

A marketplace mindset

Why retailers are operating their own marketplaces to increase choice and win customers



RETAIL WEEK FOREWORD



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At first glance, the year ahead might appear fraught with challenges. Uncertainty over Brexit has led to weakened consumer confidence in both the economic and political situation. Online sales growth is expected to slow to single digits for the first time, while the catch-all offer of general marketplaces such as Amazon and eBay threatens to eat into the sales of vertical and niche retailers.

However, a changing market also gives way to fresh approaches, innovation and new business models.

Rather than sitting back, forward-thinking retailers are looking at ways to grow their online customer base, as well as retain existing shoppers.

If the old mantra is 'if you can't beat them, join them', then this is perfectly encapsulated by the rise of the retailer-operated marketplace.

Tesco, Asos, Game, Feelunique; there is a growing list of retailers using the marketplace model to vastly increase their assortment, win new customers and have better end-to-end control of the customer experience.

So, if the business case is clear, what is holding some in the UK market back?

This Retail Week report, produced in association with Mirakl, indicates the answer could simply be a lack of understanding.

We surveyed 60 senior retail directors to gauge their ranging strategy, as well as their appetite for becoming marketplace operators, and their understanding of the investment case.

The results make for interesting reading and show that, despite first impressions, this year and next could prove very fruitful indeed for businesses willing to explore new routes to market.



Retailers are using the marketplace model to vastly increase their assortment and win new customers



RETAIL WEEK CONNECT: ADOPTING A MARKETPLACE MINDSET

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The expectations of the UK online shopper have changed profoundly since the market entry of the global generalists. Retailers such as Amazon and eBay have taught the consumer to expect choice, price competitiveness and utility in one destination. The common denominator among these new retail giants is the business model they employ – the marketplace.

While UK retail continues to be in the vanguard of customer experience and user design in ecommerce, there has been less innovation domestically in embracing the marketplace model to meet this shifting consumer demand – and to do so in a sustainably profitable way.

This report, produced with Retail Week, digs into current attitudes towards the marketplace model among leading UK retailers. The findings suggest there remain many misconceptions surrounding the variety of applications for the model and the resulting benefits.

Through interviews, surveys and selected case studies this report also seeks to debunk some of the myths surrounding the marketplace model – ‘it’s only for generalist retailers’, ‘consumers distrust marketplaces’, ‘I can’t control customer experience’ and more – and show that from highly curated, specialised experiences to expansive, generalist strategies, the model is a proven business accelerator to meet a variety of strategic objectives for tomorrow’s retailer.

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METHODOLOGY

Retail Week conducted 50 quantitative and 10 qualitative c-suite interviews in January and February 2018.

The interviews were conducted off the record, with a cross-section of retailers from different categories, including fashion, home and electricals.

RETAILER SURVEY SNAPSHOT

44%

already use or are in the process of implementing the **MARKETPLACE MODEL**

86% say consumers now expect **MORE PRODUCT CHOICE** even in the same category

84%

believe that with the rise of generalist retailers, **SPECIALIST RETAILERS** have an opportunity **TO CREATE DIFFERENTIATION**

36% plan to **EXPAND** in **CORE CATEGORIES** but only 10% in adjacent categories

70% believe a **LARGER RANGE** boosts **CUSTOMER ACQUISITION**

32%

feel they **LACK THE INTERNAL EXPERTISE** to operate a marketplace



CHAPTER ONE

THE RISE OF MARKETPLACES

- » Retailers believe customers expect more product choice
- » Choice between third-party or self-hosted marketplaces
- » Consumer delivery and efficiency expectations have risen
- » Retailers want to control customer relationship



With its unbeatable delivery proposition, endless choice, low prices and efficient use of data, Amazon has become the retailer the industry looks to for inspiration and to benchmark itself against.

In 2017 its profits hit \$3bn (£2.15bn), up from \$2.4bn (£1.72bn) the previous year, while full-year revenues stood at \$177.9bn (£144.26bn), up 31% on the same period the year before, boosted by a surge in demand for its Prime delivery subscription service. UK sales were £8.8bn in 2017.

Meanwhile, fellow marketplace eBay, Amazon's biggest rival in the UK, reported group sales of \$9bn (£6.6bn) in 2016, with sales here accounting for £973.9m.

The rise of the general marketplaces appears unstoppable, with retailers big and small selling not just via Amazon but also its international marketplace rivals such as China's Alibaba, Germany's Zalando and Southeast Asian marketplace Lazada.

Analysts predict that marketplaces will account for 40% of the global online retail market by 2020.

This all comes at a time when online sales growth is plateauing. This year ecommerce sales growth is expected to slow to single digits for the first time, down from 12.1% in 2017 and a high of 18.6% in 2010, according to the IMRG Capgemini E-Retail Sales Index.

In addition to this, consumers are worried about the year ahead. With Brexit looming, 57% feel less confident about the political situation and 51% feel less positive about the general economy compared with the year before, according

to a survey of 2,000 UK consumers by Retail Week in November 2017.

When consumers are worried, they tend to put away their wallets and purses. These challenging trading conditions make it even more crucial for retailers to hang on to their existing customers and mean that new ones are even harder fought for.

Against this backdrop many retailers are now considering new avenues to drive traffic to their websites and increase conversion.

Marketplaces take the lead

In an environment where the growth of general marketplaces is outstripping that of traditional retailers, businesses have two options. First, they can increase their customer base by working with these marketplaces to sell products on their sites, or, alternatively, they can operate their own marketplace model.

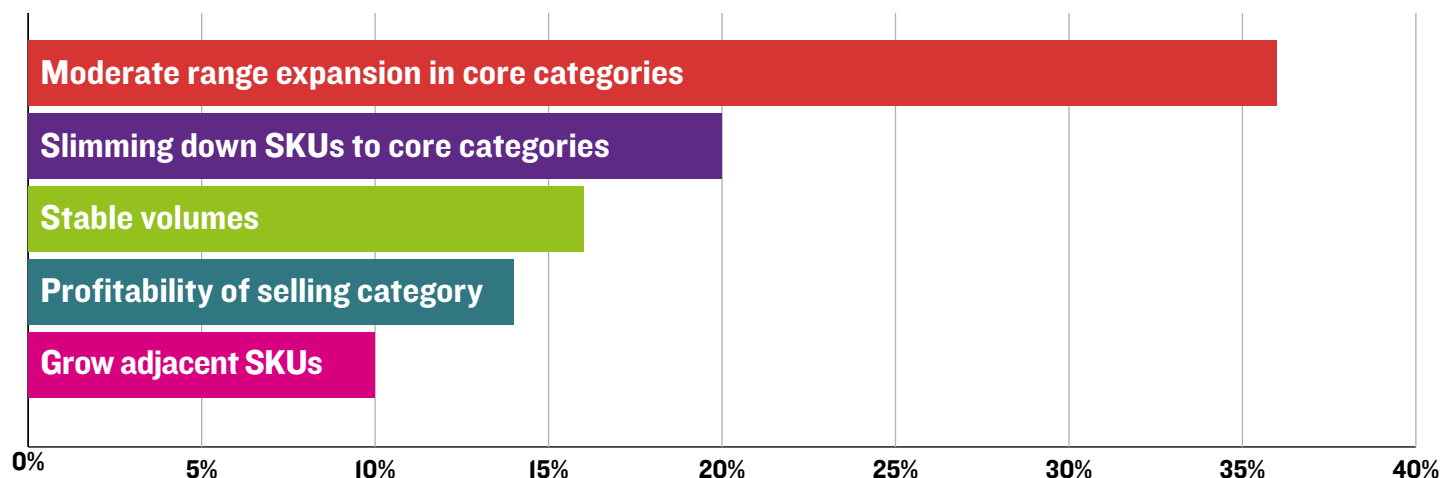
With the retailer-operated marketplace



Analysts predict that marketplaces will account for 40% of the global online retail market by 2020



PRODUCT RANGING STRATEGY FOR 2018



model a less common affair in retail right now, Retail Week surveyed an anonymous pool of 50 retail directors – and conducted a further 10 in-depth c-suite interviews – in February to examine the understanding of, and appetite for, this strategy.

Retail Week's 50 quantitative interviews revealed that 90% of respondents believe product range plays a vital role in the overall success of their business. However, while 36% plan to expand in core categories, just 10% plan to introduce adjacent categories.

This sits broadly in line with the 12% of retailers that say they currently operate a marketplace platform and the 26% that have yet to be convinced of the model's benefits.

However, the rationale to invest in a retailer-hosted marketplace is clear – 86% say it remains critical for retailers to own

the customer transaction and relationship. This reflects that selling their own products on a third-party marketplace means retailers have no control over the

on-site experience, whereas selling third-party brands on their own site gives an element of control over front-end experience.

There were differing opinions around relinquishing control over elements of the customer journey to a third-party marketplace, with some recognising the benefits. "There is some dilution, but

it is worth the trade-off if the audience is incremental to the core," says the ecommerce director of one electricals retailer. He adds: "If you are trading in a marketplace you have to accept the customer is checking out an infrastructure that is not your own. Equally, if the experience is a good one, that also may be an opportunity to win

86%
of retailers believe that
consumers now expect
more product choice, even
in the same category

THIRD-PARTY BIG HITTERS

amazon

Country of origin **US**
Launched **1994**
Sales **\$177.9bn**
(£144.26bn) group
revenue in 2017

ebay

Country of origin **US**
Launched **1995**
Sales **\$9bn** (£6.6bn)
group turnover in 2016

zalando

Country of origin **Germany**
Launched **2008**
Sales **€3.6bn** (£3bn)
in 2016

Alibaba

Country of origin **China**
Launched **1999**
Sales **\$23bn** (£16.5bn)
for the fiscal year ended
March 31, 2017

JD.COM

Country of origin **China**
Launched **1998**
Sales **CNY372.3bn**
(£42.16bn) gross
merchandise volume 2016
online direct sales business

WHAT THE RETAILERS SAY



Whereas a good, better, best approach was sufficient before, now that is not good enough. More people are now defaulting to search on Amazon rather than Google.”

ECOMMERCE DIRECTOR OF A SPORTS RETAILER



The rise of the general marketplaces has definitely affected specialist retailers. Not only are they doing it from a product point of view, but they have also invested in loyalty and bank services [through Prime and Amazon Pay]. As much as people say they are pushing back and not doing business with them, increasingly I think people are.”

MANAGING DIRECTOR OF A FASHION RETAILER



If you just look at the penetration of Amazon as a standalone commercial business and what it does in terms of educating people about things like delivery and efficiency, then I am completely in agreement that consumers expect more breadth and depth of choice. However, it may be category specific, as in fashion we are seeing consumers become more decisive about the products they want, which is at odds with that wider trend.”

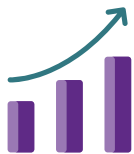
ECOMMERCE DIRECTOR OF A FOOTWEAR RETAILER



90%
of retailers believe **PRODUCT RANGE** plays a vital role in the overall success of a business



86%
of retailers say consumers now expect **MORE PRODUCT CHOICE**, even in the same category



36%
plan to **EXPAND IN CORE CATEGORIES**, but only 10% in adjacent categories



86%
of retailers say it is **CRUCIAL TO OWN** the customer transaction and relationship

the customer.” However, the ecommerce director at one fashion retailer says that owning the customer journey is highly important: “It’s a huge part of it and is probably one of the biggest risks to us as we start to explore trading on [third-party] marketplaces.”

When asked what their most crucial consideration is in determining ranging strategy, the most popular responses were the supplier base and the competition.

The retailer-operated marketplace is able to alleviate both of these pressures. But how does it do it?



BENEFITS AT A GLANCE

FINANCIAL

- Drive incremental revenue with a low COGS
- Increase profit margin
- No need for upfront stock investment
- No risk of holding unwanted stock
- Create internal price competition on high-traffic SKUs

CUSTOMER EXPERIENCE

- React to product trends and shifting consumer demand quickly
- Introduce complementary services to support product range and become *the* destination in your categories

- Significantly improve your ability to personalise and offer relevant product recommendations
- Eradicate out-of-stocks
- Offer a wide breadth of sizes and colours

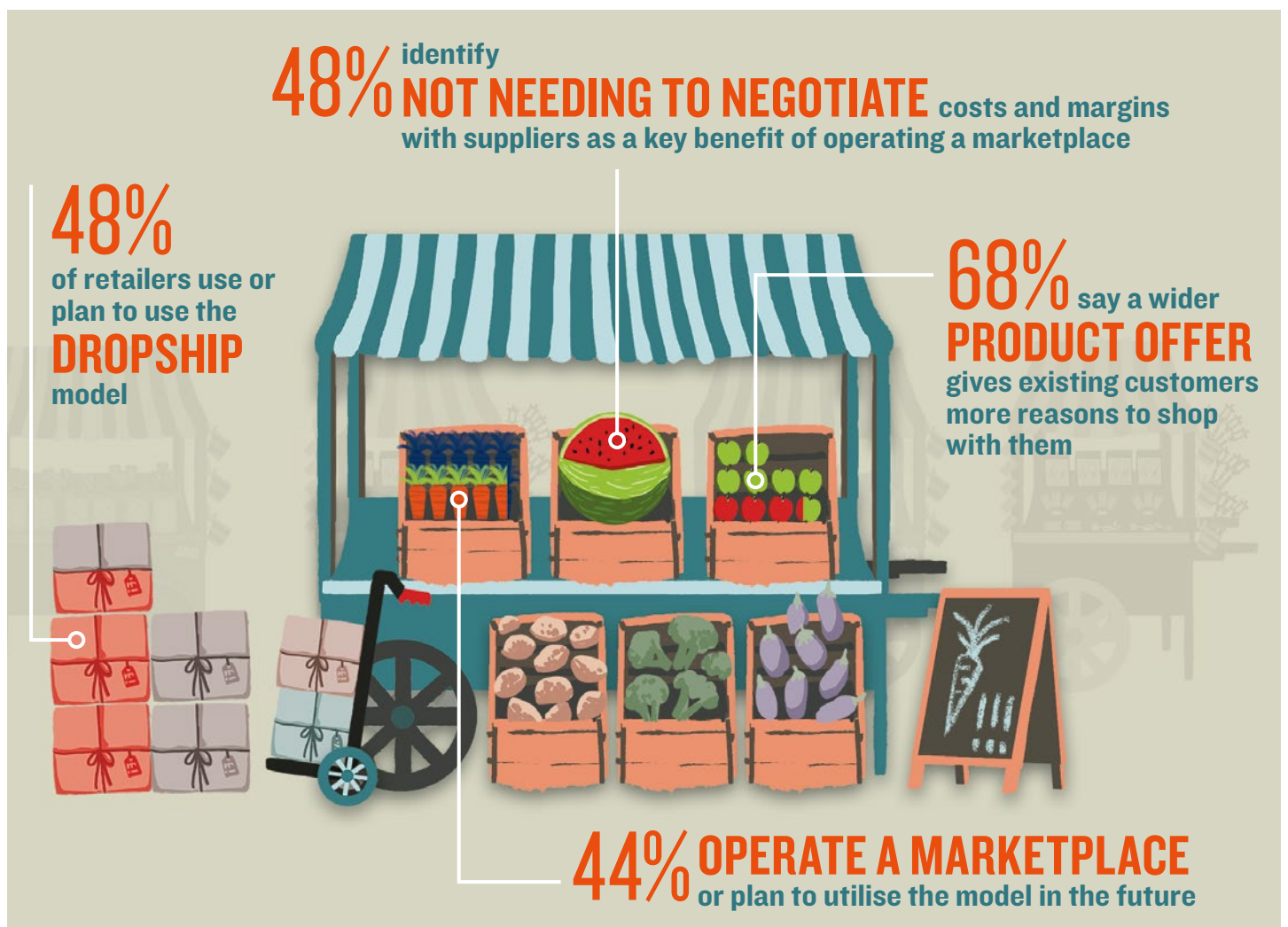
BRAND

- Improve SEO without increasing investment
- Increase the reach of your brand
- Rival the choice of generalists within your core category, utilising your brand heritage for competitive differentiation
- Build a proposition around your curated ecosystem of partners

CHAPTER TWO

GOING IT ALONE

- » Retailers recognise the need to widen product choice
- » Growing numbers view operating marketplaces as a solution
- » Low-risk and low-cost method to range expansion
- » Greater control over the customer journey



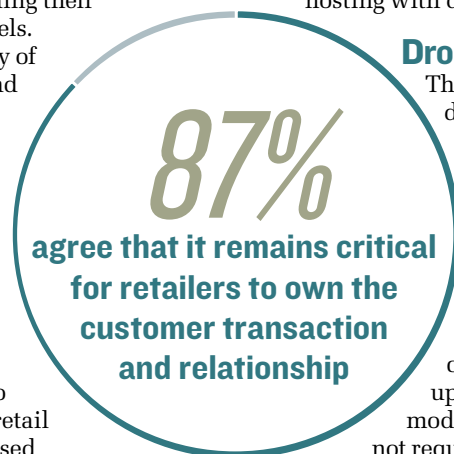
Despite nearly daily warnings that Amazon is steamrolling its way to global domination, some retailers are playing the digital behemoth at its own game by successfully launching their own marketplace models.

Retail Week's survey of 50 retail directors found that organisations are looking to widen product portfolios to meet customer expectations. They also say it is crucial for retailers to own the customer transaction and relationship, and that it can be challenging to retain control of their retail brand across an increased number of routes to market including third-party marketplaces.

Both of those responses achieved a mean rating of 4.34 and 4.06 out of five, respectively, with five meaning to 'strongly agree'.

It was therefore unsurprising that our survey found growing interest in the retailer-hosted marketplace format. The survey reports that 12% are currently operating a self-hosted marketplace, while

a further 32% have plans to launch one and 26% are open to exploring the idea. However, it is likely these figures represent a misunderstanding in the market and these retailers are in fact confusing self-hosting with dropshipping.

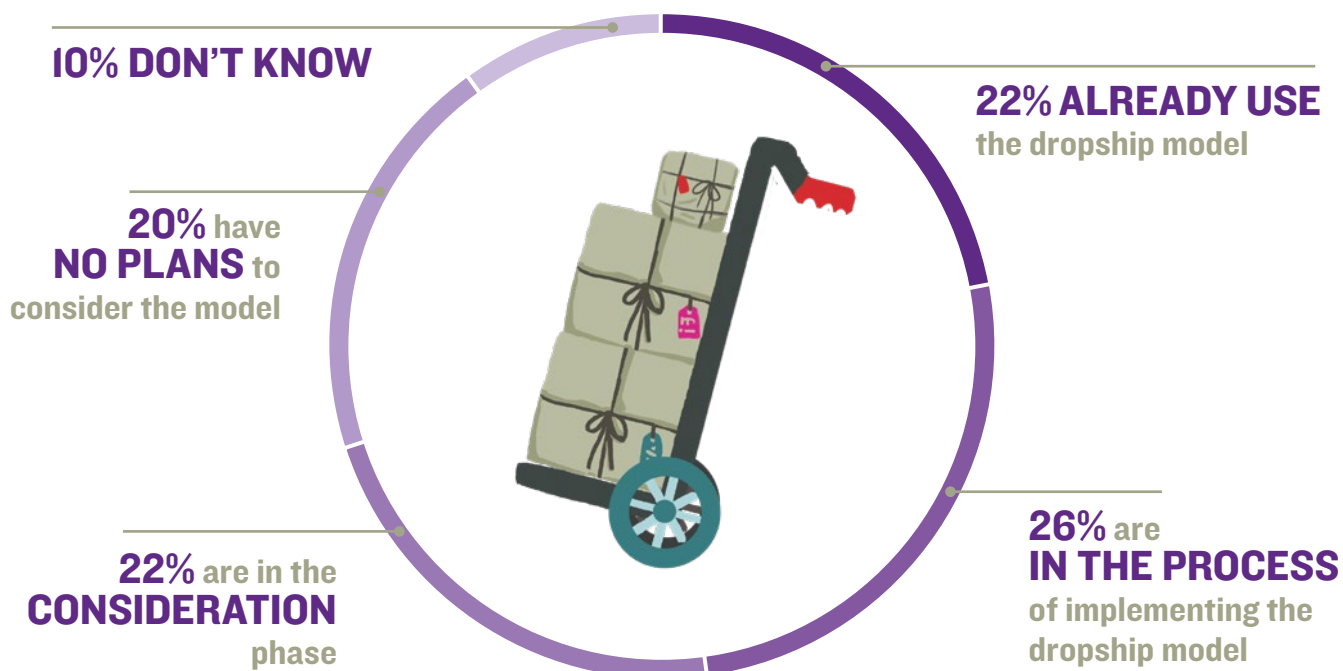


Dropship agreements

The economics of the dropship model separate it from being a true marketplace model. Dropship agreements are negotiated on a one-to-one basis and still require the retailer to commit to a certain number of units upfront. The marketplace model negates these costs, not requiring any commitment to a number of units and instead the host retailer takes a commission from every sale, with the brand or supplier storing and then fulfilling orders.

However, the cost-saving message might not be getting through. Lower numbers – just 48% – recognise that hosting a marketplace means there is no need to negotiate costs and margins with suppliers, and that they can widen their product offer with no costs. This suggests that there

UTILISATION OF THE DROPSHIP MODEL





is still some way to go for the industry to really grapple with the benefits of the retailer-operated marketplace model.

However, this model does move things along one step further.

Marketplace benefits

What are the benefits? As discussed in chapter one, online sales growth is slowing and customer acquisition – already an expensive pursuit – will become harder yet. Two core benefits are that operating a marketplace allows retailers to expand into adjacent categories and break into new international markets via the assortment they offer. Seventy per cent of the retailers surveyed believe that offering a variety of products helps boost customer acquisition, with an average response of 3.9 out of five.

The study also found that 60% of retail directors believe operating a marketplace gives them greater control over the end-to-end process and customer journey, compared with selling through a marketplace themselves.

With retailers constantly under price pressures, keeping costs to a minimum is crucial. Ordinarily, committing to new brands or suppliers means paying for stock upfront and then the additional cost of storing it in a warehouse. This explains the reluctance among many retailers to actively expand ranges beyond their core offer.



44% of retailers **CURRENTLY USE** or are in the process of **IMPLEMENTING** the marketplace model



26% say they are open to **FINDING OUT MORE** about the model



70% believe a **LARGER RANGE** boosts customer acquisition

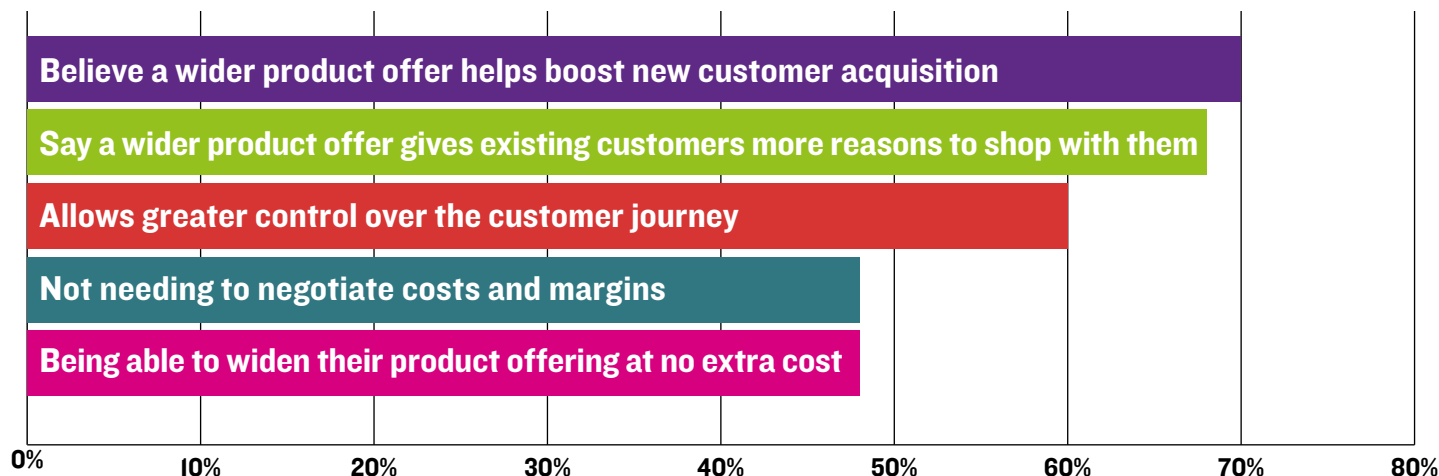


48% of retailers **CURRENTLY USE THE DROPSHIP** model or are in the process of implementing it

THE 10 COMMANDMENTS OF MARKETPLACE SUCCESS

- 1** Stay true to your brand DNA
If you've made your name in fashion, do your customers expect you to expand into home improvement?
- 2** Integrate a marketplace
Utilise your existing traffic and website user experience
- 3** Build trust with transparency
Don't just be clear about your partners, sell the benefits of your selection
- 4** Get enough sellers on board
Marketplaces facilitate efficient scale, don't launch with a whimper
- 5** Target the right sellers
Your choice of sellers will define your marketplace proposition
- 6** Track and incentivise sellers
Reward performers with premium status and suspend under-performers
- 7** Display high-quality assets
Apply the same standards used for your own inventory
- 8** Invest in building traffic
Promote marketplace items and optimise for conversion
- 9** Automate processes
Don't let lack of operational efficiency slow you down
- 10** Make it a business priority
Not a side project

BENEFITS OF OPERATING A MARKETPLACE



To circumvent this, many retailers use the dropship model to take on new brands and extend ranges, whereby retailers buy stock upfront but the brand or supplier stores the stock and delivers it, significantly reducing costs. Forty-eight per cent of retailers surveyed are using this method or are in the process of implementing it, according to our survey. Meanwhile, a further 22% are in the consideration phase.

Costs and concerns

Despite the benefits of driving traffic and customer conversion, as well as reducing costs, concerns persist. Predominantly, the retailers interviewed were afraid that adding third-party brands would cannibalise existing sales, be counter-intuitive to their USP of making and delivering all of their own products, and that they would have a lack of supplier control.

However, the boss of one fashion brand, who has also worked for one of the leading marketplaces and had first-hand experience of the traffic and brand awareness retailers achieve from a third-party marketplace, says the data is compelling enough to pursue the self-hosted route as long as the brands are complementary.

That said, the retailer-operator model is not without costs. Retailers will need to invest in systems, train staff, acquire brands, and then market the platforms (see chapter three). Additionally, fresh thinking may be required in order for retailers to divorce themselves from what they have witnessed third-party marketplaces do before them and understand that they can discerningly select third-party brands to instead create the curated experiences customers expect.

60%
believe operating a marketplace allows greater control over the customer journey (compared with selling through an external marketplace)

WHY SHOULD I OPERATE A MARKETPLACE?

- **GENERALIST RETAILERS:** Scale your assortment expansion profitably without upfront investment and the risk of holding unwanted stock. React to trends and shifting consumer demand.
- **CATEGORY SPECIALISTS:** Become the online category leader by adding both breadth and depth to your range, complemented by relevant services.
- **LUXURY RETAILERS:** Carry all options within your curated selection, deliver the long tail within a controlled and brand-centric experience.

WHAT THE RETAILERS SAY



We would consider launching one. It's about keeping hold of customers and giving them a reason to come back every day. Marketplaces are fast paced and they increase frequency to your site."

ECOMMERCE DIRECTOR OF A SPORTS RETAILER



The marketplace model wouldn't work for us because we are not a significant enough brand. We would invest an awful lot of capital and I'm unclear what the gain would be. However, I do think we will see more of it in the market."

MANAGING DIRECTOR OF A FASHION BRAND



Certainly, encircling the consumer is a benefit. The hardest thing is to get the consumer to engage with you. The more product groups or categories you can credibly sell, the more likely you are to win share of wallet."

CHIEF EXECUTIVE OF A LINGERIE BRAND



Yes, we would consider launching a marketplace. They are cash generative, profitable and incremental, with limited relative investment required and allow rapid range expansion with low risk."

ECOMMERCE DIRECTOR OF AN ELECTRICALS RETAILER

CHAPTER THREE

IMPLEMENTING THE MODEL

» Technology and people are key focus areas

» Investment in the right systems is key

» Marketplace strategy must be led from the top

Once a retailer has decided to go down the marketplace route, there are a host of questions that need to be addressed.

How is the marketplace model actually implemented? How does it fit into existing business plans and who has the responsibility to drive this transformational change forwards? What infrastructure needs to be in place, and what financial and logistical considerations have to be made?

These are the questions keeping chief executives, ecommerce and financial directors up at night and will no doubt be the key considerations they are wrestling with when thinking about how to action implementation.

However, the challenges facing implementation can really be boiled down to two key areas – technology and people.

Our survey of 50 retailers illustrates this further. Fourteen per cent say they are concerned that launching a marketplace would be resource intensive and another 14% say they are worried about the financial investment required.

There are also fears over cannibalisation of existing sales, with the new brands then eating into the retailer's sales of its own products.

Mature operators frequently see a halo effect from their marketplaces driving increased core product sales as newly acquired customers discover their range. However, they would be likely to lose sales if they are not able to offer products for lower prices than the new brands, but would have the opportunity to upsell and introduce product recommendations.

To find out more, Retail Week spoke

to two businesses that have gone through the process and launched their own marketplaces.

"It is doing well, so that is not an under performance. It is just about managing expectations," says the online director of one electricals retailer. "It hasn't delivered what the business had expected. I think the expectation was it would do 25% of our gross sales and today it is more like 10%." He adds that the increased number of SKUs has attracted more customers.

The main challenge the electronics retailer faced was integrating its marketplace technology into existing legacy systems. "It involves a lot of hard work, approved capital expenditure in the business and dedicated resource," he says. However, he adds that the long-term financial benefit makes it worth the investment.

"At the time we launched our marketplace, the decision was triggered by a couple of things. Firstly, the success of third-party marketplaces such as eBay and Amazon, but secondly, the understanding that if you get the operator model right then it can be a very profitable part of your business. This is often a blind spot in many retail businesses. They don't realise how profitable the marketplace operator model can be," he explains.

The chief commercial officer of a fashion brand that launched its marketplace last



year agrees that legacy systems make integration a difficult process, but adds the result is that his business is now seen as a destination for the new third-party brands they have taken on and that conversion has improved in tandem.

Getting the system right

Integration issues aside, investment in the right system is key. Many traditional ecommerce platforms are designed to push and display one catalogue of products on the front end, then fulfil from that same catalogue from the back end. They are simply not set up to deal with the hundreds of vendors that would be required by most marketplace models.

Additionally, a dedicated marketplace payment solution is set up to pay vendors minus the retailer's commission – saving time and money.

“You just have to make sure you have your business case clear to win funding internally, and that you can say ‘with this investment we will achieve X sales by X date’. You have to believe the longer-term benefit far outweighs the cost,” says the electricals retailer ecommerce director.

However, it's not just technology – adopting a marketplace mindset comes with people requirements as well. This was borne out in the research, which found the third most cited concern about launching a marketplace, behind competing business priorities and the

risk of a negative customer experience (both at 36%), was a lack of internal expertise at 32%. Retailers need teams that can identify sellers, dissect data to discover opportunities, attract clients and then manage relationships, and also work with catalogue integration.

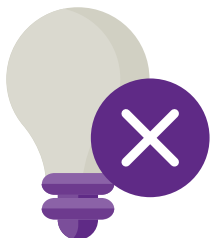
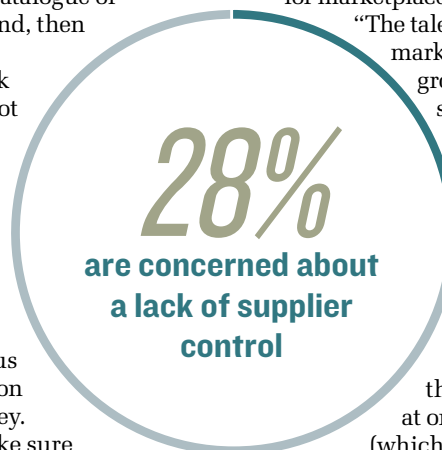
Nick Bareham, UK country manager at marketplace solution provider Mirakl, says the challenge in the UK is that, unlike in the US, people with experience in working for marketplaces are in short supply:

“The talent pool in the UK for marketplace management is growing quickly, there's still a need for external training and knowledge transfer from trusted partners.”

The answer will either be recruiting from overseas or retraining existing staff.

In addition to this, the ecommerce director at one footwear retailer (which doesn't operate a marketplace at present but is exploring dropship options) says the marketplace model can feel counter-intuitive to buying teams that have been trained to curate products and therefore political challenges emerge internally.

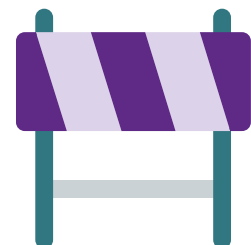
As such, the ideal marketplace strategy should be driven throughout the business from the top down to ensure everyone is on board.



32% of retailers feel they **LACK** the **INTERNAL EXPERTISE**



14% of retailers say required **INVESTMENT** is a **CONCERN**



14% of retailers say **RESOURCE** requirements are a **BARRIER**

FIVE LESSONS: What have we learnt?

1

The continued rise in **GENERAL MARKETPLACES** has changed the online landscape

2

RETAILER-OPERATED MODELS may be the **BEST** method specialist retailers have to compete

3

Third-party brands must **BE COMPLEMENTARY** in order to **AVOID** sales **CANNIBALISATION**

4

INVESTMENT in people, training, process, and, above all, systems, **IS KEY**

5

ROI case is clear: **INCREASED TRAFFIC** means greater chance of new customer acquisition



Other retailers also worry it could undermine the specialism of being a niche retailer. “It could impact your core business offering and potential service quality,” says the ecommerce director of one electricals retailer.

However, despite the people requirements the marketplace model brings, retailers are left with a massively expanded assortment of products and a system that comes with a great deal of time-saving automation – such as the ability to calculate the payment remuneration to the brands it hosts.

Despite challenges around integration and people, the benefits in driving greater frequency of traffic and therefore conversion via a greatly expanded product offer make the marketplace strategy an

appealing one for businesses looking to grow market share.

Marketplace makeovers

Asos, Tesco, Game, Best Buy Canada, Conforama, Walmart and Feelunique – there is a growing list of retailers that have taken the self-hosted marketplace route.

In chapter two we explained the benefits of launching a marketplace, while this chapter examines how best to deliver it. But what does success look like? What have been the strategic drivers behind some of the recent successful marketplace launches? And, crucially, what does the return on investment look like?

Here we pull out four case studies to find out what a marketplace makeover means for business performance.

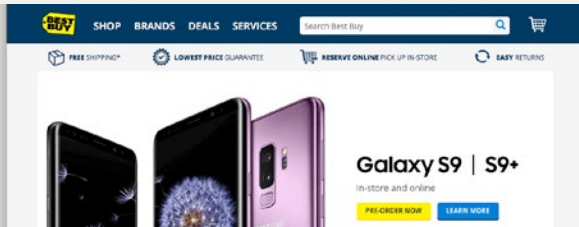
MARKETPLACE SPOTLIGHT

French electronics and white goods retailer Darty Group is one of the largest retail businesses in France, and runs a highly successful third-party marketplace. According to research company Forrester, the benefits Darty has experienced since launching a marketplace include:

- Increased number of SKUs by 400%
- The company estimates that about 20% of visits to Darty are now coming as a result of its marketplace items
- Expansion into highly lucrative adjacent categories that would have been difficult for them to fulfil otherwise
- Significant profit boosts – Darty can now generate €6–7 for every €100 of goods sold through the marketplace part of the site, compared with the €2–3 it generates from €100 of sales of its own products.



Best Buy Canada



- +200% product range increase
- 250 million customer visits

For some of the best examples of how to crack the marketplace model, UK retailers need to cast their gaze overseas.

Canada's largest speciality electricals retailer Best Buy Canada launched its marketplace in 2015, with the express intention of driving more multichannel activity across its estate.

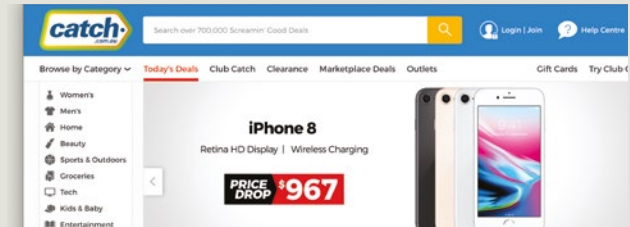
The retailer decided opening up its website BestBuy.ca to third-party brands would not

only help increase traffic to its website, but also drive footfall to its 192 bricks-and-mortar locations via click-and-collect orders.

The idea was to also test new products and categories at scale to see if they proved popular with customers.

Vice-president of ecommerce Thierry Hay-Sabourin describes the marketplace model as the company's future for growing online revenue.

Catch Group



- 500 sellers live within six months of launch
- In excess of AUD\$1M gross merchandise volume (GMV) per month within three months of launch

Catch Group is the trailblazing ecommerce organisation transforming Australia's marketplace landscape.

Launched in June 2017, the Catch.com.au marketplace is growing rapidly, already accounting for a third of Catch's impressive online sales volume.

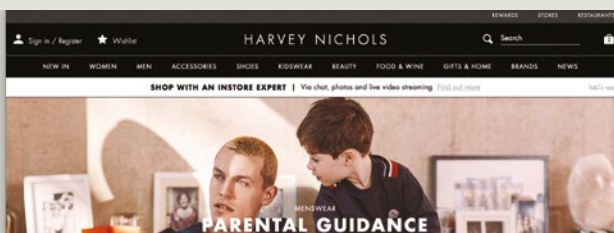
The marketplace has allowed it to rapidly expand categories such as electronics and furniture, by tapping

into hundreds of local and international sellers, offering top brands at great prices.

Catch has launched in New Zealand and is seeking to cement its position as the region's frontrunner following Amazon's recent expansion into Australia.

Catch Group chief executive Nati Harpaz says: "We have a core offer of unbeatable value products, with the marketplace providing an amazing assortment of categories."

Harvey Nichols



- +150 brands added
- x1.5 increase in product range

Iconic London department store Harvey Nichols launched its online marketplace in February 2016 in a move that then chief executive Stacey Cartwright said would enable it to "gain enormously valuable ground" on its competitors.

Harvey Nichols' website was relaunched in 2014 as it began its multichannel journey under Cartwright.

The decision to invest in a marketplace was triggered by its desire to recreate

the concessions model it boasted offline in its London store, driving click-and-collect orders into store and allowing customers free returns.

Its seller strategy focused around adding other fashion brands and attracting complementary brands in areas such as kidswear.

The results speak for themselves. A year after launch ecommerce sales shot up by 25% to £16.6m in the 12 months to April 1, 2017.

Conforama



- +10 new categories
- x15 increase in product range by end of 2017
- +15,000 new references upon launch

French home retailer Conforama turns over €5bn (£4.41bn) and is number two in the furniture sales market in Europe, with 8% of its turnover achieved online.

It launched its online marketplace in August 2016 in order to complete its offer in homewares and act as a one-stop shop for its customers. The retailer has more than 200 stores and views the marketplace model as an ideal way to test new

products at minimum cost, before deciding which products it should invest in rolling out across its store estate.

The retailer is also aiming to improve its multichannel strategy by offering its customers products they can't find within its store estate.

The launch of its marketplace has done just that, quadrupling its catalogue to 200,000 product references by the end of 2017.

CHAPTER FOUR

CONCLUSION

What this report shows is that the online retailing landscape is changing. Consumers lead increasingly busy lives, so they often want a one-stop shop that offers a wide selection of products, at good prices, with convenient delivery options.

The likes of Amazon and eBay arguably have this nailed. So retailers that were previously known for one, or just a few categories, are now having to rethink their strategy and weigh key considerations. How do third-party

marketplaces factor into their online strategy? What can they learn from them? And could the answer be to launch their own marketplace to compete?

Our findings show that there is a lack of understanding in the market about retailer-operated marketplace models, but that interest is gathering pace. With online sales growth slowing, new customer acquisition is going to become harder, so retailers will need every advantage in their arsenal. Becoming a marketplace operator could be the answer.



Adopting a marketplace mindset: the Prospect view

Marketplaces offer retailers indisputable advantages in terms of increasing traffic, boosting conversion rates, streamlining costs and improving consumer insights.

Choosing between self-hosted and third-party platforms largely comes down to scale, identity and strategic goals – and it's a choice retailers need to consider carefully.

To thrive as a self-hosted marketplace, retailers should only take on brands that strongly align with their own reputation, pricing, customer service and fulfilment offers.

Self-hosted platforms can also boost international expansion by allowing retailers to introduce their domestically established brands to new markets without an abundance of substitute goods that can

cloud insights into consumer preferences – negating a key benefit of marketplaces in the first place.

Other advantages include boosting footfall to physical stores through click-and-collect marketplace orders and free returns. Such convenience is paramount to consumers, and a marketplace facilitates this in a unique way.

This is not to say general marketplaces are inferior. Smaller retailers can gain vital experience testing their multichannel capabilities through them. But inconsistency and a lack of control provide justifiable concerns for retailers.

Resistance to the idea is also framed by the complexity of implementing such platforms. However, without the burden

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of fulfilment and distribution, retailers are already given a leg up by suppliers.

Retailers should become more aware of the financial and operational benefits. As ecommerce sales growth matures, collaboration will be key to the continued evolution of online retail. Businesses must develop a mindset that thrives on cooperation and offers consumers the variety and convenience they want, or face the rising tide of marketplace platforms alone.

● *Retail Week Prospect is a live intelligence resource providing unique and exclusive access to the people, strategies and financial data of the UK's most innovative retailers.*

WHAT THE RETAILERS SAY



Retailers mustn't lose focus. And they need to make sure the experience is as good as when they are buying one of their core products, because even if you are not the actual seller, a poor delivery will reflect badly on you."

CHIEF EXECUTIVE OF A FASHION RETAILER



The biggest challenge is political and internal; buyers see themselves as curators of choice. However, commercially it makes sense and I am very attracted to it. So you need buy-in at a political and commercial level and then it needs to be policed."

ECOMMERCE DIRECTOR OF A FOOTWEAR BRAND



You have to make sure the brands you sell are aligned to your core brand values. There is a huge piece on that, it's not just about adding a bunch of products. Then you need to work out what the logistics and delivery experience is going to look and feel like."

ECOMMERCE DIRECTOR OF A FASHION BRAND



A challenge for us would be the consumer coming to view us as an electricals generalist rather than a specialist. That is more of a strategic question that needs to be answered by our leadership team, because the opportunity is significant if we have a larger volume of traffic [due to a marketplace]."

ECOMMERCE DIRECTOR OF AN ELECTRICALS RETAILER



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