

** out of a total of 151 countries

But why are digital sales increasing? There are many reasons for the trend to buy digitally, which reinforce each other and show no sign of slowing down:

- **Mobile Devices:** 52% of the world's population today are mobile internet users³. And 40 percent of online transactions are already done using a mobile device⁴, because of the convenience it offers. With the shopping cart being right in your pocket, the ease and likelihood of buying digitally increases.
- **Improved consumer experiences:** Entry barriers that used to stop people from shopping online are constantly decreasing. By improving the user interface or including other trends such as augmented reality, the digital experience is enhancing constantly.
- **Lower processing costs:** A higher degree of automation makes digital sales channels highly attractive for businesses. By eliminating cost drivers such as decentralized storage in outlets or shop staff, digital activities are increasingly proving positive effects on an organization's cost structure.
- **COVID-19 as an accelerator:** The pandemic forced businesses and customers alike to adapt to digital transactions quickly. New firms and business models provided customers with a variety of products from the convenience and safety of their homes, putting pressure on traditional business models to catch up.

All these trends make digital commerce a very attractive option for all kinds of businesses. Yet, the fast-paced environment also poses a number of challenges to companies and their digital commerce technologies. In the following, we present the 6 biggest challenges for modern digital commerce. Also, we show Spryker's solutions for those challenges, and how they differ from the approach of Magento.





Chapter 01

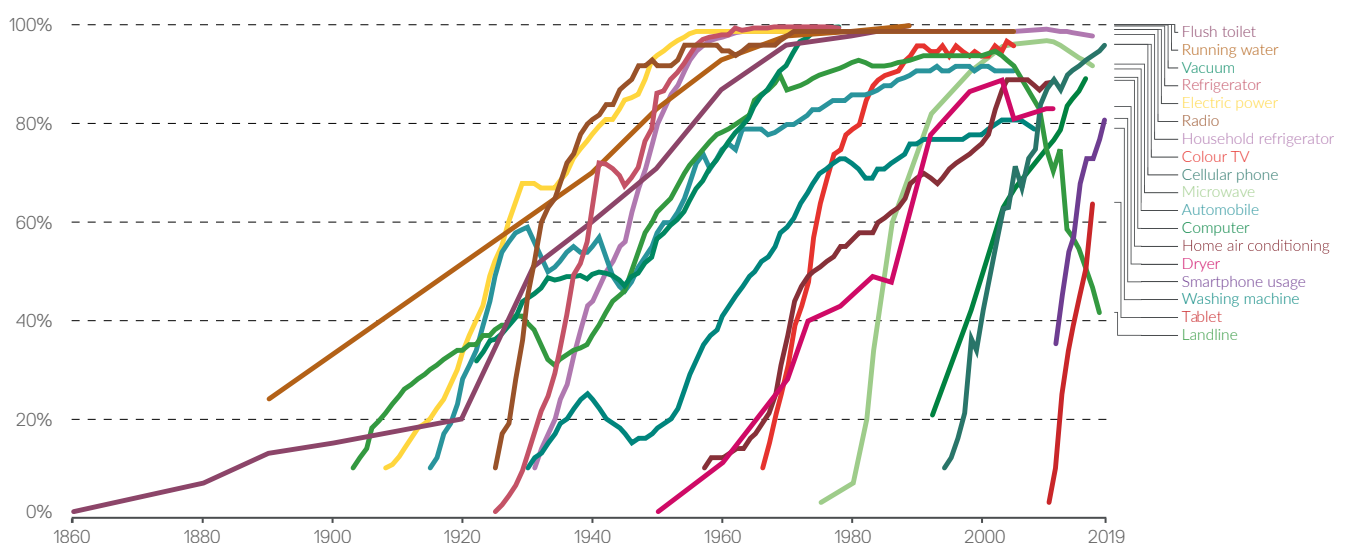
Markets Change Rapidly

The only constant in digital business is change. Customers are interacting with companies in new ways and are going through a rapid process of empowerment. The understanding of the power of the customer in one economic sector will be gradually adopted in other verticals. As a result, the expectation of customer centricity and experience will continue to increase throughout all industries. Companies that know how to serve customers better, have a competitive advantage in the digital age. 'How to sell' is becoming more important than 'what to sell'.

The adoption rate of new technologies can be proven by looking at the past 100 years of technologization. While it took decades for emerging technologies to penetrate markets in the past, the adoption of mobile devices jumped to rates above 50 percent within a few years.

Technology adoption in US households, 1860 to 2019

Technology adoption rates, measured as the percentage of households in the United States using a particular technology.



Source: Comin and Hobijn (2004) and others

<https://ourworldindata.org/technology-adoption> • CC BY

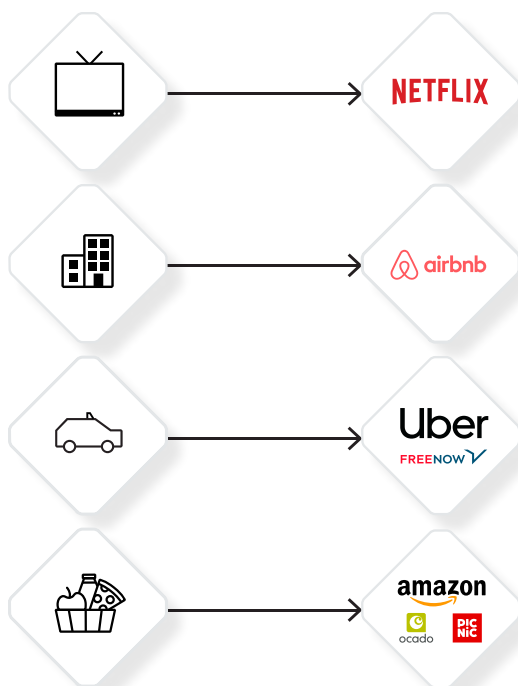
Like a perpetual motion one technology primes the velocity and adaption for the next. While technology can be named as the cause of a great number of changes, it is also the solution. The ability to manage these changes in itself and handle the required measures that accompany them, is a key differentiator to excel in a world that is constantly in motion.

Disruption

Numerous economic sectors are undergoing radical changes

Traditional

Digital



Companies that master the change or fuel it themselves, have the potential to disrupt entire markets. In television for example, it has taken Netflix less than 10 years to revolutionize the viewing habits of their target audience by letting them consume content in the ways they prefer. While an estimated 21.9 million American households canceled their cable TV services in 2019⁵, Netflix has reached a market penetration of 65 percent with an average user watching Netflix two hours per day⁶. Airbnb disrupted the tourism industry by offering a new kind of hospitality service with a more convenient, personal, and digital experience. In 2020, Airbnb had more than 7 million listings in over 100,000 cities worldwide⁷, which is more than the top 5 hotel brands combined⁸.

How Spryker enables you to adapt to change quickly

Adaptability is one of Spryker's core strengths. The entire Spryker Cloud Commerce OS is easily extendable and customizable, providing many mechanisms to create extraordinary customer experiences on all levels. With Spryker every business can customize the digital commerce solution it needs to meet exactly the need of the market. Also, the strong and versatile set of features and Packaged Business Capabilities (PBC) makes it easy for companies to adapt to market changes and quickly move into new areas of digital commerce. Even Enterprise Marketplace and Unified Commerce as new extensions to the Spryker Cloud Commerce OS will be easy for you to enter.

Magento also offers a strong solution in B2C and many B2B features as add-on packages. But it does not offer the same level of versatility in terms of the feature set and does not support marketplace, making it more difficult to adapt to emerging trends or market changes.

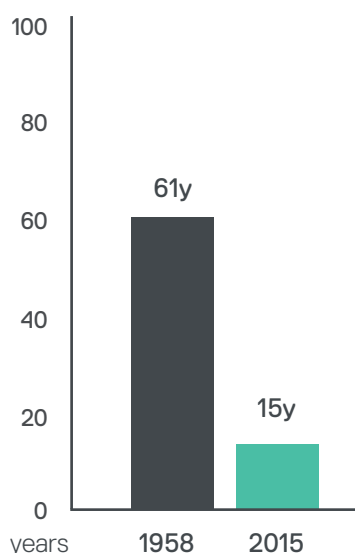


Chapter 02

Long-term Growth is at Risk

With constant change and the growth of digital sales channels comes a shift in the previous distribution of market shares. Neither scale nor experience is a safeguard as successful business strategies have shorter half-lives than in the past⁹. This development puts long-term growth of organizations at risk, which can also be seen at the corporate life span of Fortune 500 companies drastically decreasing.

**Fortune 500
decrease in life expectancy**



Where do companies go, when they die?

Yale School of Management (Richard Foster, 2015) has found that the average lifespan of an S&P company dropped from 67 years in the 1920s to 15 years in 2015 and, on average, an S&P company is now being replaced every 2 weeks and estimates that 75% of the top 500 firms will be replaced by 2027!

In order to attain sustainable, long-term success, businesses must change the way they change. According to Forbes, that primarily means companies need a shift in ownership and leadership¹⁰. Ownership should be understood like a VC's investment in startups. It is about taking risks and for every successful bet, there will always be failed ones. Comparably, successful leadership means not to put a company in a pre-determined box but to commit to entrepreneurship and innovation along the way.

Usually, these characteristics like faster innovation capability, greater agility, highly digitalized products and services are strengths that are rather associated with startups. Big, established companies on the other hand have the advantages of greater access to capital, a trusted brand, and large customer bases¹¹. While this put them in a position of power in the past, the balance of power starts to shift in favor of these more agile traits. That is why businesses should dare not to seek consensus on every matter and rather promote a culture of experimentation and risk-taking to discover those ideas that can drive the growth of tomorrow.



How Spryker helps you drive long-term growth

The architecture of the Spryker Cloud Commerce OS is modular, API-based, and headless, which enables businesses to start fast, improve over time and provide extraordinary customer experiences. You can easily translate your digital project idea into a concept that can be implemented, tested and optimized in a fast, data-driven, and functional way. By that, you can efficiently validate the potential of new ideas and even entire business models, enabling you to continuously win new customers, stay close to them, and keep them happy.



Chapter 03

Constant Innovation is Required¹²

Markets are becoming highly competitive due to innovation cycles becoming ever shorter. Competition is fueled by wider access to new technologies and the enhanced trading and knowledge-sharing opportunities available through the internet¹³. Conversational commerce for example is currently putting many businesses under pressure to innovate. While in 2017, only 13 percent of smart speaker users made online purchases via voice, this number is predicted to reach 55 percent in 2022¹⁴. It will get increasingly difficult or risky to disregard this channel in many industries. Companies not being able to serve the market's demands, will be excluded.

Innovations are not always entirely new products, services or sales channels. Innovation in digital commerce is more about the ability to constantly improve business processes, to test new ideas, and to quickly realize major changes if need be.

Businesses have to find ways to reliably commercialize the successful application of innovation. Not being able to do so is associated with the risk of losing market share, decreasing productivity and efficiency, or losing talent.

The requirements for constant innovation in digital commerce

The first and most important lesson: Don't fear change. Reimagine the future of your business. Transform your organization to stay relevant in the digital age. Successful, constant innovation requires a radical change in processes, skill sets, technology, culture, and mind-sets.

Spryker's vision for true agility and innovation is supported by Gartner

”

The pace of change in digital commerce and evolving customer preferences requires agility, which we define as a combination of speed to market, hosting options, adaptability to expansion and change, automation, and ease of use.

- *Ability to deploy and update the commerce solution quickly*
- *Ability to use cloud deployment models*
- *Ability to support and extend customers' business models*
- *Ease of integration with ecosystem capabilities.”*

“Unless a company is led by people who embrace innovation and change, it will remain in a legacy state.”, says Avid Larizadeh Duggan, director on the board of Barclays UK¹⁵. A culture of innovation has to be established and this starts at the very top of every business. You can always improve and grow, but you need to be willing to take risks, fail, learn, try again, and persevere.

From a technological point of view, constant innovation requires flexibility without technical debt. If your technological foundation is slow to adapt, requires constant effort to maintain the status quo, or does not support emerging technological trends, it is not suitable for an innovative environment required by fast-moving markets.

How Spryker enables you to innovate constantly

Spryker generally allows you to define your business models, but will also enable you to easily hop on emerging trends by providing a highly flexible system with an easy-to-add and up-to-date feature set as well as the possibility to efficiently integrate your own or third party solutions through our API. We are constantly in contact with our clients to learn about new requirements, and improve our offerings. This way we can ensure we are customer-centric, providing the best value for our customers while empowering them to build extraordinary experiences for their customers.

Spryker has an ambitious digital commerce roadmap and releases new developments on a regular basis. In terms of business innovation, Spryker outpaces any other platform in the market, including Magento that has shown slow addition of new innovation over the last couple of years..



Chapter 04

Speed is Key

Speed is one of the most important factors of success in modern commerce.

Technologies are developing rapidly, new customer touch points are emerging, competitive pressure to digitize is increasing and customer expectations are becoming more and more complex. Anyone who loses too much time in coordination processes and tries to predict the unpredictable in long planning cycles runs the risk of being left behind by fast-moving market changes.

To stay ahead in the fast moving world of commerce, businesses need to enter a state of constant testing. That means to react to new customer demand quickly, adapt existing offerings, introduce new products and services, and deliver them to customers fast. In technical terms, that translates into a fast, stable and scalable commerce platform designed for today's as well as tomorrow's commerce environments and innovative digital trends. It is not just about getting automatic updates; it is about having a future-proof platform that can be adapted easily and quickly.

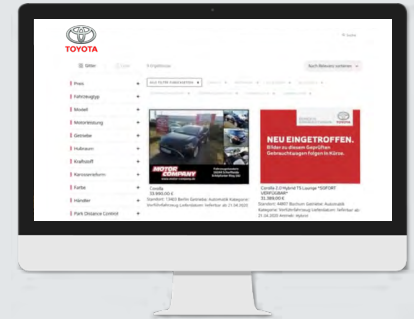
How Spryker lets you act at lightning speed

Spryker was built for speed of innovation and provides the new best-of-breed standard for commerce technology. Go live within a few weeks is facilitated as customers can choose everything they need to get started from our rich feature set. From there, the experience can be improved continuously based on real customer feedback. Grow the business both, online and offline, along the way and in the direction that is needed right now. This agility, speed, and the MVP (Minimum Viable Product) approach, meaning to start fast with a reduced but functional version of a product and to improve it while receiving user feedback already, are part of the Spryker DNA. Spryker enables enterprises to constantly experiment on new channels, new business models, new markets or new features.

Magento has also proven to be able to realize projects with a fast go-live. The main reason for that is the large number of modules and themes available. However, time-to-market grows exponentially with the degree of customization. As a traditional monolithic software, Magento is not as flexible and fast to adapt as Spryker.

If you want to learn more about what speed is possible with Spryker Cloud Commerce OS, check out how...

Toyota launched their B2B2C solution as a CVP (Corona viable product) within 3 weeks.



German retailer Globus replatformed their Click&Collect solution within 2 weeks.





Chapter 05

System Limitations

From today's perspective, many commerce technologies were built with an outdated mindset. They were programmed to cover static online shop use cases, mostly driven by internal needs to offer products online. Customer-centricity and the consequent pace of change were not the focus of these systems. Often, they relied on one-size-fits-all solutions that were built for stability rather than agility and innovation. Basically, all monolithic systems fall into that category and were built before mobile commerce or open APIs were even thought of. This results in lots of limitations and a massive lack of speed and flexibility, making it extremely hard to fuel real innovation in digital commerce projects and slowing down companies' digital growth, both for technological and organizational reasons.

As outlined in the previous chapters, the ubiquity of change and speed of innovation requires organizations to invest in new ways of management, new methodology and new technology. Uniting all central functionalities for the operation of any commercial application in one system is a game changer, both in B2C and in B2B e-commerce.

The future of applications moves away from monolithic platforms to tightly interconnected best-of-breed services. They enable you to experiment with new ideas and concepts, react to real customer feedback, and help you find the right talent to make your digital business grow.

How Spryker enables you to break through limitations

That Spryker offers all central functionalities for the operation of any commercial application - both in the end customer business and in B2B e-commerce. The Spryker Cloud Commerce OS is designed to facilitate unlimited use cases at a single cost, helping you improve commerce efficiency, agility, and innovation across your organization. By unifying the commerce experiences within a single solution, you can share data and insights between them, helping you make more informed decisions across all product ranges even if the teams operate independently.

Magento is also used in different use cases and provides the ability to change, but it will be prone to limitations in the long run as the monolithic system's maintenance costs increase over time while development velocity decreases significantly.



Chapter 06

Lack of Internal Expertise

Many organizations struggle with addressing the challenges outlined in the chapters above. This is often influenced by a lack of internal know-how due to the holistic novelty of such aspects. Businesses design their value chain based on their USP and value proposition. Often factors of differentiation define where expertise is pooled. For example F&E could be of major influence to a company's DNA that has a strong focus on accelerating new product launches, while other elements of the value chain such as logistics can be outsourced because they are considered to be rather standardized from an end customer perspective.

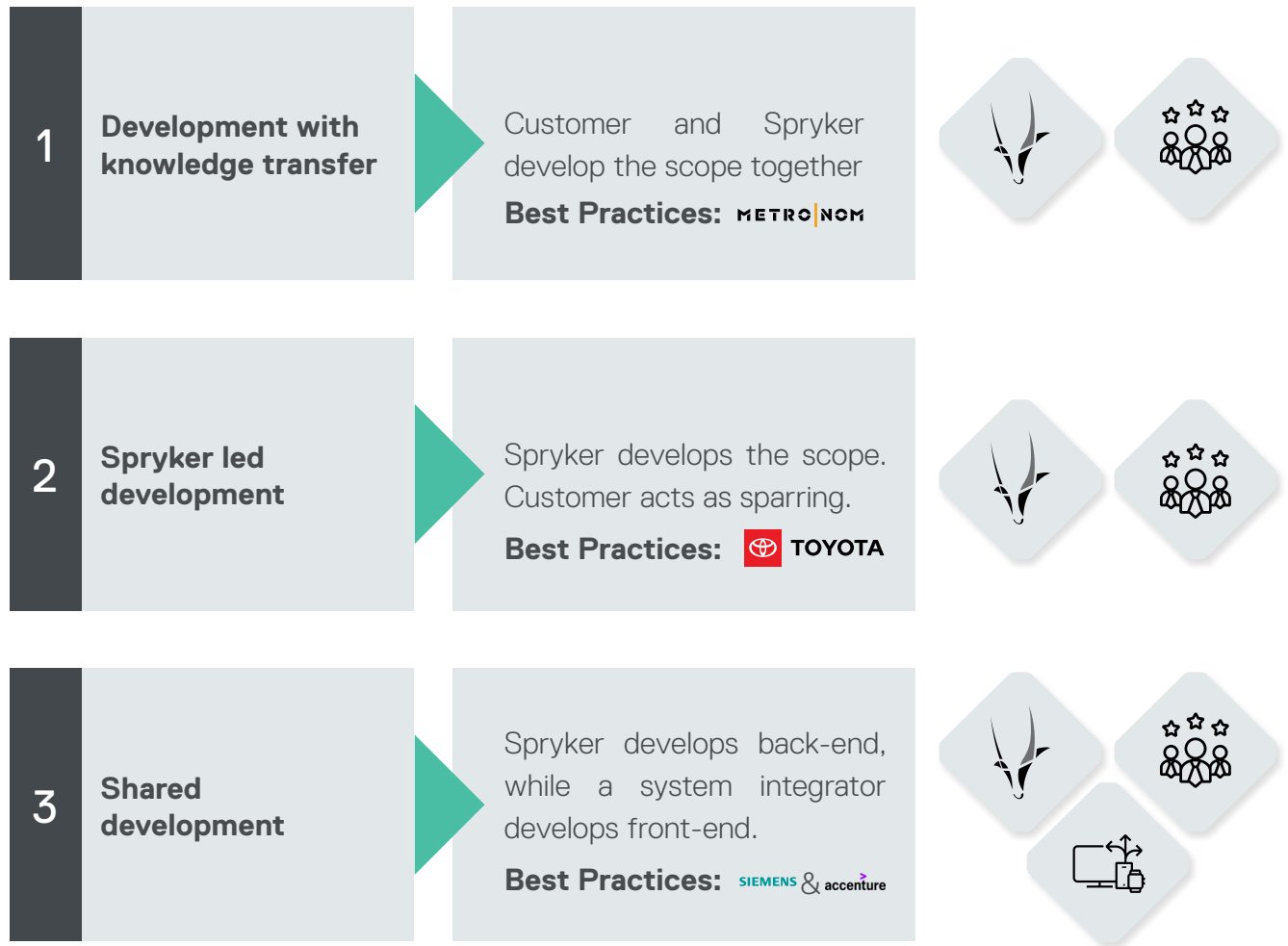
A test and learn environment is what is required to facilitate innovation. Nevertheless, external knowledge can be helpful to take some shortcuts. We are looking at a traditional make or buy decision that should be considered for every project and even every project role: Making the learnings internally can be rather slow, but will help to internalize ownership for the objective. Buying external knowledge can be a great advantage considering the benchmarking abilities that experts bring to the table that have seen similar challenges previously.

How Spryker makes you become the owner of digital value creation

At Spryker we aim to support our clients with both approaches. Either coach and enable internal staff or support with our expert services or outsource to our extensive network of high-quality solution and technology partners. In addition, we cooperate with leading consulting firms like Accenture, PWC, Roland Berger, KPS and Digitas Pixelpark as our consulting partners, which may help you to significantly accelerate digital developments and new market access for retailers and manufacturers on a strategic level.

We are dedicated to our customers' success at all stages of the project lifecycle and provide all the support they need to keep the project on track with their goals and vision. At the same time, we also learn from our customers what challenges they have to overcome, which trends are emerging and how we can make use of our internal resources to provide the maximum business value to our clients.

Options to cooperate based on our experience





What Differentiates Spryker and Magento?

Just as Spryker, Magento is also one of the top 15 vendors for digital commerce listed in the [2020 Gartner Magic Quadrant](#). But what are the differences between the two solutions?

Building on all the challenges and opportunities in digital commerce that have been discussed, Spryker is designed to cover all the needs businesses have to satisfy the increasing customer demand. The Marketplace model for example is a proven way to scale online businesses with less financial and technical risks involved. While Magento has a strong focus on B2C features, Spryker offers versatile out-of-the-box features and capabilities for B2C and B2B, as well as a Marketplace Suite and a Unified Commerce Suite.

These extensions can be applied easily and quickly, and the scope of possibilities in Spryker Cloud Commerce OS is constantly evolving. Magento on the other hand has shown very little innovation and adjustment to their product scope in the last years.

Another big differentiator between Spryker and Magento is the architectural approach underlying the systems. Magento, being a classical monolith, has its strengths in the easy setup, but is highly limited in its adaptability to frontends, business logic and integrations. Ongoing updates and resources are needed to keep the platform secure and up-to-date. Spryker's architecture is modular, API-based, and headless, enabling the fastest possible speed of action and the greatest possible adaptability. You can start fast and small and improve and scale your solution efficiently in the direction that your business, the market, or your customers want.





Commerce Features	Very Strong & versatile Feature complete solution for B2C and B2B, moving into new areas of commerce like Enterprise Marketplace and Unified Commerce quickly. Ambitious digital commerce roadmap and always new developments.	Strong in Core Commerce Very strong solution in B2C, most of B2B features available as add-on package. Very slow addition of new innovation over the last couple of years.
Adaptability	Very high Extendability and Customizability are the DNA of the Spryker solutions providing many mechanisms to provide extraordinary customer experiences on all levels, incl. data, front-end and back-end integration.	High, but limited Magento is used in many different use cases. It provides the ability to change but will be tough to handle in the long run as maintenance costs rise while development velocity goes down significantly.
Architecture	Top-Notch, Modern Architecture Modular, API-based, headless architecture that enables to start fast, improve over time and provide extraordinary customer experiences to many different digital channels worldwide.	Classical Monolithic Architecture Classical monolithic architecture can be set up easily, but will have problems in adapting front-ends, business logic and integrations. Changes will cause problems due to coupling and lack of test automation.
Performance & Scalability	Very high Built for scale in all dimensions like catalog size, number of concurrent sessions and orders per hour. It's all proven despite no-cache philosophy to provide dynamic & personalized content.	Poor Magento still has problems with scaling clients, both in front-end and back-end with regular product and content updates. It has to rely on output caching to provide fast response times making dynamic content and personalization hard.
Developer Feedback	Developers love Spryker Spryker will help you build your team and keep them happy. Developers like working with the latest architecture, clean code and all possibilities provided by the software.	Strong community with losing faith Magento has developed a strong and loyal community over the years. However, mistakes in communication and lack of innovation on the product side undermine the trust in continuous sustainability.
Time to Market	Very fast With Spryker, most customers are live in weeks instead of months. Facilitated by the rich feature set, the possibility to pick & choose only right modules for the business case and customizing necessary parts.	Fast, but inconsistent and often getting worse over time There are many positive examples of fast projects, based on relatively strong features and many modules & themes available. However, Time to Market grows exponentially with the degree of customization.
Return on Investment	Best in Class Lots of features out of the box with constant innovative extensions paired with extreme customizability and low maintenance efforts lead to very competitive ROI and set up for long-time success.	Best of the Past Magento's lack of innovation, modern architecture and scalability leads to high efforts in maintenance and operations. This will harm continuous improvement, companies' ability to execute and overall success.



Useful Links

General:

Customer stories

spryker.com/en/customers

Content insights

spryker.com/en/insights

Events & Webinars

spryker.com/en/events

Solution Partner

spryker.com/en/solution-partners

Technology Partner

spryker.com/en/technology-partners

Marketplace Suite

spryker.com/en/spryker-marketplace-suite

Tech:

Documentation

documentation.spryker.com

Roadmap

documentation.spryker.com/docs/roadmap

Training

training.spryker.com

Fully open code on GitHub

github.com/spryker

Spryker TV

training.spryker.com/pages/spryker-tv





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- 6 businessofapps.com/data/netflix-statistics/
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About Spryker

Founded in 2014, Spryker enables companies to build sophisticated transactional business models in unified commerce including B2B, B2C, and Enterprise Marketplaces. It is the most modern platform-as-a-service (PaaS) solution with headless & API-based architecture that is cloud and enterprise-ready and loved by developers and business users worldwide. Spryker customers extend their sales reach and grow revenue with a system that allows them to increase operational efficiency, lower the total cost of ownership, and expand to new markets and business models faster than ever before. Spryker solutions have empowered 150+ companies to manage transactions in more than 200 countries worldwide. Spryker is trusted by brands such as Toyota, Siemens, Hilti, and Ricoh. Spryker was named the most innovative and visionary of all new vendors in the 2020 Gartner Magic Quadrant for Digital Commerce and named a major player in B2B e-Commerce by IDC and is the only commerce platform to provide full B2B, B2C, D2C, and Marketplace capabilities out of one stack. For more information about Spryker please visit [Spryker.com](https://spryker.com).

Do you have feedback for us?

Please feel free to contact us!

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