



HOW TO KNOW WHEN MARKETPLACE TECHNOLOGY IS THE RIGHT MOVE FOR YOUR BUSINESS

A primer on the third-party product opportunity for retailers

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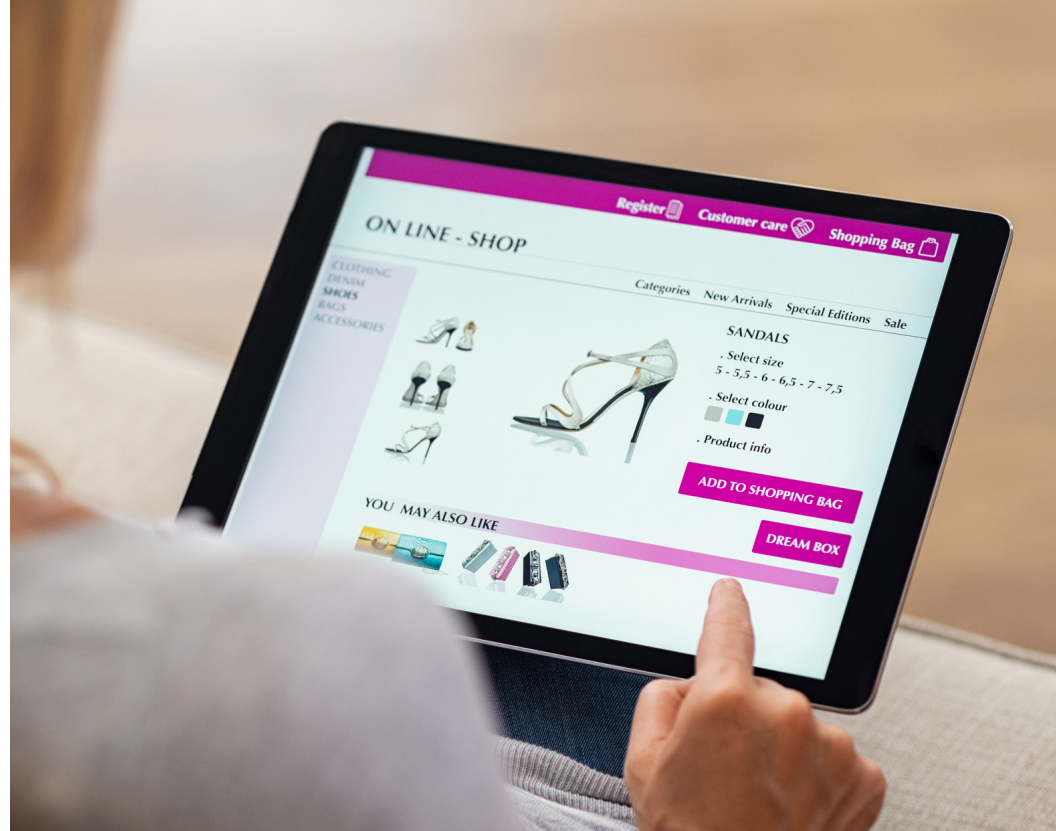
MARKETPLACES ARE THE NEXT BIG THING IN COMMERCE. ACCORDING TO RETAILERS AND WILL BECOME A CORE ELEMENT OF MOST COMMERCE STACKS.

According to a report from Coresight Research and data by Juniper Research, revenues for marketplace platform providers across the globe are predicted to more than double from \$18.7 billion in 2017 to \$40.1 billion in 2022.

Building a marketplace with goods fulfilled by third-party suppliers is a fast-emerging interest for retailers and businesses of all sizes. Marketplaces can scale from zero to processing tens of thousands of orders within mere months. **Marketplaces help retailers solve business challenges, they just need to know which business characteristics and objectives to look at to help identify a marketplace strategy.**

This primer on the marketplace technology opportunity features expert insights, including those of a Marketplacer customer, to walk readers through the process of determining when a marketplace with third-party sellers is the right move for a retail ecommerce strategy. **It covers:**

- What a Marketplace Is
- How to Know If a Marketplace Meets Your Needs
- What a Successful Marketplace Strategy Looks Like
- What to Evaluate in a Marketplace Partner



REVENUES FOR MARKETPLACE PLATFORM PROVIDERS ACROSS THE GLOBE ARE PREDICTED TO MORE THAN DOUBLE

\$40.1B
2022



\$18.7B
2017

WHAT A MARKETPLACE IS

Marketplaces are having a moment... with good reason.

"We're at a serious tipping point right now, with marketplaces taking center stage," says Jim Stirewalt, President of Marketplacer US.

"The fact that the top 100 marketplaces do over \$2 trillion in annual sales combined every year speaks volumes to the massive scale of the opportunity for retailers and brands." Marketplaces account for half of all global ecommerce sales — a rate that's expected to keep going up.

A marketplace with third-party products is an online platform connecting buyers with sellers without the marketplace proprietor needing to hold or manage physical inventory.

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JIM STIREWALT, PRESIDENT OF MARKETPLACER US

"We're certainly seeing an increase in interest in marketplaces across the board," says Robert Amezaga, Vice President of Product Marketing at Salesforce. "I think there are benefits to small businesses and large businesses alike."

Small businesses, brands, and large businesses alike can launch marketplaces with third-party products and sellers to extend the range of products they offer existing customers (and attract new customers who are loyal to the brands their marketplace makes available to them) while driving up product sales for both their own business and those of their third-party sellers/vendors. They can also gain greater visibility and distribution opportunities by participating in online marketplaces.

"A lot of customers want to shop for solutions and not brands, but marketplaces with third-party products also offer a gateway to brand discovery," says Stirewalt. "So in bringing those two pieces together, there's an opportunity out there for brands and companies to really start to consolidate markets and segments within those markets."





Marketplaces come in many forms and sizes. In fact, even though many associate online marketplaces with "endless aisles" like Amazon, there are many other marketplace strategies.

Smaller marketplaces — which may be curated around a specific customer interest, community, life event, or other category — are emerging in popularity.

"We're starting to see lots of different types of retailers bring in complementary sets of offerings that expand on what they sell," says Amezaga. "We're also seeing companies that have a social cause bring together other businesses that have that same cause to go to market with a shared vision."

"There's an opportunity here for brands and for retailers to offer an alternative to Amazon that's a better experience," says Stirewalt. "They have the ability to create a curated experience where customers can go to a site and get everything within a category."

HOW TO KNOW IF A MARKETPLACE MEETS YOUR NEEDS

The massive growth in ecommerce during the pandemic only accelerated the existing marketplace trend.

"Online sales increased 39%¹ year over year in Q1 2021, nearly triple the 14% increase in Q1 2020 with 48%² of online shoppers reportedly going straight to a large ecommerce marketplace," says Stirewalt.

For companies with an existing ecommerce strategy, launching a marketplace with third-party products can be fast and easy — with a low barrier to entry (since marketplace proprietors don't own the inventory).

"The pandemic accelerated the transformation to digital for everybody, and companies large and small have really needed to adapt and pivot quickly," says Amezaga. "Marketplaces help with that. Smaller businesses that might have had long-term plans to go direct-to-consumer through their own websites, for example, have been finding that marketplaces are a great way for them to go digital and get to market much more quickly."

There are several business signals you can monitor to know if a marketplace strategy of offering third-party products aligns with your business challenges [see right]. In addition, companies can't get ahead with a marketplace unless they already have a unique competitive advantage (and/or a loyal community that's ready to buy from them).

SIGNS YOU MIGHT NEED A MARKETPLACE

Your dropshipping strategy is successful but too time-consuming to scale

You want to expand your offerings or test new verticals without investing in inventory

You want to enter new markets adjacent to yours

You want to test a new business model to capture dollars elsewhere in the value chain

You're experiencing high cart abandonment and unfulfilled search rates

WHAT A SUCCESSFUL MARKETPLACE STRATEGY LOOKS LIKE

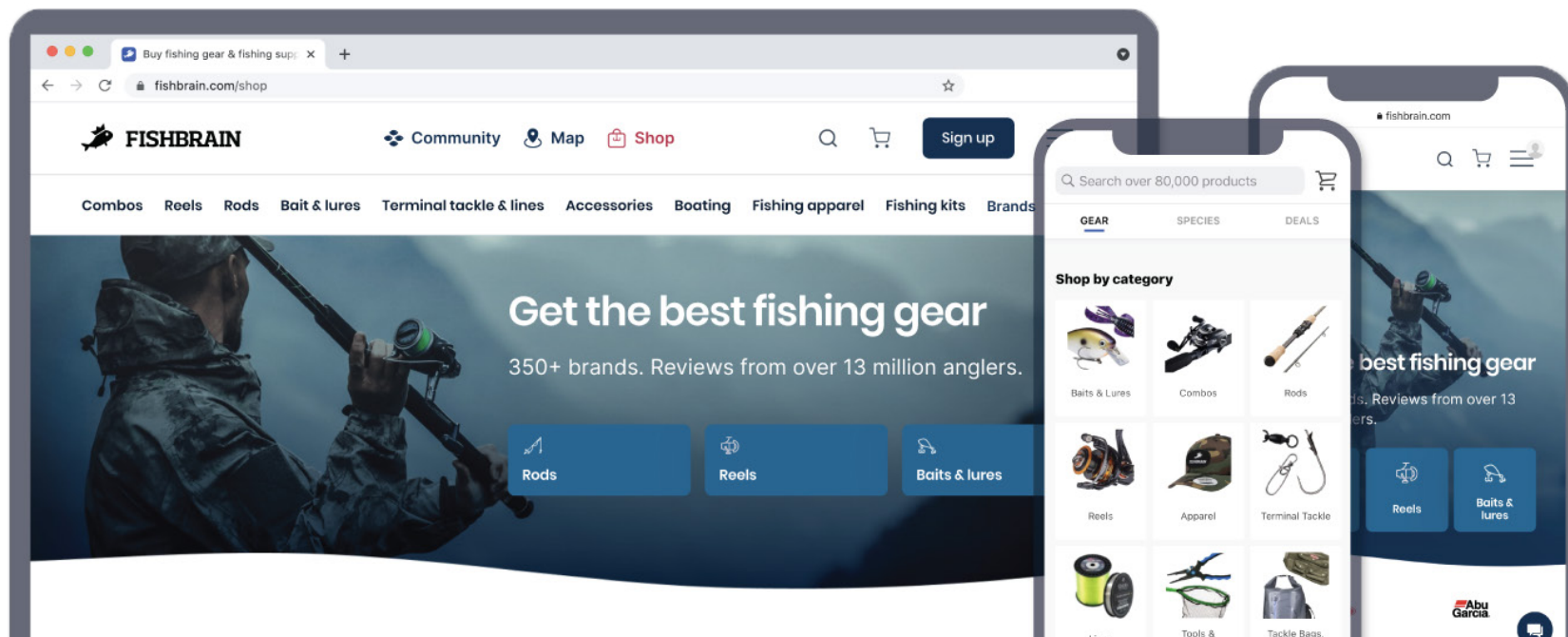
Fishbrain, for example, is an app for fishing that launched a marketplace — accessible via app or website — in 2019..

Launching a marketplace was the natural next step in Fishbrain's evolution and an extension of its competitive advantage of being a top global fishing resource.

"The app was first started about eight years ago as a social network for fishing, where people could connect with other anglers and keep track of their catches (like where they were catching fish and what they were catching)," says Lisa Kennelly, Chief Marketing Officer of

Fishbrain. "From there, we were able to start collecting a bunch of data about where people go fishing — so it became a great tool for people to use as a map and look at things like what's the best time to fish, what bait to use, and so on."

Having a defined niche meant that Fishbrain could embrace a freemium model and make revenue via "Pro" subscriptions. Having a commerce revenue stream was always on the Fishbrain business roadmap, however — as people can't go fishing without the right gear — but Fishbrain's leadership didn't want to hold merchandise. (At least, not yet.)





"We're a digital-first company," says Kennelly.

"Just because we don't hold products doesn't mean we never would, but when we got into commerce we knew we wanted to do it fast and be able to scale it. So it was pretty much always the plan that we would do some type of marketplace model."

Now, the Fishbrain shop offers 80,000+ products — ranging from rods and reels to boat repair supplies — from 350+ brands. The marketplace has grown year over year since launch, fueled in part by new customers finding their way to it.

"The marketplace has actually helped expand our customer base in new ways, which was something of a surprise," says Kennelly. "We have a community of 13 million anglers using the app, and when we launched the Marketplace we assumed they would all buy from us. And while quite a few of them do buy from our in-app shop, people tend to use the app for different reasons compared to the web-based shop, which is bringing us a bunch of new customers via search as well as marketing campaigns."

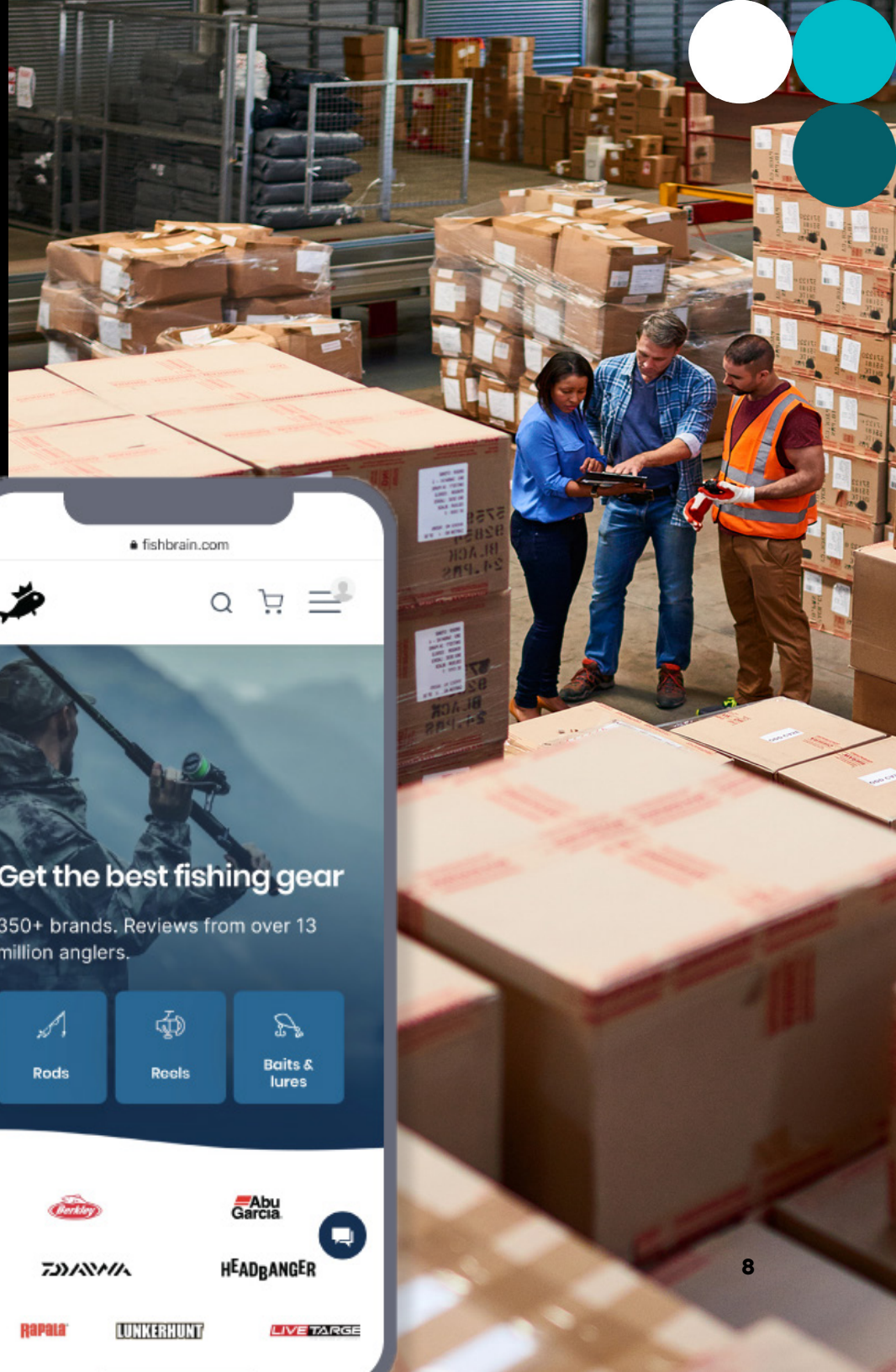
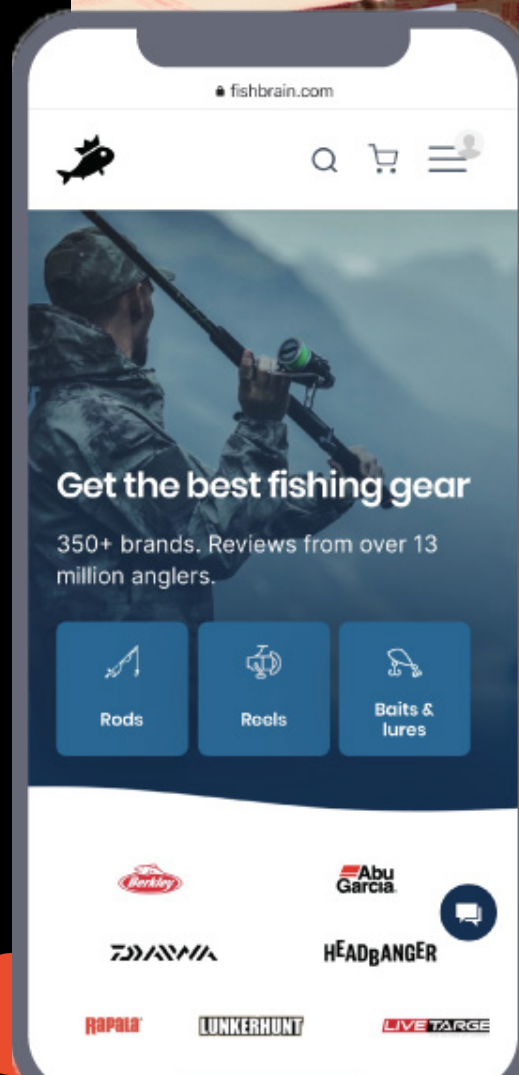
"WE'RE A DIGITAL-FIRST COMPANY. JUST BECAUSE WE DON'T HOLD PRODUCTS DOESN'T MEAN WE NEVER WOULD."

LISA KENNELLY, CHIEF MARKETING OFFICER OF FISHBRAIN

HOW FISHBRAIN BUILT OUT ITS SELLER NETWORK

"We mostly have approached manufacturers directly. We also have some retail and some distributors active, though, which shows the flexibility of the Marketplacer platform," says Kennelly. "Being able to work with all of them helps us scale."

"While there's a huge number of fishing brands out there and there's a very long tail of them, there are of course still some very top key ones that most people are going to buy," says Kennelly. "It's a mix of both those big brands and some of the more unique ones where we can actually be quite a big revenue source for them."



WHAT TO EVALUATE IN A MARKETPLACE PARTNER

By launching a marketplace with third-party supplied products, retailers large and small can own an end-to-end shopping experience — capturing the sales and keeping the data — without ever holding inventory. And the data can be applied for continuous improvement of the product assortment and customer experience, helping better improve retailers' competitiveness in their markets (and against Amazon).

But it takes the right, trusted technology partner for retailers to make a successful marketplace happen.

"You've got to think about what platform is powering the marketplace," says Amezaga. "And when it comes to trust that means a few things — data security is more important than ever, for example, and data privacy goes hand-in-hand with that. You also have to think about availability, reliability, and performance; you don't want your site crashing during the peak times of the holiday season, for example." (Note: Salesforce, which offers the

Marketplacer SaaS platform as an integration of its Salesforce Commerce Cloud product, achieved 100% uptime for all of its customers over the 2020 holidays.)

"A platform also needs to give you agility to make changes and pivots, and to adjust to the market and your customers' demands, expectations, and needs," adds Amezaga. "It's also about the scale and speed. If you want to or grow to new regions or countries and be able to do that quickly, your platform needs to be able to support that."

At Fishbrain, they advise looking for a technology partner that can support and advance the business' core value and unique selling proposition.

"In our case, it's our data," says Kennelly. "There's no other fishing platform that has so much data on what gear is really working based on real catches. So our USP is that we can give smarter recommendations than any other service."

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ROBERT AMEZAGA, VICE PRESIDENT OF PRODUCT MARKETING AT SALESFORCE



Having a platform that *matches* their company, according to Kennelly, helps their strategy succeed.

"If your target is world domination, you should probably choose a platform that's global and supports every integration you can think of," says Kennelly. "If your approach is more vertical or niche, then you need a platform that supports that. You don't want a platform that's built to solve problems you're never going to face. You'll want one with solutions for what you have ahead of yourself."

It also comes down to having a strong relationship with your technology provider (and delivering the right capabilities and experience to your customers and seller network).

"You need a provider that doesn't just want to sell you software but is really a partner who is going to work with you and help you build your business, all the way to supporting you on how to recruit and onboard sellers or vendors," says Stirewalt. "That piece can't be understated."

"And from a technology perspective, it's important to ensure that your provider delivers a beautiful and easy-to-use onboarding interface for sellers, that their system integrates into all your other systems, and that it provides a great experience for the end consumer," adds Stirewalt. "Your technology should make it so that the products that consumers are looking for are easy to find — and actually fun to discover — through that experience."





IN CONCLUSION: ALIGNING WITH INTERESTS & COMMUNITIES

Ultimately, marketplace technology that enables third-party sellers and products serves the needs of an increasingly digital consumer while also providing them with a sense of community that's missing from the traditional online shopping experience.

"People are hungry for community," says Stirewalt. "It may not be the traditional way that we may have experienced it in [in person] the past, but these types of marketplaces and ecommerce experiences can deliver a sense of community online."

The spark to embrace that community shopping element is catching on — and now is a smart time for retailers to invest in a marketplace that can help them take advantage of it.

"I think there's a quickening that's going to occur where people will take retailers up on being an option other than Amazon," adds Stirewalt. "Launching a marketplace can mean giving consumers a place to shop with like-minded people that have similar interests."

Interested in detailed next steps to developing your marketplace strategy? When mapping the customer journey, Marketplacer offers a tried-and-tested detailed framework and playbook that leverages years of experience building successful marketplaces. To learn more about Marketplacer's week by week, quarter by quarter advisory service and framework playbook to drive client success, [contact us](#).

MARKETPLACER[™]

Marketplacer is a global technology Software as a Service (SaaS) platform equipped with all the tools and functionality needed to build a successful and scalable online marketplace, at speed. To date, Marketplacer has helped over 94 businesses build and deploy their very own successful marketplace strategies and connected over 13,000 businesses worldwide. The Marketplacer platform exists to make growth simple, from implementing marketplace strategies such as shipment from drop-ship sellers, adding new categories or third-party range extension, through to consolidating markets and rolling out modern revenue models such as recurring memberships that allow businesses to grow faster and beyond the constraints of capital inventory.

Born and bred from the award-winning [BikeExchange](#), the biggest specialist online marketplace, founders Jason Wyatt and Sam Salter saw the opportunity to license the online software platform and apply it to new marketplaces. Marketplacer is responsible for the creation of online eCommerce solutions and business transformations of companies around the world. Visit www.marketplacer.com for more information.

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