

Marketplaces:

A GLOBAL VIEW OF BRANDS'
BIGGEST OPPORTUNITIES IN 2020



INTRODUCTION


Brands that opt to sell their wares on digital marketplaces gain access to literally *millions* of potential customers — particularly if they sell on the two marketplaces with the biggest global digital footprint, [Amazon](#) and [Alibaba](#). With Amazon, there's a chance to reach, among others, the e-Commerce giant's **150 million+ Amazon Prime members**. Alibaba boasts **711 million** active annual consumers, and in December 2019 its tally of mobile MAUs (monthly active users) reached **824 million** — **39 million** more than in September 2019.

Marketplace selling appears to be a particularly sweet deal for SMB retailers and brands. According to a [Euromonitor International survey](#) commissioned by [eBay](#), **44%** of U.S. small business owners said that selling through marketplaces allows them to keep their physical stores open. Additionally, **69%** of U.S. SMBs said their income improved after they started selling on marketplaces, with more than **50%** reporting that online marketplace sales expand their reach enough that a majority of their sales come from outside their community.

However, selling on a marketplace can entail some significant drawbacks, particularly for brands and retailers that already have established their own unique identities with shoppers. “The loss of a direct relationship with customers is the largest single problem of selling a well-developed brand on a marketplace,” said Hilding Anderson, Head of Retail Strategy at [Publicis Sapient](#) in an interview with *Retail TouchPoints*. “This is one of the reasons many luxury brands, and others, are reluctant to sell on marketplaces, **because the lack of visibility and a relationship with the customer represents a Faustian bargain.**”

This Special Report will explore the key elements that should go into a brand's marketplace decision-making and its ongoing relationships, including:

- The **range of services and capabilities** that marketplaces can offer their sellers;
- Marketplaces' efforts to address problem areas, including the presence of **counterfeit products and pricing challenges**; and
- The growth prospects of more **niche and community-oriented marketplaces** and the impact of **sustainability** on resale marketplaces.



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HILDING ANDERSON, PUBLICIS SAPIENT

CHINA'S MAJOR MARKETPLACE ADVANTAGE

Marketplaces offer brands and retailers an entry point to new markets and geographies, for example [Mercado Libre](#) throughout Latin America or [Souq](#) (now [Amazon.ae](#)) in the Middle East. Many of these regional players are tied to larger companies, such as Alibaba's [Lazada](#) in Southeast Asia.

However, experts agree that the country leading in domestic marketplace penetration, technological advances and community-building remains China, home to both Alibaba and its rival [JD.com](#). Not only is Alibaba moving into new geographies; it's also enticing more non-Chinese retailers to sell to China's enormous population. The company added an English-language web site for [Tmall Global](#) in July 2019 to educate brands about selling in China.

There are multiple reasons why China has been a fertile ground for both e-Commerce in general and marketplaces specifically. “China's traditional retail was weak, so they went almost directly from mom-and-pop shops to marketplaces,” said Eric Gervet, a partner in the retail and digital transformation practice of [Kearney](#) in an interview with *Retail TouchPoints*. “Now Alibaba has features that even Amazon doesn't have, like more luxury brands and advice for specialty retailers.”

The fast rise of China's middle class also played a key role, according to Anderson, who noted that there was no need to break existing Western consumer habits like paying with a physical credit card. Marketplaces have grown up along with the general move to mobile technology: “I can just tap and pay, and also it's very inexpensive to get technology there, so [Chinese marketplaces] have been able to do more greenfield design around tech innovation,” said Anderson.

Easy access to new technology could present a problem as well as an opportunity, he added, because of less stringent protections for intellectual property in China. “The lack of IP protections is hugely problematic, but they have added to the speed and dynamism in the marketplace space,” said Anderson. “There's a lot of activity in China and Southeast Asia in general because of the combination of a new middle class that's open to exploring new ways of buying and selling, lots of technology, strong support from the government and the huge populations of these countries.”

MARKETPLACES: BY THE NUMBERS

A circular infographic with a teal-colored arc representing 50% of the circle. The text "50%" is displayed in white inside the circle.

50%

In 2018, consumers spent **\$1.66 trillion** globally on the top 100 online marketplaces, generating **50%** of global e-Commerce sales for that year.

SOURCE: DIGITAL COMMERCE 360

A circular infographic with a yellow-colored arc representing 60% of the circle. The text "60%" is displayed in white inside the circle.

60%

Amazon's marketplace accounts for **nearly 60%** of the GMV (gross merchandise value) of marketplaces worldwide.

SOURCE: EMARKETER

Alibaba Singles Day 2019, a.k.a. the 11.11 Global Shopping Festival, generated **\$38.4 billion** in GMV settled through Alipay, up **26%** year-over-year.

An infographic featuring a teal-colored line graph with an upward-pointing arrow, followed by the text "26%".

26%

More than **200,000** brands, including **22,000** international brands, participated. Consumer demand from less-developed areas accounted for **54%** of GMV during the Festival.

SOURCE: ALIBABA

A circular infographic with a red-colored arc representing 54% of the circle. The text "54%" is displayed in white inside the circle.

54%

1,000,000,000


Independent third-party sellers on Amazon sold more than **one billion** items during holiday 2019, including more than 100 million items shipped with Prime Free Delivery.

SOURCE: AMAZON

175,000,000

During the 48-hour Prime Day 2019, July 15-16, members purchased more than **175 million** items.

SOURCE: AMAZON



“Many products require content to explain how they are used. Being on a marketplace makes it easier for a consumer to check out thousands or tens of thousands of reviews.”


ERIC GERVET, KEARNEY

TODAY'S MARKETPLACES OFFER MORE THAN JUST A SALES PLATFORM

Brands and retailers need to carefully evaluate the benefits of each marketplace they are considering. Ideally, marketplaces put products in front of a receptive audience of potential consumers, working with sellers to provide the information and context that move customers toward conversion. But as all retailers know, these processes have become far more complex in recent years.

“For brands working to establish a direct connection with the end consumer, there are a number of requirements in areas such as marketing, data science and logistics,” said Gervet. “Additionally, many products require content to explain how they are used. Being on a marketplace makes it easier for a consumer to check out thousands or tens of thousands of reviews. **If the marketplace can give the advice the customer needs, it's a prime candidate for high marketplace penetration.**”

Marketplaces that establish a community of both buyers and sellers, such as [Poshmark](#), can provide even stronger support to move purchasers toward conversion. “If the marketplace has a community ‘play’ where users themselves can create value by connecting with each other, that creates stickiness and loyalty,” said Gervet.



“Your product can be given a very different, very authentic sense of life if it’s being modeled on, or endorsed by, an individual seller on a site such as Poshmark.”

CHRIS VENTRY, SSA & COMPANY

As marketplaces become more social in nature, they can amplify the role of influencers. “Your product can be given a different, very authentic sense of life if it’s being modeled on, or endorsed by, an individual seller on a site such as Poshmark,” said Chris Ventry, VP in the Consumer and Retail practice of [SSA & Company](#) in an interview with *Retail TouchPoints*. He warned, however, that these independent actors can have a negative impact as well: “You run into issues around the brand’s identity — it could be enhanced or compromised,” said Ventry. “And if there are quality issues with the product itself, who does the end user blame if something is wrong?”

Sellers also can benefit when a marketplace has invested in advanced data science. “Amazon, Alibaba, [Rakuten](#) in Japan, eBay, and on a smaller scale marketplaces such as [Etsy](#) have a very sophisticated approach to data,” said Anderson. “The next decade is going to be about algorithmic retailing, and Amazon is a data company. Amazon’s ability to predict is why they can do what they do with their recommendation engine and supply chain. Fifteen years ago they were able to predict the demand they were likely to get from different books, with algorithmic models for how many to order, where to ship them and which ones they didn’t need to carry.

“These kinds of tools remain novel for many other retailers, and it’s a key reason Amazon is outperforming others,” Anderson added.

Marketplaces also can help brands determine optimal product descriptions, visuals and metadata to support keyword searches, as well as how best to maximize results with newer search types like voice and by visual image. “It’s in the best interest of the marketplace to serve the correct product to their customers,” said Ventry.

How ChannelAdvisor Helps Bling Jewelry Shine Worldwide

Elena Castaneda's entrepreneurial spirit is the driving force behind the [Bling Jewelry](#) brand, a top-selling online jewelry merchant. Since getting its start in a one-bedroom apartment in Manhattan 20 years ago, the multimillion-dollar accessories company is now a successful international seller, consistently winning the buy box on marketplaces like Amazon and Walmart with ChannelAdvisor's support.

THE SITUATION

With rapid business growth comes growing pains. Growing from its origins in a double-sized closet to a 14,000-square-foot office space in New Jersey, Bling Jewelry has expanded exponentially both offline and online. Today, the popular brand boasts 48 employees who manage 14,000 SKUs across multiple marketplaces. Keeping pace with consumer demand and the burgeoning volume of product listings proved to be an ongoing challenge. Moreover, navigating business rules across multiple channels became a complex, costly and time-consuming task.

THE SOLUTION

Bling Jewelry's impressive growth demanded a superior e-Commerce optimization solution. ChannelAdvisor's unrivaled automation capabilities within its powerful platform helped the online seller manage its massive inventory. Through ChannelAdvisor Marketplaces, Bling Jewelry can quickly adapt to product and pricing changes from a single, streamlined interface. ChannelAdvisor enables Bling Jewelry to consistently manage and monitor its performance, optimize data feeds, reduce errors, drive sales — and maintain its competitive advantage.

"For example, the currency change," explained Elena Castaneda, Bling Jewelry CEO. "We change the pricing in one place and it changes in every currency within a matter of minutes. It's almost magical!"

THE RESULTS

ChannelAdvisor's ease of use and its long-standing relationship with Bling Jewelry have helped the top-performing retailer expand its marketplace reach globally and accelerate revenue growth. Today, Bling Jewelry competes and wins in the ever-evolving world of e-Commerce.

"ChannelAdvisor makes it so easy because everything is centralized," added Castaneda. "Now, we have about 44 marketplaces, including international marketplaces. We are big sellers on Amazon. Every time Amazon opens up in a new country, ChannelAdvisor is right there to help us."



CAN MARKETPLACES ADDRESS THEIR KEY CHALLENGES?

Despite the benefits they can offer, marketplaces are not the ideal venue for every brand or retailer. Luxury brands in particular have had cautious relationships with marketplaces. Amazon will reportedly attempt to create a [luxury fashion marketplace in 2020](#), but it will need to overcome brands' concerns about selling their wares alongside others that might be counterfeit versions of the same item.

"Counterfeits and fakes are a big problem for marketplaces," said Ventry. "I've worked with a retailer selling a particular type of boot, and they had to deal with a customer who thought it wasn't real. The true boot was considered counterfeit."

Merchandise that doesn't have a clear provenance also feeds into pricing discrepancies, another tough issue for marketplaces. Marketplaces have strict pricing agreements, meaning that for most sellers, the total price offered for a product — including the item price, shipping and discounts — must be at or below the lowest total price offered on any other online sales channels, according to *Pricing For Marketplaces: The Definitive Guide*, a report from [ChannelAdvisor](#).

Additional challenges come into play with Minimum Advertised Price (MAP) policies. When retailers cut prices to stay competitive on a marketplace, it often runs counter to brands' desire to prevent price erosion. A [study](#) based on research by the Kellogg School of Management at Northwestern University revealed that just **20%** of retailers always abide by MAP, and that nearly **40%** never do.

However, according to ChannelAdvisor, retailers that can hit the right spot with their pricing on a marketplace can earn significant benefits that include:

- **Winning top spots**, such as the buy box and "best offer" positions on a results page;
- **Preventing product erosion** by staying apprised of MAP violations;
- Avoiding the account suspensions and withholding of funds that can be punishments for failing to remain **compliant with marketplace agreements**;
- **Maximizing promotional periods**; and
- Meeting real-time demand with the ability to **adjust prices automatically based on buying behaviors and trends**.



“Resale marketplaces are tied to a sense of sustainability, that buying apparel isn’t a one-use equation anymore.”

CHRIS VENTRY, SSA & COMPANY

SUSTAINABILITY CONSCIOUSNESS COULD BOOST RESALE MARKETPLACES

While Alibaba, Amazon and eBay tend to attract the most attention in the marketplace arena, the newest growth area may be in “multiple smaller, socially driven marketplaces, where they will align more to particular use cases such as the plus-size market,” said Ventry.

Additionally, as the vogue for fast fashion fades, resale marketplaces such as [The RealReal](#), [thredUP](#) and [Mercari](#) could bloom. These marketplaces are “creating a price point that’s accessible for lower- and middle-income shoppers, and it’s also tied to a sense of sustainability, that [buying apparel] isn’t a one-use equation anymore,” said Ventry. “There’s even opportunity at the higher end, because luxury products are much more affordable on The RealReal. **It could promote conversion if the person who has the means to buy a \$500 blouse knows that she will be able to get \$100 back from a sale in a few months’ time.**”

As for marketplaces in general, decisions around which ones to sell on — or whether to sell on one at all — depend heavily on a brand’s overall business strategy. Marketplaces provide access to enormous audiences and support with data science and fulfillment logistics, but at the cost of control and a direct relationship between the brand and the end consumer. According to Anderson, “It comes down to how much do you want to be a **Nike**, with total control, which means you have to invest a lot in marketing and branding, versus do you want to go for the scale and compete in terms of the supply chain, data and algorithms.”

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ChannelAdvisor (NYSE: ECOM) is a leading e-commerce cloud platform whose mission is to connect and optimize the world's commerce. For nearly two decades, ChannelAdvisor has helped brands and retailers worldwide improve their online performance by expanding sales channels, connecting with consumers around the world, optimizing their operations for peak performance and providing actionable analytics to improve competitiveness. Thousands of customers depend on ChannelAdvisor to securely power their sales and optimize fulfillment on channels such as Amazon, eBay, Google, Facebook, Walmart and hundreds more. For more information, visit www.channeladvisor.com.

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