

NEWS

What exactly is a managed marketplace?



BORIS
APRIL 17TH, 2019

Over the past few years, the term “managed marketplace” has become so widely used that [Bill Gurley](#) from Benchmark recently tweeted that it is not clear to him what the difference is between a “managed marketplace” and a “true marketplace.”



Bill Gurley
@bgurley

Following

Would someone be kind enough to articulate for me the key differences between a "managed marketplace" and a "true marketplace?" I am not joking, I am confused by the term which seems a bit oxymoronish to me.

1:45 PM - 9 Apr 2019

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I think this is an important discussion to have and I am trying to develop a framework to differentiate between the different terms.

A marketplace is obviously a platform that connect buyers and sellers. The first generation of marketplaces back in the late nineties (e.g. eBay) were purely making the connection between buyers and sellers – basically giving users on either side a way to contact the other party via email.

Over time marketplaces became more involved in the transaction. This first started with integrating payments (e.g. PayPal > eBay), and then marketplaces started incorporating better conflict resolution offers, trust and safe initiatives, integrated shipping services, and more.

Some entrepreneurs realized that you could remove even more friction between buyers and sellers by becoming even more involved in the transaction. And, the term managed marketplace was born.

Here are some of the areas where marketplaces have become more managed:

- **Standardizing prices for customers:** This is often cited as the reason why Uber and Lyft succeeded over Sidecar. Sidecar was a “true” original marketplace where sellers could set their own prices. This would force Sidecar customers to compare different offers from different suppliers – far from the ideal customer experience for somebody who just wanted to get from point A to point B.
- **“Market making”:** The marketplace creates enough liquidity in certain areas by either subsidizing seller activity (e.g. guaranteed earnings for Uber drivers) or even adding owned and operated supply to the marketplace to fill short-term gaps.
- **Inspection / quality guarantees:** Marketplaces add and pay for inspection services in order to guarantee the quality of a high-value item (e.g. second-hand car).
- **Consignment / logistics services:** Marketplaces take on supply in consignment and manage the entire logistics for the owner of the products (e.g. The RealReal).

In every single one of these areas, the marketplace has to trade off the effect of a better buyer experience with the downside of additional costs / complexity. And, this is usually not a straightforward decision.

At the same time, the use of the buzzword “managed marketplace” has expanded into business models that are clearly NOT marketplaces. The moment you take on “inventory”

like Opendoor (homes) or WeWork (long-term office leases) you are clearly not a marketplace anymore. There is just one seller, yourself. If you own the inventory yourself and / or employ 100% of the people providing services, you are a “normal” retailer or services company but not a marketplace. Great business can be built with such an approach, but the risk profile and potentially the profitability profile are very different than that of a marketplace.

So there are “true” marketplaces, managed marketplaces and then tech-enabled services / commerce companies. Each has a very different take on where the most value can be created for consumers. And every underlying use case and vertical might require a different approach. And we should all be mindful about how we use the term “managed marketplace.”

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Dave • 5 months ago



Disagree on your conclusion. You described Amazon's business model, but described it as a tech enabled / commerce company. I would argue it is a marketplace; but they also hold inventory. There is nuance here, marketplaces describe also network effects that exist.

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Robert Yawe • 5 months ago

A managed market place is like Tinder while a true marketplace is like a bar at 11pm. All the women look the same and all the men have sixpacks.

^ | v • Reply • Share ›



Alicia Roisman Ismach • 8 months ago

The financial platform of the marketplace and its ability to adapt to different seller profiles, transactions flows, fee structures, etc., is part of these strategic decisions for the marketplace operators. We (Amaryllis) have seen that many of them are limited by the capabilities of their platforms.

^ | v • Reply • Share ›



Turbado ➔ Alicia Roisman Ismach • 8 months ago

and what is the best platform out there, to launch an own marketplace today?

^ | v • Reply • Share ›



Alicia Roisman Ismach ➔ Turbado • 8 months ago

There is not one, but many different solutions based on different philosophies and advantages, part focused more on out of the box ready solutions and others on end to end flexibilities to support changing processes while growing like ours (amaryllispay.com). I recommend reviewing the top ones. One good source of the full list can be found in the PYMNTS.com Payment Powering Platforms Tracker, to check the TOP 10 list download it here: <https://www.pymnts.com/paym...>

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Lewis Gersh — Great job amigo. I used to call mine the un-portfolio, would continue evangelizing and helping the ones I really liked.

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