

# Legacy Systems vs. Modern Commerce Solutions

Uncovering the hidden depths of TCO and ROI to inform your digital transformation



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# Introduction

Retail is an evolving industry, and how we sell things has transformed in many ways. From its origins in trade markets to today's fast-paced, tech-driven economy, innovation and adaptability have always been key drivers for success. As today's consumers effortlessly move between digital and physical spaces, their engagement is fueled by the expectation of a seamless and personalized shopping experience.

Prioritizing technology that caters to these modern needs and adapts over time is crucial for achieving success and growth.

This is where retailers face a pivotal decision: *maintaining a legacy system or investing in modern commerce solutions.*

Assessing the value a commerce system provides your business is the first step in making an informed decision. Calculating the total cost of ownership (TCO) and understanding the return on investment (ROI) will help evaluate profitability and weigh it against both initial and long-term costs.

**This ebook delves into the key differences between legacy systems and modern commerce solutions. It highlights common costs, technical debt, risk mitigation, and brand experience, providing a comprehensive benefit and cost analysis to help you make a compelling business case for sustained value.**

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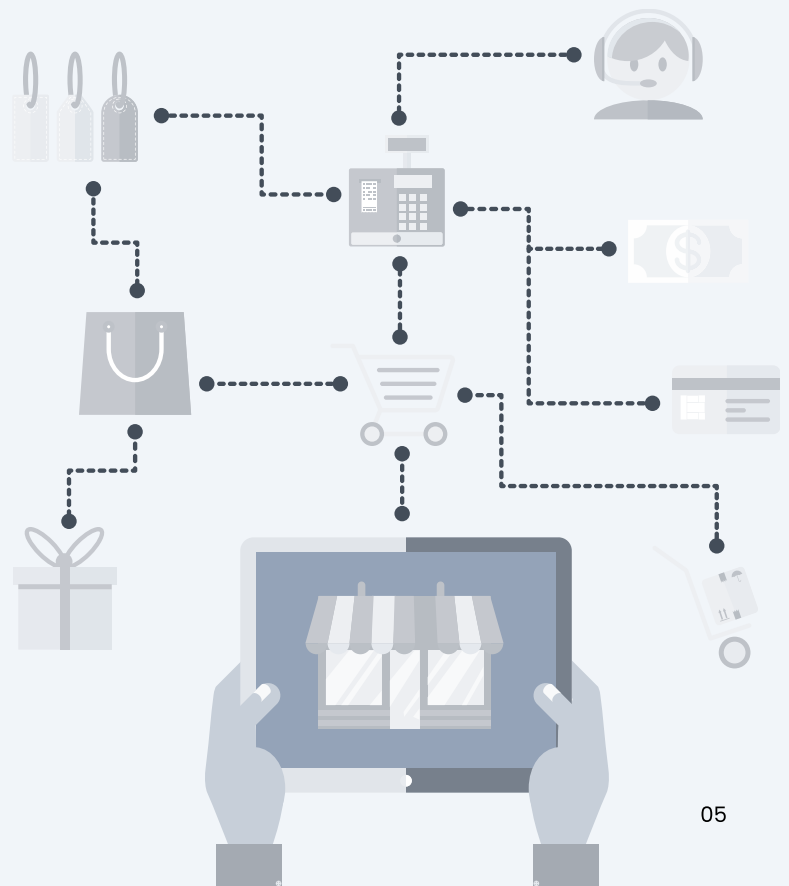
# Executive Summary

Retail is a technology-driven industry, yet brick-and-mortar stores still dominate retail sales. Today's consumers expect a shopping experience that seamlessly provides the best of both worlds. Investing in technology that integrates online and in-store shopping, accommodates and predicts consumer needs, and efficiently fulfills them can significantly accelerate a retailer's growth.

To understand how a commerce system can hinder or drive revenue and sustained value, it's essential to conduct a comprehensive financial analysis of the direct and indirect costs of legacy systems vs. modern commerce solutions. This analysis should consider factors such as the cost of disruption, potential savings, and revenue opportunities.

We've consulted industry leaders and our technology and retail partners to identify key areas that impact cost, risk, and revenue in commerce systems. These factors are strong indicators of sustainability, scalability, agility, and overall ROI.

The goal of this ebook is to highlight the areas to consider when calculating your investment's TCO and ROI and to provide tools to support your technology transformation decisions.



# What Is TCO?

TCO is the sum of all direct and indirect costs associated with acquiring, operating, maintaining, and upgrading a system over its lifetime. TCO encompasses all business areas, representing both savings and revenue, that can be weighed against costs. By understanding TCO, retailers can make informed decisions that balance quality, functionality, performance, and cost-effectiveness.

TCO should include not only the initial investment in a commerce system but also ongoing expenses such as maintenance, upgrades, security, integration, training, and support. Additionally, it should account for revenue growth opportunities, potential savings, productivity, and customer experience.

By calculating TCO, retailers can evaluate the true value and ROI of a commerce system.



# Legacy Systems vs. Modern Commerce Solutions

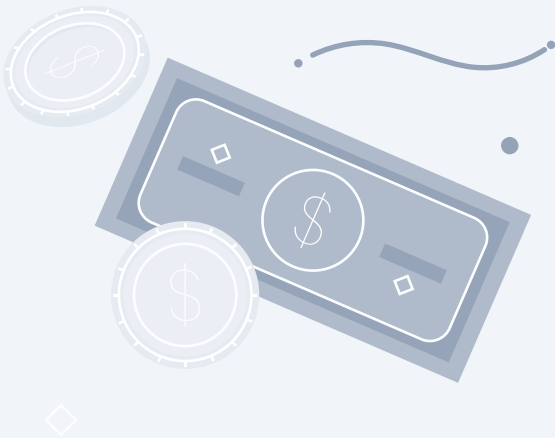
A retailer's commerce system is the vehicle driving its growth. Upgrading to a modern solution, akin to purchasing a new vehicle, requires an initial investment, and you've already invested in your current vehicle: your legacy system.

## So, why do anything?



The answer lies in comparing common costs and understanding the technical debt of legacy commerce solutions. While common costs can be easily quantified, technical debt may not be immediately apparent, yet it is crucial in calculating TCO and directly affects ROI.

Maintaining legacy systems might not require upfront costs, but hidden costs to support and operate the system accumulate over time, lowering ROI. On the other hand, modern commerce systems offset their upfront costs by reducing long-term operational expenses, thereby increasing ROI. The key is making a fair and informed comparison.



## Common Costs

Legacy systems and modern solutions come with different costs and payment models. We've outlined and compared some common costs for both options below.

Cost	Legacy System	Modern Solution
<b>Initial Startup</b>	Lower—already paid.	Higher—initial investment.
<b>Maintenance</b>	Higher—outdated technology and ongoing maintenance, support, repairs, and patches result in escalating costs.	Lower—leveraging updates, using modern hardware, streamlining systems, and staying up to date with best practices reduces maintenance needs and costs.
<b>Operation</b>	Higher—increased downtime due to service interruptions or feature roll-out, creating solutions to bring the system to compliance, inability to quickly adapt to market changes, replacing or patching broken hardware, and inefficient processes result in increased costs.	Lower—integrated systems, all-in-one solutions, automated processes, and reduced overhead lowers costs.
<b>Integrations</b>	Higher—outdated systems are difficult to integrate and require a lot of additional work and downtime, inability to integrate hinders growth and reduces sales potential, resulting in lost revenue and increased costs.	Lower—agile, seamless integration, increased efficiency, and competitive and compliant features result in increased revenue and lower costs.

Cost	Legacy System	Modern Solution
<b>Scalability</b>	Higher—outdated systems may not be scalable and require many IT hours to accommodate growing business demands, resulting in great challenges and increased costs.	Lower—modern commerce systems are built to grow with business demands, thereby lowering costs.
<b>Compliance</b>	Higher—legacy systems may not comply or adapt to changing standards and requirements, resulting in increased IT hours working to bring the system to compliance, system downtime to roll out new compliance features, increased costs, and loss of revenue.	Lower—easy adaptability, constant compliance with industry standards, and push updates eliminate downtime, reduce costs, and increase revenue.
<b>Security</b>	Higher—outdated security measures, reduced updates, and slower rollouts make legacy systems more susceptible to security threats, increasing the risks and costs.	Lower—enhanced security, monitoring, auditing, and consistent updates that align evolving regulations, lower costs, and offer better protection.

Measuring these costs in the TCO of each system provides a clear picture of ROI. Beyond the initial investment, modern commerce solutions are more cost-effective to operate, support, and maintain than outdated legacy systems. They also offer enhanced security, scalability, and easier integration.

# What Is **Technical Debt**?

Legacy systems often rely on outdated technology that requires repairs, upgrades, and security updates to remain compliant with modern business standards, security regulations, and consumer needs. As this technology becomes obsolete, new features may become incompatible, and older features may cease to function. When components break down and fall out of compliance, the necessary parts to fix a legacy system might no longer be available, and many components may not be supported.

In addition, legacy systems are built with legacy code that is often patched, poorly maintained, insufficiently documented, and requires extensive testing. This leads to challenges with maintainability, security, performance, supportability, and integration. Maintaining legacy systems requires skilled developers to create solutions for outdated technology and code, often resulting in unsustainable shortcuts to meet immediate needs, thus beginning an endless cycle of patches built on an unstable foundation.



The recurring costs of short-term solutions and workaround modifications are called technical debt. Essentially, it's like pouring money into quick fixes on an old car, only to have it ultimately leave you stranded. Managing technical debt is crucial to avoid escalating costs and serious long-term consequences.

A notable example of the impact of technical debt in the retail industry is a well-known department store chain. According to an article from CIO, the retailer planned to spend three years and \$300 million updating its commerce systems; however, due to a slow response to digital transformation needs, chronic underspending on technology, reliance on hundreds of custom applications, and constant shifting priorities that led to shortcuts, abandoned projects, and poor maintenance, the project hit too many obstacles and stalled. This significantly affected the company's revenue, contributing to its bankruptcy in May 2020.

A significant correlation exists between a business's technical debt and its performance, as outlined in a tech debt analysis conducted by McKinsey Digital. This analysis of 200 companies revealed that those with the lowest technical debt experience 20% higher revenue growth than those with the highest technical debt and 10% higher than the average. Simply put, technical debt not only poses risks but also hinders growth.



Legacy systems are prone to rising technical debt, creating a cycle where funds are sunk into quick fixes rather than innovation. In a survey also conducted by McKinsey Digital, 50 CIOs from companies with revenues in excess of \$1 billion believe that "... more than 20 percent of their technical budget ostensibly dedicated to new products is diverted to resolving issues related to tech debt." Retailers commonly incur growing technical debt through their legacy system's point-of-sale (POS) systems, inventory management systems, integration, supply chain management, lack of adaptability, limited functionality, and optimization efforts. Modern commerce solutions offer an opportunity to minimize and manage technical debt through modern, compliant, innovative, and scalable infrastructure.

Factoring technical debt into TCO provides a more accurate representation of ROI. It is crucial for understanding the overall cost and value of legacy and modern commerce systems and informs investment decisions that will support efficiency, sustainability, and growth.

# Revenue Growth Opportunity With Modern Commerce

One of the main benefits of modern commerce is that it enables retailers to increase revenue by optimizing three key areas: cost savings, risk mitigation, and brand experience. Modern commerce solutions provide tools and features that allow retailers to rapidly adapt to evolving consumer demands and preferences, personalize their offerings, reduce disruption, target their marketing campaigns, and minimize their carbon footprint.

These capabilities can help **boost conversion rates, average order values, customer loyalty, and retention.**





# Cost Savings

Cost reduction is often associated with downsizing or divesting, but modern commerce solutions can enhance growth through savings. These solutions offer sustainable cost reduction and help increase profit margins by using less hardware, maximizing productivity, optimizing efficiency, integrating automation, and improving personalization.

Here are some areas where a modern commerce solution can increase profit margins through savings.

## Hardware

- Reduce the amount of hardware that needs to be purchased and supported
- Minimize the need for large checkout counters by using mobile POS
- Gain additional real estate on the sales
- Create opportunities for pop-ups and events through mobility
- Increase sales with mobile hardware that creates accessibility and endless aisle sales opportunities

*“Equipping your employees with up-to-date mobile technologies allows them to improve sales, merchandising, customer service, and overall productivity.”*

[Retail Insider](#)

## Energy

- Reduce energy consumption with fewer and more energy-efficient devices

Our retail partners reported up to a 75% reduction in energy costs in 2023.

## Labor

- Reduce the time required for onboarding
- Facilitate faster employee training with user-friendly interfaces
- Improve employee retention by eliminating frustration, cumbersome processes, and opportunities for error
- Increase productivity through streamlined processes and portable hardware
- Redirect employees' focus toward customer service or remote sales

Sweaty Betty has experienced a 75% increase in operational efficiency with a modern commerce system.

## Productivity

- Decrease the time required to process sales transactions
- Minimize queues and abandoned purchases
- Shorten the time to pick, pack, and ship from store
- Streamline and simplify exchange and return processes
- Increase order management productivity
- Optimize IT team efforts by reducing manual processes for easier maintenance, upgrade, and support

Burton Snowboards achieved a 60% reduction in time spent on inventory receiving with a modern commerce system.



## Shipping

- Decrease average order handling time
- Lower the cost of shipping and returns
- Optimize routing and ship from store processes
- Improve delivery times
- Prevent stockouts and lost sales with access to whole network inventory

## Customer Acquisition

- Increase customer email capture
- Engage customers through personalized marketing

*“Today’s personalization leaders have found proven ways to drive up to a 30% increase in market spend efficiency by deploying product recommendations and triggered communication”*

McKinsey & Company

# Risk Mitigation

Mitigating risks is a proactive strategy that not only supports growth opportunities but also helps retailers avoid unnecessary and unplanned costs. By following market trends, regularly upgrading systems, reducing obsolescence, and offering competitive, well-tested features, modern businesses can minimize potential revenue loss and safeguard security and operations.

## Cybersecurity

- Ensure constant compliance with data protection regulations
- Encrypt all data
- Maintain strict adherence to PCI standards
- Manage personal and sensitive data according to regulatory requirements
- Conduct regular internal and external security audits
- Offer support through dedicated security teams

*“Improved cybersecurity controls can increase operational efficiencies, as well as investigation and containment efficiencies, all of which increase bottom line revenue.”*

*InformationWeek*

## International & Fiscal Compliance

- Expand global footprint with platform and country-specific support
- Ensure robust regulatory and privacy compliance
- Streamline the IT landscape with a unified system
- Simplify global finance and operational reporting processes
- Eliminate country-specific silos and reduce integration overhead

## Managing Obsolescence

- Stay current with consumer demands and industry standards through simpler integrations
- Protect against cyberattacks
- Reduce compliance risks

*“The significance of managing technology obsolescence cannot be overstated, particularly considering high-profile security breaches that highlight the dangers of neglecting this critical aspect of IT management.”*

LeanIX

## Composability

- Foster innovation and scalability
- Choose best-in-breed technology to suit your business needs
- Unlock extensive customization and integration options
- Minimize technical issues and interruptions to the shopping experience
- Deploy components independently for enhanced flexibility
- Enhance agility through modular design

*“Composable commerce is the leading-edge strategy of selecting various best-of-breed solutions and assembling them to fulfill your exact business requirements.”*

Forbes

# Brand Experience

Brand experience plays a crucial role in consumer-facing industries. The impact of commerce systems on both consumers and employees directly influences sales. Staying competitive and meeting the demands and expectations of sales staff and consumers transforms positive impressions into sustained revenue opportunities.

## Employer of Choice

- Reduce turnover
- Attract potential employees with modern and familiar technology
- Create an interactive and enjoyable work atmosphere
- Simplify training
- Reduce operational pain points

*“Companies with highly engaged employees outperform their competitors by 147%.”*

*Forbes*



## Joyful Shopping Experience

- Reduce transaction processing time and checkout queues
- Implement targeted marketing
- Personalize the shopping experience using customer data
- Increase customer satisfaction rates through improved inventory access, product availability, in-aisle ordering, and faster shipping

*“Today’s always-connected customers have high expectations from the companies that serve them. That’s why offering best-in-class customer experiences, or CX, is no longer merely a ‘nice to have’ for organizations; in fact, there’s a strong correlation between companies’ CX ratings and their revenue growth.”*

*McKinsey & Company*

Factoring in revenue growth opportunities is essential for accurately assessing TCO and ROI.

Beyond understanding immediate and apparent costs, evaluating long-term, sustainable value offers a clear distinction between legacy and modern commerce systems.

# A Business Case For Modern Commerce

A strong business case for modern commerce can be based on the following benefits:

## Reduced Costs

Modern commerce helps businesses streamline processes, automate tasks, and integrate systems. These features translate to cost reduction through in-store labor savings, improved customer service team productivity, optimized IT operations and order management, decreased shipping costs, inventory overstocking reduction, and energy savings. Through risk mitigation and compliance, the costs associated with upgrading, patching, implementing, and testing are also greatly reduced.

A [survey conducted by McKinsey & Company](#) reported that the biggest benefit from the use of modern commerce was the optimization of technology costs.

## Enhanced Innovation

Modern commerce helps businesses adapt to changing customer needs, market trends, and competitive pressures. Consumer behavior has reshaped the retail industry and drives its evolution. According to [Forbes](#),

“... 67% of customers are willing to pay more for brands that offer better service.”

With continuous innovation evolving with the industry to quickly respond to customer behavior, feedback, trends, and preferences, modern commerce solutions allow retailers to stay competitive and facilitate better experiences for consumers and employees alike.



## Increased Revenue

Modern commerce helps businesses reach new markets, expand their customer base, and increase conversion rates. By leveraging capabilities such as buy online pick-up in-store (BOPIS) and buy online return in-store (BORIS), modern commerce systems drive more foot traffic to brick-and-mortar stores while enhancing the customer experience.

A report by Ryder highlighted that these features result in an 80% increase in incremental store visits and that 75% of customers using these services end up buying additional items.

Through improved clienteling, better inventory availability, mobile checkout, and integrated and streamlined processes, sales associates are empowered to offer a personalized shopping experience, increasing customer loyalty and retention. Higher customer capture rates and targeted marketing campaigns based on consumer data create a brand relationship that caters to customers' expectations. According to an [article by McKinsey & Company](#), personalization can generate up to 40% more revenue.



# Calculating ROI and TCO

A thorough analysis of TCO and ROI can help assess the long-term value and financial impact of modern commerce solutions for your business.

Tools like a TCO and ROI calculator are extremely useful in identifying revenue opportunities presented through digital transformation. By incorporating business-specific inputs such as physical retail sales, ecommerce sales, store count, and average order values, a TCO and ROI calculator provides personalized data with tangible outcomes, reflecting value through potential savings, revenue growth, risk mitigation, and brand experience benefits. Comparing this information to the costs and limitations of legacy systems will guide and support your tech buying decisions.

It's crucial to account for many hidden costs in a TCO and ROI calculator. Along with the main value drivers identified in this ebook, a TCO and ROI calculator should consider key performance indicators (KPIs) such as time, inventory access and fulfillment, productivity, clienteling, store conversion, data capture, shipping, BOPIS, BORIS, and POS to provide a comprehensive, long-term value analysis.

**By leveraging industry benchmarks, a TCO and ROI calculator helps align your goals and present measurable benefits for your investment.**

# Next Steps

Use the information in this ebook and our TCO and ROI calculator to discover how modern commerce solutions can provide sustained business value.

**1**

## Align Business Goals and Customer Needs

Identify the pain points and opportunities for improvement in your current business processes and customer experiences. Define clear, measurable objectives for your transformation project that align with customer expectations and targeted ROI.

**2**

## Choose the Right Technology Platform

Select a modern commerce platform that provides flexibility, scalability, integration, and automation capabilities. Look for a platform that meets all your business and consumer needs while offering growth and revenue opportunities.

**3**

## Conduct a Business Value Assessment

Utilize a TCO and ROI calculator to gather personalized data on how modern commerce solutions can drive revenue for your business. NewStore and AbsoluteLabs have partnered to develop a comprehensive Business Value Calculator, leveraging industry-leading benchmarks and third-party resources to provide a thorough evaluation of TCO and ROI for modern commerce solutions.

**4**

## Build a Business Case

Leverage the data from your business value assessment and the information provided in this ebook to build a compelling business case for your digital transformation.

**5**

## Contact a Technology Provider

Contact your chosen technology provider to help guide you on the path to sustained value.

# Conclusion

Retailers must prioritize digital transformation to stay competitive in a fast-evolving industry. The right solution can optimize operations, enhance customer experiences, increase sales and profitability, reduce risks, and ensure long-term stability and scalability.

A thorough assessment of TCO, ROI, and business value is essential to compare the potential growth provided by modern commerce solutions with the costs and limitations of maintaining legacy systems.

Let NewStore and AbsoluteLabs be your trusted partners and guides for your transformation goals.

**Reach out for an omnichannel value assessment.**

 [newstore.com/tco-roi](https://newstore.com/tco-roi)

 [roi@newstore.com](mailto:roi@newstore.com)



# About NewStore

NewStore provides a Unified Commerce Platform for global retail brands that want to accelerate their digital transformation. Built with MACH principles, NewStore provides the world's most advanced Omnichannel POS and Shopping App with built-in order management, inventory, clienteling, and loyalty.

Leading retail organizations, such as Burton, Faherty Brand, Fossil Group, GANNI, G-Star RAW, Marine Layer, Roots Canada, UNTUCKit, and Vince, rely on NewStore to make every store a top door, every associate a top performer, and every customer a super fan.

The company is backed by General Catalyst, Activant Capital, and Salesforce Ventures.

Learn more at [www.newstore.com](http://www.newstore.com).

# About AbsoluteLabs

AbsoluteLabs provides technology consulting and digital transformation services to leading brands across customer-centric industries. It helps clients stay competitive and innovative by anticipating rapidly changing customer behaviors and market dynamics. The company's deep expertise, honed within the business sector, gives it a unique advantage in understanding complex business challenges and delivering tailored solutions.

***AbsoluteLabs empowers its clients to stay relevant, rapidly adapt, and innovate in a digital consumer era.***

Learn more at [www.absolutelabs.co](http://www.absolutelabs.co)