

# To Marketplace, To Marketplace: A Definitive Guide to Understanding Marketplaces

The Internet has clearly changed the way we do business and by 2020, global online business-to-business retail sales will be more than double that of consumer retail, according to growth experts Frost & Sullivan, accounting for \$6.7tn of revenue (The Drum 2016).

\$6.7<sup>tn</sup>

Estimated global  
online B2B retail  
sales by 2020 (the  
drum 2016).

At the heart of this surge to online purchasing are marketplaces, such as Amazon, Alibaba, Google and Walmart.com which are creating a new era of many-to-many shopping opportunities for the B2B and B2C market.

In fact, last year, shoppers did half of their online spending through marketplaces, and that could rise to two-thirds in five years, according to a report released by Forrester Research (RetailDive 2017).

50%

Of online spending  
was done through  
marketplaces.

Marketplaces offer a whole new world of opportunities for wholesalers, retailers and consumers and there are many advantages of marketplace platforms.

However, marketplaces are only successful if they are able to build connections and create experiences between sellers and buyers. Trust is the fuel behind the fire, ultimately determining the success of marketplaces.

Marketplaces are dynamically changing in real-time, thus it is important than ever to understand their nuances. In this e-book, we will cover:

- The basics of marketplaces
- How have marketplaces evolved
- The importance of marketplaces & how they benefit both sellers and buyers
- How can marketplaces succeed
- How 1WorldSync showcases your presence in marketplaces



# The Basics of Marketplaces

## What is a Marketplace?

An online marketplace is a website or app that where one can find different brands of products coming from multiple vendors, shops or person showcased on the same platform. The operator of the marketplace does not own any inventory, their business is to present other people's inventory to a user and facilitate a transaction.

## What is the difference between e-commerce and a marketplace?

A marketplace is a component of how e-commerce is evolving. What sets a marketplace apart from a standard e-commerce site is that the goods and services are supplied by a third party. In most cases, the marketplace platform acts as a type of digital middleman.

Marketplace takes two large components out of that process:

- The products are sold to a 3rd party [either a distributor or other ecommerce player.
- The product sold on the e-commerce site are supported and fulfilled by the 3rd party and not the site itself. But marketplace is not limited to goods, Airbnb is actually a marketplace, just with temporary housing as the items being traded.
- A true marketplace like eBay and Uber manages the entire transaction, from listing to payment processing

## What types of marketplaces are there?

The difference in marketplaces depends on what is being sold or traded.

### Switch Marketplaces

Peer-to-peer (VRBO and Craigslist are great examples of this) where private individuals offer and make orders. This is a grassroots transaction where private individuals sell their goods to peers. For example, the early days of eBay and Airbnb were dominated by private individuals.

### Vertical , Horizontal or Industry Specific

Vertical e-marketplace provides online access to businesses vertically across every segment of a particular industry sector such as automotive, chemical, construction or textile. Buying or selling using Vertical e-marketplace helps increase the operating efficiency while decreasing the supply chain and inventories cost and procurement time. A horizontal e-marketplace on the contrary connects buyers and sellers across different industries or regions. It will allow the buyers to purchase indirect products such as office equipment or stationery. Vertical or industry specific marketplaces like Trivago and Hotels.com which offer very similar and specific products to end consumers. When you focus on a very specific area, like Homejoy focuses on house cleaning, you have a chance of creating a better user experience and creating a tight knit community of like-minded people shopping for the same things.

### Retail Marketplaces

Best examples of these are Alibaba, Amazon and Ebay which refers to a business to business online platform or business to consumer platform normally operated by a third party which is open to buyers and sellers.

### Search Engine Shopping

Google Shopping and similar platforms also are changing the way end consumers find and buy products.



## What are the largest marketplaces out there and what are their differences?

Amazon is the largest online marketplace in the United States and Alibaba is the largest marketplace in China. Alibaba is estimated by eMarketer to surpass the U.S. as the largest retail e-commerce region by 2017.



Amazon sells all types of goods, including food, toys, books, electronics, art pieces, and even much more. However, it has gone even further and currently, it offers cloud infrastructure services (AWS), software, analytics services (Alexa), digital content and multimedia product.

Amazon marketplace operates similar to large big box stores where suppliers negotiate wholesale prices for their items, which Amazon then purchases. The Amazon platform facilitates anyone to sell directly to the end-user or online consumer. The margins are set, the product is sold directly to Amazon.

There are two fulfillment model. Fulfilled by Merchant where the seller takes on the responsibility and overhead of shipping to the consumer. The other more popular option, Fulfilled by Amazon where the seller leverages Amazon's world class fulfillment operations by shipping quantities to Amazon's Fulfillment centers for fulfilling consumer orders on behalf of the seller.



Alibaba's core business resembles that of eBay. Alibaba acts as a middleman between buyers and sellers online and facilitates the sale of goods between the two parties through its extensive network of websites. but Alibaba largely removes itself from anything beyond the connection and transaction between buyer and seller.

Jack Ma, founder of Alibaba, explains it this way: "The difference between Amazon and us, is Amazon is more like an empire — everything they control themselves, buy and sell," Ma said. "Our philosophy is that we want to be an ecosystem. Our philosophy is to empower others to sell, empower others to service, making sure the other people are more powerful than us. With our technology, our innovation, our partners — 10 million small business sellers — they can compete with Microsoft and IBM. Our philosophy is, using internet technology we can make every company become Amazon." (CNBC 2017).

## How Have Marketplaces Evolved Over The Years?

Remember when Amazon was just selling books, and would allow an end user to sell their used books to others hence a peer to peer system? The same can be said for Ebay as peers were selling their goods digitally to others. This has evolved to major retailers, etailers and distributors now selling their products via the marketplace platform. Let's not forget that marketplace has also change how end consumers find hotels/lodging, buy airfare, shop for clothes and even go to rummage sales. Even the weekend activity of shopping other people's stuff has turned into a digital marketplace. Ebth.com [Everything but the house] and LetGo are perfect examples of this.



## Importance of Marketplaces

Data gathered from the Internet Retailer 2016 Top 500 Guide shows that, collectively, the 26 retailers that disclosed their sales from online marketplaces brought in 14.4% of their total \$3.1 billion in sales in 2015. That's up 42.9% worth of goods sold through marketplaces in 2014 for the same 26 retailers (Digital Commerce 360 2016).

"We look at marketplaces as the new retail battleground," Jenn Markey, Vice President of Marketing at retail strategy firm 360pi. "For the retailers that embrace them, it creates an endless aisle online without the traditional costs. But even Amazon is experiencing that it can be the Wild Wild West. The challenge is that some vendors are more legitimate than others." (Retail Dive 2017).

"Marketplaces are more profitable for us," Andrew Vagenas, co-founder and CEO of Pharmapacks, says. "Acquiring a customer through our own site costs more than paying a commission on Amazon." Amazon's commission, or the percentage Amazon takes from each retailer on sales of their products on Amazon.com, typically ranges between 6% and 15%, although in a few categories it can rise to as much as 25% (Digital Commerce 360 2016).

Marketplaces represent an opportunity for for merchants to compete in a competitive retail landscape and expand their reach to more consumers, both nationally and internationally. With a plethora of online marketplaces available, merchants can choose sites that make the most sense for them.

## Benefits of Marketplaces

Marketplaces present a great opportunity to sell more products for suppliers.

### Global Reach

What an opportunity to get your brand in front of millions of global consumers. The great thing about marketplaces is they provide multi-lingual site. For example, Alibaba's 15 different language sites help suppliers connect with businesses whose preferred language is not English. It enables oversea sales by providing opportunities to trade in the international e-marketplace.

### Competition

Marketplaces provide all size brands the opportunity to compete. Smaller stores or vendors who are not sure about establishing their own eCommerce website or want to reduce their marketing costs can align themselves with these larger businesses and gain visibility through their fulfillment options.

### Additional Revenue Stream

The platform acts as an additional sales channel to market and sell their products.



## How Can Marketplaces Succeed?

Ian Friedman, Co-Head of Goldman Sachs Investment Partners, Venture Capital & Growth Equity team, who moderated a panel discussion on marketplaces at Shoptalk said, 'For marketplaces to succeed, they must do three things well (Forbes 2017):

- Reduce friction in both selling and buying to create sufficient liquidity on both sides on the marketplace
- Engender a greater level of trust and transparency to encourage participation
- Create both proactive and reactive mechanisms for addressing inevitable issues that are generated between marketplace participants

## Trust & Transparency Determines a Marketplace's Success

88% of consumers say that detailed product content is extremely or very important to their purchasing decision. Consumers expect rich and trusted product content on all channels: desktop to mobile.

Consumers use product content to compare choices. Whether it's between brands or product versions, they're looking for certain distinguishing features. If product information is incomplete or missing, it can make customers doubt the marketplace and they ultimately will lose the confidence to make a purchase.

In a world of regulatory compliance and the socially conscious consumer, there has never been a more important time to address transparency and compliance.

Transparency is one of the most effective ways to establish trust and credibility. This can be done by requiring sellers to provide a certain amount of accurate and complete product information with a rating system, user reviews, or testimonials.



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## How Does 1WorldSync Enable You To Get Onto Marketplaces Like Amazon, Alibaba, Walmart.com & Google?

1WorldSync believes that trust and transparency are key components that account for a successful marketplace. What draws consumers to a marketplace is how the marketplace manages trust. A certain level of trust is required for any transaction to take place.

As a leading provider of product content solutions, 1WorldSync helps brands and suppliers organize their product content according to marketplace specifications and gets their products listed and in front of millions of new shoppers.



1WorldSync helps you easily publish your product content to key marketplaces such as Walmart, Alibaba, Amazon and beyond by:

- Streamlining the item setup process with 100% accurate data and complying with industry standards.
- Gaining exposure and managing all your product information via one solution.
- Reducing operational time while increasing your online presence and penetrating new markets.

Marketplaces have the potential to help your products reach millions of new, global customers and 1WorldSync has you covered! It's time for your products to be discovered by more buyers on the world's largest marketplaces.

The 1WorldSync product information cloud helps customers seamlessly list, manage and optimize product content necessary to sell on marketplaces. The 1WorldSync product information cloud enables sellers to connect with customers, optimize operations and grow sales channels.

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## About 1WorldSync

1WorldSync™ is the leading provider of product content solutions, enabling more than 25,000 global companies in over 60 countries to share authentic, trusted content with customers and consumers, empowering intelligent choices for purchases, wellness, and lifestyle decisions. Through its technology platform and expert services, 1WorldSync provides solutions that meet the diverse needs of the industry. 1WorldSync is the only product content network provider and GDSN Data Pool to achieve ISO Certification 27001.

For more information, please visit [www.1worldsync.com](http://www.1worldsync.com).