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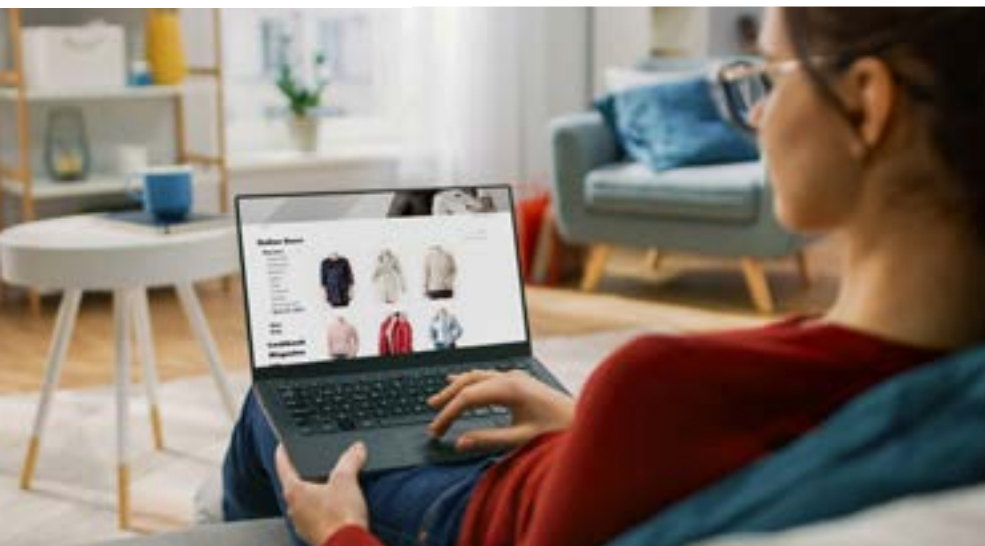
DIGITAL RETAIL

COMMERCE 360

August 2022

METHODS TO MASTERING ECOMMERCE MARKETPLACES

In-depth data and strategic analysis
on the leading online marketplaces



Compliments of



ONLINE MARKETPLACES ARE GROWING FASTER THAN ECOMMERCE OVERALL

The world of online marketplaces has changed dramatically in recent years. Assumptions about what works – and what doesn't – for merchants who want to sell on a marketplace have often proven wrong. And marketplace operators themselves have learned that they need to offer a slew of new features if they are to convince the most desirable merchants to sell through them.

The seventh edition of Digital Commerce 360's Online Marketplaces Report is an in-depth analysis of the Top 100 marketplaces around the globe today, as well as the strategies that marketplace sellers and marketplace operators alike use to grow and compete.

And the key takeaway from the Online Marketplaces Report is that merchants and the marketplaces they use are both getting much, much better at attracting and monetizing shoppers.

Consider this: The Top 100 online marketplaces in the world collectively grew total gross merchandise value (GMV), which includes both first- and third-party sales, by 18.1% to \$3.23 trillion in 2021.

As impressive as that growth is, it's considerably less than the 31.4% growth we saw in 2020 as the COVID-19 pandemic kept shoppers out of brick-and-mortar stores and accelerated ecommerce. In addition, 2021 GMV growth was also slower than the 19% and 21% GMV growth seen in 2019 and 2018, respectively.

Still, the slowdown in marketplace growth has to be viewed in the context of a broader slowdown in the the overall growth of ecommerce sales.

Global ecommerce sales, which include marketplaces and other forms of digital commerce like direct-to-consumer sites and single-retailer Web sites, grew just 13.1% in 2021.

And third-party GMV growth on marketplaces topped the growth in total marketplace GMV in 2021, reaching 22.4%.

Or, to put it more clearly: third-party GMV is growing faster than total GMV on marketplaces. And marketplaces are growing faster than total ecommerce.

BIG AND SMALL MERCHANTS EVERYWHERE CHOOSE MARKETPLACES

The marketing power and reach of the giants of the marketplace world has become so formidable that smaller merchants have little choice but to sell on marketplaces. In theory, larger merchants don't need the strength of marketplaces to. Larger retailers have the advantages of their own brands and websites. Yet even the largest retailers see an advantage in using marketplaces to boost overall sales and find new customers.

More than half of the Top 1000 retailers and more than half of the Next 1000 retailers sell on marketplaces, according to a Digital Commerce 360 analysis.

For example, Amazon (No. 3 globally and No. 1 domestically in 2022 Online Marketplaces Report) is a "hybrid" marketplace, meaning it sells its own goods and does business with third-party sellers too. Amazon has about 1.5 million sellers of varied sizes.

eBay (No. 5 in the world and No. 2 in the U.S.) is a “pure” marketplace, meaning it does not sell its own products. Yet eBay has some 19 million sellers in its system. No marketplace anywhere on earth does business with more merchants.

Taobao and Tmall — each owned by China-based Alibaba Group Holdings — are also “pure” marketplaces. Taobao is a consumer-to-consumer site comparable to eBay Inc. (No. 5). It’s free to list an item on Taobao and millions of sellers do so. Tmall serves larger merchants. Selling on Tmall requires a \$25,000 security deposit and an annual fee of as much as 10,000. Roughly 50,000 sellers do business through Tmall.

Clearly the “pure” marketplace model works. Taobao is No. 1 in the 2022 Online Marketplaces report and Tmall is No.2.

LEARN MORE

The 2022 Online Marketplaces Report is filled with details on what went right and wrong for the biggest digital marketplaces and the retailers who sell through them. More importantly, the report offers the insights everyone in the ecommerce industry needs to prosper in the newly reconfigured marketplace industry.

Included in the full report:

- Dozens of information-dense charts and graphics
- Detailed examinations of what led to victory for marketplace retailers in 2021
- The much-anticipated rankings by category and subcategory that only Digital Commerce 360’s research and editorial teams can provide

The 2022 Online Marketplaces Report is available as a downloadable PDF for \$499. It is also included in our Gold and Platinum memberships, which provide full access to all of Digital Commerce 360’s published reports and certain online retailer databases.

Becoming a marketplace requires commerce, fintech and logistics capabilities



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

Marketplace shopping is more popular than ever. Many consumers see marketplaces as one-stop shops — a single place to find and purchase everything they need. Becoming a marketplace is also proving to be an important opportunity for retailers looking to expand their offerings and grow their business. To discuss the benefits retailers can realize by implementing robust marketplace technology, Digital Commerce 360 spoke with Ryan Lee, CEO of Nautical Commerce.

Some retailers only see marketplaces as a channel in which they can sell. But with recent technological advancements, becoming a marketplace is a viable option. Should retailers sell on marketplaces, become marketplaces themselves or both?

Both, if the enabling technology is approachable. Before Nautical, building this type of marketplace technology in-house took years, was expensive and was an enormous strategic bet because you didn't know if it would work until after you committed.

Now, you can validate your marketplace strategy with very approachable technology, like Nautical, in just a few months and with little upfront capital investment. You know what will work and what won't much faster, and you aren't betting the company on it.

How have marketplace technologies evolved and how is it beneficial to sellers?

One of the most underestimated facets of marketplace technology is understanding that a marketplace is much more than commerce. It's also fintech and logistics. Fintech is about validating that a seller can be paid on a marketplace. Logistics is about removing the friction to sell and making it easy to coordinate, inform and push updates to your sellers' logistics systems.

Marketplaces are responsible for aggregating demand. But to get the customers, you need the sellers. So, it's critical to remove the friction to sell and make it very easy for sellers to participate in your marketplace by providing strong capabilities in commerce and fintech and logistics.

What role will marketplaces play in the near-term future of ecommerce?

Because consumers recognize the one-stop-shop convenience of marketplaces, some marketplaces are now serving as search engines. Consumers often go to Amazon first to look for products because they know they'll see many options available. More and more marketplaces offer the conveniences today's consumers look for when they shop online. And at the top of that list are speed and reliability of delivery, easy returns and frictionless checkout.

What challenges do retailers face when considering marketplace initiatives?

Retailers must decide whether to buy marketplace technology from a provider or build their own. Building your own requires building three different systems — commerce, fintech and logistics — that work seamlessly together. That's difficult and expensive, especially if you aren't a tech company. Maintenance of these systems only exacerbates these challenges.

When retailers buy a solution, they need to ensure it's a complete multivendor solution — not a bolt on to an existing commerce platform. Marketplaces are much more than commerce and the right technology will reflect that.

What strategies or technologies help them overcome these challenges?

You want to embrace more modern event-driven platforms because they are less restrictive and allow you to extend your capabilities.

Nautical's system, for example, is complete and includes the functionality needed for marketplaces across commerce, fintech and logistics.

Our crawl-walk-run approach helps companies get their marketplaces up and running fast. Our APIs and modern architecture make the platform agile to customer needs and shifting buyer patterns. Retailers on Nautical know quickly whether their marketplace works for them and can easily adjust.





Become a marketplace loved by buyers, sellers, and operators

with Nautical's marketplace operating system



Nautical's multi-vendor marketplace platform enables you to:



augment

your product catalog
by enabling third
party sellers



launch

a marketplace to further
monetize your existing
customer base



unlock

the scaling potential
of your existing
marketplace



digitize

your B2B business
with enabling
multi-vendor tech

Connect with the marketplace experts at Nautical today!

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FIRST PARTY VS. THIRD PARTY IN THE GROWTH OF ONLINE MARKETPLACES

Last year was a strange one for online marketplaces. What was true in the recent past, was no longer true. The first-party sellers who dominated the space, moved to second place. Long-standing assumptions about who sold on which marketplaces fell by the wayside.

Call it the new, post-pandemic normal. Or call it the lingering effects of the pandemic-led surge in marketplace shopping. But whatever you call it, this is true: the growth in gross merchandise value (GMV) of items sold in online marketplaces has plummeted from the levels seen in 2020, 2019 and 2018.

But to understand the changes, they need to be viewed in context.

Total global ecommerce sales, which include marketplaces and other forms of digital commerce like direct-to-consumer sites and single-retailer Web sites, grew just 13.1% in 2021.

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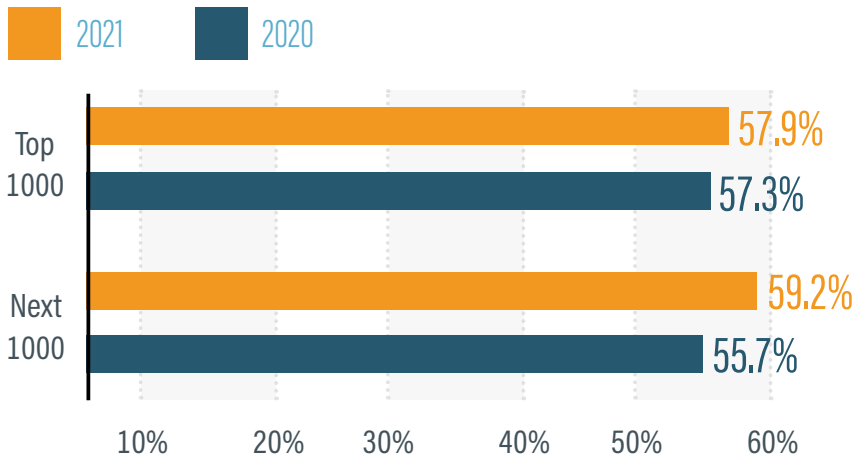
And much of that third-party growth is coming from the biggest retailers in the world, who use marketplaces to find new customers. More than half of the Top 1000 retailers and more than half of the Next 1000 retailers sell on marketplaces, according to a Digital Commerce 360 analysis.

Of course marketplace participation varies by type and category.

Consumer-brand manufacturers are the heaviest sellers on marketplaces, with more than three-quarters moving goods through marketplaces. By contrast, only slightly more than a third of retail chains sell on marketplaces.

SHARE OF TOP 1000 VS. NEXT 1000 RETAILERS SELLING ON ANY MARKETPLACE, 2020-2021

% of retailers



Source: Digital Commerce 360

SHARE OF TOP 1000 RETAILERS SELLING ON ANY MARKETPLACE BY MERCHANDISE CATEGORY, 2020-2021

	2021	2020
Apparel/Accessories	63.7%	61.2%
Automotive Parts/Accessories	67.6%	73.0%
Consumer Electronics	80.2%	81.5%
Flowers/Gifts	61.9%	47.6%
Food/Beverage	29.7%	29.7%
Hardware/Home Improvement	55.0%	57.5%
Health/Beauty	61.5%	65.4%
Housewares/Home Furnishings	54.6%	57.4%
Jewelry	55.0%	55.0%
Mass Merchant	30.0%	28.0%
Office Supplies	73.1%	73.1%
Specialty	54.2%	55.6%
Sporting Goods	46.3%	41.5%
Toys/Hobbies	61.2%	55.1%
Top 1000	57.9%	57.3%

Source: Digital Commerce 360

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Digital Commerce 360

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