



Internet Retailing



EXPANDING VIA MARKETPLACES

OPTIONS FOR GROWTH IN EUROPE'S ALTERNATIVE MARKETPLACES –
the top choices and how to exploit them

Executive Summary



Marketplaces have come to play a central role in e-commerce, for many smaller retailers being their main access to the market. Even for larger retailers, marketplaces are starting to be seen as a vital channel to run alongside their own websites and other sales channels.

They offer an excellent way for any retailer to expand their reach, attract new customers, trial new ranges and put a stake in the ground in new territories – often without having to make significant capital outlay.

But marketplaces are maturing: and the marketplace environment is seeing a new tier of services arriving that focus on niche areas, both vertically and geographically. This second tier of marketplaces – or alternative marketplaces – offer retailers of any stripe new and interesting ways to reach out to their core demographics, expand operations to new areas and to new territories, as well as offering them new ways to sell, often with interesting new business models.

But what are these new marketplaces and how can you work them into your sales strategy? In this white paper we will take a look at a range of the key tier two marketplaces that have sprung up across Europe and the world, discuss what they offer and outline expert advice as to how to work them into your business.

We start with a look at what more than 100 retail businesses are doing with alternative marketplaces, what the main challenges are and how to overcome them. We will also outline what several key retailers are doing in the real world in our selection of case studies. So sit back and let's dive into the world of alternative marketplaces.

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KEY SURVEY FINDINGS

- 52 and 56% of retailers are using Amazon and eBay respectively to sell – with more planning to do so as larger retailers look to marketplaces as additional channels to market
- 52% of retailers see that expanding marketplace trading to new marketplaces has a strategic advantage for them
- 32% remain unsure as to how to do this
- Lack of time and lack of ROI understanding are putting 32 and 15% off respectively
- Knowledge of the existence of many mainstream tier two marketplaces is very low

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The key to growing on marketplaces



What is the key to growing on marketplaces? This white paper should help deliver success and enable you to fully leverage the opportunities that await. I hope you enjoy reading it and are able to act on its recommendations.

Marketplaces have exploded in popularity internationally, with giants eBay and Amazon at the heart of many retailers' e-commerce strategies. But at a time where new and emerging marketplaces are starting to change the online retail game, it makes sense to look at alternatives outside of these two giants to be able to create a marketplaces framework – and fully exploit these new choices.

This report will delve into the top new marketplaces in Europe retailers should look into – based on our experience and the current trends in the industry.

At ChannelAdvisor, we focus on unlocking retailers' full selling potential on any marketplace. We provide them with everything they need to connect to customers and boost sales on more than 90 marketplaces (and counting) around the globe. All year, we keep pace with the latest trends and changes in the marketplaces – it is essential for us to be months ahead of retailers in a fast-evolving industry where nothing can be taken for granted.

Bringing in a third party such as ChannelAdvisor to grow your presence on marketplaces is the first step to e-commerce success. Our comprehensive platform is steps ahead and seamlessly lists, manages and optimises products. One of the areas online sellers struggle with is inventory: we keep inventory in sync, and product organised, using in-depth analytics to sell more intelligently on various marketplaces.

With so much choice in the marketplaces web, it is only natural merchants need a little push. How can we help them sell more? Using a third-party like our ChannelAdvisor Marketplaces platform helps optimise product data to meet marketplaces listings requirements (and avoid suspensions), manage inventory across all channels (and avoid overselling) and of course win the Buy Box and Best Offer positions on the big marketplaces – all thanks to our algorithmic repricing.

In this fast-paced industry it is our mission to use machine learning and real time analytics to analyse and automatically adjust pricing when necessary, based on the merchant's desired SKU-level maximums and minimums. We help our customers grow on Amazon and eBay-managing fulfilment programmes and achieve big results on first-party (1P) selling - but we are supporting new and emerging European marketplaces too.

Considering the new third-party marketplaces can be a valuable avenue for growth as they can offer considerable extra exposure for your products. To only name a few, marketplaces cropping up all the time are Tophatter, the



major mobile shopping platform, SKU Cloud with Flubit, the largest UK owned marketplace, and Fruugo, the newcomer selling into 32 countries abroad.

Other specialty marketplaces such as ManoMano (a new distribution channel for DIY related products), Zalando (over 1500 brands of fashion items) and Game (the platform for anything gaming or tech focused) are strong contestants in Europe.

We hope this report will give you some food for thought when it comes to choosing where to sell and which third-party partners can help manage your presence and growth on marketplaces.

Hakan Thy
Director, Strategic Partnerships, EMEA

channeladvisor® 

The alternative marketplace opportunity



Marketplaces have grown in popularity among consumers because they offer choice, convenience and, with mainstream channels such as Amazon and eBay, price competitiveness.

For merchants they offer a ready-made shop window, often open all over the world, and a centralised place that can handle all the hard work of SEO, marketing, logistics and even warehousing.

But while these things have all become vital to e-commerce on both the merchant and consumer sides, they don't tick all the boxes.

Price isn't necessarily the only consideration shoppers have when buying and, while the likes of Amazon and eBay do offer a vast choice, many shoppers are increasingly looking for the specialist or unusual goods that go to make the world a more interesting place.

For this reason, smaller, more specialised marketplaces have evolved that service niche markets, offer more unusual products, or which have developed new business models and offer a wholly different experience to the user.

THE MARKETPLACE OPPORTUNITY

One of the key reasons that merchants of all sizes are using marketplaces is that they offer a simple way to connect with customers. While they can, to some degree, take the headache out of SEO and marketing, what they offer many is the ability to act as a test bed of vanguard into new markets.

For any retailer, expanding geographically or expanding inventory is a gamble. From a geographical point of view, there is much to consider: language, currency, customs, red tape and more. Expanding cross border can be a nightmare.

Marketplaces that operate in the countries that you wish to service can be an easy first step to test the waters.

The same applies to expanding the range of goods sold, with marketplaces giving merchants the ability to test out their theoretical idea that there may be a bigger market out there for related goods without having to over commit.

Where alternative and second tier marketplaces come into their own is that they often have both geographical and specialisation of goods covered.

The UK is an unusual market for marketplaces. Here there are relatively few second tier marketplaces since pure-play e-commerce has become so successful, but some newcomers are trying to shake up the marketplace game. Mainstream retailers dominate their sectors with their own transactional websites and the slack out side of this is filled by Amazon and eBay.

Overseas, however, things are very different. In France the secondary marketplace market booms. Similarly in China. These offer retailers and merchants in the UK the chance to enter overseas markets on specialised sites that will generate significant uplift in sales.

As we shall see in the Case Studies section of this report (see p14), many retailers are seeing a 5% uplift in using these specialised marketplaces in overseas markets as they rapidly and cheaply get their goods in front of shoppers in those lands.

SPECIALISATION

The other reason to consider tier two marketplaces is that they are often much more specialised and dedicated to a particular niche. This means that as a merchant, you may well find that your niche products find a smaller, but more significant, audience on non-mainstream website.

Take for example rock climbing. This is a dangerous, high-adrenaline sport and requires some pretty specialised equipment. It is also, since it isn't for the faint hearted, quite a niche pastime. As a result, any dedicated rock climber



“From a merchant’s point of view, putting goods out on specialised marketplaces puts you in front of the really discerning shopper – and discerning shoppers are not driven so much by price, but by uniqueness, quality and suitability”

isn’t going to go looking on Amazon for the cheapest gloves, boots, crampons and ropes – no one wants to be dangling off a sheer rock face marvelling at how cheap their equipment is.

This is ideal territory for using a specialist, tier two marketplace: it has the audience and you have the products.

But it doesn’t have to be extremely niche offerings that can benefit from this approach. The reason for this growing interest in alternative and more specialised marketplaces is that shoppers are starting to look for them.

Take cycling as another example. Companies such as Evans cycles or Wiggle are essentially alternative marketplaces for bikes and bike related paraphernalia. They sell a range of brands and all the accoutrements that go with it – clothing, helmets, cleats and more. If you want to buy a bike, they you are probably going to end up on a bike site like this, rather than Amazon if you go through Google because they are specialists in a mainstream offering.

The model works across any sector pretty much that you can think of. Even fashion apparel has its own niche marketplaces, such as Zalando, which trades on offering things that lie outside the mainstream. This approach is increasingly where a section of the consumer market is looking for goods: outside the mainstream.

From a merchant’s point of view, putting goods out on specialised marketplaces puts you in front of the really discerning shopper and to some extent gets you away from the race to the bottom in terms of price. Discerning shoppers are not driven so much by price, but by uniqueness, quality and suitability. By being on a dedicated site that specialises in the kind of thing you sell is a stamp of approval and a way to protect margins.

NEW BUSINESS MODELS

Outside of the obvious expansion and specialisation vectors that these alternative marketplaces offer, there are a crop that are also laying down new business models on the somewhat tired marketplace formula, aiming to attract shoppers and merchants through being novel, more entertaining and, in one case, addictive (but in a fun way!).

To use the example of Zalando again, this fashion retailer, while focusing on offering not-on-the-high-street fashion collections, also offers free shipping and free 90-day returns, with rapid dispatch to anywhere in the world as part of its *modus operandi*. The logic behind this is that it takes one of the main pain points out of buying clothes online: the fact that it may not fit/suit/be appropriate. It also subconsciously offsets the fact that the designer gear it sells is not cheap, although as said before, users of this site are not really driven by price.

From a merchant point of view this also makes using the Zalando marketplace much more attractive. Not only are you reaching the kind of audience you want to reach – and not having to compromise on price to do so – but the marketplace is making your goods available across the globe and handles the logistics for you.

Taking the idea of new business models as a way to make a marketplace stand out, Tophatter seems to have hit on a winner with its approach which sees it offering goods on rapid 90 second auctions. Predominantly aimed at the mobile generation, Tophatter can be costly for sellers – taking some 25% on some items in commission – but it does guarantee front page profile of everything and is shifting thousands of items a week.

The beauty lies in the addictive nature of the service. With users able to get as much as 80% off goods in these rapid auctions, it sees users come back over and over again and, with anything that looks too good to be true, sees them spend more.

These two examples show that, as a merchant, you can get significant uplift in your sales by adding alternative marketplaces to your portfolio of sales channels.

Survey results



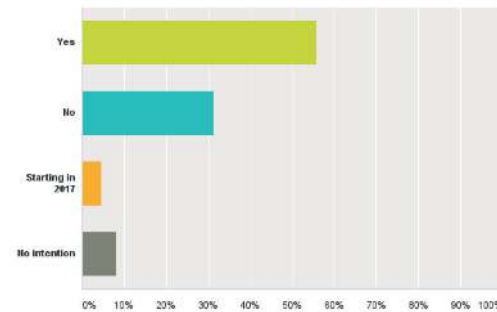
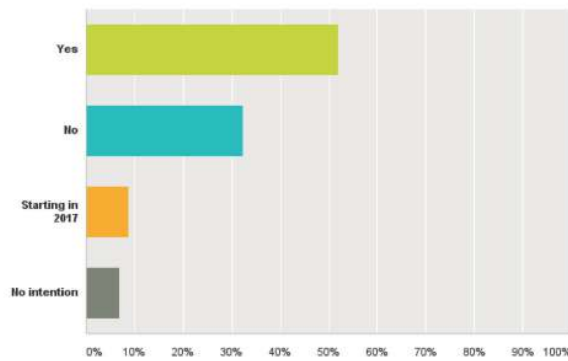
he role of the alternative marketplace in e-commerce is in its infancy, but already they offer clear advantages to sellers. In the years ahead, they will also, we believe, to change the face of e-commerce just as mainstream

marketplaces have in past decade.

But what do retailers think about them right now? For this white paper we surveyed more than 100 UK etailers from across the board to assess their views. Here is what they told us.

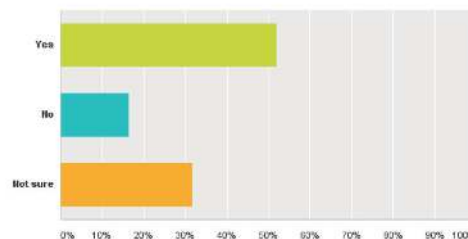
DO YOU SELL ON AMAZON AND EBAY?

To set the scene, it comes as no surprise that the majority of those surveyed do use Amazon and eBay or are planning to do so this year. 52% are on Amazon and 56% on eBay. To the untrained eye this may seem lower than expected, but many mainstream retailers are only now considering adding marketplace selling to their multichannel strategy, which is reflected in these results.



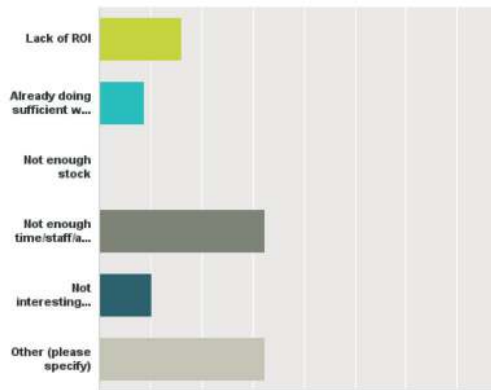
IS EXTENDING YOUR MARKETPLACE STRATEGY OF COMPETITIVE ADVANTAGE?

The bulk of respondents do see extending their marketplace presence as a key strategic move, but many are still unsure. 52% are positive that it will help, but 32% fall in to the don't know camp. Why is revealed in the next chart.



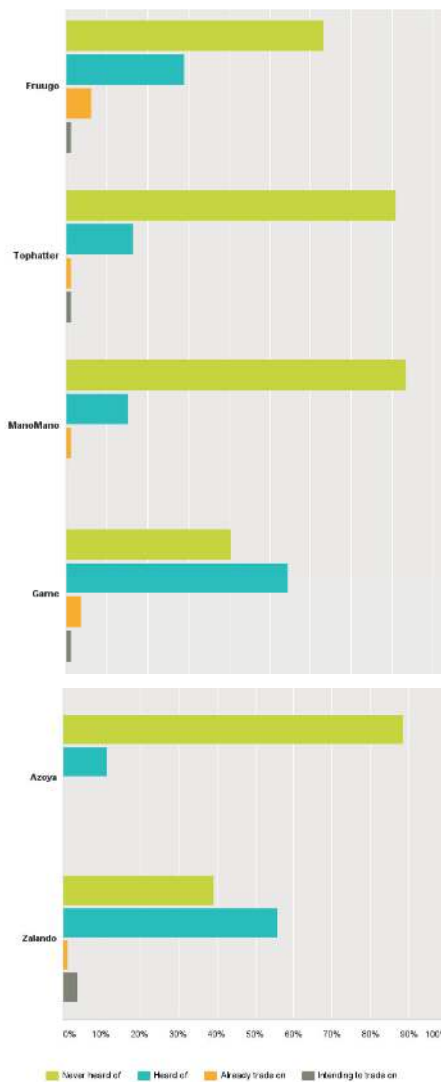
WHAT STOPS YOUR USING OTHER MARKETPLACES?

As we can see from this graph, lack of time and staff and lack of ROI are major contributors to why nearly half of respondents either are unsure or aren't going to extend their marketplace strategy. Interestingly, a third of them cite 'other' pointing to less defined reasons. One of which is lack of understanding – something we hope this white paper can help deal with.



WHAT ARE YOUR PLANS FOR ALTERNATIVE MARKETPLACES?

So which alternative marketplaces are in the line of fire? The research here again points to a distinct lack of awareness of what is available and what it can do – again pointing to why this white paper is so important. Across the board the six main alternative marketplaces out there score highly on “never heard of”, with only single percentage points of users planning to use them. Only GAME and Zalando score higher “heard of” scores than “not heard of”. GAME is well established as a brand, having been on the High Street for years before becoming an online pure play, and Zalando has engaged in a prominent media campaign in recent months.



Key alternative marketplaces

“There are many alternative marketplaces spread across the globe and, with the likes of mainstream retailers opening up a section of their own website to essentially act as a marketplace for related third party sellers, it is quite a broad church”



As we have seen, the majority of retail businesses we surveyed are using Amazon and eBay for marketplace trading. The fact that these two behemoths don't score at near 100% is because many mainstream retailers are only now starting to look at working marketplaces of any size into their omni-channel strategy.

But what is more noticeable from the research is that the majority of retailers we surveyed have not heard of many of the key alternative marketplaces that are available to them for niche selling or for overseas expansion.

There are, of course, many, many alternative marketplaces spread across the globe and, with the likes of mainstream retailers such as Halfords opening up a section of their own website to essentially act as a marketplace for related third party sellers, it is quite a broad church.

But based on traffic and popularity we have pulled out the six that we think are the ones to watch and which offer a broad spectrum of vertical and geographical market coverage.

FRUUGO

Fruugo's claim to fame is that it simplifies buying products from around the world – offering secure and safe shopping from anywhere in the world through one global marketplace.

From e-commerce merchant's perspective, Fruugo simplifies selling around the world and can not only help retailers sell into overseas territories, but can also help win Google shopping visibility in those countries – probably a lot more easily than trying to do so through multiple localised websites.

Retailers can list their products for sale on Fruugo and Fruugo's proprietary basket takes the shopper's order. The platform is multi-country, multi-language, multi-currency, multi-shipping and multi VAT compatible. The retailer processes the Fruugo order, dispatching it to the shopper, and Fruugo simply charges a small commission on the sale.

Fruugo automatically "localises" all products (currency, language, VAT) for shoppers in countries around the world and (the big benefit for retailers) automatically gains visibility and sales for retailers via country-specific and language-specific versions of "Google Shopping" elsewhere in the world. There's no CPC (cost per click) cost to the retailer.

The marketplace takes any fraud risk and currency risk as well as offering first line Customer Services thus reducing managerial workload. The merchant can also select which Fruugo supported countries to sell to.

Key Fruugo Stats

- 76% of Fruugo orders are cross-border and 73% are cross-currency (not every international order is cross-currency, e.g. cross border within Eurozone)
- Fruugo is on target to exceed £10m annual GMV this year, from 1.3m products, and 1m visits per month.
- All retailers benefit free of charge from Fruugo's automated programmatic buying of traffic from Google Shopping globally & major Comparison Shopping Engines (such as myshopping.com.au).

Top Cross border order destinations

- Western Europe 41%
- Australia 21%
- Scandinavia 18%
- North America 16%
- Rest of World 4%

Key markets

- Sports and Outdoor
- Health and Beauty
- Home and Garden



Key tophatter Stats

- Tophatter tends to focus on SKUs that sell in the \$10 to \$25 range
- There is an 80%+ sell through rate and it sells more than 2 million items per month
- Pay zero fees for first 30 days (after that, pay only when your items sell)
- Tophatter covers any 'losses' incurred through starting your auctions at \$1. They take the risk for you.
- Many Tophatter sellers generate \$1 million – \$10 million per year
- Tophatter boost your account performance to help you scale faster

Key markets

- Jewellery
- Electronics
- Beauty
- Fashion

TOPHATTER

Tophatter is an interesting marketplace as it takes a wholly different approach to pretty much all others. On Tophatter, shoppers compete in fleeting 90-second auctions to win deals of up to 80% off jewellery, electronics, beauty, and fashion – on mobile.

And it works: every week thousands of marketplace sellers sell more than 500,000 products to a community of 10 million shoppers in the US, UK, Europe, Canada, Australia, New Zealand, and elsewhere.

Tophatter is now a major mobile shopping platform alongside Amazon, eBay, Sears, Walmart and other leading marketplaces. If you're a professional online seller, there are several reasons to sell on Tophatter.

Every item is featured on the front of the mobile app and website – largely because inventory moves really quickly with an 80%+ sell through rate. In an age when eBay and other platforms are moving away from auctions, Tophatter re-invented the auction to be faster and mobile optimised for the modern-day shopper.

Interestingly, Tophatter charges no no ongoing monthly fees or listing fees, instead taking commission. In some instances this can be as high as 25% plus a \$0.50 fee for clothing for each item that is sold, but according to the company this is to cover the higher costs of driving marketing on Facebook, Google, TV, and other channels. What you're paying for is a lot of eyeballs on your products, the company says.



Key ManoMano Stats

- After setting out to disrupt the UK DIY scene – predominantly occupied by B&Q and Homebase – ManoMano generated sales of £4.4 million in the year to April.
- It has secured partnerships with 100 local merchants and has listed 185,000 products during the period.

Key markets

- DIY goods
- Tools
- Garden tools
- Gardening goods
- Garden furniture

MANOMANO

ManoMano is a DIY and garden/outdoors goods marketplace that focuses on getting the best deals on DIY and garden products and maintaining a great relationship between its merchants and its customers.

It is dedicated to finding the best value DIY/decoration/garden specialists then negotiating with them to achieve exclusive preferential tariffs for ManoMano users who shop the site.

It also looks to select the sellers allowed on ManoMano using strict reliability criteria and make its catalogue accessible on one single internet site with stocks updated in real-time;

It also claims to guarantee that what the shopper gets is what the shopper ordered and expects.

It works by letting the customer choose and order online from ManoMano.co.uk their favourite products out of a choice of more than 80,000 products available in our catalogue. ManoMano sends the customer order to the seller and blocks their payment in a secure third party account.

The seller dispatches the order. The customer receives their order and checks the contents.

The website also features a blog as ManoMano attempts to build an interconnected community and offer more than just DIY and garden equipment. Thanks to this growing community of DIY enthusiasts, ManoMano accompanies DIY-ers from a project's beginning to end, as well as installation with the help of SuperMano, a service connecting handymen and people seeking assistance with home improvement.

GAME

Key GAME Stats

- With more than and 18m Reward Card Members, GAME is the UK's leading video game retailer.
- 1.7m unique visitors per week
- 10m individual page views each week
- 87% trust in brand

Key markets

- Mobile phones
- Laptops
- Computers
- Gadgets
- New technology
- Clothing
- Figurines
- DVDs & Blu-Rays
- Technology/gaming related accessories

And of course:

- Video Games
- Consoles
- Anything gaming, gadget or technology related

GAME

Initially a multi-channel retailer with a website and 300 High Street shops, GAME has since rebranded and re-emerged as a website selling 'computer games' and attendant paraphernalia. In recent times it has rebranded itself as a games focussed marketplace.

This popularity sees its website log more than 1.7 million unique visitors each week. These visitors purchase anything and everything to do with technology, gadgets and video games. The newly developed GAME Marketplace gives third party sellers the unique opportunity share this success by integrating their products on GAME.co.uk.

The advantage of the GAME marketplace is that, unlike other marketplaces, with GAME there are zero set-up fees, zero subscription fees and zero listing costs. You only pay commission on sales that you make. Listings will be seamlessly integrated on the same webpages as GAME's giving you access to a massive online audience. The website has more than 10 million individual page views each week.

When polled 87% of people said the GAME brand provided them with reassurance. With GAME Marketplace third party sellers can harness GAME's reputation among its loyal customers.

GAME says it is committed to helping sellers with promotions, social media, newsletters and other marketing activity. Once a seller's initial information has been received, a member of the GAME Marketplace team will set-up a phone call to get them properly on board. Set up is even easier if you currently use marketplace aggregators Linnworks or ChannelAdvisor.

AZOYA

Azoya offers a unique take on the marketplace model, providing what is to all intents and purposes a marketplace for retailers to reach the enormous Chinese market, but to the Chinese consumers remains totally invisible.

Although Azoya helps you with all the operational work in China, it remains invisible to Chinese customers. Instead, Chinese customers only know they are buying directly from you, experiencing your products and services, approving of your brand. You are given the privilege to build your own customer base and customer loyalty, rather than being restricted by the local E-com platforms.

Under Azoya's one-stop solutions, you won't risk your investment on setting up local business entity, hiring local staff or opening office in China, etc. There's no entry cost, which is indispensable in traditional expansion. No local stocking is needed, which will significantly reduce the risks you face. Since Azoya's solutions and services cover all aspects in cross-border e-commerce, you don't need to find other local partners.

With its all-encompassing services and dedicated specialist team, the company has won trust from more than 35 overseas retailers in 11 countries, such as La Redoute, the largest online retailer of women's apparel in France; and Feelunique, the largest online premium beauty retailer in Europe.



Key Azoya Stats

35 retailers in 11 countries

Key markets

All verticals in the Chinese market



Key Zalando Stats

- 560m unique visitors in Q4 2016
- more than 60 well-known brands sell on Zalando in the UK, including TopShop, Whistles, Hunter, BoxFresh and Addidas

Key markets

Fashion apparel and shoes across Germany, Austria, Switzerland, France, Belgium, the Netherlands, Italy, Spain, Poland, Sweden, Denmark, Finland, Norway and the United Kingdom.

ZALANDO

Zalando is a Berlin-based marketplace that specialises in fashion – clothes and shoes – and differentiates itself from other fashion retailers by offering extremely generous shipping and returns policy. Both are free.

The option to pay after receiving the items, as well as the 90 days return policy are highly attractive options for internet shoppers and exert an even stronger influence on first-time online buyers who hold back on purchasing online often because of perceived risk.

In 2011 Zalando launched Zalando.co.uk, thereby offering its retail services to UK customers. Deliveries were operated by YODEL. In the same year Zalando launched a TV ad in English, replicating the humorous format used in its German-language commercials. In it, a long-suffering husband bemoans his wife's addiction to buying shoes and warns other men about the dangers of introducing women to Zalando.

In 2015, Zalando acquired a 20% stake in Cheltenham-based software company Anatwine, headed by a former e-commerce director of SuperGroup, for a seven-figure sum. Anatwine's software – which helps online fashion retailers and brands integrate their processes, systems and stock files – will enable current and future clothing and accessory brand clients to use Anatwine's technology to sell their merchandise through Zalando. Zalando is expected to speedily widen Anatwine's range of brands.

The company operates in the following European countries: Germany, Austria, Switzerland, France, Belgium, the Netherlands, Italy, Spain, Poland, Sweden, Denmark, Finland, Norway and the United Kingdom.

OTHER INTERESTING MARKETPLACES

Other alternative marketplaces you may wish to consider include:

ALLEGRO

As Europe's fifth most-visited online marketplace, Allegro is the one marketplace to consider if you're trying to reach customers in Eastern Europe. Located in Poland, Allegro has over 12 million registered users and a massive hold over many of the key e-commerce sectors in Poland.

CDISCOUNT

Cdiscount is the second-largest e-commerce website in France (after Amazon) with 16 million registered buyers and over €1 billion of sales. Registration requirements are seller-friendly although sellers must have a company registration number, product data and the ability to offer customer service in French.

DAWANDA

Branded as the online marketplace for "Products with Love", DaWanda is an online marketplace for merchants selling unique and handmade products, not dissimilar to Etsy. Merchants looking to sell niche, distinctive products should consider DaWanda, which encourages the sale of items that are responsibly sourced.

PRICEMINISTER

PriceMinister is the second most-visited e-commerce site in France. It has more than 9 million unique visitors a month and is home to a wide variety of products, including books, video games, clothing, home and food.

Operational considerations of additional marketplaces

The business case for additional marketplaces is clear, but as our survey showed understanding of them is not as high as it should be. One of the many reservations merchants have expressed is that they are unsure of how to choose the marketplaces that work for them, how to integrate them into their existing portfolio and how to assess ROI. So how do you do it?

CHOOSING A MARKETPLACE

The first port of call is which marketplaces to use. The first thing to do when assessing alternative marketplaces – or any marketplaces for that matter – is to look at past performance. Take a look at which niches each serves, does it hit your sweet spot and what sort of traffic is it doing?

But marketplaces, as we have seen, provide way more and so you have to also look at a range of other aspects of what is on offer before you commit.

Not least is cost. As we shall come to see there are return on investment considerations, but before you start you need to look at how much it is going to cost for you to use the site. Most marketplaces charge on a commission basis, but many also require one off fees for listings and more. The important thing is to not necessarily be put off by the cost, but look instead at what you get for the money.

Aside from the niche it serves, look too at what promotions the site does, where it gets its audience from and what sort of audience the site gets.

It is also worth looking at what it does with Google and how you can work with the site to help combine your audience with theirs.

But there are other, less obvious, considerations. Many niche marketplaces take a more ‘community’ based approach to what they do. So look at what the marketplace/places you are considering do around social media and are they building a community and what does it do?

For example, DIY specialist site ManoMano encourages users to blog about their DIY projects, for others to get involved with tips and tricks and helpful advice, so that users not only get the tools and equipment to do the job, but get help and assistance from the group too. They also then get to become experts for newbies that then get involved subsequently.

The marketplace is also rolling out a self-running service of DIY-ers who offer their services under the SuperMano brand.

Creating more than just a site that sells stuff is the key to the success of any tier two marketplace. The differentiation between mainstream sites such as Amazon and eBay lies in offering something other than just a best deal offering, and community can work really well to drive loyalty and repeat purchase and being associated with a marketplace that has such loyalty and gravitas offers great value to a merchant that you can’t necessarily put a price on.

OPERATIONAL CONSIDERATIONS

Once you have set upon the right alternative marketplace/places to suit your niches, what do you actually do to make it work and how does that pan out over time?

Getting started isn’t necessarily that taxing, so long as you have picked a marketplace that can take data that you have already created. Most will not, if you’ve got it right, require all your SKUs – only those that really fit the niche. You also probably don’t want to load up all you have to start with, if for no other reason than to see how it goes and ramp up slowly.



“ Don't expect it to rival amazon in terms of revenue or volumes, but a successful foray into alternative marketplaces is that it should add 5 to 10% of sales to your bottom line. This is large enough to matter and who is going to argue with that sort of uplift in sales? ”

Perhaps the biggest issue with using marketplaces is whether they require translation of your data to other languages or whether that is handled for you. Most overseas marketplaces will handle pricing and logistics for you in these other geographies, but language can be an issue.

Language also comes to the fore in terms of data format too. You have to make sure that you can deliver the data on your products in the correct format.

Here companies such as ChannelAdvisor can help with integration, they do the development work and plug into many marketplaces, this can aid operations as well as starting up on these alternative marketplaces.

As a retailer you must then keep close tabs on what is and isn't getting traffic and sales through any new marketplaces and constantly tweak what you sell to maximise what your presence and hit that all important sweet spot with the niche being served.

As you get to understand what the marketplace is doing for you, you can then adjust what stock you sell on which marketplace and change things accordingly.

Merchants also need to look at how to work with marketplaces to help with promotions and how to build profile. It is a two way street with niche marketplaces: they often rely on their merchants to help build social following and communities.

RETURN ON INVESTMENT

One of the main concerns among the merchants we surveyed is that it is hard to work out the ROI on using alternative marketplaces – not least because some of the benefits aren't necessarily obvious straightaway on the bottom line.

Don't expect it to rival amazon in terms of revenue or volumes, but a successful foray into alternative marketplaces is that it should add 5 to 10% of sales to your bottom line. This is large enough to matter and who is going to argue with that sort of uplift in sales?

Marketplaces that expose you to other geographies offer a reasonably clear idea of ROI – you can directly measure what you are selling in each region. Marketplaces will offer feedback on what is being sold and where, not least so that they can take the commission.

Measuring other aspects of your ROI is more tricky as some of the benefits are less tangible. Communities build around a niche marketplace may well lead to sales elsewhere – especially if you operate across a range of marketplaces. The cache that you as a brand can garner from being associated with a marketplace dedicated to the best in a particularly category is worth a lot in sales, but in many ways is intangible.

Being part of communities that trumpet certain goods on social media or that then offer help and advice may not directly shift product but can lead to sales down the line. Being associated with being experts or specialists is something that can then feed into marketing and sales elsewhere.

This in many ways is the advantage of adding alternative marketplaces to the array of sales channels on offer to merchants of any size.

GROWTH VECTORS

Alternative marketplace selling is still, relatively, in its infancy so looking at how to develop it as a strategy for growth is less predictable. However, there are key things to do to keep it growing.

The first step is to constantly monitor what is being sold where and what isn't. With constant vigilance, you can rotate your stock and assess your own marketing offerings.

It also gives an indication as to what else you maybe need to add to your range to slowly expand what is sold where.

Niche marketplaces also then offer the chance to extend the geographic regions you sell in and, if you are successful, it is worth looking at other marketplaces in other regions to incrementally grow what you do.

Case studies

CHARLES BENTLEY & SON ON MANOMANO

Charles Bentley & Son is the direct to market brand for the company behind Buydirect4Uk.co.uk and sells garden and DIY equipment. The company wanted to look at how to expand its sales in both the UK and across Europe and, aside from Amazon and eBay, has looked at the niche marketplace ManoMano to help it expand.

ManoMano operates in the UK, France, Italy, Germany and Spain and specialises in DIY and garden equipment. “We chose Mano because it was a perfect fit with our business,” explains Andrew Steel, head of e-commerce at Charles Bentley & Son. “And integrating with it was really easy. We had already converted our data feed for eBay so it wasn’t hard to do. Working with ChannelAdvisor, which is integrated into ManoMano already, made it very easy.

Steel continues: “We had about 600 SKUs that were relevant so we used those. We fed this through ChannelAdvisor and off we went.”

This was about a year ago and since then Steel has seen around a 5% uplift in sales, which as he says, “is pretty good for such a small channel”.

“This is the beauty of marketplaces,” he says. “But it does come at a cost – which you have to factor in carefully. We pay ManoMano 10% commission on each sale (compared with 15% to Amazon), and we are spending on our own marketing and SEO as well as Mano doing there’s so it is hard to cost. But we have seen more sales, so it is well worth doing.”

So taken with niche markets, Steel has also signed up to also use Fruugo too and in three months have sold some 600 items at the time of writing. The retailer has also signed up to CDiscount, a niche French marketplace that focuses too on outdoor goods, which is also going great guns.

“In all niche marketplaces are working well for us,” says Steel.

The screenshot shows the ManoMano website interface. At the top, the logo 'manomano' is visible. Navigation links include 'PRODUCTS', 'FORUM', 'MY ACCOUNT', and 'MY BASKET'. A search bar contains the text 'Your search for 'CHARLES BENTLEY & SON' (47 results)'. Below the search bar, there are four product listings:

Product Name	Price	Delivery	Action
Charles Bentley Kingston 2 Person Folding Square Bistro Set - FSC...	£89.99	Free delivery	ADD TO BASKET
Charles Bentley & Son 11" Green Pvc Broom With Bracket Green Strong...	£5.51	Free delivery	ADD TO BASKET
Charles Bentley & Son 4'6" Broom Handle Ideal For All Medium-large...	£9.53	Free delivery	ADD TO BASKET
Charles Bentley & Son Toilet Brush Cleaner Remove Stubborn Dirt And...	£4.35	Free delivery	ADD TO BASKET

On the left side of the page, there are 'Categories' and 'Filters' sections. The 'Categories' section lists: Garden dining set, Broom, Toilet brush holder, Dust broom and floor cleaner, Brushes, and Waste pipe, drain unblocker. The 'Filters' section includes a 'By price' filter with options: less than £10, from £10 to £20, and from £20 to £30.

ALLOUTDOOR ON FRUUGO

“alloutdoor.co.uk was established in 2006 and focuses on outdoor gear, travel (for example backpacking, gap year, or just those little city breaks), and getting out there for a mini-adventure,” says Russell Scheef, Managing Director, All Outdoor Ltd. “After being messed around by various online retailers, I decided to set up a company with easy customer service, easy returns, that only sells products from physical warehouse stock - so the customer can trust us, and they get what they need very quickly. Why make life difficult?”

The company started using Fruugo when it was first launched and even though it accounts for a small proportion of sales – “compared to Amazon, eBay and Google Shopping,” says Scheef – it is a useful route to market for the company, because “Fruugo handles all the customer services on behalf of the retailer, which really helps,” says Scheef. “All orders come in to one dispatch database, so it makes no odds to us which channel the orders have been generated from in the first place.”

What comes through with talking to Scheef about using alternative marketplaces is that they deliver incremental additional sales, but that handled right they can be really useful.

According to Scheef: “Using alternative marketplaces, with a tool like ChannelAdvisor, means that there are no hurdles. All the orders come into one place, ready to be dispatched by our pick & pack warehouse teams.”

FEELUNIQUE ON AZOYA

Founded in 2005, Feelunique is currently Europe's largest online premium beauty retailer. The European online beauty channel had been slow to develop, particularly for premium products due to the tight control of distribution channels by brand owners. Feelunique is now strongly positioned as one of few third parties authorised to sell products for leading brands.

With the inexorable shift to online, the company is ideally placed to build a dominant position in the market across the UK and Europe.

This advantage has helped Feelunique's business to take off and maintain momentum. Feelunique has performed well with revenue up 38% in its UK market, and total retail sales for the year ended 31 March 2016 of £65 million – an increase of 23% on the year before. In April 2016,

Successful as Feelunique is in Europe, it lacked a viable route to break into China's booming online beauty market. "We did not have a deep knowledge of how best to present our site to Chinese consumers, what brands to promote and what marketing channels to use," recalls Jim Buckle, Feelunique's COO.

Before working with Azoya, Feelunique was already selling in China but Chinese customers were not satisfied with the shopping experience. First, there was no Chinese customer service. Even though Feelunique could hire Chinese-speaking staff, when a customer makes a pre-sales inquiry they are expecting someone with thorough knowledge about Chinese beauty consumers' shopping preferences and habits to respond, which requires more than language skills.

Merchandising and customer education were another two barriers for Feelunique. Chinese cross-border online shoppers are driven by capricious fads. They lack information about overseas brands and products, so they only buy the most popular items. This phenomenon poses two challenges for overseas retailers. They don't know what Chinese customers like, and can only sell popular items if they can't persuade customers to buy different products.

For Feelunique, working alone meant a lack of information to select the right products and educate customers on all ranges.

These challenges prevented Feelunique establishing a solid online presence in China, and cultivating brand recognition among customers.

In 2015, Azoya was introduced to Feelunique through the Jersey Economic Development Department. Jim Buckle

explained why he chose Azoya as Feelunique's strategic partner in China: "We were impressed by Azoya's understanding of the challenges for an international e-commerce business selling cross-border into China, and by their willingness to invest in building a business in partnership with us."

This highlights the difference between Azoya from other pure service providers. Instead of providing only e-commerce services and managed operations, Azoya invests in its partners' business in China and is responsible for growing the business.

In October 2015, Azoya launched Feelunique's Chinese e-commerce site. Since then, the dedicated team Azoya assembled for Feelunique has been working diligently to establish Feelunique's online presence in the Chinese market.

The graphic illustrates the company's multi-market presence. On the left, a tablet displays the Feelunique website interface, which includes a search bar, navigation menu, and a promotional banner for a summer sale (夏末8折). To the right, a blue callout box labeled 'UK' lists the following website links:

- CHINESE SITE <http://cn.feelunique.com/>
- GLOBAL SITE <http://www.feelunique.com/>
- HAITUNCUN FLAGSHIP STORE <http://www.haituncun.com/ycguojia/yogb/feelunique/>



MARNI ON ZALANDO

Fashion website Zalando trades on being a bit exclusive, offering things that you don't find all over the high street and offering a novel twist to known brands. Demonstrating this different approach, Italian luxury brand MARNI partnered with Zalando to recreate four of Zalando's best selling footwear labels – Dr Martens, Reebok, Timberland and Vans – for an exclusive partnership.

The result is an original interpretation of the well-known shoe brands breathing Marni's artistic and avant-garde spirit. In close collaboration with the partner brands, the collection embraces the design of each style and has an unexpected classy and yet modern twist. The limited edition is subtle and understated and each design is a collectors item in its own right.

The Step Into MARNI collection brings out the unexpected in all of us. MARNI experimented with footwear shapes, innovative leather textures in pale colours and ironic Marni symbols such as the fringe, creating a state of the art wearable collection. The well put together pieces look understood sophisticated and give the shoes something rich and simple at the same time. Every brand and style has been looked at individually to come to a design appealing to both men and women by using the abstract design approach.

MARNI's Director of Special Projects Carolina Castiglioni said: "The collaboration with Zalando is an opportunity to experience and appreciate the Marni aesthetic from a new perspective. Zalando's digital approach has stimulated our creativity in a different way. The common idea was to give styles with very well-known and established personalities a special MARNI touch."

"Together with MARNI and the partner brands, we wanted to go further and do something that stood out, was unexpected and disruptive. For us as an online fashion destination, it was important to team up with the right designer brand for the collaboration to be able create something special for our customers" say Jolanda Smit, Global Head of Brand Communications.

Practice of the best

“Marketplaces offer a great way to expand overseas, but you have to understand which countries are looking for which kind of goods and deliver the right inventory to those sites accordingly”



Marketplaces offer some great advantages and many of the perceived downsides no longer apply. So here are some top tips and learnings from this white paper to help you get going.

FIND YOUR NICHES

One of the key things that alternative marketplaces offer is the ability to precisely target niche markets that are searching for very specific goods, so to get the best out of using these specialised marketplaces is to make sure that the elements of your inventory chime with the niches that the marketplaces you are looking at chime with. The first port of call is to take a look at what is being sold there already and where your competitors are selling. Matching these two things together is key to making alternative market places work for you.

FIND YOUR GEOGRAPHIES

As with finding the right niches, finding the marketplaces that service the right geographies that match both your stock, and the niches you are looking at is also key. Marketplaces offer a great way to expand overseas, but you have to understand which countries are looking for which kind of goods and deliver the right inventory to those sites accordingly.

START SMALL

To make the first two steps above work you need to start small. Try things out on a small scale and watch how it performs, then slowly add what you are selling as time goes by. Most marketplaces charge on a commission basis, so once you are connected it isn't going to cost you to change what you do and don't put up for sale, so keep trying things out. But be warned some do charge more once the number of items you are selling goes beyond certain thresholds.

KEEP THINGS FRESH

While adding more goods to your inventory you should also keep refreshing the ranges that you sell. Many of the customers on alternative marketplaces are loyal repeat buyers so visit often – so you need to keep new things coming in all the time to keep people interested.

GET INVOLVED

Many of the alternative marketplaces also act as communities, offering everything from a good social media presence to helpful tips to DIY handymen, so get involved. One of the advantages these marketplaces offer is that level of connection with the consumers who shop on it and doing well here can cement your position on the site. Expert marketplaces can add cache to your brand so make sure you play it well.

CUSTOMER RELATIONS

You will get a very different kind of contact from customers through marketplaces than you do through your normal webstore. Your customer services team needs to firstly know where the caller has come from (marketplace or your website) and has to have a plan for managing them – or you need to outsource this part of your customer service to a third party, possibly the one that is helping you manage your marketplace presence and experience. It may also be worth assess your choice of alternative marketplace based on whether or not they handle customer services for you, especially in other geographies.

GET HELP

Getting going on these marketplaces can be made all the more manageable by using a third party integrator that already has connections into the marketplaces that you want to use can make setting up and managing the process more straightforward. Third parties can help with everything from set up to managing the data flow, handling logistics and, as said, customer services.

SEND THEM HOME

Remember, while marketplaces are great your ultimate goal should still be to get them to become loyal customers of your site brand and so direct them to your site when you can. The easiest – and most common way of doing this – is to include in the goods bought on a marketplace an offer off something on your own site: this drives shoppers to your website and hopefully makes them loyal.

LOOK TO THE FUTURE

While the name of the game right now is to get them to ultimately move to your website, bear in mind that shoppers are increasingly using marketplaces – mainstream and alternative niche ones – and that the way people shop is changing. It should no longer be seen as a step down selling on marketplaces and don't be surprised if these sites outstrip your own sites in the years ahead. So, focus as much attention as they need and don't look at all marketplaces as an added extra, they are going to be vital to your business going forward.

BECOME YOUR OWN MARKETPLACE

Extending your brand to sell on existing marketplaces has many advantages, as we have seen, but the logical progression once you have this up and running is to look at how you too could become a marketplace. Integrating the sale of other people's products that are allied to your core retail business is a new way to expand and grow. Halfords has done it, creating a marketplace within its own website to sell products that compliment what it sells. This is the next step for brands and established retailers in the development of e-commerce.



Summary

Marketplaces offer a recognised way to extend reach both to domestic consumers and to new markets. While the big players, Amazon and eBay, dominate the mainstream marketplace sector, there is a growing move towards using niche marketplaces to target consumers who are after something special, with marketplace integration now made easy by partners such as ChannelAdvisor.

These smaller tier two marketplaces offer consumers the ability to pick up either specialist items that aren't available more widely, or to get things that have a more unique air.

For the merchant, these sites and their attendant customers offer the ability to stamp authority on a sector and to target people that are truly interested in what they have to sell.

Together, this combination of a dedicated and engaged audience and merchants that service a very specific need make for an interesting addendum to the modern e-commerce sales mix.

But as our own survey shows, some retailers get this, but many don't. This white paper outlines why this strategy is going to be so important to all retailers going forward and shows just how to get there.



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