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“White Space” For Building A Marketplace: How To Find Your Competition’s Vulnerabilities — And...

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5-6 minutes

One of the questions I get a lot is, “Is there any white space left to build a consumer marketplace?”

I get it. Name a category or vertical and you can probably think of a company that is either a) already there, or b) seemingly in a better position than you are to capitalize. Which is why, if you define “white space” as a big, wide-open, untouched area of opportunity, it will seem as though every “space” is already taken.

What so many people forget, however, is that many of our current incumbents actually disrupted the prior incumbents. Airbnb launched years after HomeAway (2005) and VRBO (1995!). GOAT was founded more than a decade after eBay. And [as I wrote about previously](#), DoorDash, Uber Eats, and Postmates were founded a decade after GrubHub.

The lesson: Just because there is an incumbent, doesn’t mean that incumbent isn’t vulnerable.

Take eBay*, for example.

At first glance, eBay’s wingspan is massive. The platform stretches across so many different verticals that it can seem as though any other type of consumer-facing marketplace would have to fall behind eBay. “There’s no white space,” a consumer marketplace founder might think.

But horizontal marketplaces like eBay, Craigslist, LinkedIn, YouTube, and others are indeed incredibly vulnerable (and if you’re looking to disrupt them, I’d love to hear from you!).

In 2009, a sneaker marketplace called [GOAT](#) capitalized on an under-served use case on eBay: customers looking for limited-edition, highly coveted sneakers. The founders of GOAT stumbled upon this idea after [co-founder Daishin Sugano ordered collectible sneakers from eBay, only to end up receiving a counterfeit pair](#). What the GOAT founders realized was that even though eBay had scale in shoes, there was actually an unmet need: sneaker buyers couldn’t trust that eBay’s supply was authentic. A lack of trust undermines any potential liquidity a big supply base creates.

Translation: “white space” is often hidden in plain sight.

Finding a white space to start a company is rarely an analytical journey — far more often, it comes from an earned secret (which in GOAT’s case, was a bad customer experience!). But if I were to suggest a “top-down” approach to finding an opportunity or to test the opportunity you see, here are 3 ways to think through an incumbent’s vulnerabilities and how to capitalize:

1. Look at the large horizontal marketplaces, identify the verticals with low NPS, and use product to leapfrog the liquidity of the incumbent’s supply base. Yes, an incumbent is going to have a bigger supply base, but that doesn’t mean you can’t use product to leapfrog the incumbent’s liquidity. Think about it this way: Would you trust GOAT or eBay to buy those Yeezy’s you’ve been eyeing? Try finding a place to stay near a hot spring in Big Sur on Hipcamp vs Airbnb, or a baseball bat with a 3” step on Sideline Swap vs eBay. Liquidity is far more than the sum of the supply a marketplace has aggregated. So take a more expansive view and think product, product, product.

2. Nail a small, overlooked and under-appreciated niche, then land and expand from there.

Sticking with the sneaker example, the fact that more people didn’t buy collectible sneakers from eBay wasn’t a symptom of how big the addressable market was. The opportunity was being constrained by a lack of trust. By fixing that core vulnerability, GOAT not only took share away from eBay, they actually expanded the size of that market opportunity. Etsy saw this opportunity early for hand made goods. Pinduoduo focused on super-small purchases in lower-income neighborhoods, out of reach for Alibaba and Taobao given their fee structures.

3. Find ways to redefine the atomic unit of supply and therefore dramatically expand the addressable supply. As I've written about before, HomeAway stayed limited to vacation home rentals until Airbnb redefined and expanded the atomic unit of supply, leapfrogging HomeAway with an expanded addressable supply base and running away with the market. Postmates, DoorDash, and Uber Eats leapfrogged GrubHub's liquidity by enabling restaurants that couldn't do delivery themselves the ability to do delivery, thereby dramatically expanding the restaurant selection.

White space is all around us. We just aren't taught to go looking for it *within* the marketplaces we think have “already done it.”

*Denotes Benchmark portfolio company.

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