



# 5 Tips for Retailers to Ensure Online Marketplace Success



Marketplaces account for much of the ecommerce growth seen over the past year. Data referenced in a global consumer survey conducted by Mirakl, a leading enterprise marketplace platform, reveals that [global marketplace sales crossed \\$3 trillion](#), comprising **67%** of global digital sales in 2021.

What's driving this growth? First, consumers are discovering how marketplaces offer a broader assortment, better prices, more delivery options and a better buying experience overall. Once consumers experience this, they're hooked.

Mirakl's survey revealed **35%** year-over-year growth in spending on marketplaces between 2019 and 2020, which has been sustained in the years since. **Two-thirds** of consumers now say they'd prefer shopping on marketplaces over conventional ecommerce sites.

Similarly, sellers are driving marketplace adoption, especially as they look to expand their multichannel coverage. Cross-marketplace coverage is on the rise, with sellers both seeking and finding expansion opportunities. [Nearly half \(47%\) of sellers](#) now cover multiple marketplaces, up from 38% the previous year. In response, retailers are turning to the marketplace model in droves.

With buyers and sellers both shifting to the marketplace model, retailers must follow suit. This eBook, adapted from a [Retail TouchPoints webinar with Mirakl and Vertex](#), will cover the benefits of retailers joining marketplaces, the differences between marketplaces and drop shipping, and the **top five** things your company needs to do to set itself up for online marketplace success.



# Main Benefits of Marketplaces for Retailers

“The core of the marketplace model is relying on other sellers that are experts in selling their product to hold inventory and to deliver inventory, and all of that reduces cost for a retailer.”

– Fareeha Ali, Director of Market Intelligence at Mirakl

Why should retailers shift their focus to marketplaces? The following benefits add up to a more stable, appealing ecommerce presence for retailers:

## Reducing Out-of-Stock Notices

In 2020, the COVID-19 [pandemic supply distortion](#) caused approximately **\$1.14 trillion** in out-of-stock inventory for retailers worldwide according to IHL Services.

One reason marketplaces are becoming more popular is that when multiple sellers compete for each consumer, it creates secondary sources of stock, or supports more seamless substitutions when an item isn't available. Access to multiple stock sources keeps the customer shopping.

The same IHL survey showed that consumers spent more on marketplaces during the pandemic, and those rates have held steady even as the most significant supply chain distortions have resolved.



## Expanding Product Assortments

“On average, with the traditional wholesale — buy and resell — model, retailers start preparing for a season 9-12 months in advance. With a marketplace, you can identify and onboard a new seller in a matter of days, not months. And you can introduce a new category from an existing seller in moments.”

— Fareeha Ali, Director of Market Intelligence, Mirakl

When Leroy Merlin, one of the world’s largest DIY retailers, launched its marketplace, the goal was to expand its product assortment. This was especially true in core categories like garden, tools, bathroom and construction equipment. Adopting the marketplace model meant digital storefronts were more likely to carry what customers wanted and Leroy Merlin was less likely to get stuck with excess inventory.

## Providing a Curated and Seamless Consumer Experience

Statistics show [80% of customers](#) say the shopping experience is just as important as the products or services they buy, and [66%](#) expect companies to anticipate customer needs and expectations.

Marketplaces that host a wider assortment of products from trusted, high-quality sellers can not only reliably stock what customers want — making the buying experience easier — but can recommend similar products that are in line with customer tastes.

By offering multiple brands across multiple categories, you can recommend upsells and cross-sells that appeal to consumers, providing more opportunities for a curated experience.

## Staying Relevant in Today’s Competitive Digital Ecosystem

The share of ecommerce players taking up space in the retail industry is [rising every year](#) and is anticipated to reach a new high of **21.8%** by 2024. This increasingly competitive landscape means your digital presence has to hit higher standards for customer expectations.

Furthermore, marketplaces can support omnichannel strategies, and should be integrated into a complete omnichannel experience, if only because most customers [\(73%\) prefer the omnichannel experience](#). Shifting to a marketplace model also gives retailers the digital presence to handle everything modern customers can throw at you, such as buy online, return in-store offerings.

To stay relevant in today’s ecosystem, you have to offer what the next store is offering — both online and offline.

## Catering to Your Niche

Increasingly, [consumers](#) are naming niche retailers – both pure-play online and brick-and-mortar – as their preferred and exclusive shopping outlet.

A marketplace with the right seller base, offering the right mix of products, can cater to a niche audience while also providing back-end inventory support to ensure customers can keep returning to your shop for their niche needs.

## Understanding Marketplaces vs. Drop Shipping

Both marketplaces and drop shipping offer lower risk in maintaining an inventory. But what are the differences that make marketplaces worth considering? Let's look at the positive aspects of each.

“A marketplace makes it easy to test and learn on new categories and rapidly answer new customer demands. For example, Mirakl customers Madewell and Hudson's Bay have leveraged their marketplaces to open new categories and promote minority-owned businesses that resonate with their customers.”

– Fareeha Ali, Director of Market Intelligence at Mirakl

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“Both dropship and marketplace are important mechanisms for range extension and assortment expansion, but they address different business needs. We're seeing more retailers embrace a 'hybrid' approach – one that blends marketplace and drop shipping – to capture more business with existing suppliers via drop shipping, while expanding into new categories with new third-party sellers with a marketplace. It's really the best of both worlds.”

– Fareeha Ali, Director of Market Intelligence at Mirakl

## Marketplaces:

**Speed.** With a marketplace, entering a new product category is as simple as making it easier for sellers to create an account. The faster sellers can join your ecosystem, the faster your catalog can incorporate their products and seamlessly update your online inventory.

**Scale.** Want to expand your assortment or increase operational capacity? Shift more responsibility to third-party sellers. This makes it easier to scale your operation without adding to the burden of keeping the marketplace open.

**Agility.** Customer demand often changes. A marketplace makes adaptation easy and agile, giving you the flexibility to curate an in-demand selection of offers from unique suppliers.

## Drop Shipping:

**Brand control.** In the dropship model, the supplier is invisible to the end customer. This puts you in direct control of merchandising and promotion to suit your brand.

**Price and margin control.** In drop shipping, the merchant sets the final sales price. This lets you dictate profit margins, which keeps your sales accounting aligned with your owned inventory.

**Returns and customer service.** Whether it's handling calls or managing returns, the merchant remains the first line of support.

The marketplace model can keep your inventory fresh even as new categories emerge, giving you the flexibility to learn the market appeal of every product and the scalability to offer more to customers in a cost-effective way.

Drop shipping is ideal for controlling costs, such as inventory management costs, while still letting you have a say in how your brand looks to the customer. In the case of drop shipping, maintaining control over your portfolio of inventory while reducing your working capital will be key to your success.

“When you're starting your own business, a lot of people think, 'Hey, it's going to be more cost-effective for me to dropship and have my brand and my label put on a box where I will sell it and someone else will facilitate it and you've got that brand establishment.' But you can also achieve those things through a marketplace. And with a marketplace, typically you reduce your cost for storing your merchandise but also picking, pulling and shipping — all of those things are also going to be more advantageous.”

— Nate Storhrer, Retail Industry Expert, Vertex

# Five Secrets to Marketplace Success

Now that we understand the advantages of marketplaces, let's take a look at 5 ways to ensure marketplace success.

## 1. Build a clear vision that brings all stakeholders to the table.

“When contemplating your marketplace vision, don't just think about ‘commerce.’ Think about how you can leverage your marketplace to unlock new growth opportunities, like driving international expansion, introducing value-added services, or accelerating commitment to social corporate responsibility objections.”

– Fareeha Ali, Director of Market Intelligence, Mirakl

A marketplace can only be a success if every stakeholder is on board with the vision for the marketplace. But what does that look like in practice? It starts with buy-in.

Every stakeholder across the organization should agree on the long-term vision for the marketplace. This vision can influence every decision, from big-picture branding to small website development tweaks. Having everyone on board will create a consistent mission and branding, which will result in positive long-term results.

Here's how you achieve buy-in:

- **Identify key questions.** Determine what potential objections may arise within your team that you need to address. Are there any blind spots that might create doubts? If so, fill them in.
- **Get clear about what success looks like.** Don't just say you want to “have an impact.” Define what that means. Set key performance indicators (KPIs) to serve as milestones.

## 2. Meet your customers where they are and how they are accustomed to buying.

Build a clear vision that brings all stakeholders to the table.

Statistics indicate that companies with strong omnichannel experiences tend to retain approximately [89% of their customers](#), and [88% of Gen Z buyers](#) expect brand experiences not only to be omnichannel but to work across both digital and physical channels.

The more channels you expand into, the more challenging and complex it gets, especially when it comes to managing taxes. Customers expect a seamless experience, so you need to meet them where they are. And where are they? Everywhere. Your job is to provide a seamless experience across these channels, no matter how your customers find you — and no matter where they end up buying from you.

How can you use omnichannel wisely? According to the [Harvard Business Review \(HBR\)](#), “B2B players must create a comprehensive view of each customer and deliver consistent messages across channels.”

Integrating marketplace strategies across all channels provides the best customer experience and ultimately paves the way for growth.



### 3. Open doors and add value to sellers.

How does a marketplace add value for sellers? By becoming the channel of choice. That means looking for ways to fuel the marketplace's growth as well as your own, including:

- Seamless onboarding;
- Frictionless catalog management;
- Fast and easy product updates;
- Autonomy to manage the customer experience; and
- Visibility into their marketplace performance.

Give your sellers the tools to succeed, and you'll build a stronger platform.

For example, take visibility into how a seller is performing in your marketplace. If sellers can track performance against SLAs or better understand their customers' experiences, they can optimize their offerings.

After all, sellers that perform well create marketplaces that perform well. Create an ecosystem in which sellers can thrive, and your sellers will reward you with growth.

“There is an inherent tension between retailers and brands right now. Retailers want to expand assortment with coveted, up-and-coming brands without diluting or otherwise detracting from the customer experience. Meanwhile, those same brands wanting to sell on marketplaces still want to control their own ‘brand experience.’ It’s imperative that relationships be perceived as mutually beneficial.”

— Fareeha Ali, Director of Market Intelligence, Mirakl

## 4. Don't underestimate your tax risks and obligations.

A marketplace isn't only about managing sellers, customers and omnichannel strategy; it's also about managing the backend. And perhaps the biggest priority is the effective management of tax risks and obligations.

As Nate Stohrer explained, there are four keys to properly managing tax obligations:

1. Apply the correct taxes to each customer's purchase.
2. Determine who is responsible for paying these taxes.
3. Create tax-compliant invoices.
4. Keep complete and accurate records.

For marketplaces, that means tracking mixed-reporting responsibilities for the sellers on your platform, as well as your own tax liability based on who's responsible for paying. Not factoring in accurate tax rates, rules or liabilities comes with significant risk, including unexpected fines, fees and an increased likelihood of an audit.

Cutting-edge tax solutions lift the burden and the risk of remaining current with the vast array of tax laws, rates and regulations where a merchant does business. With tax technology solutions, like Vertex, online retailers are equipped with the tools needed to automatically incorporate accurate, up-to-date rates and rules for each transaction—and determine who is responsible for paying those taxes.

“It's understandable that people have a lot of trepidation and want to make sure that they're getting taxes right. Tax is complicated. There are more than 19,000 tax jurisdictions in the world. You can imagine every time you cross a border, you're incurring different legislation, you're incurring different regulations about who is supposed to be collecting and remitting tax. When you've got something like a marketplace where you have a facilitator, a seller, a buyer and all of these moving parts, it can be very complicated.”

— Nate Stohrer, Retail Industry Expert, Vertex

## 5. Understand your true investment, estimated time-to-profit and what will deliver the best experience at scale.

Partnering with sellers provides many advantages. You can achieve faster time to market, leapfrogging development that could otherwise take months or years. You can get the wheels in motion right from the start, driving a positive ROI as soon as possible.

These three key ingredients can pull it all together for marketplace success:

- **Team.** A marketplace shouldn't be a silo in your organization. Instead, the marketplace team should be cross-functional. Many organizations augment this team by bringing on someone with expertise in marketplace development and management.
- **Technology.** Every marketplace should have support from a robust suite of features, capabilities and integrations. This will help you launch fast, operate efficiently and ensure quality, security and scale at every step. Specifically, your technology should support frictionless seller onboarding and management, scalable catalog management, order management and streamlined backend office management. Some organizations seek a DIY solution for this. But opting for a proven backend will free your in-house engineering team to focus on front-end differentiators that help promote a great customer experience.
- **Partner ecosystem.** Form a clear vision for which technology services partners you want to include in your partner ecosystem. Think about your marketplace's impact on existing business processes. What will need to change to handle third-party order processing? Seller payment? Taxes?

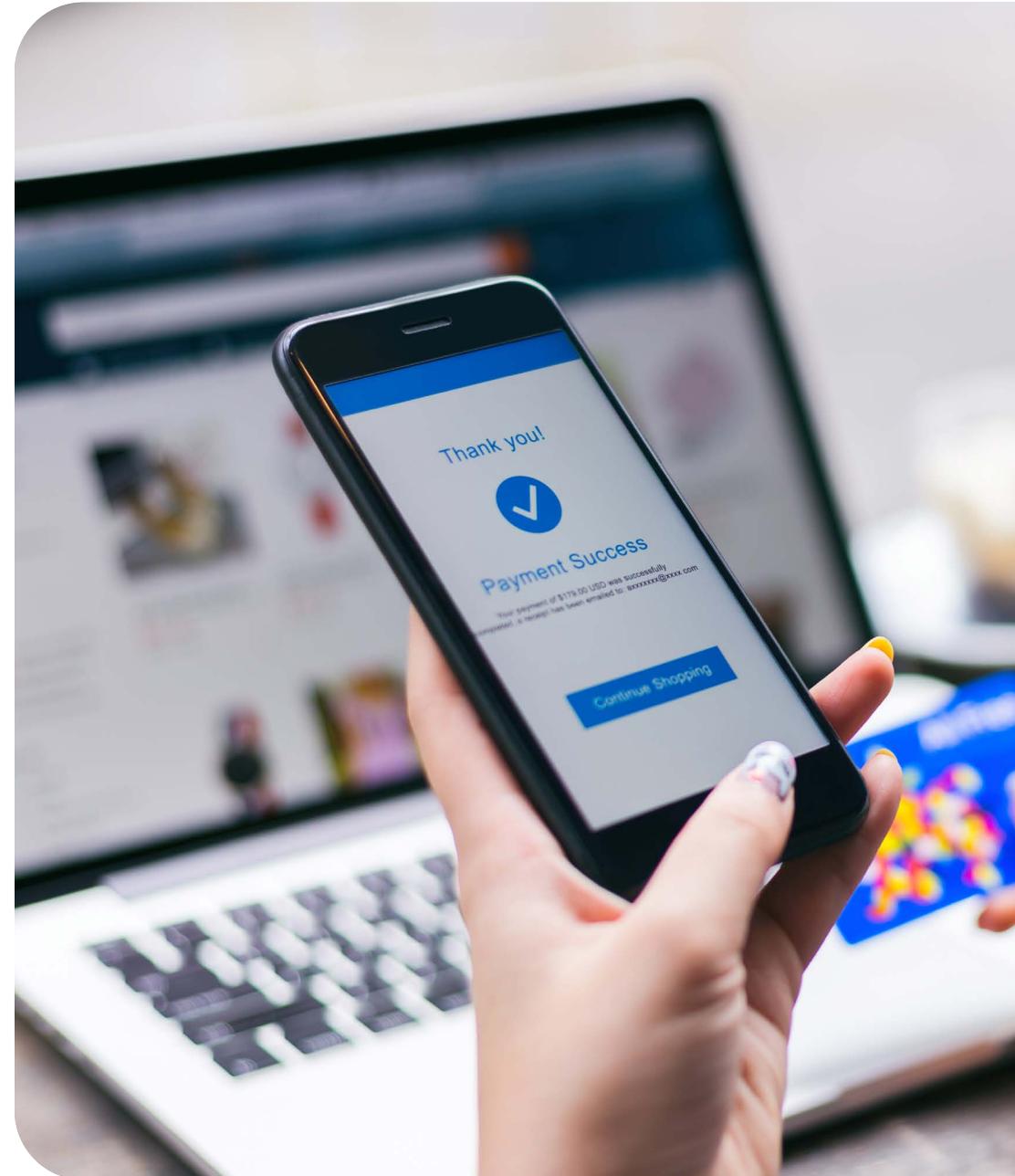


## How to Pull an Online Marketplace Together

Your marketplace isn't a success unless it aligns with the stakeholder's vision and has the technology in place to not only execute that vision but to be able to report and quantify your investment against the established KPIs.

Partnering with an enterprise marketplace SaaS platform like Mirakl enables you to accelerate your time to market so you can launch and scale your marketplace business quickly. Once your marketplace is live, an automated sales tax engine from Vertex can help you facilitate marketplace transactions by ensuring you get tax calculations right — no matter where those transactions happen. It can also effectively track the remittance of those taxes for both your first-party—and marketplace seller-driven—transactions.

Together, these technology solutions provide marketplace-specific expertise, freeing you to focus on the differentiators that your business brings to the market.



## About Vertex

Vertex Inc., is a leading global provider of indirect tax software and solutions. The company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply, and grow with confidence. Vertex provides solutions that can be tailored to specific industries for major lines of indirect tax, including sales and consumer use, value added, and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,200 professionals and serves companies across the globe.



## About Mirakl

Mirakl offers the industry's first and most advanced enterprise marketplace SaaS platform. With Mirakl, organizations across B2B and B2C industries can launch marketplaces faster, grow bigger, and operate with confidence as they exceed rising customer expectations. Platforms are the new competitive advantage in eCommerce, and the world's most trusted brands choose Mirakl for its comprehensive solution of technology, expertise, and the Mirakl Connect ecosystem to unlock the power of the platform business model for them. As a result, companies like ABB, Astore by AccorHotels, Best Buy Canada, Carrefour, Catch, Changi Airport, Darty, The Kroger Co., Leroy Merlin, Maisons du Monde, Metro, and Toyota Material Handling gain the speed, scale and agility to win in the changing eCommerce landscape.



## About Retail TouchPoints

*Retail TouchPoints* and design:retail give all members of the retail world access to a vibrant community that combines insights, inspiration and opportunities to interact with their peers. We sit at the intersection of the art and science of retail strategy, providing granular data, high-value commentary, and aspirational success stories to help readers optimize customer experiences across all channels. Touching all facets of the retail ecosystem, including store experience and design, workforce management, digital marketing and engagement, and omnichannel optimization, our editorial content, multi-media resources and events take timely news and trends and transform them into tactical takeaways that meet the unique needs and priorities of our executive readers.



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