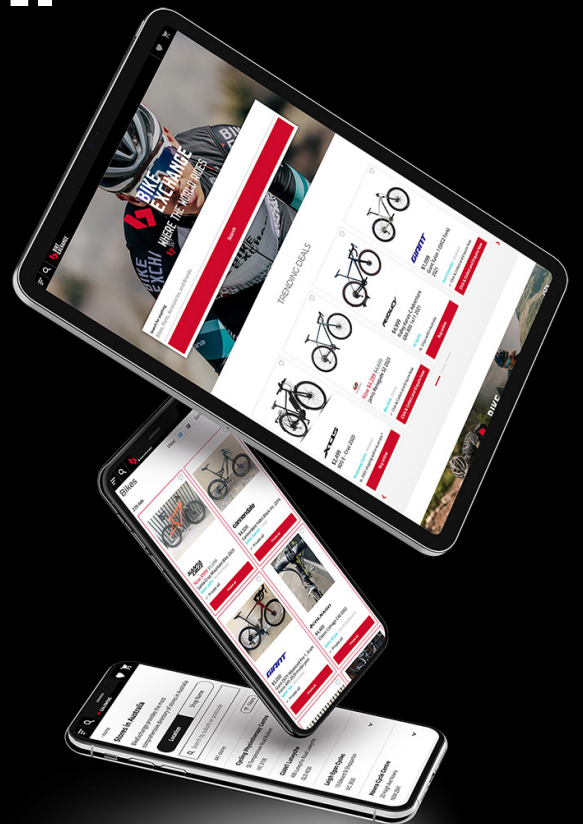


HOW RETAILERS ARE USING MARKETPLACES TO DOUBLE THEIR RANGE & UNLOCK DOUBLE-DIGIT REVENUE GROWTH.



HOW RETAILERS ARE USING MARKETPLACES: AN OVERVIEW

Online eCommerce is having a moment as organisations deploy strategies to emerge stronger and aim to increase market share post-pandemic. Indeed, while digital business has exploded since 2020, it's also crossed a threshold from being an evolving sales channel to becoming the prime - and sometimes only - channel to stay selling and keep retail trade alive.

For bricks-and-mortar retailers, eCommerce now contributes a much bigger slice of total revenue than it did just two years ago. For digital-only players, the addressable market has grown substantially as online shopping has become the default.

But retail remains a challenging space. It is traditionally capital intensive and relies on correctly reading the market and making or sourcing products that people want, at a quantity and price the market can bear.

Get it wrong, and face markdowns to clear remaining stock in order to make way for new lines and SKUs, or supply shortages and out-of-stock situations where demand exists for more product but orders go unfulfilled.

Top-performing retailers recognise these challenges. Their answer? Set up a marketplace that seamlessly integrates with their existing eCommerce site for a unified experience, or that powers a standalone separate channel for growth.

Most choose to offer a unified experience that combines eCommerce and a marketplace for a more seamless shopping experience. At the end of the day, it doesn't matter how a product is sourced as long as it meets existing quality standards, customer expectations, delivery timeframes and service standards.

A marketplace allows retailers to vastly expand their available range, and to 'test and learn' new products and entire categories without any outlay on manufacturing or stock.

It creates a 'one-stop shop' where customers can source and buy everything they need, including complimentary ranges to the ones that a store normally carries.

New lines, new ranges and new product SKUs encourage customers to increase their spend, resulting in higher-value transactions and substantial - rather than incremental - revenue growth opportunities.

Marketplaces offer a far greater return-on-investment than other traditional eCommerce optimisations and enhancements. Indeed, by 2023, 66 per cent of global B2C e-commerce will come through digital marketplaces. In Europe, 14 per cent of B2B digital sales already come from digital marketplaces.*

It's time to embrace the next big thing in commerce.



WHAT CUSTOMERS WANT

Retailers and shoppers alike recognise marketplaces are a game-changer in online commerce.

Recent [research](#) found "marketplaces are dominating digital consumer spend the world over". 41% of all online spending globally is now directed through marketplaces.

In Australia, brand sites and retail sites still account for most online sales. But as these are already established destinations with audiences, incorporating a marketplace into them can really elevate this already-strong value proposition into an unbeatable one in the eyes of the customer.

Retailers such as Woolworths, Myer, SurfStitch, Nokia and Providoor are doing exactly this and reaping new revenue and success.

Woolworths has 'Everyday Market', which it's using for [range extension](#) for its millions of site visitors a week. Its ultimate aim is to at least double the number of products customers see when they do their regular grocery shop, while offering the same level of customer experience they are accustomed to.

"It's all about the customer and making sure we're serving them better. Customers want more from us. We know from customer feedback that the range of nappies in our stores is fantastic, but there's still quite a bit missing in that range. That's what we're looking

to supplement. Pleasing those customers and making their experience better really is the key to success."

– [Lance Eerhard](#), General Manager of Everyday Market

SurfStitch [grew its product range](#) by 30-40% in the first three months of adding a marketplace, and by over 10,000 products within a year, without needing to increase investment in inventory or upgrade its supply chain.

Myer similarly added 20,000 products by switching on a marketplace, giving its customers an endless aisle experience that provides ongoing revenue and range growth opportunities.

[Providoor](#), on the other hand, is a standalone marketplace proposition that connects diners to world-class restaurant dishes, and also offers groceries, homewares and other kitchen products. It's already one of the fastest-scaled online marketplaces, turning into a \$100m business in five months.

If you're not operating a marketplace today, you are guaranteed to be giving away market share. Customers are going elsewhere to find the products they want.

But retailers can change this dynamic. They can put the broadest range of complementary products in front of customers while they're shopping and in the frame of mind to purchase.



BUSINESS AND BUYER BACKING

So, you're excited at what a marketplace could add to your online retail offering. Where to next?

Before you do anything else, map out a go-to-market strategy that your business leaders - and importantly your merchandising or buying team - can get behind.

Total business alignment can make or break a marketplace strategy. Solid business ownership and leadership is required to ensure internal teams are aligned and onboard.

Key questions will need to be answered. How will marketplace products fit in with the existing merchandise or buying strategy? Are they going to be complementary

products, an extension of what you already offer, or entirely new categories? What is the overarching goal of the marketplace? How do you define success?

Merchandising teams and buyers will likely require some assurance that product ranges supplied via marketplace sellers do not draw away customer attention - and sales - from first-party products.

A marketplace strategy will not move past the conceptual phase if fears of first-party cannibalisation are not adequately addressed at the outset.

"You need to think about making sure you're not duplicating or overlapping with your core range because clearly your own product is something that you want to make sure you're driving volume into. You've got to recognise that [marketplace] products are those you wouldn't have otherwise sold anyway. You're not incurring the same costs to sell them. It's then about thinking about the margin at the end of the process, whether that is compelling and whether you're getting a return on investment or not clearly to make a business case. You've got to make sure you've really thought deeply about all of those things and you've got some very clear commercial measures of success."

– [Angus McDonald](#), CEO of Barbeques Galore





TEST AND LEARN

Buying and merchandising teams already know their customers well.

But a marketplace strategy opens the possibility of additional intelligence on customer demand for emerging or adjacent product SKUs or categories, which can be used to inform first-party product strategy and sourcing.

Buyers and eCommerce teams can already see the search terms customers use. Patterns in these terms may point to a range gap that can be quickly addressed in the short-term with marketplace products. This avoids immediate pressure to buy or extend first-party goods ranges, and avoids manufacturing and logistics lags in being able to put new products in front of customers. A decision can then be made on whether demand and volume is sufficient to transition to a first-party version, or if staying with marketplace-sourced products is sufficiently cost-effective and margin accretive.

Marketplaces also present incredible 'test and learn' opportunities for buying teams. Buyers can try out brand new categories and product offerings with little if any upfront capital outlay or risk. The barriers to experimentation with range are substantially lower, with unlimited upside potential.

On the flipside, a marketplace can help buyers keep fulfilling orders when first-party product sales are higher than anticipated. Once a first-party product sells out, it's gone; you might try to remanufacture it, but that incurs an availability lag. With a marketplace, third-party sellers that offer the same product or a similar one can be quickly brought in to fill the supply gap.

The retailer avoids losing market share, while keeping customers happy.



ASSEMBLING YOUR MARKETPLACE - A PRACTICAL GUIDE

PLATFORM OF CHOICE

Once the marketplace goals and customer needs you are aiming to satisfy are identified and defined, the next step is to choose an appropriate underlying technology platform. A connected or composable solution is ideal: one that comprises a feature-rich marketplace core that can be complemented with additional modules such as a frontend solution and add-ons.

SELLING THE SELLERS TO SIGN UP

Ideally, the platform vendor is able to also connect the retailer to a community of partner businesses and sellers, acting almost as a match-maker so that the sourcing of compatible sellers for new marketplaces is as seamless as possible.

The alternative to a match-making service is to do what many e-tailers currently do, which is to assemble a sales team or recruit an individual that can go out and source their own sellers to participate in the marketplace.

When recruiting third-party sellers, the value proposition must be clear. Why would sellers want to come onboard? What's it going to cost them - a commission on each sale, a subscription fee, or both? How much volume are they expected to sell? Are there joint marketing opportunities where both parties can benefit?

Equally, the retailer recruiting will need solid governance and due diligence processes. How do you make sure the sellers you bring on fit with your brand DNA? Are they high quality? Will they meet your expected standards around shipping and dispatch times, customer service, returns and refunds?

SELLER ONBOARDING

Once a seller has agreed to join your marketplace, the next step is to onboard them. Just like in recruitment, this may also be an area where some specialist skills are required. Indeed, while sellers today have sophisticated operations, often underpinned by sophisticated eCommerce platforms., success can be expedited for both your seller and the marketplace by building a team with the right skill set, and working together with your sellers to select the right integration method.

Utilising pre-built connectors, if available, such as Shopify, Big Commerce, and Neto are also a great way to scale your marketplace at pace. Tapping into the marketplace API provides even further opportunity for advanced Seller integrations, or partnering with a channel aggregator, such as Omnivore and Channel Advisor ensures there is a solution for every Seller.

SELLER ACCOUNT MANAGEMENT

Relationships in business are everything, and this goes for seller relations, too. Having a seller success strategy is incredibly important. In a marketplace, you need to be really focused on your seller relationships. If sellers have finite stock but sell non-exclusively through your marketplace, you want to make sure they're allocating appropriate stock to you, and that they're also onboard to give you the best price or to be part of your promotions.

You'll also want to ensure the sellers are always renewing their product as well. You can assist this by providing the right feedback around what's selling, and what you're seeing overall from the marketplace or industry.

This enables the seller to really become an extension of the merchandise strategy, providing them intelligence to identify opportunities and then to source products you've identified a need for.



LAUNCHING THE MARKETPLACE

Go-to-market options are similar to other product or feature launches. Some customers may not immediately publicise their marketplace move or strategy, and instead run at limited scale with a small number of sellers under soft launch conditions, providing an opportunity for additional 'test and learn' and tweaking of the experience.

Others with more concrete or sophisticated marketing strategies may choose a bigger launch to highlight their newfound range and adoption of an endless aisle operating model, in the hope of casting as wide a net as possible for new customers.

Whichever approach is chosen, retailers will want to carefully monitor the end-to-end experience to ensure it remains seamless and to the same standard as the fulfilment of orders for first-party goods. They will also want to monitor abandoned cart rates for signs of friction in the marketplace experience or the unification of the marketplace with the existing eCommerce property. Recognising friction provides an opportunity to mitigate against its impact.

THE VIRTUOUS CYCLE

The end point for a marketplace is a never ending cycle of growth and revenue, where bringing on more sellers means being able to attract more shoppers which should mean revenue increases as well, and spurs the process to repeat again and again. It just keeps growing.



WHY MARKETPLACER?

Recognised as one of the world's leading providers of online marketplace software, Marketplacer offers a plug-and-play platform that facilitates the capability to extend your ecommerce site into a marketplace. It offers progressive business leaders and businesses looking to scale the opportunity to create a successful marketplace.

[Start your initial discovery process today.](#) Contact the Marketplacer team today so you can learn how to take advantage of the next big thing in ecommerce.



TECHNOLOGY



PARTNERSHIP



EXPERIENCE

SUPPORTING INDEX

Forrester Analytics: B2B ecommerce forecast, 2018-2023 (US);
Forrester Analytics: Online B2B Forecast, 2019-2024 (EU-5) and
Forrester Analytics: Online Marketplaces Tracker, 2015-2020 (Global)



MARKETPLACER

For over ten years, Marketplacer has built not only marketplace solutions for companies who want to be the online place their customers can trust, but developed the methodology that makes them grow and succeed.

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