

STRATEGIES FOR MASTERING ONLINE MARKETPLACES



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Marketplaces have become essential parts of eCommerce. These sites are a favorite of today's online shoppers, and provide a new channel through which to solidify brand control, expand globally, and reach new customers.

Venturing into the marketplace space shouldn't be done carelessly—brands need to find the right fit for their products, master unique logistics challenges and keep a close eye on their competitors' efforts.

In the end, the value extracted from marketplaces will be worth the effort. In this eBook, we'll walk you through strategies to master online marketplaces.

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HOW RELEVANT ARE ONLINE MARKETPLACES?

In the eCommerce era, there are many ways to get products to customers, and each has its own use cases and unique appeal. Expansion beyond companies' own channels is essential in an environment where sales growth may equal survival.

Third-party marketplace sites represent a specialized and effective part of online sales, even for companies that possess traditional online storefronts. Organizations that don't compete in these spaces may find their customers are going with other providers for "like" products.



These sites' own user bases are too large to ignore: **97 percent** of U.S. online shoppers use marketplace sites.



The top 18 global marketplaces accounted for **44 percent** of all online sales totaling \$1.09 trillion of goods



55 percent of all product searches initiate through Amazon.

MOTIVES FOR USING ONLINE MARKETPLACES

There are many reasons to explore online marketplaces for your business. Just as every retailer is unique, motives for selling in third-party marketplace sites will vary from one case to the next.

- **Increase Sales.** Expanding the online footprint beyond a company's own ecommerce site into new audiences.
- **Explore Global Markets.** Using specialized marketplaces targeted at specific regions presents a low-overhead way to test new global markets.
- **Drive Loyalty.** Consumers want convenience and brand intelligence—in the form of reviews and buyer testimonials. These features are available on marketplaces, which can deepen the bond between customer and company.
- **Increase Margins.** Selling direct-to-consumer through marketplaces can deliver a higher margin than selling through retail or distribution.



NOT EVERY MARKETPLACE IS THE SAME: SELECTING THE RIGHT FIT

There is no consensus of “best” online marketplace. Making the right selection comes down to aligning a seller’s objectives with a marketplace’s unique strengths.

A few considerations that will help organizations select the right kind of marketplace to achieve their unique sales and audience expansion goal:

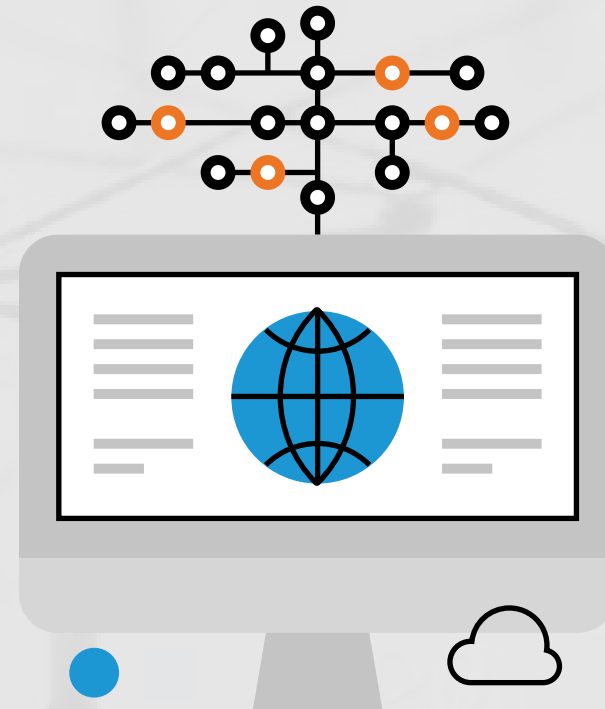
- **Market type:** Companies should decide whether their offerings will find more success in *vertical marketplaces*, which specialize their products by type, or *horizontal markets*, which sell many product types to audiences that share traits.
- **Market locale:** When entering cross-border commerce, companies should seek out *global marketplaces* that are well-acquainted with specific regions. This means offering services in the local language or languages, being aware of what local customers want and expect from stores, and knowing how they prefer to pay for goods.



SOLIDIFYING BRAND CONTROL AND CUSTOMER CONTACT

While working with a third-party marketplace means, by definition, that retailers will be giving up some of the control they have over branding and presentation, they should still retain some of their authority over these elements of the experience.

- ▶ When companies use marketplaces effectively, they'll still be able to project a carefully controlled image, rather than becoming an indistinguishable part of the whole.
- ▶ One way to hold onto autonomy is for a seller to use its own distribution network that is certified in marketplace fulfillment, rather than handing over control to the marketplace operator.
- ▶ Brands that use marketplaces coupled with their own distribution networks have a more direct connection to customers than those that sell their products through traditional retail channels, online or brick-and-mortar.



MAINTAINING MARGINS AND GETTING A PULSE OF MARKETPLACE PRICE POINTS

Not every marketplace will deliver the same kind of profit margin. Companies cannot take their returns for granted, and should have constant access to an accurate and up-to-date stream of financial data, as well as related numbers that give cues to future performance.

- Factors affecting companies' ability to maintain profits include: alignment between the brand and the marketplace chosen, the nature of orders being placed and the quality of fulfillment services provided.
- Metrics are necessary to ensure that a marketplace arrangement is delivering financially. These analytics must be accessible over time, as changing conditions can drastically affect profit margins.
- In-depth and actionable data can guide companies' future marketing and outreach efforts, not just measuring what has worked in the past but leading retailers to continued success and profitability.



PAYING ATTENTION TO COMPETITORS

Companies aren't alone when they operate within marketplace ecosystems. For instance, there are 350 million SKUs available from Amazon-based merchants alone. Each platform is its own thriving environment, and organizations need to stay abreast of their competitors' actions. As important as it is to look inward with metrics, companies must also look outward.

- Whether an internal employee or an outside consultant, someone should be spending time monitoring the state of competition on any given marketplace. Companies that don't focus on this information-gathering may not realize they're falling behind until the bottom line takes a hit.
- Equipped with data about what is and isn't working for other participants in the marketplace, companies can adjust their own prices and item selection to emulate competitors' successes—or get ahead of them.

- Gate your brand. Often times unauthorized sellers can create listings of your products that can drastically effect sales, be sure to report unauthorized sellers for removal. To add room for 3rd bullet, could end first bullet after “falling behind.”



EXPANDING MARKETPLACES GLOBALLY

Global offerings are increasing rapidly and brands today have a growing opportunity to take business beyond their country's borders, reaching hundreds of millions of online shoppers in the process. In fact, Cross-Border B2C sales will more than double in the next five years to reach \$424 billion in 2021.

- ▶ **Affordable Market Entry.** Marketplaces offer a relatively easy, low-cost way of entering or expanding a company's footprint in a global market. If you want to test products or launch a pilot program, do so on a marketplace first before investing in a localized eCommerce site.
- ▶ **Sizable Audience.** Perhaps the most compelling factor of selling through a marketplace is the pool of buyers. Alibaba, which includes T-Mall and Lazada, is China and Southeast Asia's leading marketplace with 515 million active

buyers, India's popular Flipkart has 100 million users and Rakuten, widely used in Japan, has 95.2 million members. MercadoLibre, with over 50M unique monthly visitors, is the largest marketplace serving Latin America has 30M buyers.⁵

- ▶ **Localize Content.** Do your research and understand consumer behaviors in each market and local terminology. For instance when listing in the U.S. consumers may be looking for a sweater for a ski trip— whereas in the U.K. it may also be termed a jumper or jersey.

\$424 BILLION

Projected in Cross-Border B2C Sales



MAKING A SUCCESSFUL VENTURE INTO NEW MARKETPLACES

Adding a marketplace as a retail channel can give companies a whole new way to sell their items and reach new audiences. The difference between a successful expansion into this space and one that doesn't deliver a return on investment can be as simple as how much focus and effort was put into the move.

- **Dedicated Expertise & Focus:** Dedication, focus, and management are needed to get ideal results—a marketplace presence isn't something that organizations can "set and forget." You'll need in-house or 3rd party expertise to keep the program running optimally.
- **Constant Fine-Tuning:** Managing a storefront on an online marketplace is like a game of chess with competitors—only daily management and adjustments can give businesses an upper hand on the many other participating organizations

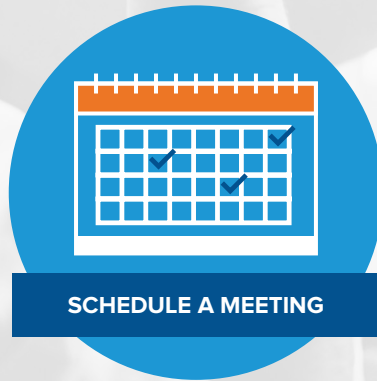
- **Low-Risk Expansion** Retailers that make intelligent use of marketplaces can unlock new audiences and enter geographic regions that they haven't yet explored with very little risk.



SCHEDULE A CONSULTATION

Success in the marketplace space is an essential part of being an eCommerce force today. Companies that have a solid and fully developed marketplace strategy can expand their sales reach, opening up new audiences around the world, and exerting greater control over their brands.

Attaining these results may depend on merchants' connections with their third-party eCommerce partners. Online marketplaces can elevate your online presence and boost your sales. By following these 9 proven practices, you can optimize operations and master online marketplaces.



SOURCES

^{1,3} Internet Retailer: Online Marketplaces: A Growing Phenomenon

² <https://www.forbes.com/sites/richardkestenbaum/2017/04/26/what-are-online-marketplaces-and-what-is-their-future/#740b0f083284>

⁴ Cross-Border Magazine

⁵ DMR - Expandedramblings.com

⁶ Statistica.com

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