

# Marketplaces: A Distributor's Key to Staying Relevant

Much of the distribution sector has mastered eCommerce as a selling channel. But that's become table stakes in today's hyper-competitive landscape. This report examines why distributors are leveraging marketplaces to take their digital sales efforts to the next level.



## Marketplaces: Fueling Digital Transformation & Growth

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**400**  
sites in 2023

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***Digital transformation is accelerating throughout global businesses. What started as a leap of faith for many enterprises during the pandemic has become a true competitive advantage for those businesses embracing digital solutions.***

Faced with creating new ways to go to market during a period of global lockdowns, many businesses invested heavily in online capabilities such as marketplaces to remain relevant.

The use of B2B marketplaces is continuing to grow, expanding from about 100 sites a few years ago, to more than 400 in 2023. Revenue from B2B marketplaces soared 131% in 2021 to \$56.5 billion. Continued strong growth in 2022 was expected to push online B2B revenue to approximately \$130 billion, [according to DigitalCommerce360](#).<sup>1</sup> The pace of adoption was so frantic that many companies say their digital capabilities advanced by [as much as seven years in less than 24 months](#)<sup>2</sup>.

Industries such as retail, healthcare and manufacturing have embraced digital marketplaces to penetrate new markets, increase efficiencies, lower costs, enhance product quality and capture and retain customers.

- **Manufacturers** rely on digital solutions such as data analytics, AI, machine learning, 3D printing, sensors and robotics to create new business models and respond rapidly to changes in the market. As a result, major gains are being made in customer service by simplifying and customizing the ordering process. Manufacturers expect the same capabilities from their buying partners.
- **Retailers** are embracing digital solutions, including RFID technology, to automate processes in the distribution center and to drastically improve inventory visibility. By having product readily available, retailers are able to reduce stockouts and build brand loyalty. Similarly, retailers expect that same inventory visibility from their distributor partners.
- **Healthcare** is turning to digital tools to increase efficiencies and build patient-centric solutions, including improved access to healthcare services in disadvantaged communities. Having full visibility into products like ventilators and implants is critical.

The common denominator between each of these industries is their focus on the customer experience through marketplaces. The wholesale-distribution sector, typically a laggard when it comes to adopting new technologies and processes, must pursue digital transformation for the same reasons — primarily because their customers are demanding it.

1. Digital Commerce 360, "B2B marketplaces are shaping the future of B2B ecommerce." [www.digitalcommerce360.com/article/future-of-b2b-marketplaces/](http://www.digitalcommerce360.com/article/future-of-b2b-marketplaces/)

2. GHD Digital, "The Innovation Imperative." [www.ghd.com/en/expertise/the-innovation-imperative.aspx#research-insights](http://www.ghd.com/en/expertise/the-innovation-imperative.aspx#research-insights)

## Why Marketplaces?

**Many distributors are fighting to remain relevant in a rapidly accelerating digital world, where products from abrasives and aerosol cans to zinc sulfate can be ordered at the click of a mouse.**

In order to retain their cherished, profitable and decades-old role as the middleman between manufacturers and the end customer, distributors must modernize processes, aggressively implement change management, and embrace digital solutions like marketplaces.

“The marketplace model is being adopted by buyers principally because a lot of their traditional distributors haven’t done enough in eCommerce to accommodate the complexity of the digital journey that’s required for B2B buying,” says Brian Beck, B2B eCommerce Expert Advisor, Author and Co-Founder of thought leadership provider Master B2B. “A marketplace is a great way for companies to offer a broad assortment in a lightweight capital manner. The operator is not holding inventory — they’re leveraging it.”

### Opportunity Awaits

Embracing the concept of digital marketplaces, such as Amazon or Alibaba, represents an opportunity to enter the digital selling world and modernize the relationship between buyers, sellers and manufacturers. Marketplaces provide multiple benefits for both suppliers and customers — and the distributors that anchor these trusted relationships.

- For buyers, marketplaces represent a single-source purchasing solution with immediate access to premium pricing from top suppliers. This occurs while still relying on the consultative and educational knowledge provided by your distributor partner.
- For suppliers, marketplaces represent a digital sales and marketing tool that enables brands to increase market territory and sales while enhancing their overall digital presence.

For example, ChemDirect was founded in 2019 to simplify the process for buying bulk chemicals. Backed by venture capital funding, [the marketplace now boasts](#) more than 500,000 chemical product SKUs, a 99% perfect order rate and speedy delivery. In 2022, the platform grew its gross merchandise volume to over \$1 million per month; secured more than 100 new suppliers and tripled its headcount with two new U.S. offices.<sup>3</sup>

### Inventory Visibility Leads to Efficiency

Marketplaces like these are growing in popularity because they are more efficient and provide information on demand. One of the primary values of a marketplace for distributors is that they provide enhanced (in some cases real time) inventory visibility. In many cases, sales fall through when poor inventory visibility makes it impossible to guarantee product availability, pricing and delivery dates.

Having access to a suppliers’ inventory allows distributors to better predict delivery capabilities. However, in a non-digital world, many distributors still rely on their sales team to produce this information. In the time it takes (often days) to call multiple vendors to check availability and pricing, customers are likely to move on to a competitor who can provide this information in real time.

3. ChemDirect. (February 28, 2023). ChemDirect Marks Record Year With Rapid Growth and Expansion [Press Release]. <https://www.businesswire.com/news/home/20230228005104/en/ChemDirect-Marks-Record-Year-With-Rapid-Growth-and-Market-Expansion>



// With a marketplace model, you’re expanding the universe of what’s available to customers. You’re sure to see some productivity improvements from the sales rep in terms of what they can sell, and how much they can sell to each customer. //  
— Brian Beck, B2B eCommerce expert advisor, author

## Enhancing the Consultative Sell

**Many distributors balk at the concept of marketplaces because of the fear factor.**

Perhaps the biggest inhibitor to a digital selling tool is the belief that adopting one will put sales teams out of a job. However, that concept is the furthest thing from the truth. Instead, think about digital marketplaces as a “digitally-assisted sell.”

Marketplaces are an opportunity to reinforce the fact that distributors are experts in their domain. In many cases, they know more about certain products than the buyer does. When a distributor receives an order on a digital marketplace, it is their job to match the specs of the product against the use case.

The consultative sell includes informing the customer that they have chosen an unsuitable product, clearly an opportunity to upsell and build trust. And because the digital marketplace shows inventory in near or real-time, they can do so faster than before. This capability helps to reduce inaccurate orders, or B2B “buying mistakes.” Buying mistakes slow production, reduce quality and add costs — reducing your customer’s bottom line.

A digitized selling experience is not about replacing salespeople at all; it’s about surfacing information faster and helping the customer work more efficiently.

### **More Options = Customer Convenience**

Distributors that operate a marketplace do so knowing that it involves selling and promoting products that may be from competing distributors or suppliers that aren’t current customers. That can be a hard concept to accept. But as alluded to so far in this report, a marketplace’s value in offering customers more options far exceeds that competitive element. It also demonstrates to customers that the operator is thoroughly connected with other product providers and can offer the best possible selection at any given time.

“A distributor’s core value of distribution is to have the right product at the right time, delivered quickly to the customer where they need it,” Beck explains. “A marketplace gives their sales team the ability to have that product available to them. If a distributor doesn’t have it, they’re not going to get the sale. If you start aligning your sales team with a marketplace, it becomes really powerful because you can look at where that customer is looking, how they’re reviewing it and create activities based on that in the CRM system.”

This means that even if a customer is buying from a competitor on your marketplace, you can still capture their buying behavior and leverage that going forward. Customer data harnessed from the marketplace can help a sales rep know when a customer has viewed something on the platform, downloaded information or put items in their shopping cart.

“Regardless, it’s really supercharging the way that smart companies are thinking about integrating eCommerce with their physical sales team,” Beck emphasized. “It gives you more to work with. It allows you to solve a customer’s problem. So I see that as a principal way that sales teams can leverage a marketplace.”



“For the buyer, a successful marketplace makes a distributor more approachable. For the distributor, it increases throughput — closing more deals at the end of the day and creating greater order value because you’ve expanded your catalog.”

— Ryan Lee, Nautical Founder and CEO

## 3 Steps to Remain Relevant by Deploying a Digital Marketplace

***The evidence is stacking up that online marketplaces are becoming the preferred way to purchase, especially as a digitally advanced generation enters the workforce.***



# 83%

of B2B buyers prefer ordering or paying through digital commerce as opposed to in-person transactions.



In fact, a [Gartner 2022 study found that](#)<sup>4</sup> 83% of B2B buyers prefer ordering or paying through digital commerce as opposed to in-person transactions. This is primarily due to added convenience and speed.

Those enterprises that choose not to digitize — or those that start too late — will lose market share. In some cases, slow adopters will fall by the wayside, similar to how entire industries and companies have been jolted by the likes of Amazon and other online behemoths.

To stay ahead of the competition and market disruptors, or at least keep pace with them, distributors would be wise to take the following actionable steps.

### **Collaborate With an Experienced Market Leader**

To stave off extinction, distributors must collaborate with a marketplace platform that knows your industry and has the tools and experience to drive a successful transition to a digital world. For starters, find a provider that speaks your language. The team at [Nautical Commerce](#), for example, has collectively built more than 40 B2B marketplaces and understands the nuances of distribution.

### **Look for More than a Self-Service Portal**

Many marketplace vendors provide a platform that offers customers a self-service shopping experience, but it stops there. However, Nautical's approach includes the understanding that marketplace technology is much more than just commerce. It's equal parts, commerce, FinTech and logistics — all necessities of a successful marketplace for today's distributor.

"When we built our platform, we endorsed a multi-vendor approach throughout the entire fabric of our architecture. That effectively ensures that we can support B2B business end-to-end," says Ryan Lee, Founder & CEO of Nautical. "The most successful marketplace businesses have mastered the art of having products magically appear. The reason why it magically appears is because they have systems in place for payments, ordering and logistics."

### **Aim for Risk-mitigated, Real Business Outcomes**

It is crucial to partner with a marketplace provider that is able to ensure real business outcomes in a risk-mitigated way that is fast and efficient. Instead of pursuing a 3-year plan, begin with an incremental implementation and release that takes as little as 90 days. Launch the platform, study the learnings and then implement phase two.

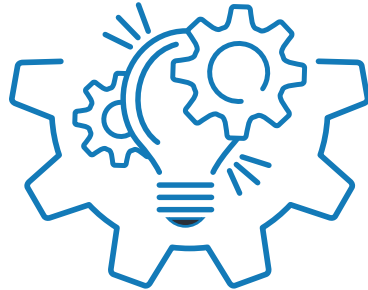
The most intimidating part of a digital transformation is the possibility of blowing up your existing business in the process. It's a valid concern. That's why it's crucial to implement digital tools into the fabric of your current business, instead of building something on the side and then flipping a switch.

4. Gartner, "Gartner Sales Survey Finds 83% of B2B Buyers Prefer Ordering or Paying Through Digital Commerce." [www.gartner.com/en/newsroom/press-releases/2022-06-22-gartner-sales-survey-finds-b2b-buyers-prefer-ordering-paying-through-digital-commerce](http://www.gartner.com/en/newsroom/press-releases/2022-06-22-gartner-sales-survey-finds-b2b-buyers-prefer-ordering-paying-through-digital-commerce)

## The Final Word

***Distributors have a unique opportunity to digitize their own processes by deploying a vibrant B2B multi-vendor marketplace platform.***

Leading distributors that choose this path will remain relevant with their customers and capture exploding demand for better online-buying experiences between businesses.



// Nautical brings a lot of the capabilities that you need to do this well from a functional perspective. They have a real appetite for serving the folks that are on their platform. They understand the business pains these companies are going through[...]. In working with technology companies, the ones that I've seen really succeed go beyond the technology and functionality aspects. They understand the business issues and objectives behind them and the pain points these companies are trying to solve. The Nautical team has displayed that ability. //

— Brian Beck, B2B eCommerce expert advisor, author



### **We Help Distributors Innovate**

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### **About Nautical**

Nautical enables distributors to own their industry by becoming an online marketplace. Nautical's headless multi-vendor commerce platform allows you to build the marketplace or dropship experience your customers require in less time and with less risk. Whether you want to launch a new marketplace or leverage the dropship model within your existing business, Nautical delivers the capabilities needed to make marketplace management simple for sellers and operators.