

# Case Study: French Retailer Darty Boosts Margins Via Its Online Marketplace

by Sucharita Mulpuru  
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## Why Read This Report

Third-party marketplaces have a reputation for being lucrative, but many large multichannel retailers still struggle to drive much success after developing their own marketplaces.

This document analyzes the challenges and successes of French retailer Darty, which has executed its marketplace well, and provides lessons for other retailers as they develop their own marketplace strategies.

## Key Takeaways

### **C-Level Support Is Essential For Successful Marketplace Execution**

Darty was able to launch its marketplace after a few months of IT development work because the CEO of the company explicitly endorsed the initiative.

### **Profits Are Likely But Not Always Large**

Darty's sales from its marketplace are more profitable than sales from owned inventory, but the overall volume of marketplace revenue is still modest.

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### Marketplaces On Retail Sites Evoke Mixed Reactions

When eBusiness pros allocate and execute with adequate resources, they position themselves to experience great success with their third-party marketplaces. For years, Forrester has evangelized the idea of online marketplaces for multicategory retailers.<sup>1</sup> Marketplaces let retailers expand their assortments without investing more in inventory, primarily by relying on the assets of other merchants who own and ship products. For example, Amazon now sees nearly half of its units sold going through its third-party marketplace, up from 34% in Q4 2010.<sup>2</sup> On the other hand, electronics retailer Best Buy tried to grow its online marketplace but didn't invest the necessary resources, and this year announced it was shuttering that effort.<sup>3</sup>

French electronics and white goods retailer Darty Group runs a highly successful third-party marketplace. Generating €3.6 billion in total annual revenue, it's one of the largest retailers in France (online and offline) and is the 208th largest retailer in the world, operating over 400 stores in Europe alone.<sup>4</sup> Its marketplace has been so successful that the company prioritizes it as a key technology initiative. Darty executives Cecile Helme-Guizon and Olivier Godart, both from the Darty.com team, spoke with Forrester about their efforts, challenges, and current execution.

### Darty Minimized Risk Where Possible With Its Marketplace

In 2013, the Darty team realized through its analytics that shoppers were coming to its site and not finding many products they were searching for. Furthermore, they observed that much of the growth in online traffic in France was going to sites with marketplaces like Amazon and Fnac, so they decided to explore the idea of launching Darty's own third-party marketplace. A few months after the initial meeting with their CEO, the team got the green light to proceed and then launched the third-party marketplace in mid-2014. How did the team move so fast? Darty took a number of steps to minimize risk when it launched its marketplace. Specifically, Darty:

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- › **Targeted nonoverlapping categories for launch.** The company deliberately decided not to offer new products in categories that it already sells, wisely avoiding disruption and confusion for Darty's very powerful buying organization. Initially, all the marketplace offers were incremental to Darty; for instance, it wasn't feasible to sell furniture directly due to fulfillment challenges for often heavy or bulky goods. This strategy continues to evolve: In recent months, the company has offered accessories and additional products even in core Darty categories like mobile phone accessories. At the moment, Darty offers customers approximately 520,000 marketplace SKUs from 260 vendors, whereas Darty.com has approximately 120,000 owned SKUs on its site.
- › **Dedicated adequate resources.** The Darty team learned early on that a third-party marketplace is not a "set and forget" project. Rather, it requires a team that actively manages sellers and ensures the success of the program. Darty currently dedicates seven full-time employees to its third-party marketplace whose primary daily tasks are to engage with vendors/sellers, such as confirming that customer orders are shipping on time and making sure product images are accurate and of high quality, and to ensure that shoppers have a good experience with marketplace sellers. Darty also has a marketplace steering committee that meets regularly to assess its products and categories.
- › **Looked externally for marketplace capabilities.** Darty estimates that launching a marketplace would have cost more than €2 million had they built it internally, and an additional €1 million annually. Instead, external partner Mirakl created Darty's marketplace platform, which dramatically increased its speed to market and reduced its initial cost to an estimated €200,000, while also delivering incremental revenue more quickly.

**The Online Marketplace Has Been A Multifold Boon For Darty**

Darty already has seen a number of benefits from its marketplace. Since launch, the marketplace has generated:

- › **Better visibility in search.** Because its offers are mostly complementary, Darty.com now gets incremental traffic. The company estimates that about 20% of visits to Darty are now coming as a result of its marketplace items, which it attributes to increased visibility in search engine results.
- › **Improved financials.** One of the long-standing advantages of marketplaces is that they do not require as much working capital to sell the same amount of merchandise. Furthermore, Darty is able to generate €6 to €7 for every €100 sold through the marketplace (including any costs for administering the marketplace), compared with €2 to €3 that it generates from €100 sold in products that it owns.
- › **New category growth.** Darty's initial marketplace products included categories like home and bedding, products which Darty did not carry in its online or offline stores. After seeing the success in those categories, some Darty buyers have now incorporated certain lucrative and promising brands and products from these categories into their own online merchandise mix.

## Recommendations

### Execution Is Everything When Running A Marketplace

While retailers like the idea of incremental value coming from a marketplace, many stumble in executing it well. In a worst case scenario, the marketplace generates so little revenue or margin that it becomes a distraction and barely pays for itself. To avoid this scenario, retailers must:

- › **Analyze the buy-versus-build question carefully.** It may seem viable to build a marketplace internally, but few retailers truly understand the complexities of managing hundreds or thousands of sellers, and few have the IT resources to dedicate to this effort. Darty pays a maintenance and service fee to an outside vendor on an ongoing basis — but outsourcing the project ensured the company spent less upfront on an uncertain technology product and was able to generate a quick win.
- › **Dedicate resources.** Online marketplaces are not set-and-forget initiatives. Retailers must constantly manage seller effectiveness, accuracy of seller content, and customer satisfaction with seller products. These tasks are not rocket science, but they still require dedicated and capable team members whose careful management ensures the overall success of the marketplace program.
- › **Cultivate the seller ecosystem.** To have a successful marketplace, companies need to provide tools like bid and data-feed optimization as well as detailed analytics to show sellers what is or isn't working. New marketplaces also need to think of programs and commission schedules that incentivize sellers to provide great products with great content. Finally, the marketplace needs to dedicate marketing funds to driving traffic and sales to the marketplace so that sellers see meaningful revenue.
- › **Work with most receptive internal partners first.** One of the biggest stumbling points for marketplaces is that a retailer's internal merchants and stores often see the marketplace as a competitor for sales. To avoid that scenario, most marketplaces for multichannel retailers only offer nonoverlapping categories. That said, a small number of buyers in any organization may be more likely to experiment than others with overlapping categories. Work with those buyers and gradually make a case for success — which is precisely what Darty did to launch mobile-phone covers on its site.
- › **Have modest expectations.** Few multichannel merchants should expect to see half of their units sold coming from their marketplace like Amazon does. In fact, since merchants start small and are often very conservative, retailers are more likely to see a single digit percent of online revenue to come from a marketplace. Even in Darty's case, the company recognized that conversion would be lower for marketplace sales. Returns are more complex for shoppers, and the promises that exist for Darty's traditional purchases, such as the ability to return items to stores, are different for marketplace purchases. That said, sales from the marketplace require less working capital, and as buyers become more comfortable with marketplace transactions, Darty expects that number to grow over time.

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## Companies Interviewed For This Report

Darty

## Endnotes

<sup>1</sup> Multichannel retailers that are looking to compete effectively with aggressive pure-play counterparts that often offer cutthroat pricing or shipping programs will find that the marketplace model is a compelling opportunity; marketplaces provide broader assortments with lucrative margins and are less onerous to deploy than in the past. To learn more about building an online marketplace, see the [“Why Every Retailer Needs An Online Marketplace”](#) Forrester report and see the [“How To Build An Online Marketplace”](#) Forrester report.

<sup>2</sup> In Q1 2016, Amazon reported that 48% of its paid units were third-party seller units. Source: “Amazon.com, Inc. (AMZN),” NASDAQ, April 28, 2016 (<http://www.nasdaq.com/asp/call-transcript.aspx?StoryId=3969373&Title=amazon-com-amzn-q1-2016-results-earnings-call-transcript>).

To see the Q4 2010 transcript, check the following link. Source: “Amazon.com, Inc. (AMZN),” NASDAQ, January 27, 2011 (<http://www.nasdaq.com/asp/call-transcript.aspx?StoryId=249271&Title=amazon-com-management-discusses-q4-2010-earnings-call-transcript>).

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<sup>3</sup> Source: Laura Northrup, "Best Buy Is Closing Website To Third-Party Sellers Today," Consumerist, February 24, 2016 (<https://consumerist.com/2016/02/24/best-buy-is-closing-website-to-third-party-sellers-today/>).

<sup>4</sup> Source: "Top 250 Global Retailers, 2014," National Retail Federation (<https://nrf.com/2016/global250-table>).

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