



The Ultimate Guide to Launching Your Own Online Marketplace

The definitive roadmap for
deploying the next generation
of ecommerce



The Commerce Revolution

A revolution is underway in the world of commerce. It's a game-changer that has transformed how the majority of customers are now buying products and services, and has compelled companies to move with urgency and rethink their strategies and business models.

We're talking about online marketplaces, and they're driving the next generation of ecommerce at lightning speed.

Today, marketplaces are among the most flourishing businesses. You know their names – Airbnb, Alibaba, Amazon, Apple iTunes, eBay, Etsy, Uber – and the list goes on. Even traditional retailers such as Walmart, Target and Best Buy have launched their own marketplaces.

Through these, and many other marketplaces, consumers' expectations have changed – they demand wide-ranging product choice, one-stop shopping, lower prices and rapid fulfillment.

Just how large of an impact are marketplaces having on commerce? Consider these stats:



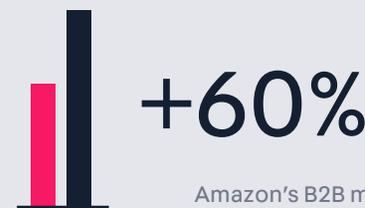
of online sales globally are sold through online marketplaces.¹



Third-party sellers accounted for 50% of Amazon's revenue for 2019.⁴



Marketplace sales grew 22% in 2019.⁵



Amazon's B2B marketplace increased its 2019 gross sales by 60%² over 2018, tripling Amazon's overall growth rate of 20.5% for the same period, according to figures from RBC Capital Markets.

¹<https://www.digitalcommerce360.com/product/online-marketplaces-report/>

²<https://www.digitalcommerce360.com/2020/01/31/amazon-business-grows-faster-than-amazon-itself/>

³<https://www.digitalcommerce360.com/article/infographic-top-online-marketplaces/>

⁴<https://www.feedbackexpress.com/amazon-1029528-new-sellers-year-plus-stats/>

⁵<https://www.digitalcommerce360.com/article/infographic-top-online-marketplaces>

Buyers Prefer Marketplaces

Buyers have made it clear that they prefer to shop at online marketplaces because they deliver clear benefits:

- ⊕ Marketplaces are more convenient and they save time because they're one-stop shops for a large number of products, as well as complementary products, that can be purchased in one shopping session.
- ⊕ Price Confidence. Shoppers can explore similar products from competing sellers.
- ⊕ They offer a variety of choices, allowing shoppers to choose their preferred seller based on criteria such as price, location, shipping cost, and ratings.

Online marketplace demand is higher than ever, and projected to continue to thrive, so it's no surprise that more and more DTC (direct to consumer) and B2B (business to business) companies are quickly adopting the marketplace model to address critical business challenges.

Developing an online marketplace is now within reach for just about any retailer, CPG (consumer packaged goods) brand, or B2B branded manufacturer, distributor or wholesaler. This guide provides you with a stronger understanding of the marketplace opportunity, and a planning roadmap you can employ as you consider launching your own marketplace.

What is an Online Marketplace?

Marketplaces aren't just for traditional commerce. Many organizations employ marketplaces as destinations where people can go to exchange goods, share ideas, conduct events, and much more. As a marketplace operator, you can sell your own products and services, along with products from third parties, or create a platform that brings buyers and sellers together.

With a marketplace, the operator facilitates purchases on the sellers' behalf, and sellers fulfill the orders. The operator still owns the customer relationship, but is not burdened by the operational aspects associated with warehousing, delivery, logistics, returns, as well as the cost and risk of owned inventory. These are the responsibilities of the sellers.



Marketplaces are focused on connecting buyers and sellers, enabling the marketplace operator to offer more products at higher margins. The marketplace model gives businesses flexibility to take their ecommerce business in new directions and scale beyond the limitations of their own operations and infrastructure to generate incremental revenue with little investment and business exposure.

Benefits of Launching a Marketplace

Online marketplaces have intrinsic benefits that we don't see in traditional commerce models, and the benefits are very different between retailers or DTC and manufacturers. Both have very different reasons for launching marketplaces, to address varying challenges and opportunities.

Marketplace Benefits for Retailers

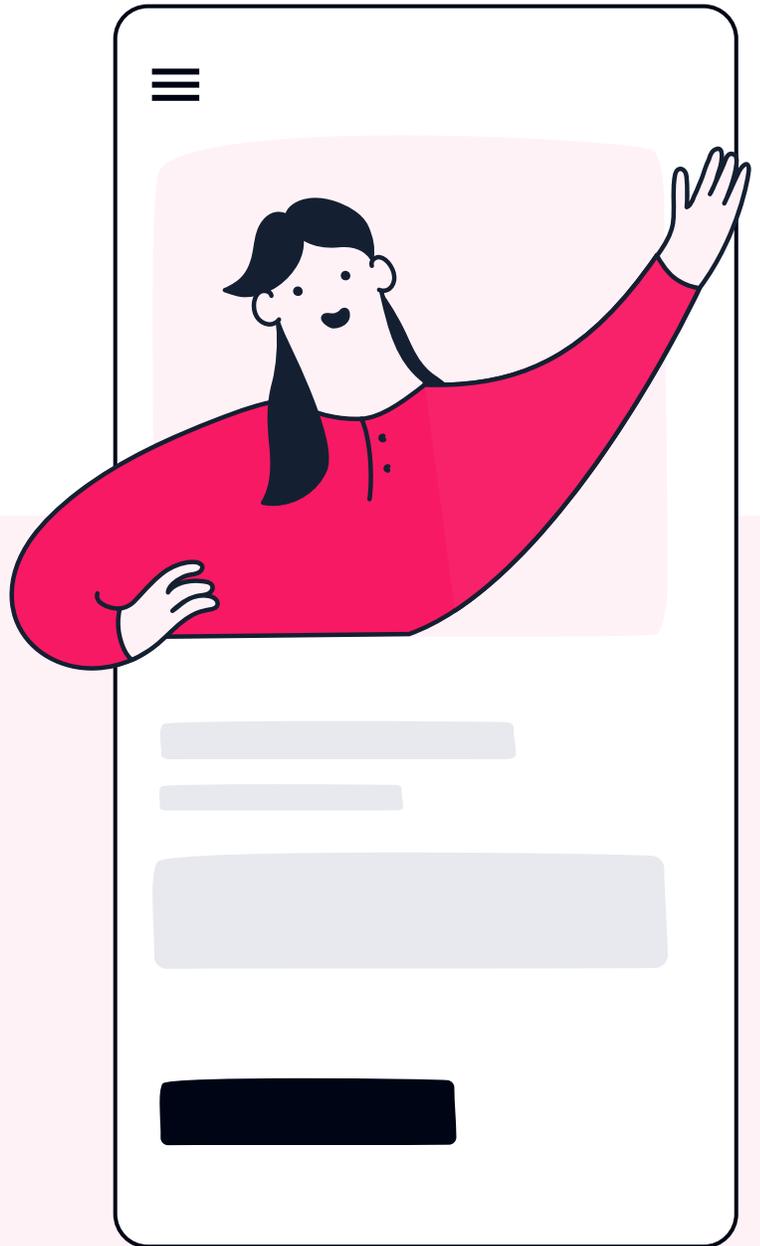
Retail or DTC organizations typically employ marketplaces to drive new revenue strategies, such as to expand product assortments or break into new markets. Manufacturers, on the other hand, may often launch marketplaces to address challenges associated with managing channel complexity, or to gain visibility into end customers and pricing.

- ⊕ Quickly expand product assortment and test new products, brands or strategies in days without the cost and risk associated with owned inventory, logistics, fulfillment, and customer care.
- ⊕ Secure a greater share of wallet by selling complementary products or services that customers would have purchased from a competitor.
- ⊕ Gain deep customer insights into behaviors, buying trends, pricing, brand awareness, and more, for a huge advantage in identifying new business opportunities.
- ⊕ Respond to changing market conditions rapidly by adding suppliers and third-party sellers in a matter of minutes.
- ⊕ Enhance your brand, increase customer loyalty and lifetime value, and deliver more benefits to customers by offering a broader range of products and services and competitive prices.
- ⊕ Re-invigorate revenue growth by offering more products and services without the risk or cost.
- ⊕ Enhance customer satisfaction and retain customers by becoming the one-stop-shop for everything customers need.
- ⊕ Defend against Amazon – Amazon’s huge marketplace threatens businesses everywhere. Through a marketplace, you can defend your market share and customer base.



Marketplace Benefits for Manufacturers

A marketplace enables manufacturers to orchestrate channels in a way that benefits themselves, their channel partners and, most importantly, the end customer.

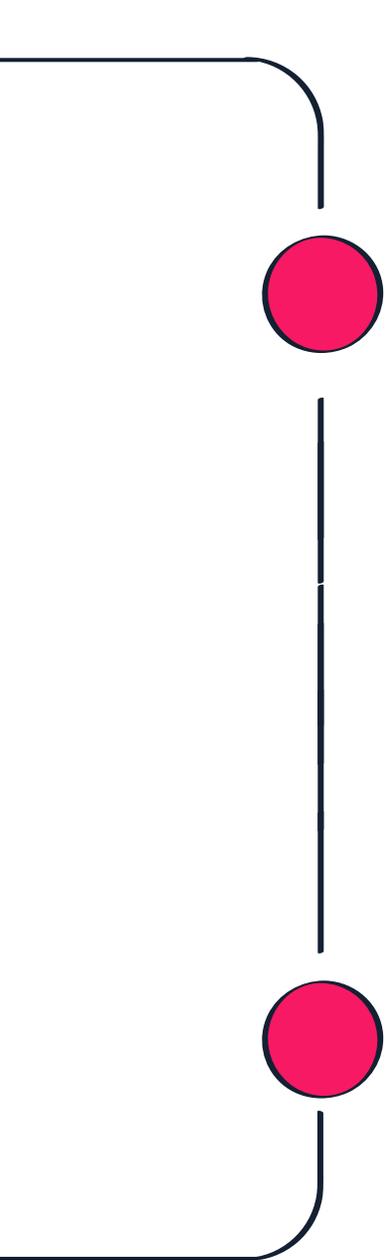


- ⊕ Inventory visibility and price transparency across the network of dealers and distributors.
- ⊕ Visibility into end customer behavior, preferences and buying patterns.
- ⊕ Control over the brand and customer experience.
- ⊕ A solution to manage suppliers more effectively through a self-service portal.
- ⊕ An approach that solves operational challenges associated with inventory, warehouses, logistics and fulfillment.
- ⊕ Direct relationship with the customer and ability to collect customer data.
- ⊕ Ability to more effectively manage channel complexity

Defining Your Marketplace Strategy



There are both technical and business considerations that impact any rapid deployment plan. Several components in each area help define what's possible—in terms of capabilities and timeline. Following are the most important of these components, along with tips to help you eliminate the time drains and infrastructure requirements that detract from a successful rapid deployment.



Step 1: Start with the “need” or “opportunity”

Marketplace strategy starts with defining the need or opportunity, or the problem you are looking to solve. This will serve as the vision that will help to drive your strategy and define the story that will attract sellers to your marketplace.

Step 2: Define the “theme” or category of your marketplace

Step 2 is to define the product or service category in which your marketplace will operate, along with your marketplace “theme.” The theme will drive all the elements such as your strategy, design, customer service, operations, seller recruitment and marketing.

For example, a company can create a marketplace that sells produce from local farm stands and merchants (the category).

The marketplace theme could be “Farmer’s Market.” In this case, the marketplace operator will seek smaller, local companies to become sellers on the marketplace.

By defining a theme, you effectively define the value proposition for both buyers and sellers, and also identify the types of sellers that you want on your marketplace, and the customers that you wish to attract.



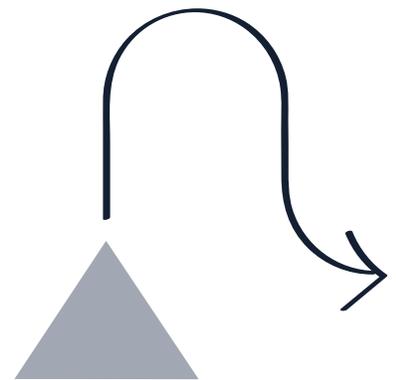
Step 3: Develop your business strategy, operations & technology plans

When planning your marketplace, there are three areas you will need to define: business strategy, operations, and technology. These can be developed simultaneously, and your decisions will become the foundation of your marketplace plan. Here is an overview of some of the key items you will want to address in each category.

3.1: Marketplace Business Strategy

Define how your marketplace will make money.

There are several revenue strategies that can be employed through the marketplace business model. The most common revenue strategy for both DTC and B2B marketplaces is through commissions on purchases from sellers on your marketplace. Other revenue strategies include: ad space sales to sellers, lead generation programs for sellers, data monetization and charging sellers a monthly subscription fee.



Operate an open or closed marketplace

A key strategic decision is whether to have an open or closed marketplace.

An open marketplace can have hundreds or even thousands of sellers and tens of thousands of third-party products. This creates a marketplace experience for buyers/shoppers in which identical products may be offered by multiple sellers, enabling buyers to compare price, availability, suppliers, and delivery options.

A closed marketplace is available only to invited sellers. This is often desirable when the marketplace operator wants to add a single product line or category to complement what they already sell. Through this model, it may be less obvious to the shopper that some products are offered by a third-party seller, creating a highly-curated and controlled marketplace experience.

Manufacturers may have a completely different objective than driving revenue, such as:

- Get control over the customer experience and buyer journey.
- Gain inventory visibility and price transparency across your dealer and distributor network.
- Attain visibility into end customer behavior, preferences, and buying patterns.
- Solve operational problems associated with inventory, warehouses, logistics and fulfillment.

Marketplace Business Strategy Planning Considerations

Open or closed marketplace.

Revenue model, forecast, commission charges by category or seller.

Which categories, how many, and in what order.

Seller recruitment plan.

KPIs and how to measure success.

Expose or hide 3rd-party marketplace sellers.

Multi-seller/vendor marketplace or single seller marketplace.

When to pay sellers - considering best practices and cash flow implications.

Contract terms, liabilities, operator indemnification.

Seller contract and terms.

Other stakeholders within the company - merchants, marketing, logistics.

Change management strategies.

3.2. Marketplace Operations

As you plan your marketplace operations, your goal is to ensure that your marketplace is operating smoothly and efficiently. To this end, there are a range of items you will need to address:

- The number of employees needed to operate your marketplace.
- The types of staff members you need and a seller onboarding process that fits your sellers' profile. Back to our farmer's market example, the sellers may not be technically sophisticated and, therefore, the onboarding process should be simple and relatively low tech.
- Finally, there are a range of important customer service decisions that will need to be made, such as managing returns, dispute resolution, end customer support, and several others.

Marketplace Operations Planning Considerations

Staffing and internal stakeholder requirements.

Seller onboarding plan and process/workflow.

Who is managing content? Which content gets let through; which is gated?

Dispute resolution and timeframe.

Merchant of record versus seller of record.

Tax calculation down to state, county or city level. Who is collecting and who is remitting?

Shipping settings and seller overrides.

Customer service strategy - direct to seller or handled by operator.

Returns/Exchanges - handled by operator or seller.

Seller promotions. Can sellers run their own promotions? How will they overlap with operator promotions?

Seller compliance thresholds. How and when to ban/block sellers.

Algorithm for the buy box.

Customer rating of sellers.

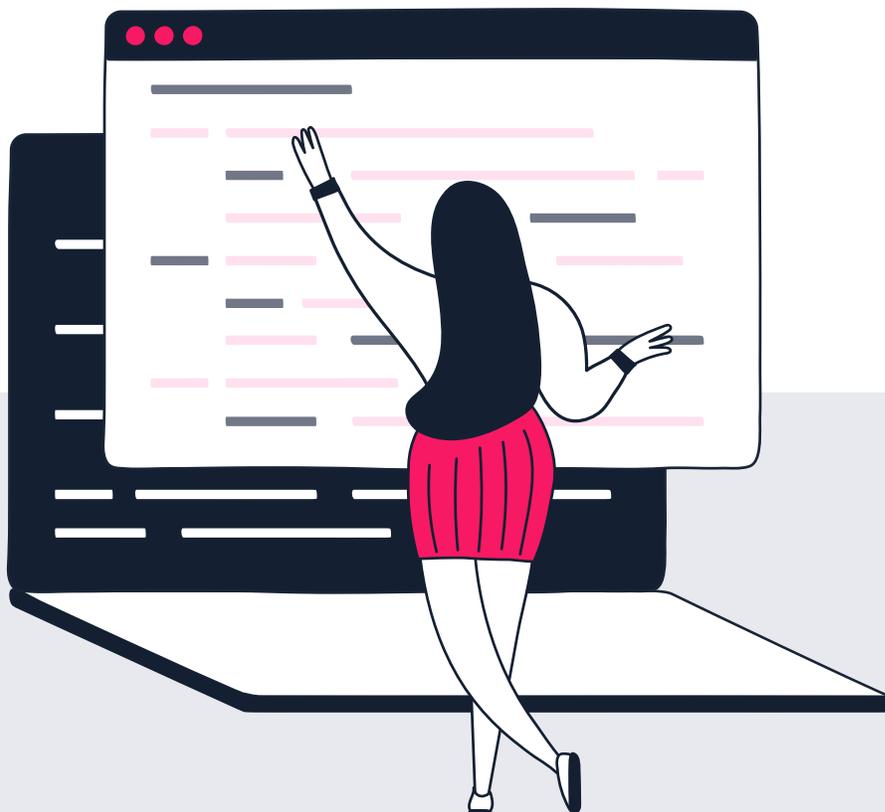
3.3. Marketplace Platform – Build or Buy

Another consideration for some organizations is whether to build the marketplace platform on their own or to buy a marketplace platform.

With the speed at which markets evolve and customer preferences change, buying is the right option for most companies. Building a marketplace platform is risky and will take many months to complete. And once

operational, a home-grown solution will require ongoing maintenance and updates, placing additional burden on already stretched IT resources.

Aligning with the right software technology partner will enable faster time-to-revenue for your marketplace and also let you focus on what you do best, your products and services.



3.4. Choosing a Technology Stack

It's an understatement to say that an online marketplace needs the right technology stack in order to achieve success. The technology you choose will have major implications down the road, especially on your ability to customize your marketplace.

Along those lines, you will need technology that gives you flexibility to customize functionality, user journeys, workflows and more. Without the ability to customize, you may be limited in the future when you need to add features or functionality that is important to your marketplace.

It's also important that the platform allows your marketplace to scale without disruption, as you attract more and more sellers, products, and customers. Because marketplaces inherently have an explosive nature, they often can drive a large amount of business over a very long time period, and if the platform can't handle the volume, it will break.

Marketplace Technology Planning Considerations

Interoperability with customer master data and Operator ERP.

Integrations points that must be mapped out and programmed with APIs.

UI/UX elements to create and test.

Use of any pre-built connectors or accelerators.

Methods by which sellers can integrate (Portal, Excel CSV, FTP or APIs).

Documentation for sellers to integrate programmatically.

What timing is synced between catalog, orders, payment, etc.

Unique workflows that are required.

Performance optimization and load balance for product content.

Blocking of intentional or unintentional spamming of systems.

Launching Your Marketplace



A great deal of preparation and planning goes into launching a marketplace. There are six key areas to address in your launch plan, which can be addressed in parallel:

1. Assign a marketplace “champion”
2. Build a cross-functional team
3. Define “MVP” criteria
4. Secure external expertise
5. Establish a seller pipeline
6. Choose a technology stack

Let’s take a look at each of these areas.

1. Assign a Marketplace Champion

Your marketplace will, no doubt, be a strategic change in your business. This is why it's important, early in the planning process, to assign a senior member of your company to serve as your marketplace champion.

Think of your marketplace champion as the executive sponsor who ensures you have all

the resources you need, ensures collaboration throughout the organization, and demonstrates to all team members the importance of the marketplace launch. Since your marketplace is a strategic transformation within your company, the ideal champion is an executive, such as CIO, VP of ecommerce, or even the CEO or business owner.



2. Build a Cross-Functional Team

Launching a marketplace requires participation from a wide range of departments and functional areas. Before you begin to build out your plan, you will want to

first assign your team members, since they will be key participants in the planning process. Here's a snapshot of a typical marketplace launch team.



3. Define MVP Criteria

It can be easy to get wrapped up in wanting to attract millions of buyers to your marketplace right out of the gate. Because it can take some time to scale a marketplace, you should consider defining a minimum viable product (MVP) criteria so you can launch quickly and build out features over time. A good place to start is to consider the six mission-critical pillars of any marketplace:

Marketplace model

Will you deliver the full open multi-seller model, or only showcase one or a limited number of third-party sellers? Will there be certain categories which will be open versus closed?

Product catalog

Populating the system with third-party seller products and content. You will want to launch with the right amount of products to position the marketplace to inspire repeat visitors.

Third-party seller(s)

Build your seller pipeline early - have many vendors lined up ready to go before your marketplace is live, but you don't have to launch with all of your sellers as you can add sellers over time.

Customer service

How will you handle customer service for third-party seller products and orders routed and fulfilled by third party-sellers? Create a clear returns policy and process.

Seller order management

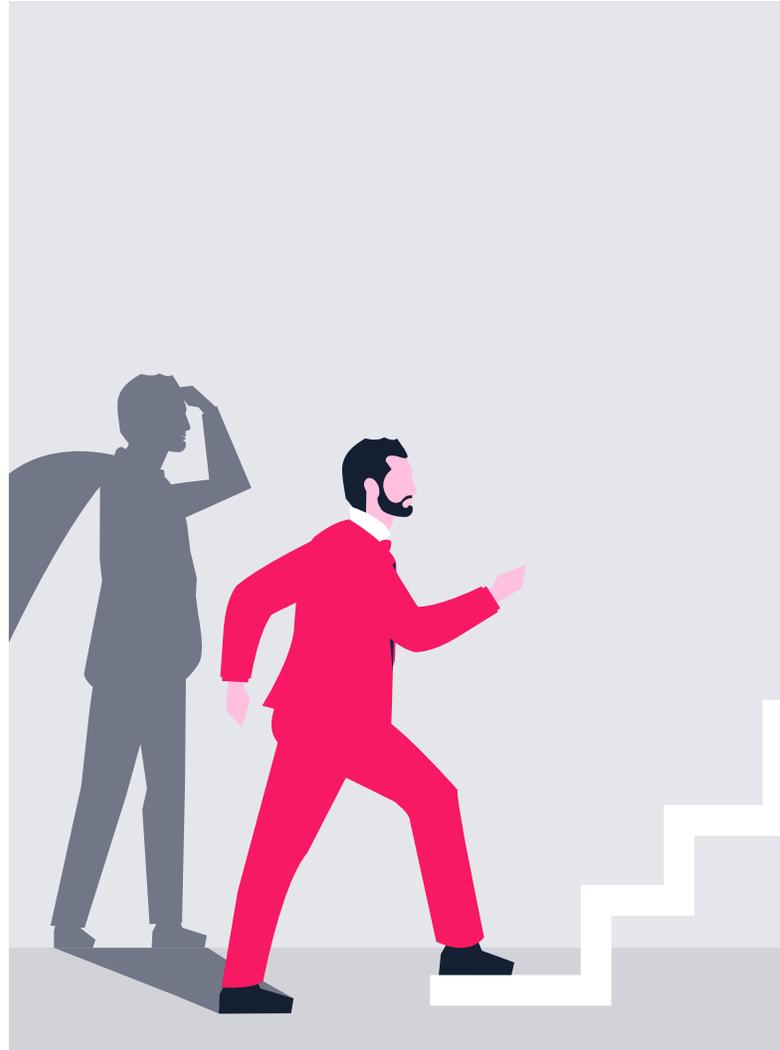
Distribute orders to third-party sellers, orchestrate order-related information, routing orders to the correct sellers.

UI/UX

Define how to present third-party sellers' products and how they will look on your site.

4. Secure External Expertise

It's important that the person overseeing the marketplace implementation is someone with marketplace experience. This can be someone within your organization, or you can engage with an agency or system integrator with marketplace experience.



5. Establish a Seller Pipeline Early

The last thing you want is to launch your marketplace without an optimal number of sellers. In many cases, you will have only one chance to present your marketplace to a visitor, so you want to put yourself in the best position to demonstrate the value of your marketplace right away, to ensure an ongoing stream of repeat visitors.

As you create your marketplace plan, be sure to build into your plan a sufficient time frame to identify, recruit and onboard the ideal number of sellers, covering the desirable range of products and services. In addition, it's important to evolve and grow your seller pipeline continually, to ensure you always have a healthy stream of new sellers, and also help you to maximize revenue.

6. Choose the Right Tech Stack

Since a marketplace is a natural extension of ecommerce, many businesses find value in deploying an ecommerce platform with built-in marketplace, commerce and order management capabilities. This approach provides a range of benefits, such as faster time-to-revenue, use case flexibility and lower TCO.

Standalone marketplace platforms require a large investment in license fees, custom integration with existing commerce platforms, and integration with order management and fulfillment systems. These integrations are complex and can take months to over a year, and also can be expensive. To justify the investment, standalone marketplace platforms require organizations to go “all-in” with an open marketplace model and don’t support less aggressive or the test and learn marketplace approach.

In contrast, an integrated marketplace-commerce-oms platform does not require complex and lengthy integrations and can support a wide range of marketplace business models. Additionally, this approach allows organizations to employ the marketplace more gradually, by first launching direct-to-consumer commerce operations and adding marketplace sellers at a later time; or testing and adapting their marketplace strategy as they go.



It's easy to get started

Organizations must evolve their business models toward ecosystem synergies and network effects to effectively compete in digitally-centric markets.

An online marketplace is just one of the many go-to-market approaches supported by VTEX. We bring all of the necessary digital commerce elements into one technology stack, greatly reducing complexity while increasing business model flexibility.

This is the VTEX advantage. We are the first and only fully integrated commerce-marketplace-oms solution that delivers the fastest time to revenue and no upgrades. Ever.

Contact us to learn more about planning and launching your online marketplace. Our marketplace consultants are at your service to help you plan and execute a marketplace strategy in the manner that is best for your organization, and that delivers measurable results.

[Contact us to get started. vtex.com](https://www.vtex.com)

