

SEIZING MARKETPLACE OPPORTUNITIES:

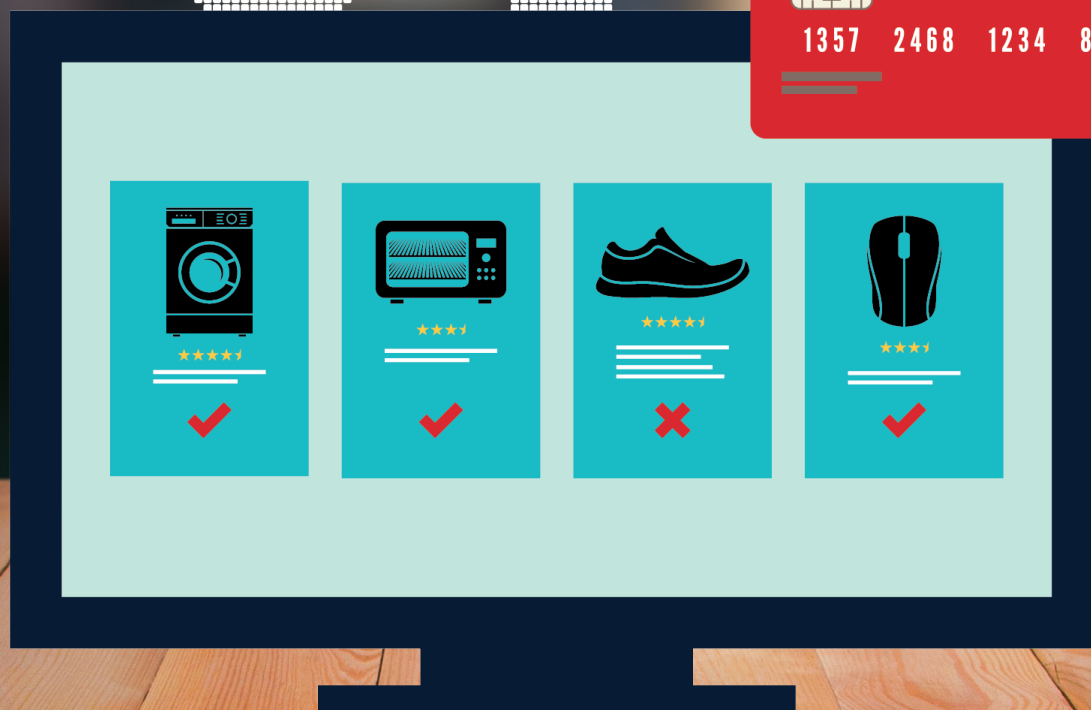
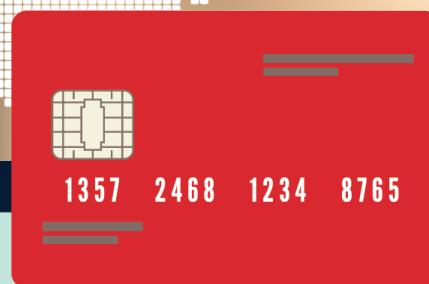
A PRACTICAL GUIDE TO
ONLINE EXPANSION

retail
TouchPoints®

SPECIAL REPORT

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INTRODUCTION

While **Amazon** and **Alibaba** have been the predominant online marketplaces for several years, the field is becoming more crowded, with new players entering the fray seemingly every day. These range from peer-to-peer platforms like **eBay** to third-party marketplaces integrated into traditional ecommerce operations like that of **Walmart** — and hundreds of variations in between. There are currently more than **125** marketplaces with **1 million** or more monthly site visits — approximately **50** in the U.S. alone — according to management consulting firm **Alvarez & Marsal** (A&M).

The scale of the online marketplace universe is staggering: A&M **estimated** that in 2019, marketplace sales worldwide accounted for approximately **\$2 trillion**. With growth projected to continue at **20%-25% YoY**, that number is set to reach **\$5 trillion** by 2025. That's a lot of zeros, and an opportunity that is becoming increasingly hard to ignore.

"You should be wherever the customers are," said Jason Boyce, Founder and CEO of **Avenue7Media** and author of *The Amazon Jungle* in an interview with *Retail TouchPoints*. "The more you get seen in more venues raises mindshare for your brand. That may drive more sales to your site or it may drive sales to Amazon. Who cares? **At the end of the day, people can so easily bounce around platforms. It's absolutely critical in today's world that you be everywhere the shoppers are.**"

But navigating the dense marketplace landscape can be fraught with concerns about cannibalization, brand erosion, overexposure and lack of control over the customer experience. Building a successful multi-marketplace strategy involves:

- **Viewing marketplaces as their own channel**, not just something tacked on to existing ecommerce operations;
- Looking beyond Amazon to **find the optimal marketplace mix** for your brand; and
- Knowing exactly what role marketplaces play in your larger strategy to inform critical decisions about **pricing, assortment, marketing/advertising** and **effective product listings** that will drive traffic and conversions.

TREAT MARKETPLACES AS THEIR OWN CHANNEL

As consumers become increasingly channel-agnostic, marketplaces offer brands and retailers an opportunity to diversify their online presence, bringing in new customers and incremental revenue.

Retailers need to develop strategies and tactics specifically for their marketplace presence, said Mohit Mohal, Managing Director in the Consumer and Retail Group at A&M in an interview with *Retail TouchPoints*: “Companies need to move away from thinking of Amazon or eBay or **Zalando** separately, and they need to **think of marketplaces as a channel the same way you think about retail stores as a channel or your DTC as a channel**,” he said. “[The marketplaces channel] needs to have its own P&L, its own forecast, its own marketing dollars.”

While merchants should have an overall approach to marketplaces, they also need to account for the differences between them — and allocate resources accordingly. “There has to be an ROI calculation,” said Boyce. “It takes about as much work to manage an Amazon account as it does to manage a Walmart marketplace account, so you can’t just do it as an afterthought. **Each individual marketplace has its own unique requirements and its own unique playbook for success.** If you’re not willing or able to apply the resources to win on those platforms, my question would be, ‘Why are you there?’”

Mohal outlined **five** key questions all companies should consider as they define a “strategic vision” for their marketplace presence:

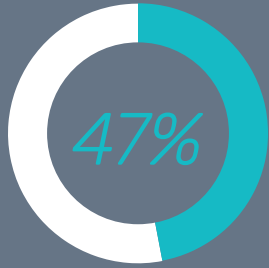
1. **What role do marketplaces play in our broader strategy and what marketplaces are best suited for that?** (E.g. geographic expansion, a vehicle for new brand or product launches or expansion, incremental revenue growth, reaching new consumers, driving brand awareness, driving traffic to owned channels or liquidating excess product.)
2. **What price point do we want to compete at and what will our assortment be on each marketplace we plan to participate in?**
3. **What front-end partnerships will we leverage?** (For example, do you plan to run a third-party storefront or use a first-party model more akin to a traditional wholesale arrangement?)
4. **What is the back-end fulfillment model?** (Will you use your own supply chain, third-party fulfillment, third-party resellers, etc.?) and;
5. **What ecosystem of partners will we need and what should be done in-house?**

Many sellers entering marketplaces for the first time are concerned about cannibalizing sales on their owned channels, in particular their own dot.coms, but Tom Gaydos, CMO and Marketing Practice Lead at marketplace strategy and implementation agency **McFadyen Digital** said merchants should focus on the expanded reach marketplaces provide, even if some traffic is diverted away from their own site.

“Ask yourself, realistically, how much of a destination is your site?” Gaydos said in an interview with *Retail TouchPoints*. “It can be worth it to cannibalize your direct channel a little bit to ensure that when someone searches, they find your product. [If you also list on marketplaces], when someone searches, instead of just your site coming up and you competing with listings on Amazon and Walmart and **Rakuten**, what if that was also your SKU, so you’re competing against yourself on all of those sites? **If [your site] is not going to be the top rank, it might benefit you to get out there and hedge your bets**, make sure you have a **60% to 70%** chance of being the Google search result that is clicked instead of a **20%** chance.”

The success of a marketplace strategy will vary dramatically depending on the **strength of your brand** and the **kinds of products you sell**. “There is a different approach if you’re a branded, high-value product like a Nike or Adidas shoe, for example, versus a commodity like a pad of paper,” said Tom McFadyen, CEO, **McFadyen Digital** in an interview with *Retail TouchPoints*. “If you’re selling a non-differentiated commodity, it is oftentimes a race to the bottom in terms of price.”

MARKETPLACES BY THE NUMBERS



of all ecommerce sales worldwide are made on marketplaces.

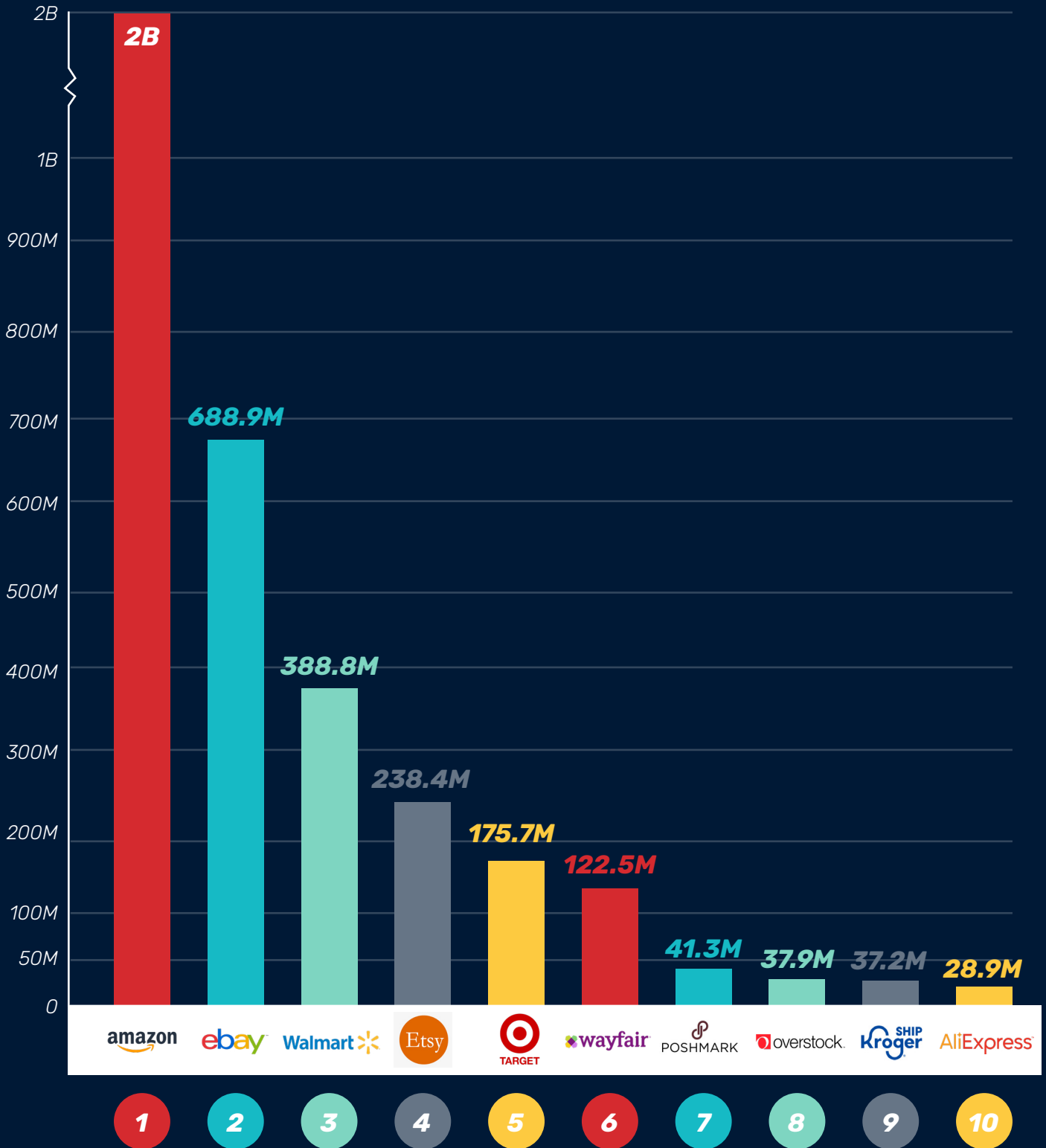


Top Online Marketplaces Around the World



Top 10 Marketplaces in the U.S.

VISITS / MONTH



Source: [WebRetailer.com](https://www.webretailer.com)

DOES EVERYONE HAVE TO BE ON AMAZON? SELECTING THE OPTIMAL MARKETPLACE MIX

For many companies starting their marketplace journey, Amazon is the first stop — and with good reason. The site has become a **de facto search engine** for many consumers, with **53%** of shoppers in the U.S. beginning their hunts on Amazon, according to **eMarketer**. The site is a huge **conduit for commerce**, accounting for close to **\$490 billion** in GMV worldwide in 2020, **62%** of which came from third-party sellers. **Nearly half (47%)** of that **\$490 billion** came from the U.S. To put that in context, for every dollar spent on online marketplaces in the U.S., approximately **70 cents** are **spent** on Amazon, according to **Cowen Equity Research**.

It can almost start to seem like the question should more properly be, “Why wouldn’t you be on Amazon?” As **Nike** will tell you though, Amazon isn’t a good fit for everyone despite its massive reach. “**Not all marketplaces are created equal**,” said Mohal. “Think about it like a set of golf clubs. Each of them has a specific use during the game — there are ones that will be great for you given where you are in your journey and others that will be an absolute misstep.”

The rapidly expanding universe of online marketplaces means that brands and sellers have many options beyond Amazon as they look to expand. A&M has broken them out into six archetypes: Traditional, Social, International, Niche, Outlet Malls and Brick & Mortar.

A multi-dimensional approach is best when assessing the right fit for your brand, advised Mohal, who said merchants should consider factors such as their current **consumer base**, **category penetration**, **average unit retail (AUR)** and who owns the **customer relationship** when evaluating their options. For example, a premium apparel retailer might find more success on niche marketplaces than on traditional or “brick-and-mortar” marketplaces like Amazon or Walmart.



“Analyze it from the perspective of where your customers are, where you’re going to have the most margin, where it’s easy to integrate,” advised Michael Vax, Principal at the consultancy **Commerce is Digital** in an interview with *Retail TouchPoints*. “You may also decide as part of your channel strategy to publish different products in different places — swimsuits on Zalando and furniture on **Otto**, for example.”

Boyce, who was an Amazon seller himself at one time, still thinks Amazon is a good starting point for most brands simply because Amazon’s role in consumers’ ecommerce journey is hard to replicate. “Prioritize based on where your highest sales potential is,” he said. “A shotgun approach is not best. Instead, get a foothold in ecommerce first, build your customer base and be on Amazon. Figure that out, own it, then the next platform is probably Walmart or a niche marketplace like **Chewy** or **Wayfair**, depending on your category.”

Some companies — especially those on the larger side with a top-ranking dot.com — may want to consider opening their own marketplace rather than selling on others, said McFadyen. *[For more on that check out our series on legacy retailers launching their own **third-party marketplaces**.]*



THE NUTS AND BOLTS: 5 KEY ELEMENTS OF MARKETPLACE SUCCESS

1 Pricing

“The most important and biggest challenge in all of this is pricing,” said Mohal. “Most marketplaces are not about service, their promise is value at a price you will not get anywhere else.”

The price pressures that are a natural result of competition on marketplaces can be a boon for consumers’ wallets but a headache for merchants. Dynamic pricing tools can help sellers stay ahead of their competition. “There are a lot of third-party tools that can help sellers dynamically adjust pricing based on where competing sellers are pricing goods,” said McFadyen. “Mastering some of those tools and setting the proper thresholds so that you’re not losing money is a big help when you’re trying to win that ‘Buy Box’ as the lowest-priced seller.”



What is the Buy Box?

The Buy Box is the white box on the right side of an Amazon product detail page that allows consumers to add an item directly to their cart. The term has become synonymous with having a top-selling product on any given marketplace.

But dynamic pricing tools can result in “**channel conflict**” when the same product is listed at different prices on different platforms. Obviously this is less than ideal for a seller’s relationship both with consumers and partners (e.g. wholesale partners selling at a set price point). Mohal said a more effective way to avoid channel conflict is to have a differentiated assortment strategy so that the products you sell on marketplaces stand apart from those sold in other channels.

2 Assortment

“Ask yourself, ‘What should be my assortment on X marketplace and how is it different from the assortment I’m selling in wholesale or my own DTC?’” said Mohal. “Over a period of time consumers are savvy enough to know if something is being sold on Amazon or whatever marketplace for 15%, 20% less — they will stop shopping your dot.com or your store and they’ll buy from the marketplace. So you might have a very similar product [on marketplaces], but you need at least either different **names**, different **styling**, different **colors**, a different **season** — something so that the consumer doesn’t compare like for like.”

Another option is to use marketplaces for only certain kinds of inventory such as **specific categories**, **diffusion lines** or **overstock goods**. Vax said most merchants should not list their entire catalog on any given marketplace. Instead, the best practice is to offer a **unique assortment** on each platform. Taking a category-specific approach can be helpful, since the marketplace’s cut of each sale often varies by product segment, meaning margins will vary category by category. But Vax cautioned that sellers must consider logistics, because they will need to ensure that they can synchronize inventory across all their channels, third-party and owned.

3

Getting Found: Marketing, Advertising & SEO

“On marketplaces, you need to get found in search, so **you need to have an SEO strategy and an ad strategy per marketplace**,” said Boyce. “These marketplaces are algorithmic buyers. You’re not talking to a human who’s buying your stuff, you’re talking to the algorithm, and the data that’s being presented is telling this platform which products should be positioned higher.”

Advertising is an increasingly important aspect of that algorithm, according to Tracey Lackey, Account Manager at [ChannelAdvisor](#) in an interview with *Retail TouchPoints*: “Several years ago, you just listed a product on a marketplace and it sold, but today advertising plays a huge role,” she said. “If you look on Amazon the first several listings are paid ads. That can be tough for people with tight margins, because they’re already giving a percentage to the marketplace and now you’re layering on an additional cost, but advertising is very important.”

The growing importance of advertising goes back to Mohal’s earlier point about the marketplace channel needing its own marketing budget: “You need to not only allocate the marketing dollars, but you also then need to have sophisticated tools and partners who can, on a day-to-day basis, **allocate your marketing spend to the right keywords and audiences to optimize those dollars** for you.”

McFadyen agreed that the latter point is critical: “It’s easy to spend a lot of money on advertising, but it’s also easy to waste a lot of money on it.”

4

The Product Listing

“Once people get to your listing, you have to give them everything that they want to know so they have the trust to put your product into the cart,” said Boyce. “This means **‘retail ready’ listings** — your main image needs to be bright and sharp. You need to have copy that answers the question, ‘Is this product right for me?’”

Not only are listings critical to actually closing the sale, they also are a key facet of the SEO that drives your findability on a marketplace. Beyond copy and imagery, user-generated content (UGC) like reviews and questions can play a huge role in search result rankings and conversions. “Reviews on your product give guests a really great sense of confidence, and that confidence really does help generate sales,” said Matthew Hilner, Product Content Lead for [Target](#) during a recent [webinar](#). To beef up your marketplace UGC, tools that syndicate reviews from your dot.com to your marketplace listings can be used until native content reaches an acceptable volume.

5

The Product Itself

“It starts and ends with product,” said Boyce. “Good product that’s differentiated in the marketplace, that is of high enough quality that you will gain social proof through the review network, it all starts with that.”



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