

# **DIVERSIFICATION: KEY STRATEGIES TO MAINTAIN GROWTH IN 2022 AND BEYOND**

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# EXECUTIVE SUMMARY

The evolution of consumer behaviour combined with evolution of technology means that the digital space is perfectly positioned for expansion. But how can retailers harness this growth? For online retailers to scale and meet demand, diversification is key.

Many retailers consider the marketplace landscape to be dominated by a few of the larger players. Yet the marketplace landscape itself is diverse and multifaceted. In fact, retailers can tap into the power of marketplaces, shaping their offering in accordance with their target market and product offerings. Marketplaces are about flexibility and remaining nimble in the current (somewhat unpredictable) environment.

Diversifying platforms, product lines and offerings is how online retailers are finding their edge. Being truly multichannel means harnessing the power of marketplaces and meeting your consumer where and how they're shopping.

## **MARKETPLACER™ GROW ON.**

Marketplacer is a world-leading technology Platform as a Service (PaaS) company equipped with all the tools and functionality to supercharge commerce, building successful and scalable online marketplaces, at speed. Whether you're a retailer, brand, distributor, franchise or a community, Marketplacer makes growth simple.

Our leading marketplace solution takes business beyond physical stores and inventory holdings

- making it easy to sell what you don't own.

Marketplacer is responsible for the business transformations of Myer, Woolworths, HMD Global

- Home of Nokia phones, SurfStitch, FishBrain and Providoor to name a few.

Find out more: [www.marketplacer.com](http://www.marketplacer.com)



Power Retail is the ultimate information resource for online retailers and suppliers.

Our team of editors, content developers, data analysts and researchers are at the forefront of the industry, and offer the latest, cutting-edge insights into the fast changing world of e-commerce.

Across our data and research, media and events divisions, we show you where you need to go, and help you to get there.

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## DIVERSIFICATION - KEY STRATEGIES TO MAINTAIN GROWTH IN 2022 AND BEYOND

While e-commerce was already on an upwards trajectory, the last two years have supercharged growth. Growth in online good spend in FY21 is **up 30.8%**, equating to \$52.1 billion. An enormous **9.1 million** households purchase online in FY21, up 5.4% year-on-year.

While this means that online retail is booming, it also means that your competitors are also benefiting from this growth. So, how do you ensure that you stay ahead? If we learnt anything from the pandemic, it's that diversification is key. By diversifying not only the channels that you sell through, but also your product lines, you're essentially future-proofing your strategy.

### THE SHIFT IN CONSUMER BEHAVIOUR

Online marketplaces have been around since the mid-90s, when eBay found new ways to connect sellers with buyers. Since then, marketplaces have evolved, with a multitude of business models on offer. There are niche offerings like Providoor which offers delivery from some of Australia's best restaurants, global behemoths like Amazon which offers everything from warehousing to fulfilment, local Australian trailblazers like BikeExchange and Catch, business-to-business models, drop-ship models and online retailers like Woolworths who are now able to branch out and create their own marketplaces. Essentially, there is no limit to what a marketplace can be, and the space is no longer dominated by the major players.

'Ultimately, what's changed is consumer behaviour,' says Jason Wyatt, Co-Founder and Executive Chair, Marketplacer. 'We saw, globally, five to 10 years of consumer behaviour growth in a matter of a few months. Business that survived accelerated decisions and created adaptive business models, which for many, created new or creative revenue streams that will be incorporated moving forward. There's no fully going back now.'

Power Retail has seen this shift in consumer behaviour in real-time. How does your target audience want to shop? Where are they looking for products online? In May 2021, **56% of shoppers** began their product search on Google. In just a few months (and a few lockdowns later) this has **dropped to 50%**. Who is the beneficiary of this shift in behaviour? Marketplaces. **Now at 23%**, marketplaces as a starting point for product search has **jumped from 16%** back in May. We have also seen that going directly to a retailer website as a starting point for search has remained fairly steady, **now 23%**.

### WHY MARKETPLACES?



'The role of diversification in e-commerce success focuses on two core things: Improving the experience for your customers and your vendors. It is forecast that by 2023, 66% of global B2C e-commerce will come through digital marketplaces. We're starting to see real scale and the lesson for retailers is to meet customers where they are and understand how they want to buy. It's all about reducing friction and keeping that multi-channel glue in the middle,' says Wyatt.

But, how do you know if a marketplace model is right for your business? 'A retailer needs to ask themselves three questions: Do I want to improve PCV? Do I want to increase brand to value? And, do I want to improve customer experience? If the answer is yes, then, yes. A marketplace is for every type of retailer,' Wyatt explains.

'Something to know about marketplaces is they give incredible flexibility and stability to try things quickly, with no barriers, since there is no buying or holding of inventory involved and all that comes with it that normally slows or stops the process.'

Marketplaces come in all shapes and sizes with completely different models. They are able to cater to their target market's specific needs and interests. Australia grocery retailer Woolworths for example has a marketplace designed to meet the everyday needs of their consumer, meaning a massive product range to support. Beachwear and surfing goods retailer SurfStitch, on the other hand, connects shoppers with brands directly, with a far more niche offering.

But don't confuse a targeted offering with one not capable of diversification. In fact, in many cases the opposite is true. 'When building a marketplace you want to look at potential product range. Look at outdoor products—there's an identified customer and associated values. Chances are if you like surfing, you like an outdoor lifestyle. When you look at it through that lens, of customers being outside so much, you think about what they need, like skincare. So, SurfStitch launched a skincare category with moisturisers and sunscreens and the like.'

At its core, marketplaces are about scaling, but this doesn't mean you have to have a massive product range or expansive category offering to launch a marketplace. 'There's no retailer or brand too small to serve their customers. Look at BikeExchange,' Wyatt says. 'You can't get more niche than biking and now the company exists in ten countries around the world.'



## IS A MARKETPLACE MODEL RIGHT FOR YOU?

"The type of companies signing up has changed; it's no longer the biggest player marketplaces," Wyatt adds. "We're seeing companies across the spectrum finding ways to integrate marketplaces into their e-commerce strategy and seeking to break out from traditional brick and mortar driven revenue dependencies."

Obviously it's not a matter of simply listing products on marketplaces and hoping for the best. "Internal execution and teamwork is key. This is why we developed our platform for growth methodology which takes customers through three core workshops," Wyatt tells us. "For example, we conduct a deep strategy analysis on all that goes into creating a marketplace."

We look at strategy structure; roles and responsibilities for the organisational chart; legal topics like privacy law and governance, trading laws and tax implications. We also look at the commercial plan to determine what needs to happen to achieve success and what it will cost. It's important to really take time to understand the ecosystem and how best to integrate the marketplace."

While historically, from a tech perspective these projects were once time consuming and expensive, development in the space means purpose-built e-commerce businesses exist around plugins to make it a fast and frictionless experience to launch a marketplace. Connected Technology is a simple yet powerful low-code connector for building instant marketplaces, without technical expertise, eliminating the need to re-platform.

This means that if you already use Salesforce Commerce Cloud, Adobe Commerce Cloud, Adobe Commerce or Shopify for example, you can keep all the capabilities you're already using, while leveraging Marketplacer to expand your product and category range.

So, you've realised that a marketplace strategy is a natural evolution of your strategy. But how do you get it right? Despite the ease of expanding your product offerings and reaching a broader market, the key actually isn't to be all things to all people. "Something we've watched many companies struggle with is to not get sucked into trying to sell everything to everyone in the space," Wyatt says. "Focus on the customer every single time and make sure you clearly understand their needs and wants. Stay true to what your brand is and remain authentic on a daily basis."





## ONE

### **Pick strategic growth strategies:**

In e-commerce people get sucked into new tools and growing by miniscule amounts and impact, so if you're investing in growth strategies and technologies ensure they will be high impact.



## TWO

### **Don't get sucked into building technology:**

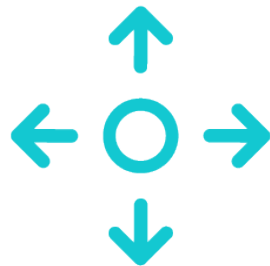
Pick proven technology platforms that can get you there faster, cheaper and better.



## THREE

### **Leverage experience and partners:**

Don't reinvent the wheel; leverage integration partners that can accelerate the timeline and help scale.



## FOUR

### **Execute a lifetime customer value:**

Delight your customer through exceptional experience.



## FIVE

### **Create exceptional vendor/seller value from your supplier base:**

Make it seamless for your suppliers to work with you, be it product placement, indexing, payments, or return processes. Ensure your marketplace platform gives them all the tools they need for you to both be successful and grow.



## WHAT NOW?

This is where having a strong brand strategy and relying on data is key. 'Successful marketplaces identify their unfair advantage. This is often revealed when they dig in and understand the data and analysis behind their customer and have a deep understanding of product segmentation. With that insight, it's easier to identify which categories to support.'

'The best validation step is to ask your customers: If you could buy products (or additional products) from our business, what would they be? Your customers will make it clear what direction you should go: to hold limited inventory or go third-party seller and scale categories more broadly. Some companies have a mix of both.'

Wyatt says that the number one mistake companies make is a lack of internal alignment. 'This is important to get right and we show our customers how to set up a process and structure that benefits the whole business.'

Another common mistake is the build versus buy approach. 'Putting excess capital to build something from scratch makes no sense in the world we live in today. Technology has advanced too much and the barriers to entry and so much lower to get started,' he adds.

'If you wake up wanting to grow and improve customer experience, then a marketplace model is right for you,' says Wyatt. 'The customer should always be at the centre of every business decision. As a retailer you have to want to grow in a modern way that enables you to improve the customer experience across the board. That is your starting point.'



# CASE STUDY 1

## **SURFSTITCH: RIDING THE MARKETPLACE WAVE**

### **THE SITUATION**

As the go-to platform for all things coastal lifestyle, SurfStitch is the leading digital platform for providing the best curated collection of coastal lifestyle products across Australia and New Zealand. With ambitions for range expansion, SurfStitch investigated the opportunity to leverage their vendor inventory pools through enabling marketplace capabilities. It was important to maintain the high level of customer experience while having the ability to rapidly onboard new vendors and burst into new relevant categories and product lines.

### **THE CHALLENGE**

SurfStitch is focused on a range extension strategy to extend their categories to combat seasonality (for example once a year purchases for summer gear). SurfStitch also wanted to expand the product offering in existing categories like swimwear while also entering new categories like Wellness without disrupting the shopping journey that their customers are familiar with. This included adding more products from existing partners as well as efficiently onboarding new vendor partners. The aim was to create a standardised vendor integration process, while creating a less manually-dependent workflow.

This required an integrated solution that stores, manages and coordinates inventory without a front-end delivery layer.

### **THE SOLUTION**

Working with Marketplacer also allows SurfStitch to test out new categories and products without the overhead risk of carrying inventory.

Launching mid-November 2020, Marketplacer developed a specialised API-led marketplace in just 40 days. Rather than feeding directly into the SurfStitch store front, this bespoke integration connects directly to their ERP platform, which then feeds the products into the Salesforce CommerceCloud platform in a seamless process.

This new marketplace functionality enables SurfStitch to rapidly onboard new vendors and dramatically increase their range available for their customers. It also removes the complex task of managing multiple third party integrations and allows the business to easily manage their product database while focusing on the overall customer experience.

### **THE RESULTS**

Now selling over 500 brands including household names like Vans and Rip Curl, and with an almost 300% increase in new vendors in just a few months, SurfStitch's new online marketplace technology has helped to rapidly scale the business into new product categories. With more changes underway, SurfStitch is aiming to extend their product catalogue into Homewares, Outdoor, Activewear, Wellness and Workwear. This new marketplace technology has allowed them to further cement their position as Australia's leading Coastal Lifestyle platform.

#### **Since launching with Marketplacer, SurfStitch has scaled seamlessly, including:**

- 300% increase in new vendors onboarded to SurfStitch in just three months, with endless capability to add more
- Addition of new product categories to complement existing SurfStitch categories, including Coastal Home, Outdoor, Activewear and Wellness using endless aisle capability
- Seamless cross-category customer experience while expanding the assortment
- In the Financial Year to date, SurfStitch has seen a 70% increase in products listed with a 74% lift in GMV across all marketplace categories

"Our business has evolved over the past 12 years beyond the realms of the core surf community and into the cultures that surround it. Our digital retail model aims to set the benchmark in e-commerce and our partnership with Marketplacer has further enabled us to move towards this goal. We chose Marketplacer as its culture aligned so closely with our own – Australian born and bred, entrepreneurial by nature and with a strong digitally focused team who have the ability to problem solve and move quickly. We now have the ability to quickly integrate third party sellers and rapidly expand our assortment so we can deliver on our promise of being the ultimate Coastal Lifestyle destination."

**Justin Hillberg,**  
SurfStitch Managing Director  
[www.surfstitch.com](http://www.surfstitch.com)

# CASE STUDY 2

## HMD GLOBAL, THE HOME OF NOKIA PHONES: ANSWERING THE CALL TO E-COMMERCE

### THE SITUATION

Bringing together the world's intelligence across businesses, cities, supply chains and societies, HMD Global is a multi-billion-dollar company operational in over 50 countries and, since 2016, has been the home of Nokia phones, upholding the brand's heritage through Nokia-branded mobile devices running Android operating systems.

With a global e-commerce strategy rollout central to the business' transformation, and the Australian market further down the pecking order from a global perspective for this capability, Marketplacer has partnered with the team at HMD Global ANZ who are eager to get on the front foot of its own direct to consumer strategy. Collaborating together, Marketplacer and HMD Global have a three-phased approach that will see the business unlock the potential of direct-to-consumer sales via e-commerce, increase its product catalogue and distribute this quickly to capitalise on incremental sales. The final phase has potential to include the launch of HMD Global's online marketplace globally, supporting complementary sellers and building this function into the brand's My Phone App.

### THE CHALLENGE

Needing to plug into the existing front end for Nokia.com and to integrate seamlessly with their licensed My Phone app, Marketplacer was called in to develop a headless integration centred on speed and agility. In this particularly competitive corner of the market, HMD Global needs to be able to distribute its Nokia product catalogue quickly, test,

and position the business for a global rollout by amplifying their D2C position and giving consumers a compelling reason to visit their site and purchase. This also means the need to transition their app from customer support and Android setup to having the capability for e-commerce and potentially a true marketplace, with an engine big enough to power a user-friendly cart and checkout journey for their rapidly expanding product catalogue.

### THE SOLUTION

Since September 2020, Marketplacer has worked with HMD Global the Home of Nokia Phones to develop a headless API that supports the checkout journey on the global Nokia.com/phones/en\_au site allowing the business to simply 'turn on' its e-commerce shop in Australia – the first marketplace offering for the brand – enabling immediate new revenue.

This new platform will allow HMD Global to quickly and seamlessly onboard third party sellers in the local context, before they consider the marketplace for the global business. This growth mindset enabled HMD Global to complement their existing offering and increase their market penetration and value offering to consumers without the risk and with a view to long term growth and business transformation.

### THE RESULTS

In just nine weeks start to finish, the ROI has been instantaneous with immediate sales without any initial marketing. Not to mention the immediate reduction of friction in its sales process, enabling a product to move direct from distributor to consumer without the need for, and cost of, third party retail shelf space. Its latest 5.4 model is selling even faster than expected, and the team sees plenty of untapped opportunity to drive sales with an aggressive digital and above the line campaign to support further driving consumers online.

"At HMD, we are always looking for new ways to surprise and delight

#### Since launching with Marketplacer, HMD Global the Home of Nokia Phones has:

- An entirely new revenue stream created in just 9 weeks yielding immediate sales without any initial marketing support
- A fast-tracked product ranging process, with the ability to cut out the added step and cost of retail space
- The first marketplace strategy to roll out globally and a test market for scale and innovation
- The capability to work toward the implementation of a true marketplace at the global level.
- The capability to expand the brand's product catalogue infinitely with both buyers and sellers transacting and engaging in new ways

our customers, and so we felt we urgently needed to reimagine ourselves by enabling a direct-to-consumer relationship via e-commerce. Marketplacer helped us do that at speed with greater agility, flexibility and capability than we could have imagined. Collaborating with Marketplacer's expertise in conjunction with their world class technology is the solution HMD Global is looking for to reposition ourselves within the market and transform our business."

#### Johan Palsson,

Head of Marketing, ANZ  
[www.hmdglobal.com](http://www.hmdglobal.com)



## **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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**GROW ON.**