

MARKETPLACES FOR BRANDS AND LARGER RETAILERS

Approaches to exploiting marketplaces for
growth and brand development



Executive Summary

Marketplaces are becoming increasingly important to the way that consumers shop, with as many as 40% of online sales likely to be made on a marketplace by 2020, according to the Ecommerce Foundation – in some instances that level has already been hit.

This fundamental shift provides both a challenge and an opportunity to established retailers and brands and those that tackle it now will be getting in on the ground floor of a revolution in retail. The challenge is in making sure that brand values, quality and margin can all be protected by moving onto these platforms.

The rewards, however, are myriad. Marketplaces are where the consumers increasingly are and where they are increasingly going to be, but the advantages don't just end there. Marketplaces offer brands and established retailers a managed and trusted way to reach out to new customers, to try out new markets and to, relatively painlessly, expand into new territories.

In this white paper we will look at what is to be gained by using marketplaces if you are an established online retailer or brand, as well as showing how to actually go about making it happen. Leading off from our bespoke industry survey – that shows just where a broad range of brands and retailers are with marketplaces – we will learn from some of the big names and brands that have done it and show case how third parties can help make the incorporation of marketplace trading into your business processes as seamless as possible.

Marketplaces are no longer the 'bargain basement', or 'virtual flea markets' of old: they are a vital part of the ecommerce paradigm – can you afford not to be using them?

Contents

- 02 Executive Summary
- 03 Sponsor's message
- 04 Overview and opportunity
- 05 Survey overview and findings
- 08 Customer pull
- 10 New opportunities
- 13 Concerns holding retailers back
- 16 Putting it into practice
- 18 Case studies
- 21 Practice of the best
- 23 Summary

KEY SURVEY FINDINGS

- Of the retailers and brands in our study, 42% are selling on one or two marketplaces today, while another 27% are using three or four. This means that well over two thirds of the brands and retailers that took part in our survey are using marketplaces
- Of these marketplace users, 37% are seeing more than 50% of their online revenues coming from these sites. However, 31% see less than 10%
- New customer acquisition (64%), satisfying existing customer demand (44%) and exploring new territories and market segments (51%) are the three main drivers among our sample for using marketplaces
- Brand values and perception and the 'race to the bottom' are the key concerns brands and retailers have with using marketplaces among 51% and 48% respectively of our sample
- Aligning brand message (33%), technical challenges (34%) and presentation (43%) were seen as the most testing challenges to using marketplaces, but none of them scored highly as 'extremely challenging'
- Fulfilment using marketplaces is seen as reasonably straightforward, with 75% of brands and retailers in the survey seeing it as not difficult and only 9% seeing it as extremely difficult.

ABOUT THE AUTHOR

Paul Skeldon is the mobile editor of internetretailing.net and managing editor of eSeller.net

Leveraging the opportunity that awaits

Expanding operations on marketplaces has many undeniable benefits and this white paper will explain in detail how brands can capitalise on the opportunity and grow their businesses at a fast pace.

Alongside all the opportunities, however, marketplaces also present various challenges that need tackling if you are to enhance sales and maximise profits.

As our survey that you're about to read reveals, technical issues are an important aspect that many brands still have difficulty managing.

Many big brands started life with bricks and mortar stores. Consequently, their systems and processes have been traditionally geared towards supporting that network and can be problematic when trying to adapt to ecommerce.

Most likely you'll need to reconsider many logistical aspects, from how product data is structured to the way stock flows through the business in order to cater to a demanding omni-channel audience.

Thankfully, due to technological advancement, the underpinning technology that powers today's multichannel ecommerce is mature, scalable and cost effective. You can now choose from a wide range of highly efficient solutions that should make managing marketplace operations smooth and profitable.

Ideally, you need an ecommerce solution that connects marketplaces and other channels quickly and effectively to the systems and platforms you already use. Your data — supply, stock, orders, delivery and customer activity on all channels — should be synchronised across systems so you can easily spot market trends and what areas need improving. Equipped with automating technology that optimises labour-intensive processes, you can now focus on control and growth.

At Volo, our mission is to make selling online as easy as buying online. For brands, we strip out complexity and de-risk your move into marketplaces and other online channels.

Many brands believe setting up an account on several major marketplaces is enough to generate a significant increase in revenue.

In reality, you need to carefully map out a strategic growth plan and a clear trading approach that captivates current customers and prospects alike. Just because you have extensive retailing expertise doesn't mean that driving growth on marketplaces is a walk in the online park.

Marketplaces are a different environment and if you don't comply with their required service standards you might see your account revoked and a revenue stream dry up overnight. Seek specialist know-how and make sure you get it right from the start.

According to our study, 46% of brands report less than 10% of their online revenues coming from marketplaces. However, 37% are seeing more than 50% of their online revenues coming from these channels. Think carefully about which group you want to be in.

Another strategic aspect to consider is the right marketplace for your brand's profile. Not all marketplaces are created equal and you want to be aligned with a company that shares similar values to your brand.

As you go through this white paper you'll realise that the benefits of operating on marketplaces far outweigh the perceived challenges. And even though there is no bulletproof recipe for 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.

Paul Watson, CEO, Volo Commerce

VOLO
Adventures in ecommerce



Overview and opportunity

“The old view that marketplaces are for clearance items is a worry, but by actively embracing the use of marketplaces and creating a ‘branded shopfront’, retailers and brands can take back control of their brand image on these sites.”

Marketplaces are reshaping the ecommerce landscape as consumers increasingly turn to them to carry out retail-related searches and to find the goods they want. This shift in consumer behaviour is seeing the retail industry revise how it views the role of marketplaces in ecommerce, with the Ecommerce Foundation, back in 2015, predicting that by 2020 some 40% of global online retail sales would be made through some form of marketplace.

In fact, since that report, there is anecdotal evidence that, in some quarters, this 40% has already been hit, with more product searches in the US now being made on Amazon than on Google.

But this thirst by consumers to use marketplaces as ‘shopping search engines’ is a trend that retailers can be apprehensive to embrace. While the customers may well be there, retailers and brands can be reticent to work marketplaces into their overall retail strategy – largely based on outmoded views and assumptions about cost, pricing, brand perception and more that no longer hold true.

The fact that consumers are heading to marketplaces to find what they want to buy – and buying it there – should be proof enough, but the fact that this is happening to such a degree is also starting to make many of the perceived brand and economic issues irrelevant, as this white paper and its industry survey will show.

While there are concerns about costs and brand damage, today’s marketplace economy makes it more cost-effective than ever for retailers to reach more customers than through their traditional websites and associated marketing campaigns, to connect to new customers more effectively, to try out new markets and geographies and to test the water with new technologies.

The increasing use of marketplaces as a place for consumers to research and shop also erodes the fear that selling through a marketplace will damage your brand. The old view that marketplaces are either for selling clearance items, or where others sell off your clearance items is a worry, but by actively embracing the use of marketplaces and creating a ‘branded shopfront’, retailers and brands can in fact take back control of their brand image on these sites.

Finally, marketplaces also allow for a cost-effective way to try new markets, new geographies and new technologies without having to make huge capital outlays. Expanding into a new sector or a new country is expensive and time consuming. But using a marketplace that is already there can cut these costs and times down and give you valuable early insight into what sells and what doesn’t in those territories. Many marketplaces also help with logistics, again getting you up and running rapidly.

The same applies to looking at how to adopt new ways to market. Everyone needs to be mobile these days, while many are also looking at social media as a way to sell. Marketplaces (and social media sites that are getting into selling and so are becoming quasi-marketplaces themselves) offer the chance to get and try this functionality without the huge outlay needed internally by your brand.

There are of course challenges to doing all this, as we shall see, but despite these it is easy to see that they cannot now be ignored as part of the overall sales process for most retailers and brands. Snobbery aside, why would you not want to go where your customers are?

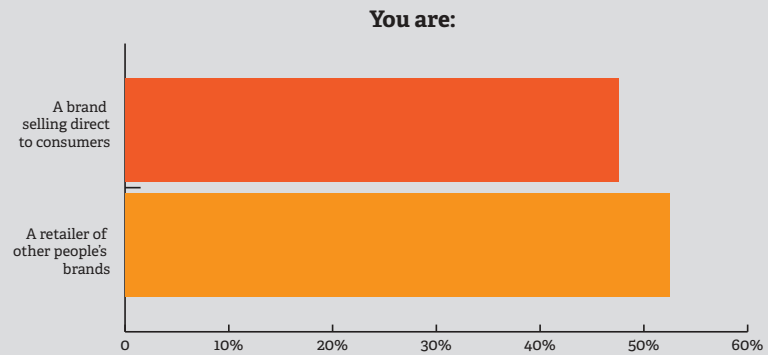
Survey findings

So what do retailers and brands think about the rise of marketplace trading and what are their concerns? For this white paper we conducted some bespoke research, asking a set of questions to 115 brands, retailers and interested parties of all sizes about their view of, use of and concerns about marketplace trading.

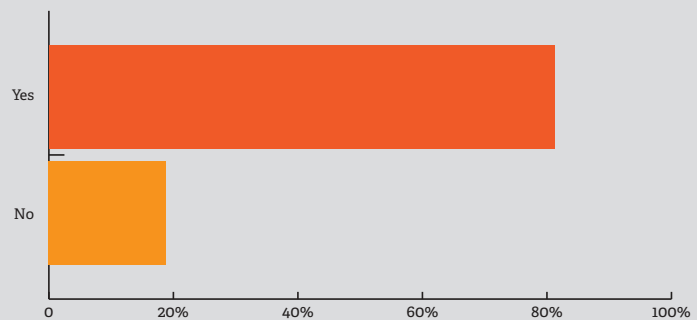
The results form the basis of the rest of this paper, but to get a flavour of what we asked and what people said, here is an overview of the key findings of the study.

WHO ARE YOU?

Of the companies surveyed, the split between brands and retailers of other people's brands was approximately 50:50 and the overall bias is towards those that do sell on marketplaces.



Does your company use marketplaces?



WHAT MARKETPLACES?

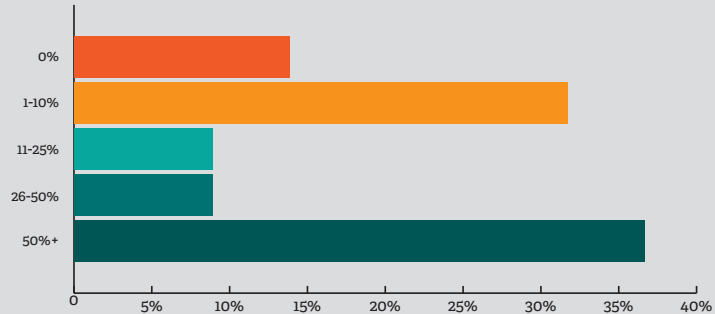
Quizzed about how many marketplaces these users are on, the survey shows that the bulk are using between 1 and 4, the majority in the 1 or 2 range. We didn't ask for specifics, but it seems reasonable to assume that one of these is certainly Amazon, or eBay.



HOW MUCH DO YOU SELL ON MARKETPLACES?

With usage of marketplaces limited largely to between one and two, it is interesting to see that a third of retailers and brands quizzed are either deriving 50% or more of their revenues from them or deriving less than 10%. Clearly many are using marketplaces as an effective part of their strategy while others aren't.

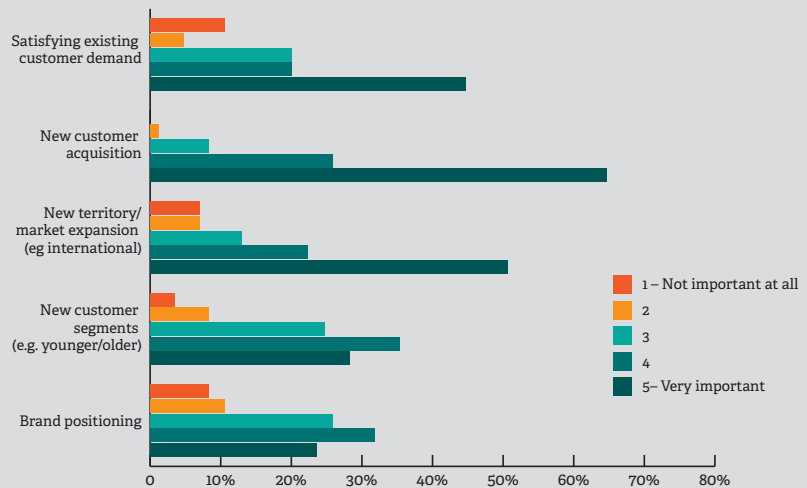
What percentage of online revenues does your company derive from marketplace sales?



HOW IMPORTANT ARE MARKETPLACES TO YOUR BUSINESS?

When asked to rate a range of ways in which marketplaces are important to the brands and retailers in the survey, the overwhelming message is that they are key to new customer acquisition and for exploring new territories. They are also useful for selling to existing customers too, our research found.

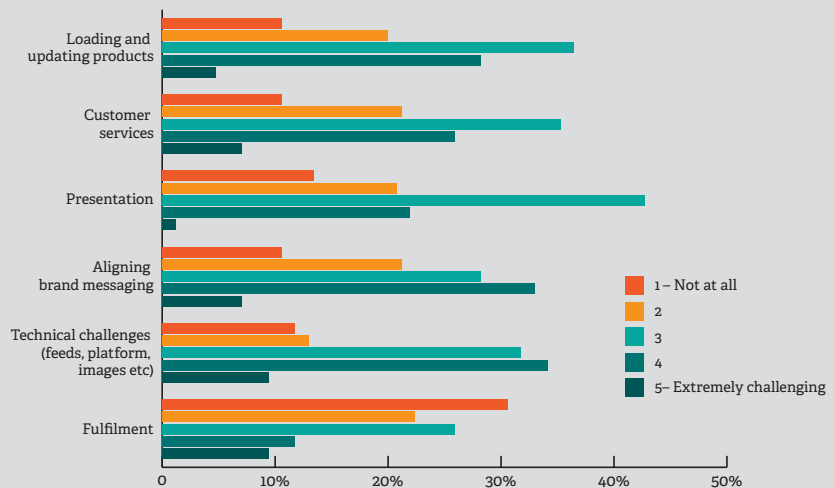
On a scale of 1-5 (1 being not important at all, and 5 being very important), how important an attraction were the following criteria when entering online marketplaces:



WHAT ARE THE CHALLENGES WITH MARKETPLACES?

Marketplaces offer a great opportunity to many brands and retailers but they also throw up challenges. According to the survey all aspects of the process offer some degree of difficulty, however none are insurmountable.

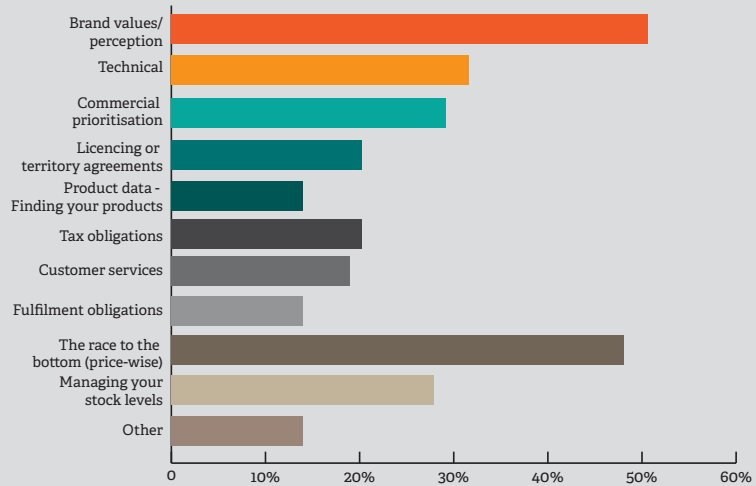
How challenging have each of the following aspects of trading on marketplaces proven to you and your business? (1 not at all, 5 extremely challenging)



WHAT ARE THE MAIN CONCERNS WITH USING MARKETPLACES?

Naturally, retailers and brands do have concerns with using marketplaces, however the two that stand out are issues with brand values and perception and “the race to the bottom” in terms of price. Both are long held concerns with marketplaces, but as we shall see in the rest of this white paper, they need not be too troubling.

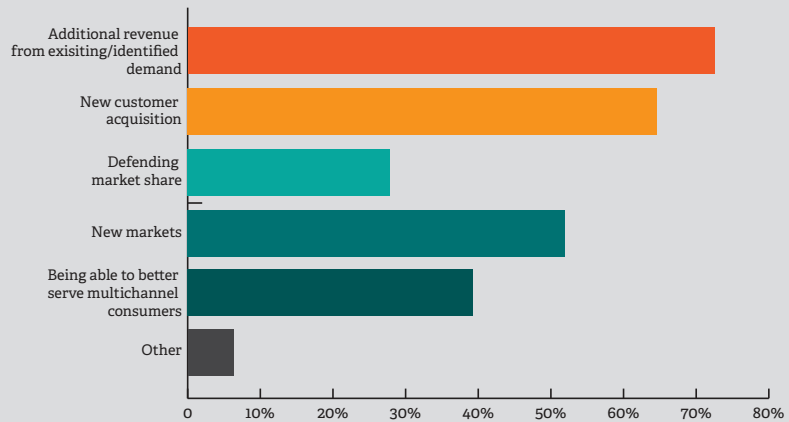
Which of the following concerns did colleagues offer as reasons not to embrace marketplace trading?



WHAT FACTORS ARE MOST INFLUENTIAL IN USING MARKETPLACES?

Persuading colleagues and management to go down the marketplace route requires some persuasion – hence this white paper – but the typical reasons our survey shows that swing the argument in favour are the key reasons that marketplaces are going to be so beneficial to established retailers and brands: new customers, new territories and additional revenues.

In persuading colleagues to use marketplaces, what factors were the most influential? (Tick as many as are relevant)



Customer pull

The chief reason that brands and retailers need to use marketplaces is a simple one: it is where the customers are. The customer is embedded in the marketplace ecosystem(s) — on desktop, mobile and social. Marketplaces can be ‘dashboards’ for their planned shopping, as well as sources of bargains.

The Ecommerce Foundation puts the sales share of marketplaces at between 10% and 30%, depending on the country, and predicts that by 2020, marketplaces will have a 40% share of the global ecommerce market. Amazon and eBay account for a staggering 41% of all retail web traffic in Europe, with 47% of Amazon’s unit sales globally being generated by Amazon Marketplace sellers in Q4 2015.

In its *Rise of the Global Market Places* study, The Ecommerce Foundation reports that as marketplaces work with a lot of suppliers, they can offer a very broad and deep assortment, giving the customer a wide range of solutions to meet their needs for products and/or services. In addition, marketplaces can offer items at a lower price than retailers because of their platform scalability.

For consumers, convenience is a key aspect of online platforms as well and here marketplaces are advantageous. They aim to make the customer experience as smooth as possible, evidenced by developments such as one-click payments and same-day delivery. As a result, marketplaces excel at delivering customer satisfaction.

Consumers also like to shop on marketplaces because they offer choice, great customer experience and great customer service – something backed up by the growing level of traffic that marketplaces now attract.

STOP THINKING IN CHANNELS

While consumers are flocking to marketplace sites driven by the sites’ own ‘trustworthy’ brand, excellent customer service and great experience – search and payments in particular – shoppers now expect the brands and retailers they recognise and like to be on marketplaces.

Shoppers aren’t limited by channels – in fact they don’t think in terms of channels – they just shop and, increasingly, are either going off in search of what they want to buy via a marketplace – using it very much like a ‘search engine for shopping’ – or are finding the goods they want appearing on marketplaces at the top of searches through more conventional search engines.

And these shoppers are going to often be newbies. Where your existing customer is likely to search the brand name or retailer name, those that are not will typically go for the generic name of the goods (“men’s spring casual jacket” as opposed to, say, “Superdry jackets”).



This is an important distinction, since it showcases that for new customer acquisition, marketplaces are now essential.

The need here for a proper brand presence on marketplaces starts to become all the more important. If you aren't selling your wares on marketplaces, someone else will be – either surplus stock and line ends, or worse, reselling. Either way, your brand can suffer. Shoppers that see your brand on a marketplace will not differentiate who is selling it and will likely assume it is the brand itself. This can cause brand damage and is best tackled by being on the marketplace and in control.

NICHE MARKETS

Another part of what is driving growing consumer use of marketplaces has been the rise of the niche or specialist marketplace. While shoppers see the advantage of Amazon and eBay as 'shopping search engines', many more are looking for things that are a bit different or not so mainstream. While vendors of niche products can and do sell on mainstream marketplaces, there are many smaller, specialised ones that offer shoppers a place to go if, say, they want bespoke jewellery, or ethically sourced clothing and more.

The likes of ETSY and notonthehighstreet offer a great place for bespoke gifts and things 'off the beaten track' of mainstream retail – they are, if you will, the old curiosity shops of the web, or those interesting little shops you find in some well-to-do High Streets.

But this niche marketplace idea is also spreading to marketplaces shooting up that cater for individual specialisms, such as cycling, cooking, knitwear, crafts, DIY, tool, gardening, and so on. Taking the High Street analogy further, these offer a place for the expert to go looking for what they really want and again get away from the mainstream offerings and into really specialised kit: much as shops used to do compared with, say, a department store.

The growth in these marketplaces makes having a marketplace strategy all the more important as this is where your customers are. It can also be a place where your brand is actively enhanced by being part of it, rather than fuelling concerns about its dilution.

CREATING YOUR OWN MARKETPLACE

The attraction of marketplaces to consumers throws up another opportunity for growth: creating your own marketplace. While consumers love the choice and ease of shopping on a marketplace, retailers and brands can leverage this by assembling, within their own website, a marketplace of trusted third party brands that complement what that retailer or brand sells.

This has been done with great success by Halfords, the car parts and cycling retailer in the UK, which has added to its site 'Halfords Marketplace', which it uses to sell products that it bills as a "carefully selected a variety of Approved Partners to give you more choice when shopping".

The kind of things Halfords sells range from baby travel accessories (to complement the retailer's car seats) to car care products to bike racks and more. The key here is that consumers are already in the Halfords' eco-system and want to shop more widely around what they are doing. By offering a trusted range of third parties in this marketplace format – all with the same delivery, click and collect and guarantees that Halfords' own ranges come with – keeps the shopper loyal.

There is another upside too: searching for the products that are sold via the retailer's or brand's own marketplace on Google can lead new customers to the brand's own marketplace and hence into their ecommerce site. It offers all the advantages of using a marketplace, driving new customers in and extending the range available to existing customers and those that have found the native website.

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New opportunities

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Marketplaces today offer retailers a range of growth vectors: new customers; new market segments; and new territories. Each are vital on their own to expanding a retail business or brand, but taken together they are the makings of supercharging a business.

NEW CUSTOMERS

Most retailers and brands of any size have a dedicated core of customers who come back time and again. While these people are the lifeblood of any company – and they do often also recommend new people – the quest for new customers is an ever-present problem for any retailer.

With consumers increasingly looking to marketplaces to search for what they want to buy, coupled with search engines also searching marketplaces and marketplaces themselves paying to come up top in searches, you can easily see that if you want to get in front of people who don't already know you (and remember you), you need to look at having a presence on marketplaces. It is where the shoppers increasingly are.

Some 64% of our retail survey sample say that they are using marketplaces to accrue new customers. But there is much more to it than that. Mobile shopping is changing how people look for things they want to buy. 52% of searches online in 2016 were on mobile, according to the latest figures from Criteo, showing just how multichannel shoppers are when looking for things.

Culturally, the rise of mobile has also made shoppers both more considered and more impulsive. Many use the mobile device to take research they have done at home out into the field to test what they know against the products they want 'in the flesh'.

Meanwhile, increasing ease of use of mobile websites and retail apps has seen shoppers more impulsively buying – driven to buy from the source that offers them the easiest way to search, find and pay for goods.

Here marketplaces have come to the fore. They have the scale – and the deep pockets – to deliver the right experience for shoppers on any device. And so many shoppers are using them, not necessarily out of choice, but because they gravitate to the easiest way to research and buy.

This is where you will find your new customers (and you may also find your existing customers too, but we'll come to that).

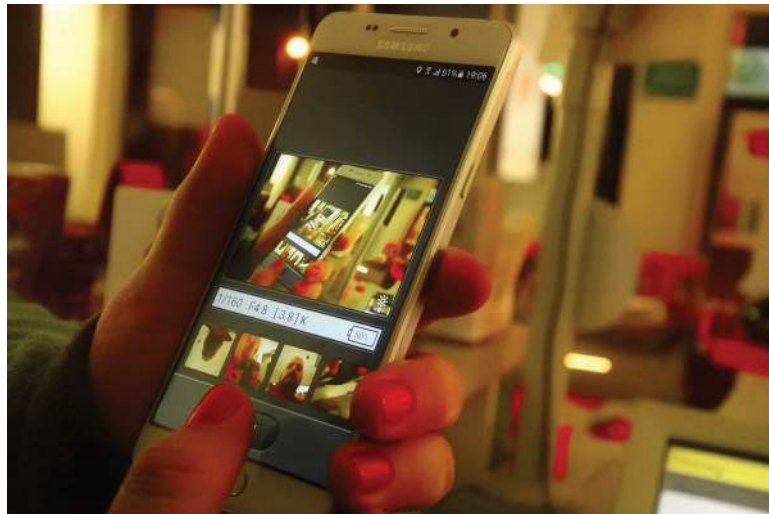
With that in mind, marketplaces provide an ideal way to garner new customers, especially through channels such as mobile and even social media, where you may not yet have focussed your attentions or marketing clout. In essence, the marketplace does that for you. At scale the marketplace can run not only mobile optimised sites – which you can too, with ease, these days – but it can tailor marketing and SEO to mobile too.

Marketplaces can also manage and deploy better mobile-centric payment mechanisms – such as one click payments as found on Amazon – which again makes you more attractive to prospective shoppers who may have come across you via either search within the marketplace or conventional search.

NEW MARKET SEGMENTS

Marketplaces are where consumers are increasingly to be found looking to buy and the sheer volume of them makes them ideal places to try out new ways to sell, new products and new ideas without having to gamble significant investment on untried lines or services.

Retailers and brands starting on marketplaces typically use them to sell a segment of their products, often sale items, stock clearance or their core product. Celtic & Co sells sheepskin clothing products – it was the first



licensed seller of Ugg Boots in the UK – and it has turned to marketplaces to attract new customers. It has started the process by just selling its boots and slippers (its core range) to test the effectiveness of marketplaces.

Eventually, says the company, it will start to offer its other goods – blankets and more – on the marketplace too, as well as looking at repeating the process across other marketplaces both in the UK and overseas.

Superdry, conversely, started its journey into marketplace use by selling off clearance items to manage its brand values and to see how it went. Tesco Direct did much the same thing.

The key here is that these brands and retailers ventured into marketplaces with segments of their inventory to put a toe in the water.

This approach, however, can be turned on its head: for retailers looking to try out new products or to try and move into new market sectors they are an ideal proving ground. As we have seen with the use of marketplaces to attract new customers, the fact that these platforms have commoditised cross channel marketing, SEO and have the reach into the consumer base, they can be used to trial new ways to sell, new services and new products before having to invest heavily in adapting your own site and even in stock.

According to our survey, 40% of respondents said that one of the selling points of marketplaces within their business was the ability to service multichannel customers. With shoppers searching all over the web for goods and with marketplaces – led by Amazon – taking on Google as the place to search for goods, shoppers have a huge choice. With 52% of retail searches taking place on a smartphone – and with the most searched for goods in 2016 being washing machines – it is clear that shoppers are searching online for even the big ticket items. It is also clear that they are searching online, looking in store then choosing to buy. And it is these multichannel shoppers that need to be targeted both through conventional websites and SEO, but also through marketplaces.

NEW TERRITORIES

Along with trying out new markets and new segments, marketplaces also help retailers and brands try out new territories and geographies. According to our survey, half (51%) of retailers and brands questioned saw one of the advantages of using marketplaces as being a way to sell into new markets.

UK footwear seller Clarks, for example, uses a number of marketplaces in different locations to sell its products internationally. The firm uses marketplaces in the Americas for its wholesale business, but more interestingly, works with a local partner in China to list on leading Chinese marketplace, Tmall, with the partner also handling supply chain and

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fulfilment operations. Clarks also lists on JD.com in China and on Japan’s leading apparel platform, Zozotown.

Clarks has a non-transactional site in China because the country is a difficult one in which to go it alone. “Not many people have launched a successful site in China,” says Dave Elston, Digital Director, European Region for the shoe brand, adding that “the aggregator model is key to business out there”.

While marketplaces offer a key way to enter new territories, if you’re going to use a marketplace in a new country you still have to localise the content. The key consideration is how good your data is, since content and imagery need to be in excellent condition. Be prepared to work at that.

Some marketplaces make entry to new markets easier by offering fulfilment or customer services. They may even specify in their SLAs that sellers must respond to customer enquiries in the local language and within a certain timeframe. Factors such as these need to be taken into account, though, and thought through whether market entry is via a marketplace or going it alone with a localised, transactional site.

Rather than spending a lot of time and money translating your own website, marketplaces offer a much more low-risk way to discover whether there is a demand for a product or service and where that demand is located.

Even within the EU, there are complexities such as managing returns from different countries and the level of returns you should expect from each market. For example, there is a high rate of returns for clothes in the Nordic region and Germany but in France it averages 15% – 20% and is even lower in Spain.

But marketplaces do allow retailers to experiment with products and pricing to gather an understanding of the shopping habits, returns profile and payment needs of new markets in a way that’s cheaper than jumping straight in with a localised site. Once set up, many of the processes of managing inventory and listings on international marketplaces can be automated. It is just as simple to list on Allegro in Poland, Newegg in the US, Cdiscount in France or on Google Shopping.

In fact the number of vertical-specific marketplaces is also growing significantly with one going live every month to fill the niche areas into which Amazon doesn’t go deeply. One such is the sports apparel and equipment marketplace launched in February by French sports newspaper L’Équipe. L’Équipe Store offers a range of 70,000 products distributed by 30 specialist retailers and sports brands.

More than 50 companies operate a staggering 220 online marketplaces in Europe, according to Germany ecommerce association BVOH. According to a column by the association’s president, Oliver Prothmann, in InternetRetailing in September 2015, there are 39 online marketplaces in Germany alone, plus 24 in France and 14 in Italy.

But a word of warning: most of the marketplaces differ significantly from their competitors’. The mechanisms used by the providers vary greatly with, for instance, open and closed markets. Also, the moment that ownership changes differs and can range from when the transaction takes place to when the goods are delivered.

What is holding retailers and brands back?



any retailers express concerns over the impact using marketplaces may have on everything from their brand, to their profits, to their inventory and more. There are even regulatory and legal issues to consider.

While these issues are by no means a reason not to look at marketplaces, they need to be considered and dealt with – and in many cases dispelled.

BRAND PERCEPTION

Half of our survey (50.63% to be precise) expressed concern that using marketplaces would damage or erode the perception of their brand among consumers. This is – and has long been – a common fear among ‘traditional’ retailers and brands when it comes to using marketplaces.

The view that they are somehow glorified auction sites, online flea markets, or somehow more low-rent than conventional website selling still sticks with many retailers and brand managers, but clearly not with consumers.

In fact, having a dedicated and official presence on marketplaces is a way to control brand perception. For some retailers and brands it has been and remains a strategy to use marketplaces to clear items and rely on the conventional website and stores to sell new lines. However, this approach has seen many brands have their ranges sold by third parties, with no control over how their goods are presented. This adds to the issue that marketplaces are the wild west.

Instead, creating a new webstore on one or several marketplaces actually helps brands control their brand. Superdry did just this, moving from not officially selling on marketplaces, but finding third parties buying up old stock and doing it anyway, to selling its sale and end of line items on marketplaces itself through a dedicated store front to selling all its goods through them in conjunction with having its own website.

PRICE AND THE “RACE TO THE BOTTOM”

The second major concern retailers and brands expressed in our survey around the use of marketplaces was “the race to the bottom” – or the pressure that some feel that using marketplaces puts on price.

Of course, one of the reasons that marketplaces are proving so popular with consumers is that they do often offer the best price, but in retail “best price” doesn’t necessarily mean “lowest price”. In reality, it means the price that suits the shopper at that time and it may well be that they will pay more for immediate availability or delivery, rather than wait a few days and get a better price.

Marketplaces want customers to have the broadest choice possible and are focussed on being customer centric and price is a significant part of this: the ‘buy box’ is one of the reasons that marketplaces get such a lot of traction and why consumers are increasingly using them. However, it is not the only reason. In many cases, shoppers are using marketplaces for ancillary reasons, such as being a trusted source of goods, easy payments, expedited delivery, choice of delivery options and simply ease of use.

“ Many retailers and brands chose to run their marketplace businesses separately to their mainstream online sales and often chose to use a third party to handle the running of content, feeds and data to and from those platforms. ”

That said, it does come down to the individual brand as to how they want to play price on marketplaces. If your brand is well positioned in the mainstream market, then you can control your prices. If you choose to rely on garnering sales by ‘winning the buy box’ then you will more than likely erode your price and possibly your brand.

However, pricing issues can be a problem for a brand or retailer whether you are on a marketplace or not: in the non-marketplace retail environment, if pricing of competitive products falls, yours’ will too or you run the risk of losing sales. Competition is competition regardless of where you sell.

TECHNICAL ISSUES

Nearly a third (31.65%) of survey respondents pointed to the technical issues of running on a marketplace or marketplaces as being a challenge. In many instances it is best for retailers to run their marketplace and conventional web businesses separately and this can be hard work and potentially costly.

This can encompass anything from simply loading and updating the various marketplace CMSs to running the business of selling through marketplaces. Our survey shows that loading and managing presence on a marketplace is seen as a moderate to strong challenge by some 60% of retailers and brands quizzed, while managing feeds, platforms and the other technical issues associated with the marketplace by nearly three quarters of respondents.

Many brands and retailers that have started to use marketplaces have overcome these challenges by contracting out much of the management and fulfilment around operating their marketplace businesses. Initially, there is always a lot of work to do in getting the right imagery, product information and more ready to be loaded, but so long as content is kept up to date, third party companies can run your marketplace presence for you, right through to the logistics and stock issues as outlined below.

Technology and service providers such as Volo exist to help address all of these issues and help retailers and brands control their growth successfully on marketplaces, manage multiple channels and take much of technical and day-to-day running pain out of the equation.

INVENTORY AND LOGISTICS

A challenge closely allied to technical issues around the day to day running of a marketplace presence is the challenge of managing stock, deliveries and inventory. As we have seen above many retailers and brands chose to run their marketplace businesses separately to their mainstream online sales and also often chose to use a third party to handle the running of content, feeds and data to and from those platforms. A similar principle is applied to the inventory, stock and logistics of selling through these platforms.

The challenge for many brands in particular, but also for larger retailers, is that they are used to shipping pallets of goods to wholesalers or stores which are then broken down and sold that way. Selling through marketplaces is more direct and as a result a challenge.

Many third parties will take the stock assigned to the marketplace side of the business, which then do the marketing, promotions, marketplace presence management, and shipping. They will also handle many of the factors needed to run the marketplace business – or they will sub-contract further to specialists that can.

Typically this can cover handling payments, logistics and returns, as well as, for those looking to exploit marketplaces to enter new territories, language issue, local currency and local customers and taxation issues.

COMMERCIAL PRIORITIES

Coupled to both technical difficulties and the management of logistics and inventory is where exactly in your business does the marketplace trading part fit. According to our survey, 29% of respondents see commercial prioritisation as being a key challenge for them as they negotiate pushing out into marketplaces. In particular, retailers and brands are stressed about whether to concentrate on their standalone website or to push the marketplace. In reality, you need to do both, as they service very different audiences.

As we have seen, marketplaces are there to sate newbie customers and are often – at the start of your business’s marketplace journey at least – offering some parts of your product range. This requires different handling to your own site, which while accommodating new customers who have found you through search and recommendations, is geared more to being your main storefront.

Prioritising what stock and what proportion of that stock goes to which sites is hard work. Understanding too the priorities of marketing and customer service is also a challenge. In some ways it is like running two businesses at the same time.

CUSTOMER SERVICES

How you handle the customer queries, complaints and reviews that are garnered by being on a marketplace generates a huge potential – and often overlooked – challenge for most retailers and brands.

In our survey, 65% of respondents suggested that customer services around marketplaces was a likely challenge, but interestingly the bulk of them (35%) only saw it as a moderate challenge. In reality, it is something that should be taken very seriously, as it feeds directly into the biggest challenge of all, brand perception.



Customers from marketplace purchases are going to have fundamentally different problems to many of those that you may handle from the traditional web. They will also have very different perceptions of your brand – and may indeed be oblivious to your brand, having been sent to you from the marketplace brand where they will, in all likelihood have started their contact.


This is especially true of complaints where the first port of call for most customers with a problem is the marketplace itself. The complaint may well stop there, but if it’s connected to the product then they will come to you.

To handle these customers your customer support staff need to be aware that the call is coming from a marketplace trade not the website and handle it accordingly.

Any contact through your customer services from a marketplace customer is also a prime opportunity to direct them to your site and to make them a valued repeat buyer.

Putting it into practice

 eBay developed the branded hub to help brands and retailers who are sold on marketplaces by third parties to maintain brand control. Through these hubs they can control how their products are displayed, described and shipped. 

 In theory there is much to be gained from being live on marketplaces as a mainstream retailer or brand: consumers are there, it reaches new people and you gain many advantages of the marketplace doing marketing, logistics and more for you. But how do you actually put this into practice?

As we have seen, there are many ways to go live on a marketplace – each a reason in its own right to use them – but what are the challenges of each?

CLEARANCE STORE

One of the most common starting points for brands and retailers who want to go live on marketplaces is to use it as a clearance store. This has the advantages of offering the ability to get started on a marketplace without having to meet the challenges of managing stock across the marketplace and your own site, as well as allowing you to test the market and work out your best brand and store strategy for marketplaces in a considered way.

This is how Superdry started on marketplaces, rolling out clearance stock and slowly expanding it up to a fully-fledged, branded store. Interestingly, its presence started with a third party selling seconds and proved so successful that Superdry bought the company doing it and thus bought its fledgling presence on eBay.

Since then the company has seen sales through the marketplace accelerate and that third party who started it all was made head of ecommerce at the brand. Today, Superdry trades across a number of marketplaces including eBay and ASOS, selling new goods and selected items from its range in its own branded store on eBay and as a partner on ASOS.

BRANDED STORE

Opening a branded store on a marketplace can be an ideal way to sell through these platforms while maintaining brand values and brand integrity. BMW sells through Amazon and eBay and features a branded store on eBay that allows it to maintain its identity while selling through this channel. In fact, comparing BMW's eBay store to its own website, it is clear that all brand values have been maintained.

Another approach to branding on a marketplace lies in setting up a Branded Hub on eBay. eBay developed the branded hub to help brands and retailers who are sold on marketplaces by third parties to maintain brand control. Through these hubs they can control how their products are displayed, described and shipped.

Adidas is a prime proponent of branded hubs, having one on eBay for some time. It allows the sportswear brand to make sure that its third party sellers maintain the look and feel, banners, description and imaging associated with the main brand.

Getting a branded store on a marketplace, however, isn't necessarily straightforward. Aside from eBay – which is much more open to running branded stores and hubs – Amazon, for example, relies on inviting high level brands and sellers to have a store front, preferring to control image itself.

NICHE MARKETPLACES

Niche and specialist marketplaces are driving growth of both independent producers and retailers and marketplace shoppers. They offer a perfect place for retailers and brands to sell specific lines to an audience that is pretty much tailor-made for those goods.

The challenge here is to get the right products on to the right niche and specialty marketplaces and, because you may well be fragmenting your inventory across many of these sites, managing them on an ongoing process is a headache.

Getting all the data to the relevant CMSs is a challenge – often because they will want things in different formats and specifications from marketplace to marketplace. Also managing where your sales are coming from and making sure that the goods are available to be dispatched across what might be myriad sites is a huge challenge.

The upside of the specialist marketplace is that it can act as a brand enhancer, as you are seen to be selling goods to shoppers who are really discerning and ‘in the know’. This can be a boost to your image and brand. It is also a good place to find likely candidate customers that you can readily convert to both loyal repeat buyers and enthused brand advocates.

A word of warning: You have to get it right with these people as they are going to be the most voluble of critics if they feel let down.

In practice, you need to shop around for the sites that seem the best fit with what you are selling and divide your inventory accordingly. As with any marketplace, niche marketplaces are best tried out with a limited range of your goods, which you can slowly expand as you get established. Start with one line on one site and see how you go. The lessons learned will then inform your next foray into unleashing either more lines or trying other niche sites.

They can often be used, as well, in conjunction with a presence on larger marketplaces as an addendum to your customer acquisition strategy.

NEW TERRITORIES

Expanding overseas through a marketplace is a great way to dip into a new country and assess what people buy, how they buy and iron out wrinkles in how to market to them and message them, as well as logistics and foreign exchange.

It can be as simple as enabling the cross-border trading elements of an existing eBay account, which will make your offerings live, say, in France if you pick France. This will give you some translation, pricing and shipping that is all handled by eBay.

To take the next step you have to do a bit more work and look to the country itself and understand its local marketplace landscape. Taking France again as an example, there are some 20 or so other more niche marketplaces that specialise in certain sectors. You have to look at which of these might work for you and sign up.

Here getting a third party involved – such as Trojan or Pentagon, as well as technology and service providers such as Volo – to help manage this is essential, since this will allow you to do it properly from day one. Pentagon can also help make it a lot easier by using their own Arcade Stores where the company will sort out the listings, language, exchange rates, banking, stock and dispatch for you in a range of countries.

Europe is a huge market, but India is even bigger, so expanding overseas requires a lot of thought, skill and help even if you use marketplaces.

Case studies



Who is putting all this into practice? Here we take a look at some retailers and brands that are using marketplaces in very different ways to drive growth, gain new customers and expand into new territories in very different ways.

CELTIC & CO: EXPANDING WITH AMAZON AND NICHE MARKETPLACES

Celtic & Co is a seller of sheepskin boots and shoes, as well as knitwear and other ethically sourced fashion items for men and women. The retailer – which was the first to licence Ugg Boots in the UK – started using Amazon in September 2016 to increase its customer base and to extend knowledge of its brand out to a new audience.

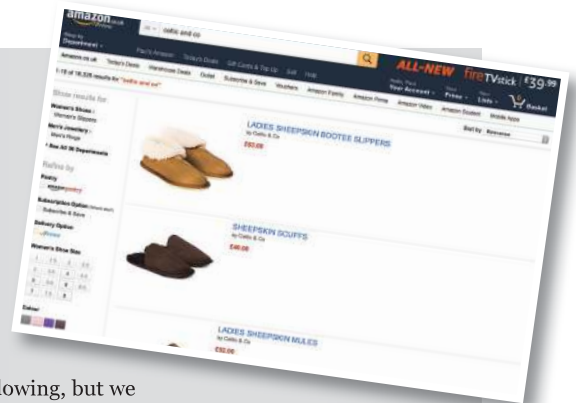
“We have grown organically for many years and have a great loyal following, but we wanted to open up our range to more people,” says Chris Farrow, the company’s eCommerce manager. “Until now we had done marketing offline and some cold calling, but decided that, with so many people shopping on marketplaces, we’d try them.”

The company took the sensible step of just focussing on one kind of product range, selling just some of its range on Amazon to see how things went, with the plan to increase the range of what it sells on Amazon as it gets more insight into how people are shopping there. It will, says Farrow, also look at other marketplaces in due course. “Amazon is so huge we had to start there, but we are also looking at whether to use more specialised marketplaces such as Notonthehighstreet and Etsy. There is a growing use of specialised marketplaces among consumers who are increasingly looking for unusual and unique items, rather than just going by price.”

And the project has gone well so far, says Farrow. “Three quarters of sales through Amazon have been from newbies and we are reasonably pleased with how it has gone so far,” he says. “But it is early days and we have a lot more work to do on this.”

Some of this work revolves around looking at how to expand the business overseas, with the company looking at New Zealand and South America as potential targets – and ones that it feels it can reach through local marketplaces. “UKTI [UK Trade & Investment, now renamed the Department of International Trade (DIT) a government body that helps UK firms export goods and services] has been a great help with this and we are developing a dual marketplace and website strategy.”

But Farrow accepts that there are challenges and concerns with using marketplaces. “Getting all the data together and the images in the right format for Amazon’s CMS is a lengthy process, but once it is done, that part becomes less of a challenge,” he says. “But we are also wary of that using Amazon may dilute our brand, but we don’t know if that will happen or by how much – this is why we are just selling some of our footwear to start with. If things go well we will be looking to put knitwear on Amazon too. Then we’ll look at more niche marketplaces.”



CUSTOM CONTROLLERS: USING THE GAME MARKETPLACE

Custom Controllers is now the EU's leading manufacturer for customised gaming controllers – but it wasn't always this way. Based in Leeds, the company began by releasing a small range of products in 2007.

For several years the company ran as a successful niche player, known in gaming circles but with limited sales. That needed to change and so Ben

Lawton, the owner of the company, took a look at using a marketplace to generate more sales.

His first port of call was to look at GAME Marketplace.

GAME is the UK's leading videogames retailer, focussed on delivering games and all gaming related products to the UK gaming community. It does this online, in-store, on mobile and through its app. With a market-leading Reward proposition, exclusive content and great deals on new and pre-owned games and electronics, GAME.co.uk is widely seen as the number one destination for all gaming needs by serious gamers. The site has more than 1.7 million unique visitors each week with over 10 million individual page views. The brand extends to Multiplay, hosting the Insomnia gaming events at the Birmingham NEC and the recently launched Belong, offering multiplayer gaming arenas in-store.

GAME recently launched a marketplace solution, allowing third party sellers to be integrated onto GAME.co.uk. Currently there are more than 400 third party sellers successfully trading, each bringing their own product range and unique style to GAME Marketplace. This includes sellers offering tech, AV, mobile phones, tablets and more.

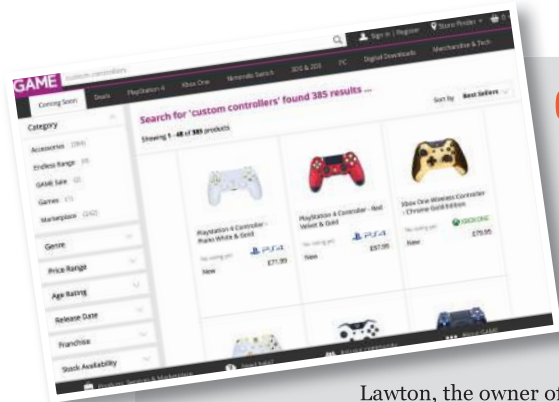
This peaked the interest of Custom Controllers' Lawton, who saw it as a natural fit for his company and a site that would provide the ready made audience his niche brand needed.

And it is working. Lawton reports that when the company joined the GAME Marketplace in January 2016 its orders increased by 40%. This was aided by free promotions around key events such as Black Friday and the orders kept flooding in.

Custom Controllers' success on the marketplace was so great that it caught the attention of GAME's retail department and Custom Controllers now also sell in GAME stores as well as online, through the main site.

By picking a dedicated marketplace that focusses on the very specific kind of users that are looking for its products, Custom Controllers has shown that the marketplace strategy – even when used in a niche way – delivers new customers.

It also goes to show that getting those new customers and a good reputation on a marketplace leads to increased distribution elsewhere and grows the business both online and on the marketplace.



ANN SUMMERS: EBAY THRUSTS BRAND OVERSEAS

Back in 2013, adult apparel and related goods company Ann Summers was looking to expand overseas. In the 14 months prior to that, the company had logged 1.4million attempted searches for it and its products from outside the UK, so it had a reasonable idea that there was a market there – but how to test it out for sure?

As we have seen, creating a marketplace store was the obvious path to take. The company, working with Volo partner Pentagon, created a branded eBay store and turned it on in a selection of key countries – including Germany, France, Italy, Spain, US and Australia.

Now in its fourth year of operation, sales increased more than six times during the course of one year after being launched on eBay UK and the brand is now recognised internationally.

The retailer is also seen as one of the most innovative marketplace traders in a category that is still very challenging and product-sensitive.

Ann Summers managing director Vanessa Gold said: “With the popularity of the eBay marketplace and the proven success with other retailers, the launch of Ann Summers on eBay UK is an exciting prospect for the brand and a fantastic opportunity to expand our ecommerce footprint.”





BMW: SELLING CARS ONLINE

Ecommerce has grown from buying small ticket items such as books right through to now being able to buy anything – even cars. BMW is widely credited as being the first major car maker to sell direct and online to consumers and it started with marketplaces and it has since developed a thriving online and marketplace-based business for everything from spares to cars. Until BMW tried it, no one knew if there really was a market for buying such a big-ticket item as a car – or even related spares and peripherals – on the internet, so the company decided to try it out using marketplaces.

The company – which had seen significant sales of second hand cars online – opted to use a third party (in this case Pentagon), which delivered a fully managed service for all online marketplace campaigns.

The company has created an eBay branded store for the car maker that reflects the brand look and feel of BMW's own website and has resulted in five years' consecutive online growth on eBay UK and further expansion of other BMW group brands across multiple marketplace channels.

“Pentagon’s expertise and pro-active approach has enabled the BMW Group to achieve a stable five year ecommerce revenue growth, which has been instrumental in paving the way for future ecommerce expansions,” says Gordon Pare, Aftersales Ecommerce Manager at BMW Group.

The move to marketplaces has been a massive success for the car maker, seeing continuing growth over the past five years and leading to three eBay motor awards. But more than that it has created a thriving online business for the car maker. Five years ago looking at anything car-related online was far from common. Today, 97% of buyers research their car purchase online and customers now visit a retailer an average just 1.4 times before completing their purchase. This compares to an average of four visits per purchase in 1998. Industry research also indicates that nearly half of all buyers would consider buying an actual car online.

SUPERDRY: GETTING GOING WITH AN EBAY BRANDED STORE

Superdry is a retailer that is very protective of its brand and, on the face of it, would seem to be one of the least likely to be on a marketplace. In fact, Superdry customers interact with it in a multichannel environment (i.e. both in-store and online). A multichannel customer is of significantly higher economic value to Superdry and it therefore seeks to provide a consistent multichannel experience around the world.

Forming a multichannel relationship with its customers is vital as Superdry research suggests that multichannel customers spend about 2.6 times more with Superdry compared to single-channel customers; and secondly, the retention index amongst multichannel customers is about 80% higher than it is for single-channel customers.

Superdry has a significant and growing presence around the world, operating through 515 Superdry branded locations in 46 countries. There are 139 owned stores across the UK and mainland Europe, 208 franchised and licensed stores, all but one outside the UK, and 168 concessions. Superdry.com sells to more than 100 countries worldwide, operating from 21 international websites, but it also sells through marketplaces such as eBay and increasingly, ASOS.

This all began in an unlikely way. A sole trader started selling Superdry seconds on eBay and became so successful that SuperGroup, the umbrella company of the Superdry and Cult brands, decided to bring his operation in-house for the company. Initially the company moved to carry on using eBay to sell seconds, but as sales grew to 20% of turnover, the company moved to opening a branded store on eBay to capitalise on the growth.

The company took advantage of eBay’s eBay Shop programme and has a branded store on the marketplace, which now sells a wide range of the company’s clothes and accessories. It looks and feels just like the brand’s own website and even allows for newsletter sign up and other consumer interactions. It also helps internationalise sales.

The retailer uses a third party to power the shop, helping with KPIs, inventory and more.



Practice of the best



arketplaces 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.

START SMALL

Only try out a small part of your range on one marketplace to start with. It may be worth looking at how you use marketplaces to sell clearance items first or to shift one particular product line. But tread carefully, you can damage your own brand by just selling off clearance items on the cheap on eBay. Shoppers are more discerning these days and don't view marketplaces as an online flea market – so think carefully about what you are selling, how you brand it and how much you charge for it.

EXPAND SLOWLY

If it seems to be going well, don't put the whole shooting match on Amazon, expand what you offer slowly. You may well have done well with clearance items and managed not to 'race to the bottom' on price. However, while you are hopefully picking up new customers this way, look carefully at what they are buying and expand out what you offer through the marketplace accordingly. You need to build your offering and brand presence with care.

OTHER MARKETPLACES

Slowly add other marketplaces as you see what works. It may also be worth looking at how to complement what you are doing on one or two mainstream marketplaces with some niche or specialised marketplace placements. Here you need to also start small and slowly and see what does and doesn't work.

GO NICHE

Using smaller, niche marketplaces that are tailored to selling your kind of products or are aimed at an audience that you want to get hold of is a highly successful way of using marketplaces to grow your customer base. They can also add credence to your brand.

GET HELP

Operating on a marketplace can deliver the benefits of new customers, expansion into new territories and much more, but it can be time consuming to set up and run. That is why many brands and retailers are turning to third party organisations and technology and service providers – such as Volo – that can help them with everything from setting up and running their presence on marketplaces, through to handling stock and logistics and even customer services. This is a very cost effective way of creating and running a marketplace presence – especially once you have moved from trial to selling your full range.

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.

MEETING THE KPIS

While there are many advantages to using a marketplace, they each have their own exacting KPIs and standards for everything from price structures, discounting, bidding for the buy box and customer services. To operate properly on any marketplace you need to be aware of these KPIs and, ideally, optimise how you operate on each marketplace so you that you are trading to the max across all of these measures. This is another area where a third party can help you manage this process, keeping a dedicated eye on how you are doing against these metrics on each and every marketplace that you are using.

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 or discount on something else 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 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 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 complement what it sells. This is the next step for brands and established retailers in the development of ecommerce.

Summary

Marketplaces are becoming a foundational part of all retailers' and brands' ecommerce strategies. No longer seen by shoppers as the online equivalent of a bargain basement or flea market, marketplaces are the search engines of shopping for many consumers – and no retailer or brand can afford not to be using them.

Aside from being where the shoppers are, marketplaces also provide retailers and brands with a relatively simple and cost-effective way to reach out to new customers, expand into new markets and sell new product lines, and to expand overseas.

The move by shoppers to use marketplaces also opens up the opportunity for brands and retailers to create their own marketplaces within their own ecommerce sites to sell “approved partner products” that complement your own ranges and services.

And retailers and brand get it. According to our own industry survey, 80% of brands and retailers we questioned are using marketplaces, with around 70% using between one and four actively right now. A third of these are generating 50% or more of their online revenues from marketplaces and those seeing them as important for garnering new customers, opening up new territories and in satisfying existing customer demand are in the 60th percentile or above.

In short, marketplaces are already seen as a vital part of the overall ecommerce strategy of many retailers and brands.

Of course, setting up a marketplace strategy has its challenges, but as this white paper shows they are far from insurmountable and, with help from third parties, it can be readily achieved.

As brands from Superdry to Halfords to Adidas to Celtic & Co demonstrate, marketplaces are a vital part of ecommerce growth and development and you can no longer afford to ignore them.



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ABOUT VOLO

At Volo, we've set ourselves one core mission: to get merchants and brands flying high in the world of ecommerce. We want to take the operational headaches away from trading online, and get you focused on what you do best - spotting and embracing new opportunities for growth.

That's why we've built the world's most useful and easy-to-use ecommerce service. A complete combination of technology and people that brings together your entire online sales process, and helps simplify and automate core tasks from inventory management and listing through to payment and shipping.

With Volo, you can scale your business up whenever the time is right, and make the most of sales opportunities across multiple channels such as Amazon and eBay. Our platform processes tens of millions of sales orders annually and our customers on average double their revenues within 36 months.

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+ 44 (0)203 856 1999
enquiries@volocommerce.com

