

Expert Group

# Marketplaces

Selling Products on Marketplaces – This Is How You Do It!

# Takeaways

1. Don't look at a marketplace as an isolated channel, but integrate it into your channel mix and make sure that your various channels reinforce each other. Every channel has its own distinct characteristics that you should take into account.
2. Use the available tools to gain greater insight into a platform and fine-tune your proposition and product range. Start a data-driven optimization process and transform insight into concrete actions.
3. Make sure that you are familiar with the dynamics and ins and outs of each marketplace when it comes to aspects such as search results, content quality, reviews, delivery performance and overall performance. This will enable you to challenge both yourself and external parties to work on continuous optimization.

Host



Chair



# How Do You Get Started on a Marketplace and What Should You Consider?

Online marketplaces that allow consumers to buy products from various brands and retailers have become an important part of the world of e-commerce. More and more platforms are starting to offer marketplace services, and existing marketplaces are becoming increasingly dominant on both the domestic and international stage. This development is changing consumer behavior: online shoppers are more likely than ever before to start their search on a sales platform rather than using a search engine.

Many brands have recognized the potential of using a marketplace. Whereas in the past they tried to keep their products off these platforms so as not to detract from their own online store, nowadays they often have an active presence on online marketplaces. Other organizations are still investigating whether they want to use these platforms in their channel mix and what this would look like in concrete terms.

## What Is a Marketplace?



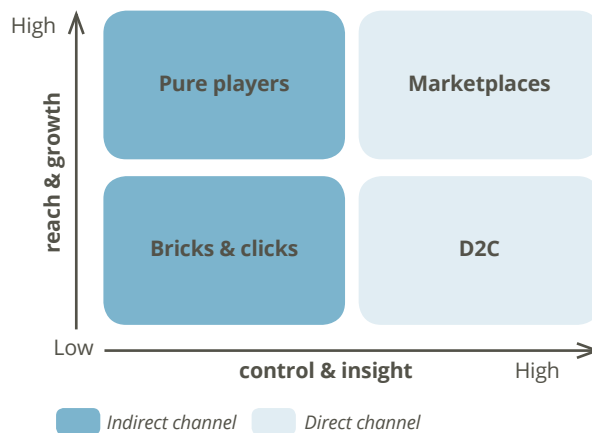
Online marketplaces are intermediaries that link consumers to parties that offer products, ranging from manufacturers and wholesalers to e-tailers and brands. The marketplace is responsible for facilitating the sales transaction and serves as a showcase of sorts, where consumers can find a wide range of products. There are B2C (business-to-consumer), B2B (business-to-business), D2C (direct-to-consumer), C2C (consumer-to-consumer) and C2B (consumer-to-business) marketplaces. During this research year, the expert group focused on B2C marketplaces, specifically platforms that put the product first (retail).

What should you consider when determining your marketplace strategy? What are the advantages and disadvantages, and what for purposes can marketplaces be used? How should you structure your organization and business processes on this kind of platform in order to optimize your chances of success? And how can you make optimum use of the data and insights gathered on a marketplace? This blue paper will answer all of these questions.

# 1. Positioning Based on the E-Commerce Quadrant

Are you considering bringing your organization or brand to a marketplace? In this case, our first point of advice would be to carefully map out how all the sales channels you're already using or are planning to use connect to one another. So how do you position marketplaces in your e-commerce strategy? Excellent question! The "e-commerce quadrant" below is a handy tool that can help you structure your partnerships and online channels, striking a balance between control and insight on the one hand and reach on the other. Different dynamics require different approaches and all channels, whether online or offline, serve different a group of customers. That's why you need a dedicated strategy for each channel. Pay careful attention to this, focus on the parties that best suit your strategic decisions and don't be afraid to consciously choose not to work with certain parties.

## 1.1 The E-commerce Quadrant



*The e-commerce quadrant<sup>1</sup>*

### Bricks & clicks

These are traditionally offline stores that have also built an online presence. They have historically approached their online presence as an extension of the brick-and-mortar store, rather than a distinct channel with different dynamics that requires a different skill set. There is often a fear that online sales will cannibalize in-store sales, as a result of which these players are often reluctant to accelerate their online presence. This, in turn, results in limited growth, and runs the risk of the company losing relevance in the eyes of consumers. Suppliers have little influence on and insight into the strategy and the underlying data. MediaMarkt is an example of a *bricks & clicks* player.

### Pure players

These parties started with an *online-only* philosophy and are now accelerating their online presence. They have mastered the online game, have designed their organization accordingly and always continue to innovate. As a result, they have a major reach and are able to achieve extreme growth. Picnic is an example of a pure player.

<sup>1</sup> NEWCRAFT, JUNE 2018

## Marketplaces

These online retail platforms only act as intermediaries and do not sell products themselves. Examples include eBay and Alibaba's Tmall. Their success can be attributed to the large number of suppliers, a diverse product range and competitive prices. Because sellers are responsible for their own sales, they have greater control over, and more insight into, the process compared to when they sell their products through retailers. Companies such as bol.com and Amazon established a presence as traditional pure players, but have also developed into fully-fledged platforms by now.

## D2C

These are brands with their own online store, which enables them to offer their entire product range and effectively harness their own brand identity as they see fit, using visuals and other elements. Reach, however, is limited, due in part to online competition. This approach does, on the other hand, give brands access to a great deal of relevant data and insights, allowing them to keep testing, learning and optimizing on a constant basis. Examples of D2C online stores include Apple and Rituals.

### 1.2 Interpreting the Quadrants and Assigning Categories

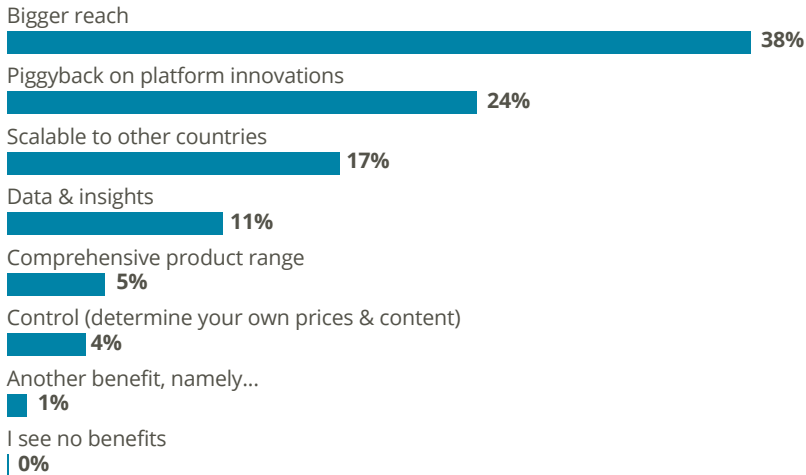
In practice, of course the dividing line between these various channels is not as clear-cut as presented here – the boundaries between the quadrants are often blurred. Just take Blokker launching its own marketplace, for instance, or Coolblue opening brick-and-mortar stores. We have also seen hybrid platforms emerge that act as a marketplace as well as selling their own products. These parties have a key advantage in that the scale of their operations will generally also allow them to use their own warehousing and fulfillment processes for the marketplace, which sellers are then able to benefit from. For optimal results, it is best to develop a presence on all channels and have the various channels reinforce each other.

## 2. Benefits and Drawbacks of Using Marketplaces

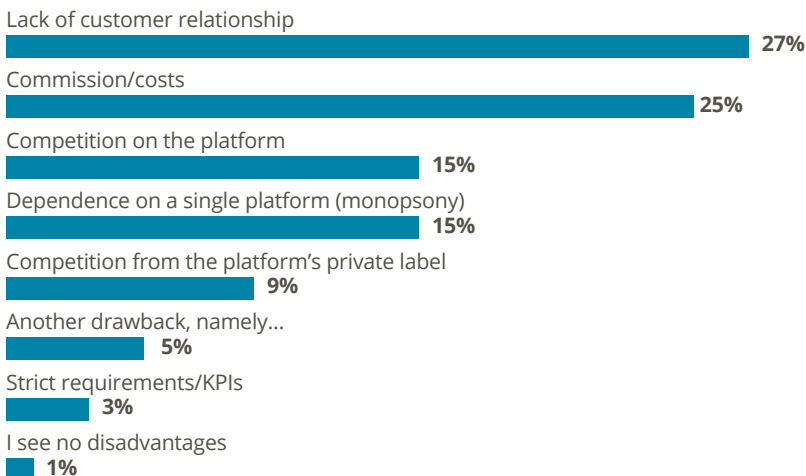
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Many consumers have already bought products from marketplaces, according to a market survey carried out by GfK on behalf of the expert group. More than 77% of respondents have used marketplaces to buy products from sellers other than the marketplace itself. The majority of consumers (57%) discovered this option during the search process and then made the conscious decision to buy the product from a different seller, primarily because it enabled them to buy the product at a lower price (54%).

However, many retailers and other organizations are still unsure as to whether using a marketplace to sell their products is the right move. In a survey among e-commerce professionals conducted by ShoppingTomorrow, 129 respondents shared what they believed to be the benefits and drawbacks of using a marketplace (see the images on the next page). We will discuss the most frequent answers in greater detail.



*Benefits of using a marketplace<sup>2</sup>*



*Drawbacks of using a marketplace<sup>3</sup>*

## 2.1 Increased Reach Set Against Lack of Customer Relationship

Using a marketplace can help you significantly boost your reach among potential customers. Recent research (Salmon, 2018) has shown that 53% of Dutch consumers start their customer journey on Google and approximately 16% start it on marketplaces. Marketplaces have established a greater presence in the US, where research (Jumpshot, 2018) shows that 54% of all product-related searches start on a marketplace.

<sup>2</sup> SHOPPINGTOMORROW SURVEY CONDUCTED AMONG E-COMMERCE PROFESSIONALS VIA ABBI INSIGHTS – ANSWER TO THE QUESTION: “WHAT DO YOU BELIEVE ARE THE MAIN BENEFITS OF SELLING PRODUCTS ON MARKETPLACES?” – SEPTEMBER 2018

<sup>3</sup> SHOPPINGTOMORROW SURVEY CONDUCTED AMONG E-COMMERCE PROFESSIONALS VIA ABBI INSIGHTS – ANSWER TO THE QUESTION: “WHAT DO YOU BELIEVE ARE THE MAIN DRAWBACKS OF SELLING PRODUCTS ON MARKETPLACES?” – SEPTEMBER 2018



*"The Future Shopper" report – Salmon*    *"The Competitive State of eCommerce Marketplaces" – Jumpshot*

Marketplaces have built a name and reputation that sellers can benefit from. Using a marketplace, however, does mean that you are dependent on this external platform. This means, for example, that you will not have access to all data, although you will still have access to more information than retailers in the bricks & clicks and pure-player categories.

Contrary to popular opinion, it is possible to build a lasting relationship with your customers on marketplaces. By consistently offering good value for money, you can also indirectly amass a loyal following. You can also make sure that your brand stays *top of mind* by investing in brand awareness and a sound content strategy.

## 2.2 Piggybacking on Innovations and Entering Foreign Markets

Through continuous innovation, marketplaces seek to respond to the latest customer needs in areas such as delivery speed, customer service and customer satisfaction.

“Foreign marketplaces can be a springboard for your brand and allow you to enter into international markets. They also constitute a relatively easy way to cross borders without having to develop your own online store for that specific market or open a local brick-and-mortar store.”

**Emile Valkestijn, NEWCRAFT**

## 2.3 Commission and Costs

Marketplaces are often thought of as expensive because they charge a commission. Of course, it is wise to calculate your potential profit margin first and to compare the commission with your own costs. Commission rates vary from 2% to 20% and marketplaces can charge different rates for different categories. You only pay commission if you sell a product, expressed in *cost per sale*, or CPS.



*Commissions charged by Bol.com*



*Commissions charged by Amazon*



*Commissions charged by eBay*

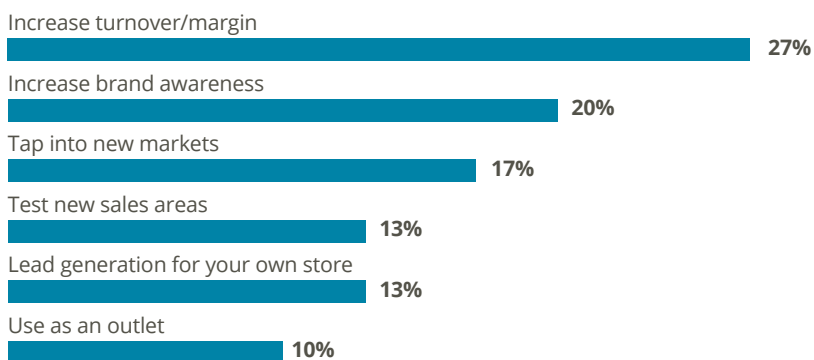
To allow for a good comparison, it is important that you have a clear picture of your internal costs. What are your current per-product SEO, SEA and CRO costs for your own website/store? Can you shift these investments to your marketplace activities? And if marketplaces represent a major share of all e-commerce sales, do you even still need your own online store?

In addition to charging a commission, marketplaces also charge you for using paid ads. Advertising costs on marketplaces are generally calculated in *costs per click* (CPC) and, as with Google, they depend on other bidders. The main difference with Google is that these clicks will have a positive impact on your organic ranking.

### 3. Determining Your Marketplace Objectives

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Success on a marketplace begins with defining what you want to achieve. Here are several examples of the potential objectives/goals that were presented to the ShoppingTomorrow e-commerce professionals (129 respondents):



*Main reasons for selling products via a marketplace<sup>4</sup>*

Thanks to the increased reach, actual sales – and therefore revenue – will generally be greater than if you only used your own online store. In addition to the extra traffic, conversion rates also tend to be higher. Since many consumers already have an account and marketplaces continuously implement data-driven optimizations, making a purchase is easier and more attractive.

### 4. Impact on the Organization

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Using a marketplace as a sales channel is not just a ‘side hustle’: it affects the entire organization. It is therefore important to develop the right knowledge and skills and/or to determine what your organization wants to do itself and what it wants to outsource.

First identify what knowledge and skills will be necessary to get going or continue accelerating, before examining which competencies you already have at your disposal in each part of your organization. We will outline the situation for each part of the organization depending on the retailer’s overall level of maturity, ranging from typical beginner to seasoned professional. In practice, organizations may find that some areas are more developed than others, or that they occupy the middle ground between being a beginner and a professional.

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<sup>4</sup> SHOPPINGTOMORROW SURVEY CONDUCTED AMONG E-COMMERCE PROFESSIONALS VIA ABBI INSIGHTS – ANSWER TO THE QUESTION: “WHAT ARE YOUR COMPANY’S MAIN OBJECTIVES FOR SELLING PRODUCTS ON A MARKETPLACE?” – SEP 2018



## 4.1 The Parts of the Organization That Will Be Affected by the Use of Marketplaces

### IT

- **Beginner:** You have no integrated links between your systems and the platforms (yet). You work manually, using the marketplace's own seller dashboard.
- **Professional:** You use automated links between your own systems and the marketplace.

There are various parties that can help you set up these links between the product feed, order feed and offer feed. You can read more about this in chapter 6.

### Marketing & Sales

- **Beginner:** You offer products online, but they are accompanied by minimal content. You only specify the mandatory information for your products. Your marketing budget and resources are very limited.
- **Professional:** You use content written specifically for the marketplaces. You constantly optimize your customer-oriented copy through A/B tests and other methods in order to boost your findability and conversion rates. You make full use of the marketing possibilities offered by the platforms.

Many marketplaces are developing rapidly in terms of advertising. Amazon and bol.com in particular are rolling out more and more functionalities, such as sponsored products and the option of adding videos or brand pages.

### Data & Insights

- **Beginner:** You mainly focus on order numbers and turnover rates, as well as general sales performance indicators, such as delivery reliability.
- **Professional:** You set KPIs based on data and insights, focusing on areas such as search ranking based on keywords, conversion rates, customer reviews and reasons for returns. You make well-considered choices with regard to logistics and your product range, and strive to win the buy box (see section 7.1).

Not all valuable data is currently accessible to sellers. For more information about data and insights, please refer to chapter 5.

### Staff & Skills

- **Beginner:** Often, just one person within the organization will be responsible for the marketplace, and they will be in charge of both operations and strategy.
- **Professional:** You work with hybrid teams featuring various specialists who work closely with the marketplaces. The team includes an Operations Manager, a Customer Service Specialist, a SEO & Content Specialist, a PPC (Pay-Per-Click) Expert and a Pricing & Data Expert, among others.

Operating a marketplace requires a lot of specialist know-how. In addition, these platforms continue to grow and evolve, which makes it difficult to keep up without specialist knowledge.

### Stock management & order processing

- **Beginner:** You are in control of all stock management and order processing. You only sell a select number of products on the marketplace.
- **Professional:** You make reliable stock forecasts and engage in data-driven stock management based on purchasing behavior.

Stock management and order processing can be outsourced to third parties or marketplaces, such as Fulfilment by Amazon (FBA) and Logistics via bol.com (LVB).



*Fulfilment by  
Logistics (FBA)*



*Amazon  
via bol.com (LVB)*

“We recently used EffectConnect to link a seller to bol.com. This company opted to start automating processes right away. After the link went live, the orders started pouring in, leading to increased purchasing costs, to the point where it began to create cash flow problems. In the end, the seller decided to temporarily freeze the account.”

“The lesson to be learned from this is that organizations can’t just decide to start automating and leave it at that – you also need to make sure that you have agreed good payment terms with your suppliers, and that you have a buffer in place that you can use to pay for the stock that you need to fulfill all those orders.”

**Bart Vintcent, EffectConnect**



## 4.2 DIY or Outsourcing?

Despite the fact that there are many opportunities to outsource parts of the marketplace process, it is relatively easy to get started on your own. Establishing a marketplace presence essentially requires the same effort and input as creating and operating an online store. Start simple initially and then scale up from there. As you progress, figure out which elements can best be outsourced, what knowledge and skills you already have at your disposal, and what competencies can be developed with the assistance of experts and agencies specializing in marketplaces.

## 5. The Role of Data

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Collecting data is crucial for obtaining insights that you can act on. We distinguish between three types of data:

- 1. Transaction data:** This data is provided by the marketplace itself. This is all the information you need to process orders. You are not allowed to use this information for direct commercial purposes, but you can use the name and address data indirectly to fine-tune your geographical targeting. If the shipping addresses in your system show, for example, that people in Groningen tend to buy a particular product more than customers in other cities, you might decide to roll out the marketing activities you use in Groningen in the rest of the country too.
- 2. Behavioral data:** Marketplaces will generally not provide a lot of behavioral data, but external parties will be able to get you this information. This data includes information about competing prices and sellers, content performance and share of search.

“The fear that working with marketplaces will hamper your ability to gain insight into your customers is unfounded. Marketplaces are sharing more and more behavioral data and if you find that you’re still lacking important information, you can use product registrations to get access to it.”

**Yves van Knippenbergh, HP**

- 3. Customer data:** This data would be very useful, but at the moment marketplaces do not give sellers access to it. This information includes customer profiles and core demographics that would be of extremely valuable for retargeting customers. In the United States, Amazon is experimenting with releasing this kind of data, which will further increase the platform’s relevance for sellers. This practice is currently also being tested by eBay.<sup>5</sup>

## 6. Technical Links

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Technology is a key factor in managing marketplaces: your internal systems need to be connected and synchronized with the platform.

### 6.1 Updating Your Feeds

Sources and systems must be updated regularly. Exactly how often they are to be updated depends on the number of marketplaces used by a company and on product sales:

- The **product feed** (PIM) contains all product-related content. Unless products change or content is optimized, this feed does not need to be updated.
- The **offer feed** (ERP) has to be updated in real time or at least as quickly as possible. The prices and stock levels in this feed should always be as up-to-date as possible.
- The **order feed** (OMS) needs to be relayed to your *warehouse management system* (WMS) as quickly as possible so that orders can be processed and fulfilled swiftly. In addition, you also need to be able to provide certain information to your customers, such as the status of their order and tracking details. Don't forget to design your systems to also be able to handle returns.

### 6.2 Automation Partners

As the amount of data used increases, so does the importance of automation. There are various players that can help you establish a link between your system and a marketplace, and Amazon, eBay and bol.com all have lists of the various automation partners they work with. You can find them on the following websites. It is worth noting that most of the partners mentioned also have experience in automating other marketplaces:



Amazon's partners



eBay's partners



bol.com's partners

## 7. Getting Started!

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The expert group recommends that you don't wait any longer – just take the leap! But what do you need to keep in mind? And where should you begin?

Start small, pick one brand, one marketplace and one country where you can easily accelerate and scale up. The following aspects and relevant tips are important here.

## 7.1 The Most Important Areas to Focus On

### Stock and Order Handling

Aspects such as product range, stock levels, prices, shipping and returns will all influence availability. Before you go any further, you need to ensure that you have a solid foundation in place where these aspects are concerned, as this will prove essential in your quest to win the buy box. Read more by scanning the QR codes.



Bol.com buy box



Amazon buy box

### Content

Elements such as product information, brand information and customer reviews are important ways to support customers during the customer journey and boost conversion rates. Make sure to start the process with thorough keyword research before continuing with search and navigation optimization.

### Visibility

Activities such as on-platform advertising and promotions/campaigns via external parties, such as Facebook or Google Adwords, will increase your reach and, accordingly, the traffic directed to your brand or product.

### Scalability

When everything is up and running, you can start scaling up. Add more products, before moving on adding more brands, all within the same marketplace. If this works well, you can also start using other marketplaces or even think about expanding to multiple countries. Finally, explore all the other options your marketplaces offer, such as subscription models.

DISTRIBUTION	CONTENT	VISIBILITY	UPSCALING
Availability	Conversion	Traffic	Reach
KEY ACTIVITIES			
<ul style="list-style-type: none"> <li>• Stock optimization</li> <li>• Product range management</li> <li>• Selling prices</li> <li>• Customer service</li> <li>• Orders and financial flows</li> </ul>	<ul style="list-style-type: none"> <li>• Keyword research</li> <li>• Product content (copy &amp; visuals)</li> <li>• Creating variations</li> <li>• Ratings &amp; reviews</li> <li>• Brand and category content</li> </ul>	<ul style="list-style-type: none"> <li>• Promotions</li> <li>• Navigation</li> <li>• Product and brand campaigns</li> <li>• Display campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• Geographical expansion</li> <li>• Connecting to additional platforms</li> <li>• New propositions</li> <li>• More brands</li> <li>• New business models</li> </ul>
ORGANIZATION Knowledge & skills   Hybrid teams   Goals			
DATA Dashboard   Insights   Reporting			

Marketplace optimization model<sup>6</sup>

## 7.2 Beating the Competition on Marketplaces

Marketplaces are constantly changing, so it is important that your organization keeps up. How can you beat your competitors in the marketplace? Here are a few tips:

### Increase your findability

35% of all clicks from search results on a marketplace go to the first item on the page. 70% of users never even look beyond the results on the first page.<sup>7</sup> It is important, then, to find out how your customers search for products. With that information, you can make sure that your product is in the right category, that your attribute information is correct and that you have *keyword-focused content*.

### Play with the algorithm

Getting to understand the underlying algorithm used by a marketplace can be very difficult, but you can experiment with it and analyze your findings. See what happens to your positions when you adjust delivery times, drop your prices, generate more reviews or redirect traffic from your own channels. In addition, you should always continue to optimize content for the right keywords, drawing relevant traffic to your product page.

### Increase your visibility

Organic traffic may be important, but paid campaigns also contribute to your product's visibility. By advertising in the right places, you can make the most of your investments. If you really want to go all out, create multiple campaigns for the same product to increase its visibility. This is also a great way to compare reach, click behavior and conversion rates. This approach will teach you which knobs to turn, so to speak, in order to generate more conversions in the marketplace.

## 8. Our Vision for the Future

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We believe that marketplaces will evolve from transactional to relational networks, in which service and social interaction will become more important. In the future, specialists will be able to offer things like installation and interior-design services on a single, integrated platform. In other words: you will be able to buy your building materials, choose a contractor for your remodeling project, and select an interior designer to furnish your brand new home all in the same place. Marketplaces will become platforms with a focus on user convenience and making consumers' lives as easy as possible.

### 8.1 The Key Tips in a Nutshell

1. Don't look at marketplaces as an isolated channel. Integrate the marketplace into your channel mix and make sure that your various channels reinforce each other. Each channel has its own specific attributes that you need to take into account.
2. Use the available tools to gain greater insight into a platform and fine-tune your proposition and product range. Start a data-driven optimization process and transform insight into concrete actions.
3. Make sure that you are familiar with the dynamics and ins and outs of all your marketplaces when it comes to aspects such as search results, content quality, reviews, delivery performance and overall performance. This will enable you to challenge both yourself and external parties to work on continuous optimization.

## 8.2 Just Do It!

As has always been the case, companies need to be where their consumers are. Nowadays, consumers can be found on marketplaces, and their importance is only set to increase: marketplaces are the retail platforms of the future. It is important, then, to start using and understanding these channels sooner rather than later – before the competition races past you.

As an addition to this blue paper, the Centre for Market Insights at Amsterdam University of Applied Sciences has conducted a study among retailers in the fashion, home, bicycle, motorized two-wheelers and hotel sectors. Unfortunately, the results of this study could not be included in the blue paper. Instead, they have been published in a second report, which was made available at the end of January and can be accessed by scanning the QR code below.



*Download the second research report  
by the Marketplaces Expert Group*

## Sources

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