



# MAXIMIZING CUSTOMER LIFETIME VALUE:

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## OPPORTUNITIES FOR GROWTH AND LOYALTY THROUGH RANGE EXTENSION

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# Introduction

Digital marketplaces have long dominated the hyper-competitive e-commerce landscape. For customers, they smooth out many of the friction points that can accompany online shopping, offering a uniquely seamless delivery experience alongside an overly abundant product catalogue. For established retailers, they offer an immense opportunity for growth. Yet, as with any change, the process of transitioning to a marketplace can be seen as a complex and expensive, requiring mass organisation and financial backing. With customer experience increasingly becoming the north star for many retailers, leaders are considering the ways they can leverage the power marketplaces to set their brands apart.

**Marketplacer**, in partnership with **Connect Media**, brought together an executive gathering of retail leaders to hear their perspectives and experiences on the marketplace journey. To capture the sentiments shared, this article breaks down the insights of the afternoon and explores the prevailing opportunities of marketplaces as expressed by attendees.





## MARKETPLACES OFFER A TESTING GROUND.

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Retailers are on a never-ending quest to appease their customers, delivering what they want, whenever and wherever they want it.

However, there is a lag between how quickly retailers can tangibly respond to the ebbs and flows of pop culture - "the trends are literally overnight and then in a week, no one cares anymore..." remarked an attendee. It can be a risky game balancing the payoff of investing in new stock needing to be backed by driving first-party data.

Marketplaces present an opportunity to test these waters. Providing a more direct fulfilment channel between suppliers and consumers, retailers can better canvass their customers, probing questions like: "Can we tap into this customer group or not? Do our customers actually want these additional offers? ", that normally would come with a weighty price tag. Essentially, they can test product sentiment to minimize the risk of unmovable warehouse inventory - "If you can adapt to that via marketplace, capitalize on it and it'll still be financially worthwhile, but then pull it when there is little interest – that is a pretty strong proposition."

*During this process, the needs of suppliers cannot go overlooked. The success of a marketplace hinges on the strategic alignment on every commercial party involved. It operates as a three-sided relationship, where the voice of suppliers holds just as much weight as that of customers.*

*"When you can understand what your customer wants, how can you meet their needs, but also how can you better partner with your suppliers to fulfil those needs without taking on so much of their commercial risk but also helping them move their stock," that is when the rewards of a marketplace will truly flourish.*

## THEY ARE A SOLID DRIVER OF CUSTOMER STICKINESS.

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The retail industry focuses most of its energy on acquiring and building up a customer base, dedicating significant resources to bringing more and more people into their conversion fold. The next step of that process is to keep those customers returning, regularly, and marketplaces offer a streamlined avenue to drive that consistent loyalty.

"There is nothing worse than a customer who comes to you and can't find what they want, but they can go direct to your supplier, or they can go to another competitor and find it, which means it is in stock somewhere," remarked a roundtable executive, highlighting a shared sentiment among leaders.

With the common goal to be front-of-mind for purchasing decisions, marketplaces tap into the transactional stickiness of returning customers more so than the emotional value of brand loyalty. Marketplaces offer more breadth as a product and distribution channel, allowing retailers to refine their consumer segments and offer a more personalised experience. Here there is additional opportunity to cross-sell, suggesting complementary products and services to elevate the transactional value.

However, it is important to not lose sight of your brand's overall identity within the aura of opportunity. The success of range extension is rooted in its ability to enhance the CVP, rather than simply creating search granularity for the sake of it. Overdriving on product runs the risk of having 'too much choice', creating space for doubt and abandoned carts. What follows needs to be a careful curation of the options available, so as not to paralyse people with the overwhelming amount of choice. The bottom line is that retail leaders need to consider the impacts of how a marketplace transition will impact their overall business identity and find a balance that augments both customer offering and brand values.







## TO SUCCEED, THEY NEED TO BE BUILT ON ALIGNMENT.

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Often, the biggest inhibitor for moving a business towards a marketplace is the objection of those internally. As adeptly explained by one attendee: “Technology’s actually the simplest part of it. The business change and the customer change- that’s much more complex.”

**Marketplacer** attendees spoke to the different pillars that underpin ‘buying-in’ on the concept - “There’s the strategic concept, there’s the operationalising, there’s the financial potential and then there’s a technical execution.” They expressed that one of the biggest challenges they are seeing retailers endure is financially modelling the potential of opportunity, and then having technical resource to actually execute it. As a service provider to retailers in this transitional phase, **Marketplacer** connects retailers directly with third parties and aids with inter-business communication, backed by the understanding that a smoother process leads to faster progress.

Change evokes fear, and as with any major undertaking, needs to be managed in ways that ensure the needs of all parties involved are adequately met. Marketplaces are built on successful relationships between a myriad of stakeholders, meaning that the number of touch points involved can often complicate the approval process. At its core, everyone involved, be that business or supplier, must be working towards a common goal. They need to be clued into how their role will be impacted and what the objective outcome is hoped to be, and they all need to be on board with those things.

## Conclusion

Competing in the retail industry is a fierce endeavour that requires a strong resolve and constant pivoting. You are no longer merely competing against other organisations; you are more so competing against your last customer experience and the impression it left in their mind. The advantages of marketplaces have demonstrated to set apart key leaders of the sector as those to be reckoned with and will continue to do so in the years to come. **Marketplacer** will continue to support the dialogue of retailers operating in this space, empowering leading organisations to stride towards digital opportunity within the saturated market.

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