

How (and why) to design a marketplace strategy



Whilst online sales continue to grow at a steady rate across the globe, leading marketplaces – the likes of ASOS, Zalando and Amazon – **are further outpacing market growth averages.**

In the UK, for instance, online sales increased by 16% from 2015 to 2016 according to [IMRG](#); whilst [ASOS grew by 27%](#). Meanwhile, Amazon is expected to make up [50% of all US eCommerce sales by 2021](#).

Such impressive growth figures mean that brands and retailers are increasingly looking at how best to exploit the marketplace opportunity. But whilst the potential returns are huge, there are also risks and challenges involved in selling through marketplaces and other multi-brand online retailers.

In this article, we take a look at the benefits, opportunities and risks of selling through marketplaces, as well as outlining the key steps and considerations involved in developing a marketplace strategy.

What is a marketplace?

[Forrester](#) defines a marketplace as ‘third-party merchants selling physical items or services on a site other than their own.’

Since third-party sellers on marketplaces usually stock and fulfil their own products (apart from some exceptions, such as when using [Fulfilment by Amazon](#)), this model

allows marketplaces to scale up quickly.

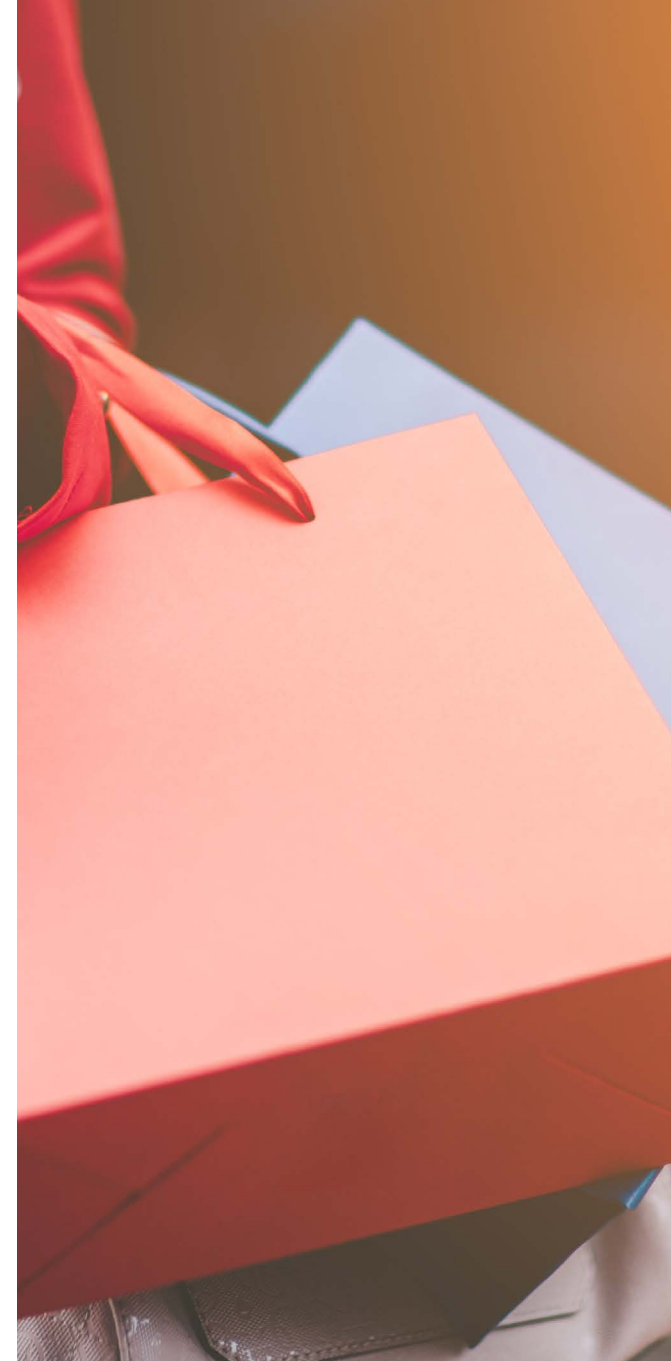
Multi-brand retailers, on the other hand, sell products from various brands directly to the consumer, handling everything from storage to fulfilment to customer service, so they tend to have a smaller inventory.

From a brand’s perspective, it is usually easier to sell your products through a marketplace than through a multi-brand retailer, as the process of entering into a supplier partnership with the latter is generally lengthier and more complex than getting started as a marketplace seller.

Why marketplaces are good for shoppers

A recent [InternetRetailing and Volo whitepaper](#) found that over two thirds of brands and retailers are already using marketplaces. So why are marketplaces so popular with both consumers and brands?

- ▶ **Convenience:** Marketplaces offer consumers a one-stop shop, often including different categories, all accessible through one customer account, which removes friction from the shopping experience
- ▶ **Fulfilment:** Marketplaces help to serve “consumers’ expectation that they can get what they want with ease and speed” (Mary Meeker, [2015 Internet Trends report](#)) by offering faster, more flexible fulfilment options. In addition, a [2016 Forrester report](#) found that lower shipping costs are “very important” to 63% of shoppers on marketplaces
- ▶ **Price:** Competitive pricing is a key benefit for most shoppers, with 71% of shoppers selecting this as “very important” in the 2016 Forrester study
- ▶ **Range:** Marketplaces give shoppers access to a wider range of brands and products in one place, together with the ability to easily compare products, allowing them to make more informed decisions
- ▶ **Customer experience:** Marketplaces such as Amazon drive customer expectation through constant innovation and investment, with Amazon Prime membership offering a key example



“
Consumers’ expectation that they can get what they want with ease and speed will continue to rise. This changes fundamental underpinnings of business.
”

MARY MEEKER
[2015 Internet Trends Report](#)

Why marketplaces are good for brands and retailers

- ▶ **Ready customer base:** According to [Forrester's report](#), 53% of consumers who shop online are making purchases on marketplaces three or more times per month, particularly across clothing and apparel, books and films, and consumer electronics. Marketplaces can therefore offer access to a huge base of both existing and new customers
- ▶ **Access to new segments:** Selling through marketplaces allows brands and retailers to serve customer segments they may not have previously targeted. According to Forrester, more than 80% of consumers said that marketplaces have introduced them to new retailers that they would not have known of otherwise
- ▶ **International reach:** Marketplaces offer brands a way of testing the waters in new international markets. Clarins, for example, has furthered its international reach by becoming a top-five brand on Tmall, the Alibaba-owned marketplace with over 16,000 international sellers
- ▶ **Range expansion:** Similarly, marketplaces allow brands and retailers to extend their online offering and test new product lines. Chanel, for instance, uses marketplaces to drive its range expansion strategy
- ▶ **Brand building:** Marketplaces also allow brands and retailers to build an internationally recognised brand and be visible among brands that complement their own proposition and positioning
- ▶ **Improved customer experience:** Marketplaces offer retailers a new way to engage and interact with their customers – and shoppers increasingly expect their favourite brands to be on marketplaces. Forrester's study found that marketplaces are likely to boost customer loyalty, increase average order values, and build trust – all of which have positive knock-on effects for the brands selling through them
- ▶ **Stock clearance:** They can also act as a means for clearing existing stock. For example, Links used this technique to clear its 2012 inventory

53% of online shoppers are making purchases on marketplaces three or more times per month

[Retailers Must Seize The Marketplace Opportunity](#). Forrester 2016

Risks of selling through marketplaces

Despite the myriad benefits of selling through marketplaces, brands and retailers should also be aware of the potential risks involved. Here we take a look at some of the key risks – and how you can go about mitigating them.

- ▶ **Cannibalisation:** With consumers buying through marketplaces, your own brand site and in-store sales may take a hit. Organisational change may be required to manage this, such as rethinking how teams are structured and incentivised
- ▶ **Brand image:** [InternetRetailing's survey](#) found that brand values and perception were the top concern of brands and retailers using marketplaces. Choose your marketplace partners carefully, and ensure your product and brand assets stay up-to-date and on brand. Also ensure you actively monitor rating and reviews, and take action to address any issues identified
- ▶ **Price control:** A lack of control over prices and promotions, as well as over sale of current versus retired stock is often a key concern for brands. Define a clear pricing policy in the context of your other sales channels, and have a procedure in place to buy back stock and shift to discount marketplaces as necessary
- ▶ **Hidden costs:** Whilst most marketplaces have public pricing grids outlining costs such as monthly fees and referral fees – such as [Amazon's Plans & Pricing page](#) – ensure you are 100% clear on all fees at the outset, so you don't get caught out by any hidden costs
- ▶ **Marketing investment:** Particularly at the beginning, marketplaces can require intensive marketing effort and investment in order to optimise your presence and win popular search keywords. Closely monitor ROI – in terms of profitability and/or brand awareness – and optimise your efforts accordingly
- ▶ **Logistics:** Issues around shipping, managing returns, and customer service can become even more challenging in international markets, where legal requirements and language barriers come into the mix. Ensure you can meet all SLAs, and consider working with a partner to manage and run your marketplace presence – particularly in foreign-language markets

Should you build your own marketplace?

The evident benefits of marketplaces to both consumers and brands mean that many organisations have launched – or are considering launching – their own. Here, together with leading marketplace platform provider [Mirakl](#), we take a look at some of the key considerations for brands and retailers interested in launching their own marketplace.

▶ **Consider how a marketplace fits into your wider strategy:** Whilst there are no specific criteria whereby a retailer or brand should consider launching its own marketplace, some typical situations include:

- ▶ **Multi-brand retailers who want to scale up:** Launching your own marketplace offers a lower-risk means of expanding your product range and scaling up, without having to hold and fulfil all of the products advertised. French electronics retailer [Darty](#), for instance, found that it was able to generate €6 to €7 for every €100 sold through its marketplace, compared with €2 to €3 generated from €100 sold in products that it stocks directly
- ▶ **Famous brands who want to leverage their brand equity:** For brands strong enough to be destinations in their own right, it may make sense to launch a marketplace to combine your brand with products from other carefully selected partners, giving you direct access to the customer and customer data. ASOS, for example, started out by selling its own-brand replicas of clothes worn by film stars, but today offer products from more than 1,000 other brands and boutiques through its [marketplace](#)
- ▶ **New brands who want to become famous:** Some organisations use marketplaces as their launch pad, testing a perceived gap in the market

Should you build your own marketplace? (cont.)

- ▶ **Carefully select your product categories:** Offering your customers access to complementary products from third-party brands via a marketplace can be a great way of increasing loyalty and retention, whilst increasing dwell time and AOV. Ensure you select products, categories and brands that complement – rather than compete with – your own products. Halfords does this well through its [marketplace](#), which sells everything from baby travel accessories to bike racks through a network of ‘Approved Partners’
- ▶ **Use a marketplace to reinforce your omni-channel offering:** Launching your own marketplace can help strengthen your omni-channel strategy, by incorporating web to store and store to web functionality. Upmarket French department store chain Galeries Lafayette, for example, uses its marketplace to showcase new product ranges from Longchamp, allowing customers to try handbags in store and later order online for in-store collection or delivery
- ▶ **Ensure you have the right organisational structure in place:** As well as getting buy-in from the senior management team, make sure you dedicate adequate resources to launching and running your own marketplace, and consider working with an experienced partner

How to design a marketplace strategy

In order to fully seize the opportunities offered by selling through marketplaces, as well as mitigating the potential risks involved, brands and retailers should have a well-defined marketplace strategy in place. Taking a monitor, test and learn approach is vital throughout – whether in terms of the marketplaces chosen, keywords employed, or KPIs used.

Here we take a look at the key areas that should be considered as part of your marketplace strategy:

- ▶ Customer proposition
- ▶ People
- ▶ Customer experience
- ▶ Marketing
- ▶ Operations
- ▶ Measuring performance



Customer proposition

What are we selling and where?

At the core of a successful marketplace strategy is a clear understanding of the customer and, crucially, the values that appeal to a customer when purchasing an item. Start building out your customer proposition specifically for marketplaces by considering range and pricing, as well as your selected markets and marketplaces.

- ▶ **Product range:** Define your product range per marketplace according to positioning and objectives, demand and margin. Consider carefully how this compares with your owned site, as well as the range offered by any retail partners. Plus, think about whether you will offer any exclusive products or services, such as customisation, through each marketplace
- ▶ **Pricing strategy:** Depending on your objectives and situation, there are several different pricing strategies that you can adopt, from always price matching on marketplaces to always selling at RRP. As well as defining your product listing prices, think carefully about related costs such as delivery and returns, as these will often impact your ranking on search results, as well as affect your profitability. Monitor both your profitability of trading through marketplaces post-discounts and promotions, as well as the effect of your marketplace pricing policy on profitability through your other channels
- ▶ **Markets and marketplaces:** Prioritise your chosen markets and marketplaces based on a thorough analysis of the target audience, positioning and market share of each marketplace, to help you find those with the best fit and biggest opportunity for your business. Start small and expand slowly, and ensure you can differentiate your own direct-to-consumer proposition

People

How do we manage this?

In order for your marketplace strategy to succeed, ensure you have the right organisational structure in place and are building strong relationships with key stakeholders.

- ▶ **Team structure:** Having a central team with accountability for both your owned eCommerce site and marketplace sales will help to establish common goals and ensure consistency. Think carefully about how people across the business are incentivised, in order to make sure everyone is working towards these common goals
- ▶ **Training:** Give your staff the training they need to deliver a high-quality marketplace strategy. Partners like Isobar Commerce can provide marketplace training toolkits, including guidelines around range, pricing and content, to help empower your team
- ▶ **Invest in building strong relationships:** Identify key contacts and work with them to discuss performance and identify tactical and strategic opportunities. At fast-paced marketplaces like Amazon, tenure is often short, so ensure you document all formal communications and ensure that these conversations remain frequent and regular



Customer experience

How do we ensure the experience matches ours?

Ensuring brand consistency is a key concern for most brands and retailers selling through marketplaces. Recognise that your products are more than likely already being sold on marketplaces, so it is better to own the brand experience on relevant marketplaces to counteract any unofficial sellers. Indeed, after a two-year ban on sales via online marketplaces, realising that unofficial sales continued, leading sports brand [Adidas](#) recognised the lost opportunity and returned to marketplaces in 2014.

In terms of your marketplace presence, some steps you can take to deliver a superior customer experience include:

- ▶ **Include comprehensive product information:** Within the Amazon environment, for example, there are over 20 elements on a product page that can be populated and/or edited and influenced. Ensure consistency and utilise all features fully to support the purchase – this encompasses the quality, variety and layout of information such as titles, imagery, descriptions, other supporting information and reviews
- ▶ **Make your content engaging:** As well as using high-quality imagery, consider including some product videos if possible, and think about how to make your product pages more engaging. Amazon's 'From the Manufacturer' section is one such opportunity; such as [this page](#) for a Bang & Olufsen speaker, which incorporates information on the product designer, more benefits and visually appealing graphics
- ▶ **Leverage the power of ratings and reviews:** On marketplaces, fellow shoppers' reviews and ratings are particularly important, with 82% of consumers deeming them important or very important in [Forrester's report](#). Encourage shoppers to leave product reviews in order to build trust and positively influence buying decisions

Marketing

How do we make people aware of what we're doing?

To deliver a successful marketplace strategy, a global standardised approach to marketing is required, including consideration of the below.

- ▶ **On-site promotional content:** Consider how to use each marketplace's promotional content slots, whether these are on the homepage, megamenu, category landing pages, product listing pages or elsewhere. By optimising your promotional content slots, you can drive add-to-basket, search and navigation results
- ▶ **On-site search and navigation:** Optimise your brand's visibility and positioning within on-site search and navigation, taking into account specific and generic search terms, hierarchy position, navigation facets and sorts and filters, to help drive sales performance. Amazon Retail Analytics' Premium access gives sellers access to useful reports such as the top 100 search terms by category, as well as the ability to test new search terms for your paid search portfolio. Also ensure your back-end processes can support any marketing efforts – lack of availability is a sure-fire way to waste money on paid search adverts
- ▶ **Cross-selling:** The visibility and influence of cross-selling is another key success factor, encompassing recommendations on the homepage, category landing pages, at the product and cart level. Improving visibility will help drive sales performance
- ▶ **SEO:** Recognise that your overall marketing cost could increase due to competition from marketplaces for the same search terms. Manage this by closely monitoring the trade-off between the increase in marketing costs and increased profits through marketplace relationships

Operations

How do we deliver this?

Ensuring you can handle and fulfil marketplace orders efficiently and cost-effectively is key to the success of your marketplace strategy and maintaining a consistent customer experience.

- ▶ **Differentiate through delivery:** With so much competition on marketplaces, offering better, cheaper or more flexible delivery and return options is one way for a brand or retailer to stand out from the competition. Integrate any marketplace processes tightly with your own internal processes, ensuring, for example, that you can fulfil all marketplace orders automatically rather than having to manage this manually
- ▶ **Consider Fulfilment by Amazon (FBA):** FBA enables marketplace sellers to have their orders picked, packed and shipped by Amazon, saving them time and making their products more likely to sell due to access to Prime members, as well as improved search rankings. If you are unable to fulfil within two days, consider using FBA on all or your best-selling products. FBA can also fulfil orders from other marketplaces such as eBay and Rakuten, as well as handling returns and customer service, so can be a good option particularly if you are looking into launching in new international markets
- ▶ **Implement a simple returns process:** Whether this is managed internally, by the marketplace or by a third party, ensure your returns process is straightforward. [Forrester's report](#) found that almost a third of customers said they would buy from the same marketplace again if the returns process was easy

Measuring performance

How do I know if I'm doing well, and how can I do better?

Having a clear set of KPIs that are frequently monitored is the final – but perhaps most important – step in putting together your marketplace strategy.

- ▶ **Include both quantitative and qualitative KPIs:** As well as tracking the value and volume of sales through each marketplace, it is vital to monitor the share of marketplace sales as a proportion of total online sales. Other metrics that you may consider monitoring include average order value, product views and searches, and total activity cost. Keep a close eye on all ratings and reviews, and ensure there is no dramatic increase in customer service queries, which may indicate underlying issues with your marketplace strategy
- ▶ **Get as much data from marketplace partners as possible:** Outline a clear approach to gathering data, and work closely with each marketplace to push for the widest set of metrics available. Amazon provides only limited data to its partners, but the data provided through its Premium Amazon Retail Analytics service is still useful if reviewed regularly. Ensure you download and store all data, as most data is only stored online for three months. Other marketplaces, particularly the likes of Tmall and Rakuten in Asia, can provide more customer data, so don't assume one size fits all
- ▶ **Regularly assess your performance:** Whatever your chosen KPIs, it's important to ensure regular assessment of KPIs, so that your marketplace strategy can be adjusted and optimised as necessary





At Isobar Commerce, we recently helped a leading luxury brand to consolidate their wholesale eCommerce strategy, by assessing the risks and opportunities and recommending the most appropriate marketplaces through which to sell. As part of the project, we also sized the market and the estimated revenue opportunity, and we defined an approach, key success factors and KPIs.

The project also involved rolling out a marketplace training toolkit, including range, pricing and content guidelines, as well as recommended promotional activities and third-party tools, empowering the brand's team to optimise their marketplace presence and boost sales.

How Isobar Commerce can help kick-start your marketplace strategy

At Isobar Commerce, we have developed a robust framework for marketplace assessment and optimisation. Our proven approach encompasses research, opportunity and risk assessment, and planning, including a strategic roadmap and revenue forecast.

ABOUT ISOBAR COMMERCE

Lorem Ipsum is simply dummy text of the printing and typesetting industry. Lorem Ipsum has been the industry's standard dummy text ever since the 1500s, when an unknown printer took a galley of type and scrambled it to make a type specimen book. It has survived not only five centuries, but also the leap into electronic typesetting, remaining essentially unchanged, lorem sed Ipsum is simply dummy text of the printing and typesetting industry.

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