

From Marketplace To Market Share

High ROI Builds A Business Case For Marketplaces

Get started →



Transcending Traditional E-Commerce, Distributors See ROI With Marketplaces

Pressure is increasing on distributors to transform their businesses by investing in drop-ship infrastructure, enabling third-party fulfillment, and adopting digital marketplace platforms. By enabling third-party selling strategies like marketplaces, distributors are aiming to create better customer and seller experiences. While it can be difficult for their forward-thinking leaders to demonstrate the value of a marketplace to executives and shareholders, tracking metrics like customer numbers, revenue, and average order value (AOV) can help build successful business cases.

In a study commissioned by Nautical Commerce, Forrester Consulting conducted two interviews and a cross-industry survey of 121 North American assortment expansion decision-makers about their firms' digital marketplace solutions and how adopting a marketplace business model contributes to overall growth.

Key Findings



Marketplace platforms affect nearly all parts of a business. Their impact across outcomes, from buyer experience to revenue growth to process improvement, is substantial.



Adoption is no small undertaking, with many organizations experiencing long build times, high costs, and the need for more hiring. All of this can make demonstrating the ROI on adoption to leadership more difficult.



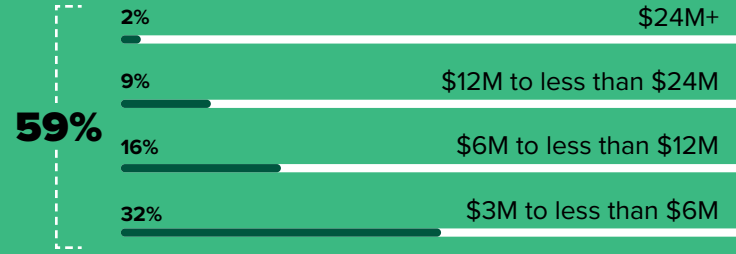
However, marketplaces contribute to success across business outcomes, and respondents' firms saw double-digit growth in revenue and AOV, which provides a strong business case for marketplaces.

Launching A Marketplace Is No Small Feat, Requiring Significant Time And Money

Marketplaces enable sellers to easily reach buyers and are a more convenient way for buyers to find, compare, and purchase products and services.¹ However, launching a marketplace is no small undertaking for distributors. Nearly two-thirds of respondents reported a time to launch in excess of six months and 59% of respondents' firms spent \$3 million or more building their marketplaces. When comparing the upfront costs of respondents' firms that built the backend of their marketplaces to those that purchased vendor solutions, vendor solutions were a more cost-effective choice. Respondents' firms with self-built marketplaces were 43% more likely to spend \$6 million or more on the build.

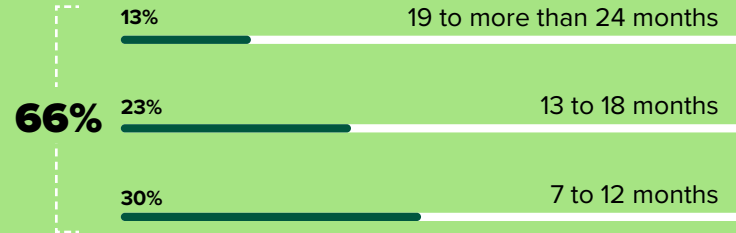
In addition, 100% of respondents hired more employees to help with the adoption and management of their marketplaces. Nearly half of respondents hired more than 15 employees, the bulk in IT (72%).

More Than Half Of Respondents' Firms Spent \$3M Or More To Launch Their Marketplaces



Base: 121 North American assortment expansion strategy decision-makers in a manager role or higher whose firms have adopted a digital marketplace solution
Note: Showing four out of eight response choices
Source: A commissioned study conducted by Forrester Consulting on behalf of Nautical Commerce, May 2023

Nearly Two-Thirds Of Respondents' Firms Took 6 Months Or More To Launch Their Marketplaces



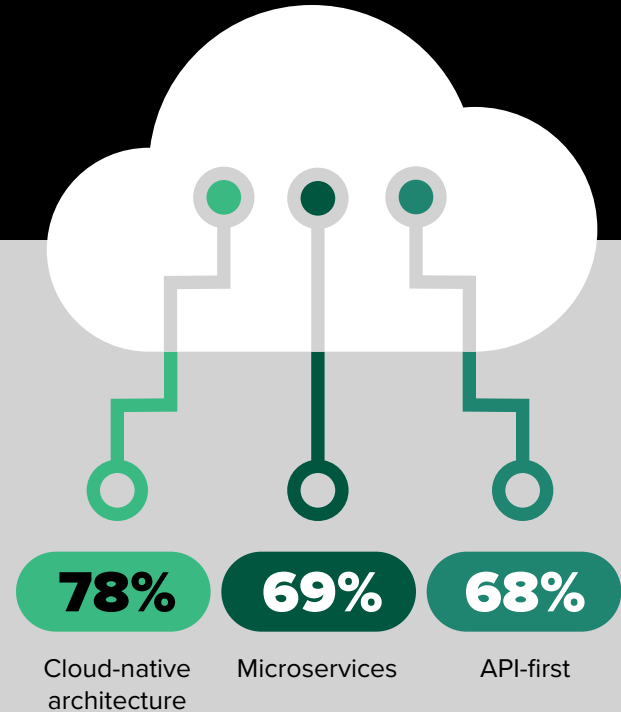
Base: 121 North American assortment expansion strategy decision-makers in a manager role or higher whose firms have adopted a digital marketplace solution
Note: Showing three out of five response choices.
Source: A commissioned study conducted by Forrester Consulting on behalf of Nautical Commerce, May 2023

Respondents' Firms Are Relying On Cloud-Native Architecture And Features For Their Marketplaces

When asked about the technical features their marketplace platforms needed, 78% of respondents agreed that cloud-native architecture was essential for their marketplace platforms. Following closely were microservices (69%) and API-first features (68%), both of which fit under the cloud-native umbrella. Both interviewees said their businesses' marketplace platforms operate on the cloud. An IT director at a worldwide retailer noted, "The entire product catalog, the storefront, and a bunch of services for both store and online around things like loyalty and customer information [are cloud based]."

Similarly, 32% separates respondents whose organizations looked to the cloud for their marketplaces from those who preferred on-premises architecture, indicating the shift to cloud is in full swing for distributors.

Cloud-Native Architecture Tops Essential Marketplace Features



Marketplaces Have Far-Reaching Potential Across People, Processes, And Technology

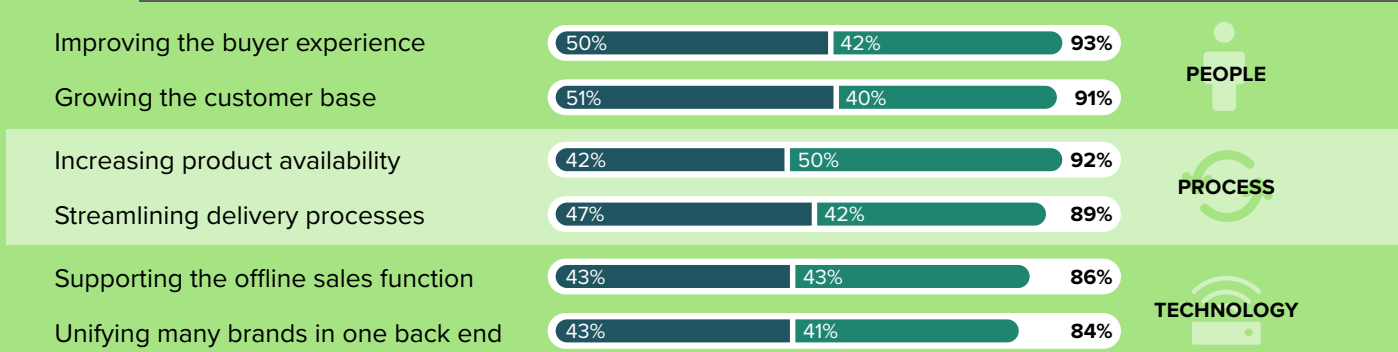
Decision-makers are aware of the ways in which adopting a marketplace platform can improve their businesses. When asked about the influence of possible business outcomes on their company’s decision to adopt a marketplace platform, 92% of respondents noted revenue growth was “important” or “very important,” and 52% selected “very important.” The other top selected outcomes directly contribute to revenue growth, which demonstrates the impact of marketplace platforms on distributors looking to expand the breadth of their offerings and boost sales. One interviewee emphasized how adopting a marketplace enabled her company to access new customers and demographics, saying “Expanding online really gave us the access to new markets to expand outside of a niche community.” Now it is a multimillion-dollar retailer.



92% of respondents selected revenue growth as “important”/“very important,” and of those, 52% selected “very important.”

Marketplaces Affect Outcomes Across People, Process, And Technology With Revenue Growth At The Core

- Very important
- Important



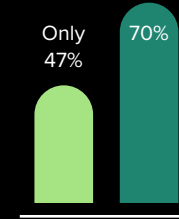
Firms With Self-Built Marketplaces May Experience More Challenges

A marketplace must be easily adoptable for all stakeholders at a distribution company, and those with self-built marketplaces were more likely to experience headwinds. For 70% of respondents' organizations with self-built marketplaces, third-party sellers' ability to adapt to the platform was a challenge during launch compared to 46% of those with purchased marketplace platforms. Likewise, 70% of respondents with self-built marketplaces had difficulty with internal teams' willingness to use the new technology compared to 47% of those with vendor-supported platforms.

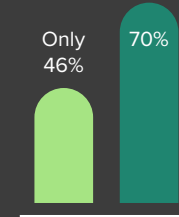
Speaking about their firm's vendor-purchased marketplace, an e-commerce manager said: "It's pretty turnkey. They have a great support team that can really get you set up with a super-efficient [marketplace]." An experienced vendor can help a business navigate the challenges of adoption and launch, reducing process friction.

Firms That Purchased Vendor Marketplace Solutions Faced Fewer Challenges With Adoption

● Purchased vendor solution ● Self-built solution



Challenges with internal teams' ability adopt and use new platforms/technology



Challenges with seller's ability to adapt to a new platform

More Spending Can Make Demonstrating Initial ROI To Executives Difficult

Unplanned costs associated with adopting and managing a marketplace platform can make it difficult to demonstrate the value of the investment to business leaders. As previously discussed, adopting marketplaces is no small undertaking, and expenses can arise with big shifts in technology and workflows.

Hiring, longer than expected time to launch, and unexpectedly high costs are a few marketplace platform challenges that vexed surveyed decision-makers. The IT director we spoke to also noted that their business had to add additional software to customize and enhance its marketplace, and the e-commerce manager we spoke to noted that their firm had to enlist a development firm to help run discounts and sales promotions with custom scripts.

Respondents' Firms Are Incurring Unanticipated Costs For Additional Resources

● Strongly agree ● Agree

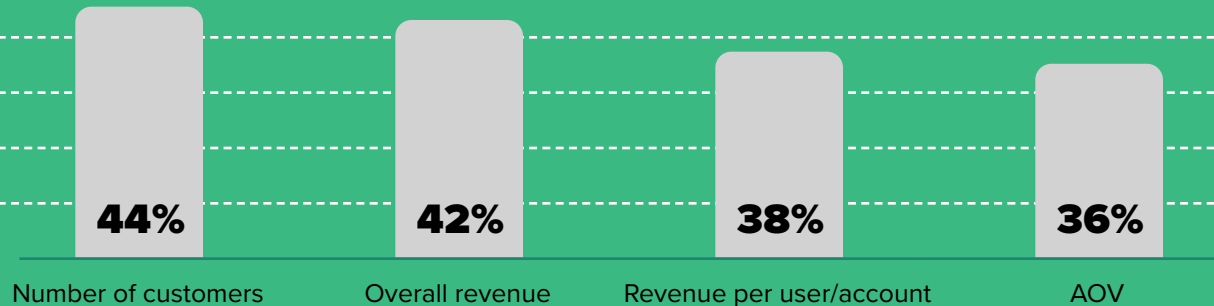


Across Metrics, Marketplaces Succeed At Growing Business

Growing pains are part of business transformation, including when adopting a new marketplace. However, with pain comes growth, as is evident from the success that marketplace adoption has on business. From number of customers to overall revenue to AOV, respondents' firms saw double-digit growth after launching their marketplaces.

The e-commerce manager we spoke to said that growth has been exponential since launching a marketplace at their firm. They said: “[In my first year at the organization], we were doing maybe a million [USD] in revenue. ... Then in year two of the site, we did \$3 million. Year four, we did \$10 million. Last year, we did \$17 million, and this year we’re on pace to do \$25 million.”

Reported Year-Over-Year Growth Demonstrates High Marketplace ROI

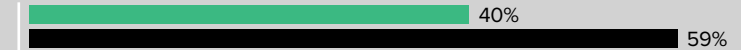


Marketplace Capabilities Shift In Importance After Launch

After launching marketplaces at their firms, decision-makers refocused on capabilities that had more to do with iteration and evolution of their platforms and less to do with setup. Integration, customization, and collaboration were at the forefront as respondents continued to steer their marketplaces toward success. The biggest shift in their focus was towards the importance of integration with external, seller-owned third-party systems, which increased by 48% (19 percentage points) after launch, and 59% of respondents reported that this capability was more important than originally anticipated. Ease of setting up and managing product information and data increased in importance by 25%, ability to customize buyer and seller experiences by 18%, and collaborative tools for operators and sellers and the ability to iterate on storefronts without downtime both increased by 10%.

Integration, Customization, And Collaboration Emerge As Important Post-Launch Capabilities

- Very important capabilities to launch marketplace
- More important than anticipated post-launch



Ability to integrate with existing external (seller-owned/operated) third-party systems



Ease of setting up and managing product information and data



Ability to customize buyer and seller experiences



Unified tools to enable collaboration among operators and third-party sellers



Ability to iterate on and enhance storefront design without downtime/loss of income

As They Look Ahead, Decision-Makers Are Defining Marketplace Success

Just like a marketplace's diverse potential to impact outcomes across a business, defining their success spans from conventional measures like sales (very important to 51% of respondents) and AOV to more unique metrics that align with the specific features of a marketplace.

Hiring more employees than expected is a challenge during marketplace building and launch, so decision-makers look to scale their businesses without further increasing headcounts. Nearly half (48%) of respondents noted it was very important to measuring the success of their marketplaces. Likewise, their marketplaces were designed to increase product availability and assortment. Moving forward, tracking these metrics will help to demonstrate success to executives.

Decision-Makers Define Marketplace Success By Demonstrating Impact Across The Business



Conclusion

Marketplaces are transforming e-commerce, giving buyers access to more products and services and enabling businesses to expand their product assortment to meet buyers' growing needs. Survey data yielded the following conclusions:

- **Marketplaces boost sales and ROI.** Despite the upfront investment required to launch a marketplace, there's a clear return when looking at revenue growth, customer growth, and AOV. As technology and learnings become more accessible, it will continue to ease the upfront costs, resulting in a larger ROI.
- **Working with a technology vendor to build a marketplace platform can help alleviate challenges.** With a vendor supported marketplace, decision-makers can access experienced partners to help build, grow, and customize their marketplaces while spending less time and money up front.

Endnotes

¹ Source: Allen Bonde, "[Marketplaces Unlock New Markets For Sellers — And Tech Providers,](#)" Forrester Blogs.

Resources

Related Forrester Research:

“[2022 B2B E-Commerce Forecast, US](#),” Forrester Research Inc., June 3, 2022.

Related Resources

Joe Cicman, “[Doing, Selling, And Being Headless Commerce](#),” Forrester Blogs.

Methodology

This Opportunity Snapshot was commissioned by Nautical Commerce. To create this profile, Forrester Consulting surveyed 121 assortment expansion strategy decision-makers and interviewed two additional decision-makers at wholesalers or distributors. The custom survey began in March 2023 and was completed in May 2023.

Project Team:

[Rachel Baum](#), Market Impact Consultant

Jenna Bonugli, Associate Market Impact Consultant

Contributing Research:

Forrester’s Digital Transformation research group

ABOUT FORRESTER CONSULTING

Forrester provides independent and objective [research-based consulting](#) to help leaders deliver key transformation outcomes. Fueled by our [customer-obsessed research](#), Forrester’s seasoned consultants partner with leaders to execute on their priorities using a unique engagement model that tailors to diverse needs and ensures lasting impact. For more information, visit [forrester.com/consulting](#).

© Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to [forrester.com](#). [E-57268]

Demographics

GEOGRAPHY	
United States	72%
Canada	28%

INDUSTRY	
Technology and/or technology services	21%
Financial Services and/or insurance	20%
Construction	14%
Manufacturing and materials	8%
Business and professional services	7%
Retail	6%
Telecommunications services	5%
Healthcare	5%

INDUSTRY CONT.	
Consumer product goods and/or manufacturing	2%
Transportation and logistics	2%
Energy, utilities, and/or waste management	2%
Consumer services	2%
Media and/or leisure	1%
Electronics	1%
Chemicals and/or metals	1%
Agriculture, food, and/or beverage	1%

DIGITAL MARKETPLACE PLATFORM TYPE	
Purchased from vendor	64%
Self-built	36%

LEADERSHIP ROLE IN ASSORTMENT EXPANSION STRATEGY	
Final decision-maker	88%
Influence and make decisions as primary part of job	12%

DEPARTMENT	
IT/technology/innovation	43%
E-commerce	11%
Digital transformation	11%
Sales	10%
Marketing/advertising	9%
Operations	8%
Finance/accounting	7%

ANNUAL REVENUE (USD)	
More than \$5B	6%
\$1B to \$5B	10%
\$500M to \$999M	27%
\$400M to \$499M	11%
\$300M to \$399M	18%
\$200M to \$299M	15%
\$100M to \$199M	13%

RESPONDENT LEVEL OF RESPONSIBILITY	
C-level	28%
Vice president	23%
Director	33%
Manager	16%



FORRESTER®