

Expert Group

Marketplaces

Get ready for the future

Takeaways

1. The major platforms continue to grow in size, turning the market into an international playing field and blurring national boundaries. Amazon and bol.com set the standard for online shopping, and the gap between these two giants and other online players is growing larger. While Amazon will cause major price pressure in the Netherlands, the US-based platform is not likely to become number one in the Dutch market in the foreseeable future.
2. A growing number of consumers have started looking to marketplaces to find products. Retailers and brands are in a position to become preferred brands, provided they have a competitive advantage. They can achieve this by investing in brand awareness, so they remain top of mind with consumers in their search, and by seizing control in the supply chain to ensure they remain appealing as a business partner to their suppliers.
3. The data you receive from a marketplace gives you superior and up-to-date insights about the customer journey, especially if you can link these to your other channels. By following consumers closely, you can respond more quickly to changing needs, in terms of both search behavior and product development.

From trend to currency

What do platforms offer that other sales channels don't? First, they hold great appeal to manufacturers and retailers, now that a growing number of consumers are finding their way to marketplaces. In addition, it is a relatively straightforward way of doing business internationally and testing products.

Where the Marketplaces expert group focused in 2018-2019 on how to get started in marketplaces, this year we aim to take you to the next level. We have two ways of accomplishing this. In this blue paper, we share our ideas and provide a description of what is happening in the market right now and where the market is headed, according to the experts. We will also be launching an online advisory tool containing relevant information to help you solve current challenges.



Download last year's blue paper here

You can find concrete tips and tricks using the QR code below. Here, we answer some of the most frequently asked questions. These questions were identified and answered by experts representing 25 companies (including Heineken, FrieslandCampina, Bugaboo, and Beter Bed), while extra information was added based on external information sources.



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1. The need to take action now

Our main audience consists of brand manufacturers and retailers who already have some experience selling in marketplaces, and who intend to further develop or expand this. Why the need to make these changes now? Marketplaces have become the preferred channel of large numbers of consumers: increasingly, the customer journey starts and ends on an online platform. It is important to have a future strategy in place for dealing with these marketplaces, particularly given the impact of this trend in the short term.

Global revenues from e-commerce are expected to nearly double between 2018 and 2021 (from \$2.8 trillion to \$4.9 trillion). Marketplace models or drop shipment models account for roughly 75% of this amount. The top 100 of the world's largest marketplaces already generates 95% of this revenue, headed by Alibaba and Amazon.¹ Bol.com is currently the largest platform in the Netherlands, but this could change with the arrival of international companies (e.g., the arrival of Amazon in the Netherlands in early 2020). Major online players continue to grow in size, thanks in part to their platform structure. Research by ING shows that, several years from now, there will be only two dominant marketplaces remaining in the Netherlands. This means it is time to start preparing for these changes now.



“Alibaba’s AliExpress is currently regarded by many as a Chinese version of the discount retailer. However, the foundation of AliExpress is equal to the most popular b2c marketplace in China: Tmall. Leading Chinese brands are already opening their international marketplace stores on AliExpress. If (more well-known and familiar) European brands follow as well, AliExpress – equivalent to, for example, Amazon – will become a marketplace to seriously take into account when determining your international marketplace strategy.”

Fabian Nijlant, China Marketplace Practitioner

2. Key trends for retailers and brand manufacturers

2.1 Search

Product search

When today’s consumers are looking for inspiration, they still tend to opt for an omnichannel strategy, i.e., by using both physical (offline) and online channels. However, as soon as they know what they want and start actively looking for specific products, the field will narrow down to the four main areas online: online stores managed by retailers, brands, search engines, and online marketplaces such as Amazon and bol.com.

It is worth noting that search engines no longer dominate in this regard. Whereas consumers tended to prefer Google last year, 73% of Dutch consumers now start their search for products in online marketplaces such as bol.com and Amazon.² This confirms that marketplaces have also become the preferred channel for Dutch online consumers.

Non-branded searches

Consumers’ search behavior is changing in other ways as well: we are seeing a shift from branded searches to non-branded searches. For example, more than three-quarters of Amazon’s searches are currently non-branded, where people search for generic products instead of brands. This means that consumers are more likely to enter “women’s running shoes” than a specific brand. Contrary to social media, where consumers follow specific brands, Amazon customers look for products that meet a specific demand.³

1 PRESENTATION BY JORRIT STEINZ, CEO AT CHANNELENGINE.COM, AS DELIVERED ON SEPTEMBER 12, 2019 DURING THE RETAIL & BRANDS FESTIVAL IN AMERSFOORT, THE NETHERLANDS.

2 BOSCH, T (2019). DE KLANT VAN DE TOEKOMST NEDERLAND (“THE CUSTOMER OF THE FUTURE THE NETHERLANDS”), 2019, WUNDERMAN THOMPSON

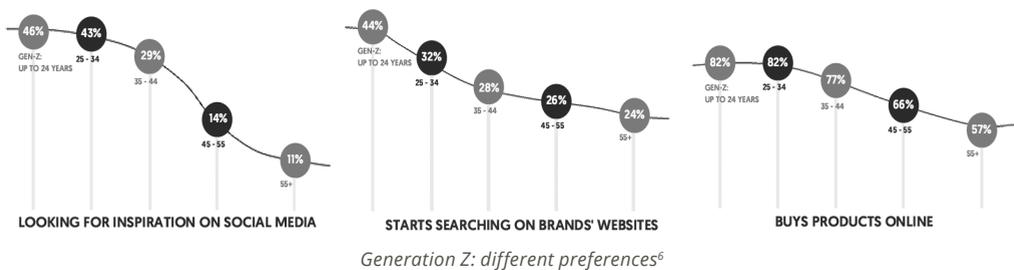
3 KAZIUKENAS, JUOZAS (2019). ONLY 22% OF SEARCHES ON AMAZON INCLUDE A BRAND NAME. WWW.MARKETPLACEPULSE.COM/ARTICLES/ONLY-22-OF-SEARCHES-ON-AMAZON-INCLUDE-A-BRAND-NAME

However, we are also seeing a change in search behavior. On a growing number of local marketplaces, including the Polish-based Allegro (200 million visitors during the second half of 2019⁴), 47% of searches start with a product category rather than by entering a specific search term. For search terms, search behavior is classified by product type/usage method/brand 90% of the time. It therefore will not help to put the brand name at the front of the title. This shows that optimizing the name of your item varies by marketplace and that a strategic approach is required.

Branded searches

Inevitably, there is still a sizable group of consumers who search by brand. Provided they are backed by substantial investments, high-profile brands are able to represent *branded searches* in marketplaces. We are also seeing a trend where Generation Z tends more toward brand loyalty as opposed to platform loyalty. It is important in this case to value your brand name in relation to your product and to conduct in-depth research into your target audience's search behavior. In addition, the younger generations like to purchase from brands directly (including for environmental/sustainability reasons) and they are increasingly led by social media and online stores managed by brands.⁵

Comparing generations



2.2 Service

Branding

Most marketplaces provide tools for monitoring and protecting brand identity. We are seeing a significant growth in both demand and supply. For example, you can create a fully tailor-made *branded shop-in-shop* (brand store) for free on the Amazon site, as well as add visual content, text and additional information (A+/EBC) and use icons, infographics and videos to go with your product images.

We are seeing a trend toward a full opening up of *brand awareness* options, partly because this will eventually result in more engagement of brands and retailers for the platforms themselves, and will therefore increase turnover. In the coming years, the current services will evolve into a full media package with branded pages, display advertising, live-streaming and offline media (including the hard-copy toy catalogs offered by bol.com and Amazon).

4 SIMILARWEB, 2019. WWW.SIMILARWEB.COM/WEBSITE/ALLEGRO.PL#OVERVIEW

5 BOSCH, T (2019). DE KLANT VAN DE TOEKOMST NEDERLAND ("THE CUSTOMER OF THE FUTURE THE NETHERLANDS"), 2019, WUNDERMAN THOMPSON

6 BOSCH, T (2019). DE KLANT VAN DE TOEKOMST NEDERLAND ("THE CUSTOMER OF THE FUTURE THE NETHERLANDS"), 2019, WUNDERMAN THOMPSON

Data

Manufacturers and brands have a well-documented need for data, and a growing number of platforms are responding to this demand by sharing the type of data that enables sellers to generate more sales and more income, e.g. in terms of advertising. The likes of Amazon and bol.com provide a growing amount of data, including conversion rates, traffic, and search trends. This helps you to “twist the right buttons” in order to improve your performance.

Logistics

One service that is becoming more common on various platforms is the option to use their fulfillment centers and warehouses. This is, in fact, very convenient, and since marketplaces set a high bar when it comes to fast and reliable deliveries, consumers also expect this from other providers. The challenge for sellers is to score just as high; for example next-day delivery from Britain to Spain. By using logistics services provided by marketplaces, retailers and brand manufacturers can enjoy many of these benefits, including higher conversion rates and a greater likelihood of customers clicking the purchase button.

Then there is *fulfillment as a service*. It is becoming more common for platforms to make their logistics facilities available for activities independently from marketplaces. For example, you can use the Amazon warehouse (FBA – Fulfillment by Amazon) to sell items on eBay (multichannel fulfillment). This is fulfillment as a service, i.e., without a link with the marketplace. You should take into account that shipping charges outside the Amazon country can run very high though.⁷

2.3 New business models

Social commerce

We are also seeing a major trend and opportunity in social commerce. While this has been a widespread trend for some time in Asia, it is currently also growing in popularity in the Netherlands. Of all people in the Netherlands with a Facebook account (67%), a total of 17% have purchased something through this channel. On Instagram, where 30% of people in the Netherlands hold an account, 7% purchased items through the checkout feature.⁸ This extension of the checkout facility allows users to pay directly within the app, i.e., without leaving Instagram.

Google has opted for a similar approach. In order to encourage payment through the search results, you will soon see the emergence of *Shoppable Ads*: images on which products are offered for sale through product tagging. Instagram Check-out and Google’s Shoppable Ads have already been launched in the United States, with Europe to follow at some point in the future. WhatsApp Business currently also offers features that allow users to create and promote their product catalogs. Amazon has also capitalized on this trend, and in the United States it recently launched Amazon Posts to piggyback on this success.

Click channels become marketplaces

Click channels are also transforming into marketplaces, including Google with its new Shopping Actions service, where orders are processed immediately on a commission basis. Google has already launched this service in the United States and France and intends to expand it. In doing so, they have positioned themselves as the main challenger of Amazon in hopes to turn around the lower shares in product search. All these initiatives undoubtedly have an impact on the findability of traditional websites operated by both retailers and brands.

⁷ FOR A LIST OF CURRENT RATES, SEE: SERVICES.AMAZON.CO.UK/SERVICES/FULFILMENT-BY-AMAZON/PRICING.HTML

⁸ 2019 GFK CONSUMER SURVEY

Transforming into a marketplace

You can be part of a marketplace as a seller, but you can also open yourself up as a platform. Just look at the example of bol.com, which started out as an online bookstore back in 1999 and today mainly supplies *third-party* products and maintains a *platform-first* strategy. Another good example is Bidfood: this food and beverage wholesaler has embraced the platform economy with Foodl, a Dutch marketplace for the food and beverage industry. We are also seeing the emergence of marketplaces in niche markets such as the sports and automotive worlds, and in the wake of well-known companies such as Blokker, Fonq and V&D there are also new companies (including fragrance and beauty retailer Douglas) that intend to roll out their own platforms.

2.4 Laws and regulations

Relative to other countries, consumers are reasonably well protected in the Netherlands, although there is always room for improvement. This is why ten Dutch internet platforms have teamed up with Mona Keijzer, the State Secretary for Economic Affairs and Climate Policy, to work on improving consumer trust in online products and services. This partnership has enabled the platforms to share a variety of experiences with the wider online industry. The results (expected to be released in spring 2020) can serve as a guideline within the industry, but also for newcomers and new entrants in similar industries or with similar business models.⁹ Sellers are given a helping hand as well, in this case by Retail Platform Nederland. In order to prevent retailers and other businesses from being hurt by the power positions of global tech and other monopolies, Retail Platform Nederland is advocating regulations in advance, in a European context, and has also¹⁰ drafted an official position statement.¹¹

3. How will this affect you as a brand manufacturer?

With consumers increasingly looking for products in marketplaces, it is important to keep investing in your brand awareness, so you can remain *top of mind* among consumers in their search. This obviously helps with brand-driven/branded searches, but by positioning your brand firmly within a specific need among your target audience, generic searches will also be more likely to lead to your brand and your products. Particularly with the options offered by marketplaces in the form of brand stores, marketplaces allow you to more efficiently highlight your brand values and provide detailed information about which products meet a specific need.

This can be implemented in a number of ways. Will you support resellers in selling in a marketplace, or will you do so under your own name? And if you plan to do it yourself, will you be setting up your own team or will you be working with a third party with specialized knowledge? Or, alternatively, will you outsource everything and let the third party operate under your name? This could potentially be a solution if you have no infrastructure of your own.

9 NEDERLANDSE PLATFORMEN WERKEN AAN CONSUMENTENVERTROUWEN (“DUTCH PLATFORMS WORKING ON IMPROVING CONSUMER TRUST”). CONSULTED ON NOVEMBER 20, 2019. WWW.EMERCE.NL/NIEUWS/NEDERLANDSE-PLATFORMS-WERKEN-CONSUMENTENVERTROUWEN

10 WWW.INRETAIL.NL/UPLOADED_FILES/ZELF/RETAIL-PLATFORM-NEDERLAND-POSITION-PAPER-PLATFORMECONOMIE-MEDEINGING.7D5E6E.PDF

11 OOSTERHOUT, ARJAN VAN (2019). NIEUWE REGELS NODIG OM PLATFORMEN TE BETEUGELLEN (“NEW RULES NEEDED TO REIN IN PLATFORMS”). TWINKLEMAGAZINE.NL/2019/05/RETAIL-PLATFORM-NEDERLAND-MACHT-VAN-PLATFORMS/INDEX.XML

amazon

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One thing is certain: if you fail to take charge, your brand will be up for grabs by other sellers and your brand perception among consumers will be compromised. You should be aware that your products are offered in marketplaces either way. Regardless of whether you intend to offer them yourself or through authorized resellers, it is best to manage the content and brand identity yourself and in so doing ensure consistency across all channels, including marketplaces.

Case: Bugaboo's brand store on Amazon: a mini-site aimed at the full customer journey

Bugaboo operates in a variety of marketplaces, including Amazon. Bugaboo's Amazon brand store is a mini-site featuring the Bugaboo branding, using the format options provided by Amazon. The brand store consists of general brand and product information and offers various tabs to specific landing pages, where visitors will find detailed product information. By linking to this across the various touchpoints, they make sure the information is always tailored to the specific stage of the customer journey.

If you already operate an online store, you already have a large part of the required infrastructure in place that will allow you to operate in a marketplace. You should be aware, however, that a marketplace is not just a sideline, but that the dynamics are different from those in other channels. Is your logistics division equipped to ensure fast and reliable deliveries? And how different is advertising in a marketplace from advertising in other channels? Take a critical look at your business processes and invest in hiring additional staff, specialized knowledge and resources to take maximum advantage of marketplace opportunities.

If your brand is active in marketplaces, it is a small step to also expand your social media channels with sales options, and to monetize your Instagram, Pinterest or Google feed. This will enable you to transform a loyal fanbase into converting consumers, as well as giving you more access to data.

The data you receive from a marketplace gives you superior and up-to-date insights about the customer journey, especially if you can link these to your other channels. By closely following consumers, you can respond more quickly to their changing needs, both in terms of search behavior and in terms of product development. You should be aware that emerging brands often start from a marketplace and improve their products based on this data, scale up production and soon become new competitors for your existing brand.

Case: ESSENZA HOME: The desire to take charge without a supply-chain conflict



The home decoration brand ESSENZA HOME serves the market through brick-and-mortar stores and an online store. The brand also operates in various marketplaces, even if they currently leave this mostly to their existing partners.

ESSENZA HOME is considering selling directly in marketplaces, even if there is a risk of channel friction. They value the close relationship with their partners, even in the face of a growing need to maintain control over their content, stocks, and collections. Marjolein de Jong, E-Commerce Team Lead at Essenza Home: "Nobody has as much passion for our brands as we do. Collecting and using customer data is another factor in the desire to take charge." ESSENZA HOME is currently assessing the pros and cons. "Suppose we decide to become active in marketplaces ourselves. With which marketplaces do we seek to work together in that case, and how do we intend to do it? Will we keep the operations in-house, and how will this affect the organization and the internal culture? Or, alternatively, will we find a partner? And if we do decide to find a partner, doesn't that mean we're relinquishing some of the control?"

4. How will this affect you as a retailer?

Many retailers see marketplaces as opportunities to generate more sales. By becoming active in these marketplaces, you effectively open a new store in a busy (online) shopping street, since you want to be literally close to your customers. At the same time, competition is increasing across the board. Other players in the supply chain, including manufacturers, distributors, brands, and other retailers, are spotting these same opportunities, while specific sellers who rely exclusively on marketplaces are offering the same product.

Among the trends, we saw a growing number of product searches being carried out through marketplaces. You can benefit from this by piggybacking on the efforts of a strong brand, but when compared with other sellers, price is often the only distinction needed to be able to win the *buy-box*. You can use smart *repricers* (automatic price adjustments) to grab this buy-box. However, it is better to offer unique products or agree with a brand that you're the only (exclusive) authorized seller in a marketplace, for example because you can offer something that is in line with their brand identity, such as good aftersales. If you deal with this strategically, you can be successful in the longer term without being forced to reduce your prices.

With marketplaces investing more in additional services, this provides opportunities for sellers with brick-and-mortar stores. Bol.com, for example, provides the option to make Union bicycles roadworthy through local bicycle shops. Consequently, this gives these local shops the option to sell accessories or provide maintenance services for these bikes. Zalando has also been experimenting by arranging for local brick-and-mortar stores to deliver orders locally; this makes it possible to deliver products more quickly and makes it easier to return items. It also presents a good opportunity for local stores to get in touch with new customers.

Retailers also have the option to make the transition to the platform business model by starting their own marketplaces, as we have already seen in the Netherlands with the likes of bol.com, Blokker, Fonq, and VidaXL. By opening up their platform to other sellers and outsourcing some of the more labor-intensive work to them, they can make their product range and revenue grow exponentially. In addition, marketplace operators receive commissions on third-party sales, while at the same time gaining access to a wealth of customer data. This requires a fresh perspective by retailers on how they manage purchasing, sales and sales channels. The most commonly used software solution for marketplaces worldwide is Mirakl, a SaaS (*software as a service*) solution. Creating a marketplace from scratch is another option, although this is very costly and time-consuming.

5. Our vision for the future

The major platforms continue to grow in size, turning the market into an international playing field and blurring national boundaries. Amazon and bol.com set the standard for online shopping, and the gap between these two giants and other online players is growing larger. While Amazon will cause major price pressure in the Netherlands, the US platform is not likely to become number one in the Dutch market in the foreseeable future. Bol.com will continue to grow by more than 30% a year by entering new markets (the addition of fashion and expansion into Wallonia), reducing their commission fee and working more closely with Ahold Delhaize and their sales partners. And while many people

are watching developments at Amazon, China is a lot more advanced in this regard. It remains to be seen whether Europe will follow China's example, but even just for inspiration alone, it is worth keeping an eye on the latest developments there.

Sustainability

Bol.com and Amazon set the bar high when it comes to sustainability and responsible shopping as well. Bol.com's goal is to reduce its direct environmental footprint to 0 grams of carbon emissions per package by 2025, and they are already testing (in conjunction with PostNL) rapid delivery (within two hours) using electric cargo bikes in Amsterdam.

We expect consumers to make sustainability more of a factor when making purchases, in view of the changing climate. This presents an opportunity for platforms specializing in used items, as we are already seeing in the IT industry. Other examples include successful companies such as Vinted, Found, and United Wardrobe. Finally, we believe that a growing number of platforms will start using "refurbished" and "sustainability" as labels.

D2c

In addition, brands and manufacturers will take charge of their own business in various marketplaces. We expect all brands to start selling directly in marketplaces over the next three to five years, which means this channel is at risk of losing appeal to many distributors, wholesalers, and retailers. The question, however, is whether brands are really able to stand out in a marketplace. It is not inconceivable that brands will decide in the future to remain in charge of content in marketplaces but to leave actual sales and delivery to their partners. This is an opportunity for distributors, wholesalers, and retailers to try to sign (exclusive) contracts in this respect.¹²

Remain in control

While we obviously can't predict the future, we would like to share the following advice: Be prepared! Embrace these trends as an opportunity. Demonstrate that you, as a retailer, can be a partner to brands and manufacturers and can accommodate the growth. Take a good look at your industry to see what is relevant to you. The industry is changing rapidly, leading to the conclusion that retailers and manufacturers must start taking action now in order to respond to the new online landscape, as *it's all about being in control*.

Be sure to keep up-to-date through www.shoppingtomorrow.nl and the QR code below to learn all about the latest trends and developments related to marketplaces.



Go to the expert group page

¹² FOR MORE INFORMATION ABOUT DIRECT-TO-CONSUMER SERVICES, READ THE BLUE PAPER AUTHORED BY THE BRANDS DIRECT EXPERT GROUP (STARTING ON PAGE 108).

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