

AS FEATURED IN

DIGITAL **B2B**
COMMERCE 360

B2B MARKETPLACES SERIES - PART II

B2B MARKETPLACE — BONANZA —

Marketplaces are brimming with opportunity for the B2B commerce world as their operators, sellers and buyers find more ways to produce value and profits.

Compliments of



EXECUTIVE SUMMARY

MAKING THE BUSINESS CASE FOR MARKETPLACES

B2B online marketplaces are not only growing in numbers of marketplace platforms and participating buyers and sellers. They're also mushrooming in the number of participating businesses by industry, business model and value proposition.

In effect, e-marketplaces — hundreds of them in the U.S. alone — are covering just about every area of B2B commerce. And each new marketplace, it seems, is finding its own value proposition to win over customers and improve selling operations.

In the chemicals industry, marketplace ChemDirect is forging new commerce capabilities and working with trucking and logistics services giant Schneider National Inc. to open new avenues of chemicals order fulfillment and delivery. In the metals industry, Felux and Bryzos have emerged as marketplaces changing how manufacturers and buyers meet and conduct business.

Ingredion — a major supplier of ingredients for everyday products ranging from foods and beverages to paper and pharmaceuticals — has opened new opportunities in a storefront on Knowde.com. Knowde in recent years has mushroomed into a vital marketplace for chemicals, ingredients and polymers used in multiple industries.

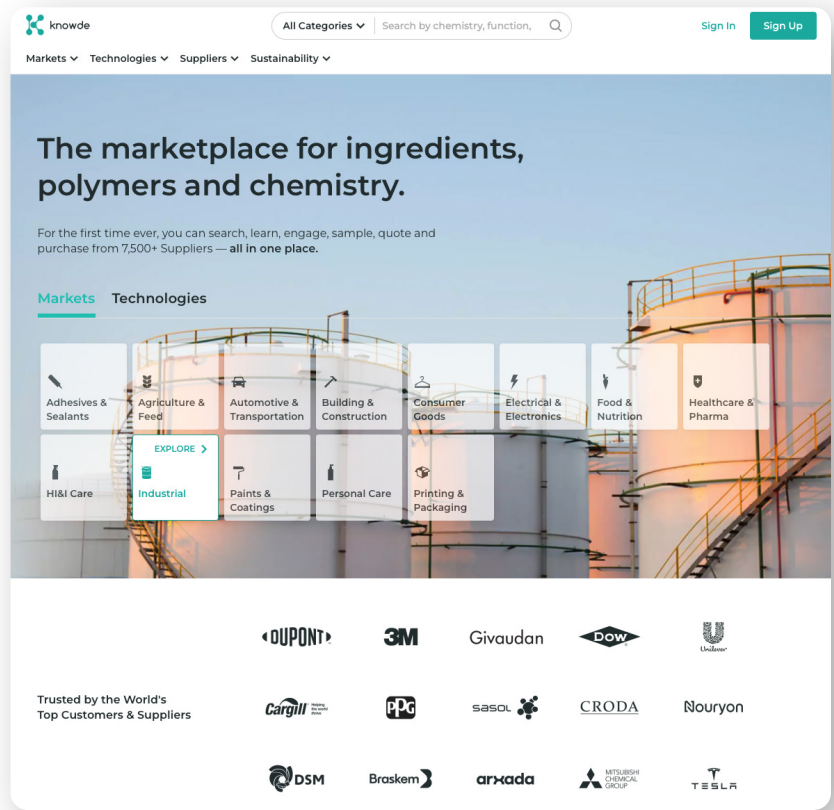
In this report, read how medical products marketplace bttusa.com is growing with its strategy of catering to underserved health care facilities and learn about how Parts Town, a fast-growing



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foodservice equipment parts distributor, is upgrading order fulfillment and customer service through its Parts In Town marketplace. And read about how ProducePay has emerged as a fresh face in connecting buyers and sellers in the agricultural industry — and earned a Supplier of the Year award from Amazon.com-owned Whole Foods Market.

Also, in the cover story, read how Circular.co is applying the unique features of an internet marketplace to grow a new business while helping the recycling industry take on the challenging and complex tasks of helping companies manage carbon footprints and reduce landfill materials. ■■



Knowde, a marketplace hosting storefronts from such suppliers as Dow, 3M and Ingredion, has mushroomed into a vital source of chemicals, ingredients and polymers.

Building a successful B2B marketplace requires commerce, fintech and logistics



An executive conversation
with **Ryan Lee**, CEO,
Nautical Commerce

B2B marketplaces are becoming a necessity. They offer companies a myriad of growth opportunities as the fastest-growing segment in B2B ecommerce. When considering marketplace strategies for the first time, B2B companies often weigh the pros and cons of participating in an existing marketplace or launching their own. To discuss the value these organizations can draw by launching a company-owned marketplace and how to successfully launch a B2B marketplace, Digital Commerce 360 B2B spoke with Ryan Lee, CEO of Nautical Commerce.

How can B2B companies leverage a company-owned marketplace inside of their business?

Marketplaces in general are a great business model because you're finding additional ways to monetize your network through digital enablement. Different types of B2B companies use the marketplace model in different ways. For brokers and distributors, it lets them digitize their business, which is fundamentally already an undigitized marketplace model. And for manufacturers, marketplaces help them directly service their end customers and find additional monetization levers alongside their core products.

What tools do these companies need to launch their B2B marketplace stack?

Many B2B companies have been looking at marketplaces as a commerce problem. But a marketplace really sits at the intersection of commerce, fintech and logistics. To successfully operate a marketplace, companies must take all three into account.

- ▶ Commerce is essentially about the buyer experience; removing the friction to buy.
- ▶ Fintech involves vetting vendors, being able to pay them out and recognizing revenue appropriately.
- ▶ Logistics means making sure your marketplace vendors adhere to your brand promise through fulfillment and delivery.

With regard to tools, you have to find a marketplace platform that covers all three aspects. Otherwise, it's incomplete.

What typical challenges do B2B companies face in operating a marketplace?

The biggest challenge is navigating the regulatory hurdles around a marketplace model. How you identify vendors from a taxation perspective and ensuring you're tax compliant is not straightforward.

The second challenge is the technology, which has largely not existed in a way that allows an organization to launch a marketplace end to end. Because most companies view marketplaces exclusively through a commerce lens, they try to build it themselves into their commerce platform — leaving out the fintech and logistics part of the process. That's generally why marketplace initiatives fail.

What strategies and technologies help them overcome these challenges?

On the taxation side, understand the dynamics of marketplaces in your industry and how to be compliant. The fastest way to get shut down is to run afoul of the tax regulations.

Secondly, companies should embrace a platform that was designed intentionally for marketplaces. When you want a race car, you don't build your own. You look for the experts who build it.

Nautical Commerce helps companies launch a company-owned marketplace by taking a three-phase approach — concept, pilot and production — so companies realize maximum value. In the concept phase, we verify it's a viable business model. In the pilot phase, we test the first few thousand orders to make sure they'll generate value. And in the production phase, we apply what we've learned in the launch of your marketplace. That's what agility is about: learning and tweaking the process for the best outcome.





79%

of suppliers have built, are planning to build, or are considering building a marketplace

McKinsey
& Company

\$3.6 Trillion

Estimated B2B marketplace sales globally by 2024



7X Growth

B2B marketplaces grew 7x the rate of overall B2B commerce in 2020



Join Leading B2B Businesses Who Have Launched a Company-Operated B2B Marketplace

With Nautical's multi-vendor marketplace platform, you can launch your company-operated B2B marketplace in days without the cost of custom code



Scale marketplace operations effortlessly, without technical complexity



Leverage a feature-rich platform built for B2B transactions



Implement a marketplace without disrupting your existing business lines

Speak with a B2B marketplace expert at Nautical about your marketplace strategy today!

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COVER STORY

FOSTERING COMMERCE AND PROFITS IN INDUSTRIAL RECYCLING

Circular.co is a B2B marketplace to buy and sell sustainable commodities, like plastic. The recycling industry can be both sustainable and profitable — and on a marketplace as easy to use as Amazon or Airbnb, says founder and CEO Ian Arthurs.

By Gretchen Salois

Recycling is not ingrained in American culture, says Ian Arthurs, founder and CEO of Circular.co, a startup B2B marketplace for buying and selling recycled commodities. That's why it's important to make the process of finding high-quality recycled plastic easy, in this case for industrial B2B customers, he says.

"I think it's inevitable for the plastics industry — and other manufacturing sectors that will need sustainable materials — that digitization will become the norm," Arthurs says. "Because right now, it's the process of going through a Rolodex and making phone calls. Physical industries will be able to buy things online using the way Amazon, Airbnb and Uber have created."

Circularity — which is defined as a product that is created using materials that are later reused and reintroduced back into the manufacturing process, instead of disposed in a landfill — is a business opportunity, Arthurs says.



"I think it's inevitable for the plastics industry — and other manufacturing sectors — that digitization will become the norm."

—Ian Arthurs, founder and CEO, Circular.co

ENTER CIRCULAR.CO

Circular.co seeks to help the industrial sector manage its carbon footprint and reduce materials that end up in landfills. The goal is to do so in the most efficient way possible, Arthurs says. It's a complicated task with significant ramifications for business and the environment. But with Circular.co, he's showing how an internet marketplace can play a crucial role in realizing that goal.

"We aim to bring a real understanding of the economic opportunity and the importance of the current lack of [recycling/sourcing] infrastructure," he says. Arthurs declines to share what it costs to use his marketplace but notes that subscription pricing varies, depending on factors such as volume. ■■

How It Works Team Press **Circular** Request a Demo Sign in

FULL SERVICE TRADING RECYCLED PLASTICS SUSTAINABLE COMMODITIES

Trade sustainable commodities at scale

The full service digital platform for recycled plastic and other environmentally preferred manufacturing inputs

[Request a demo](#)

Full service platform to help brands meet sustainability goals

A Circular subscription provides access to efficient online trading, market data and transparent economics. The platform's digital infrastructure tools simplify supply chain logistics by doing all the sourcing, vetting, matching, contracting, shipping and billing for customers. Buyers and sellers trade with confidence backed by a full guarantee, and a dedicated concierge to facilitate the entire process.

[Learn more](#)

A FINANCIAL INCENTIVE TO BE SUSTAINABLE

Currently, there is no easy, industrial-scale sustainability system in place to allow industrial manufacturers to recycle and reuse materials, he says.

Arthurs is tapping into his broad experience in ecommerce operations and marketplaces. He has worked as:

- ▶ Chief operating officer of Medium, an online publishing platform open to freelancers and other writers.
- ▶ Chief operating officer of TaskRabbit, an online marketplace that matches freelance labor with local demand (and was acquired by IKEA in 2017).
- ▶ Head of U.S. sales and operations at online lodging marketplace Airbnb.
- ▶ Head of travel advertising, online sales and operations at Google.
- ▶ Earlier positions include working in marketing for consumer-packaged goods giant Colgate Palmolive Co.



Recycled plastics materials sold through Circular.co.

More corporations are considering their carbon footprints. In July, Singapore-based PCX Markets launched a global online marketplace allowing companies, including PepsiCo and Colgate Palmolive, to purchase certified plastic credits to offset their operations' environmental impact. Again, it's a financial incentive to be sustainable.

And time is of the essence. According to the report "Closing the Circularity Gap," published by Google, Afara and IHS Markit in July 2021, 276 million metric tons of plastics are produced annually. Nearly 93% of that plastics material, or 256 million metric tons, come from virgin plastic supply chains made from petroleum products. Of that, only 7%, or 21 million metric tons, are recovered and make it back into the plastics supply chain as recycled material.

Arthurs says it was imperative to ensure recyclers see the economic opportunity of recycling early on.

"Then, the recyclers go and pass that economic opportunity to the collectors," he says. "Circular.co is not just a point or spot marketplace. It facilitates the entire sourcing, vetting and pricing process."

So, how does Circular.co approach pricing?

"Walmart, Amazon — they can get real price negotiation because of their size," he says.

It's more difficult for medium-sized companies to obtain competitive pricing. It's the first pain point Circular.co is determined to relieve, he adds.

"The issue is about access," Arthurs says. "If a mid-sized beverage consumer product goods company wants to increase its use of post-consumer resin from 10% to 20% to 100%, we can help." ■■



Recycled plastics materials sold through Circular.co.

ONE-STOP-SHOP MARKETPLACE FOR SUSTAINABLE MATERIALS

Help begins with a purchase order. Like any purchase order, it is what the customer wants to buy. If the customer wants to buy resin made from renewable resources, Circular contacts its network of recyclers in the U.S., Europe and Asia. Resin is typically sourced from a plant (usually from fir and pine trees), but many synthetic resins are produced by refining fossil fuels, like crude oil.

Circular matches recyclers with the customer based on the requested materials, and those recyclers send samples to the customer. Buyers and sellers submit orders and other related technical documents online. Customer service agents respond via live chat to questions from both sellers and buyers. Everything is centralized through Circular's website, including payments.

"Using our ecommerce platform is a lot less of a huge undertaking compared with scheduling multiple calls with different recyclers," Arthurs says. "If a customer wants to know whether the intrinsic viscosity (a measurement of molecular weight and size used in polymer and protein research) is 0.8 and would like the certificate of analysis from the recycler, they can quickly request, get a response, and that's it." ■■

Recycled plastics
materials sold
through Circular.co.



CIRCULAR.CO HANDLES THE NEGOTIATION AND CONTRACT PROCESS

Circular also handles the logistics of the sampling process. If a customer requires 200 pounds of a sample sent to one factory location, for example, Circular's live chat concierge service coordinates shipping and pricing between the customer and recycler. Recycled plastics buyers give Circular a budget. The concierge considers what the customer is willing to pay versus what the seller is willing to sell for.

"The concierge negotiates and facilitates that proposal," Arthurs says. Customers that earn funds from green bonds like PCX, he adds, could use that money to pay for materials on Circular.co.

And once each step in the purchasing process is completed, Circular draws up a contract for both willing parties. Circular uses third-party services like HelloSign to sign contracts online and various application programming interfaces (APIs) to connect with shipping services as well as other applications. Circular's technology platform integrates with Stripe for payments and with statistical analysis systems to collect, analyze and visualize marketplace data integrations through its platform. APIs are sets of software instructions that enable disparate software programs to share information and functionality.

"If a buyer was going to a seller or vice versa, they'd be figuring out how to process each step themselves," Arthurs says. "That's why we put it all in one spot."

In ecommerce, it's safe to assume that when a customer opens a chat window, that person is most likely interacting with a chatbot using artificial intelligence. This can be a frustrating back-and-forth process for specific and complicated questions. Not so with Circular.co, Arthurs says. He asserts that online chats are 80% to 90% human because of the complex nature of customer requests. The idea is to make the ordering process easier, not frustrating, to customers, he says. ■■



Recycled plastics materials sold through Circular.co.

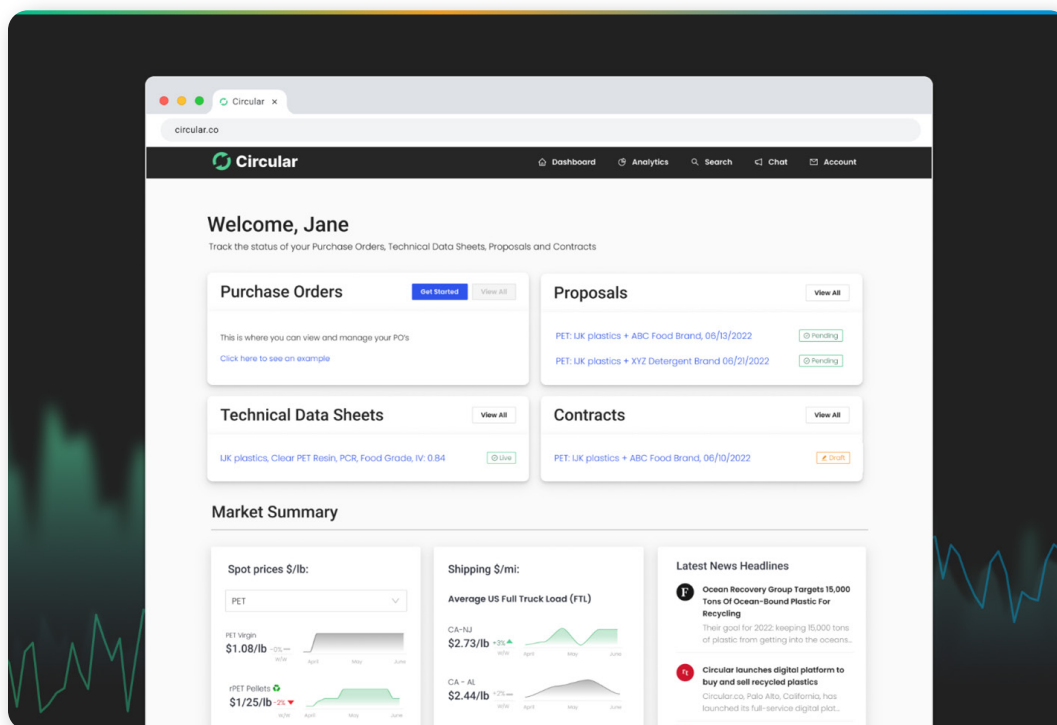
PRICE TRANSPARENCY

Circular.co's value is the access it gives to recyclers, collectors and manufacturers, Arthurs says.

“There is value in accessibility. You can’t get a really good deal if you can’t access the materials to begin with,” he says. “Our job is to take a customer’s purchase order or technical data sheet, and we’re going to find the market for it and negotiate the price.”

Depending on the size of the business, manufacturers can have a number of people dedicated to sourcing materials.

“One manufacturer I know has 60 sourcing people on phones trying to get materials,” Arthurs says. “Instead, we do all the chasing. The concierge helps companies navigate the Circular platform to find matches.”



Customers can keep track of orders using Circular.co's digital dashboard, including proposals, technical data sheets, contracts and shipping prices.

After matching a buyer and seller, Circular's concierge service also supports the sales process.

Buyers will continue to be price sensitive as the threat of a recession still looms, even as crude oil prices slowly declined in August, according to the U.S. Energy Information Administration. Arthurs says this landscape makes Circular's services that much more valuable.

Currently, accessibility and quality of recycled materials are paramount. Once materials are more widely available, pricing will be the most important factor.

"The negotiating becomes important because we help our customers get a price break if they're buying millions of pounds a month," he says.

Arthurs says plastics is the first frontier, but eventually, Circular would like to offer other materials like metals, paper, and glass, among other materials.

"We plan on offering those options as well," he says. "The demand side for sustainable materials exists. There's a supply gap, and that can be aided through technology. That's where we've placed ourselves. Whether rare earth materials, cement — for physical manufacturing, that's where we go next."

The goal for Circular is to prove itself with plastics. Then, onward to sourcing other materials online. ■■

ABOUT THE AUTHORS

Paul Demery is editor of Digital Commerce 360 | B2B. Prior to DC360B2B, he was managing editor of Internet Retailer magazine. In earlier work, he was editor-in-chief/associate publisher of Electronic Commerce World magazine, which covered business-to-business applications of internet technology in multiple industries; he also covered various industries for other magazines and newspapers.



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