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Retailers Must Seize The Marketplace Opportunity

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Executive Summary

Retailers are rethinking their eCommerce engagement strategy to respond to customers' new shopping behaviors. Marketplaces provide a new way for retailers to interact and engage with customers. They offer a broad assortment of products and services at competitive prices and have quickly gained traction as an extension of retailers' eCommerce pursuits. Our study found that marketplaces — when operated effectively — are likely to boost customer loyalty, increase average order values, and build trust.

Forrester defines a marketplace as “third-party merchants selling physical items or services on a site other than their own.”

A marketplace must meet or exceed customers' expectations to be successful. Customers are comfortable shopping with familiar and even unfamiliar sellers in marketplaces, but they are not afraid to leave negative ratings or reviews if their needs aren't met. Retailers' marketplace platforms need to allow them to closely monitor and curate the right sellers. Retailers' marketplaces need to deliver consistently high-quality service or risk the wrath of online reviewers and potentially undermining the trust they have established with their customers.

In March 2016, Mirakl and ChannelAdvisor commissioned Forrester Consulting to evaluate the success of retailers operating marketplaces and what they must continue to do to serve their empowered customers.

To explore this, Forrester conducted a global survey of 2,520 consumers who have shopped on multiple online marketplaces in the US, the UK, France, or Germany. We interviewed five retailers who had their own marketplace or were selling on marketplaces, including a marketplace manager, two marketplace category managers, an eCommerce manager, and a director of online retail. Each interviewee had influence on his or her organization's marketplace strategy.

KEY FINDINGS

Forrester's study yielded four key findings:

- › **Adding a marketplace will enhance your customers' shopping experiences.** Our study revealed that online consumers shop on marketplaces at least three to five times per month. This is because the marketplace allows consumers to explore, discover, and purchase multiple products and services on a single website.
- › **Building trust is a central part of marketplaces.** User-generated content, such as product reviews, influences shopper buying decisions. This visibility into product and seller performance builds consumers' trust in a seller, even if the seller is unfamiliar to them.
- › **Consumers are able to differentiate between the retailer and marketplace seller.** If consumers have a poor shopping experience, they are able to identify what went wrong and why. Two-fifths of consumers who have had an issue with their marketplace purchase told us that they would not purchase from that seller again but would shop with that marketplace again. If managed well, the marketplace will not affect the retailer's brand negatively.
- › **Marketplaces create deep customer relationships.** A vast majority (90%) of consumers said they were satisfied with their purchase from a marketplace. This satisfaction results in increased loyalty, as 90% of customers said that they would shop with the same marketplace again when purchasing a similar product.

Extend Your Online Offering With Marketplaces

Consumers are more empowered now than ever before. They want what they want, and they want it now. If online retailers don't react quickly to meet customer demands, they risk losing that customer to a competitor that will. Forrester estimates that US eCommerce will total \$373 billion in 2016, approximately 11% of overall retail.¹ To survive in this competitive and growing market, online retailers must offer a broader selection of products and services, deliver competitively priced products, and offer a variety of shipping options. With already stretched margins and the increased complexity of storing and shipping items themselves, retailers must extend their online offerings by adopting marketplaces.

"We only sold electronics goods on our eCommerce site. By adding a marketplace, it allowed us to expanding our product range in each category and reach more customers."

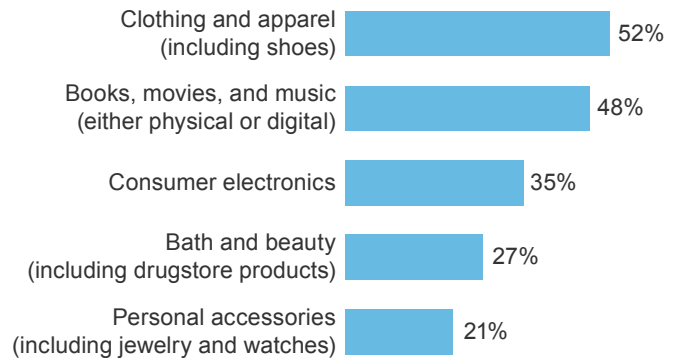
— Senior category manager at an online retailer with a marketplace

Your customers already shop on marketplaces. Our study found that 53% of consumers who shop online are making purchases on marketplaces three or more times per month. Over a quarter of these shoppers (27%) have shopped on more than three different marketplaces where products are sold by multiple sellers.

And these purchases are not just confined to one category. Consumers are buying a wide variety of products on marketplaces (see Figure 1). Fifty-two percent of consumers buy clothing and apparel; 48% buy books, movies, and music; and 35% buy electronic goods.

FIGURE 1
Customers Are Buying Everyday Products On Marketplaces

"Which of the following products or services have you purchased in a marketplace in the last month?"
(Select all that apply)



Base: 2,520 consumers who have shopped in a marketplace (top five responses shown)

Source: A commissioned study conducted by Forrester Consulting on behalf of Mirakl and ChannelAdvisor, March 2016

Consumers cited numerous benefits that marketplaces offer to them. They value the ability to:

- › **Shop more conveniently.** Marketplaces offer consumers the ability to research, explore, and buy products on a single website. The study revealed that 89% of all consumers agreed or strongly agreed that marketplaces offer convenience that they appreciate (see Figure 2).
- › **Compare a wide assortment of products.** Eighty-five percent of consumers agreed or strongly agreed that marketplaces enable them to locate items that they would otherwise have difficulty finding. Consumers indicated that another key benefit to shopping on marketplaces is that they are a one-stop shop for multiple products and categories.

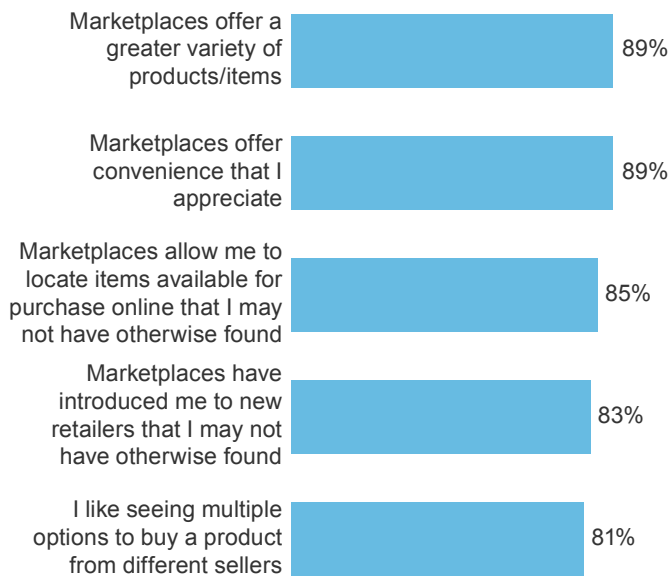
"We have millions of shoppers visiting our marketplace every year. The more customers there are, the more demand there is for a greater assortment of products. We have to meet this increased demand to ensure our customers have a great experience and make their shopping journey as convenient and easy as possible."

— Marketplace and business development director at a European retailer

› **Discover new retailers.** Over 80% of consumers said that marketplaces have introduced them to new retailers that they would not have known of otherwise. A separate Forrester study found that North American shoppers have more trust in unknown sellers when they are associated with a marketplace.²

FIGURE 2
Consumer Prefer Marketplaces For Convenient Shopping

“Please state whether you agree or disagree with the following statements.”
(Strongly agree or agree)



Base: 2,520 consumers who have shopped in a marketplace

Source: A commissioned study conducted by Forrester Consulting on behalf of Mirakl and ChannelAdvisor, March 2016

MARKETPLACES OFFER COMPETITIVE PRICES, BETTER SHIPPING, AND MORE VARIETY

The study also found that consumers prefer online marketplaces over traditional retailer sites because they offer (see Figure 3):

› **Competitive prices.** Multiple merchants sell the same product on a retailer’s marketplace. Therefore, to compete for more customers and address their customers’ needs, merchants offer competitive prices. Over 70% of consumers indicated the importance of marketplaces offering competitive prices when shopping on them.

› **A deep catalog of products.** Marketplaces enable retailers to quickly expand their product and service categories and sub-categories for consumers to browse through. Consumers seek marketplaces that have a variety of products and services (56%).

“Marketplaces have helped us expand our branded and nonbranded accessories and apparel to ensure we can reach a wider set of consumers.”

— VP of eCommerce at major US retailer

› **Flexible and cheaper shipping.** Sixty-three percent of consumers indicated that lower shipping costs are very important when they make a purchase on a marketplace. Thirty-two percent of consumers surveyed said that having more shipping options available to them is also a key benefit when they shop on a marketplace. With multiple sellers competing over single items, merchants can differentiate themselves by offering cheaper shipping.

“We are focusing on creating a better experience on our marketplaces by providing customers the ability to select and choose different types of shipping options; this is so that we can compete with other more established marketplaces.”

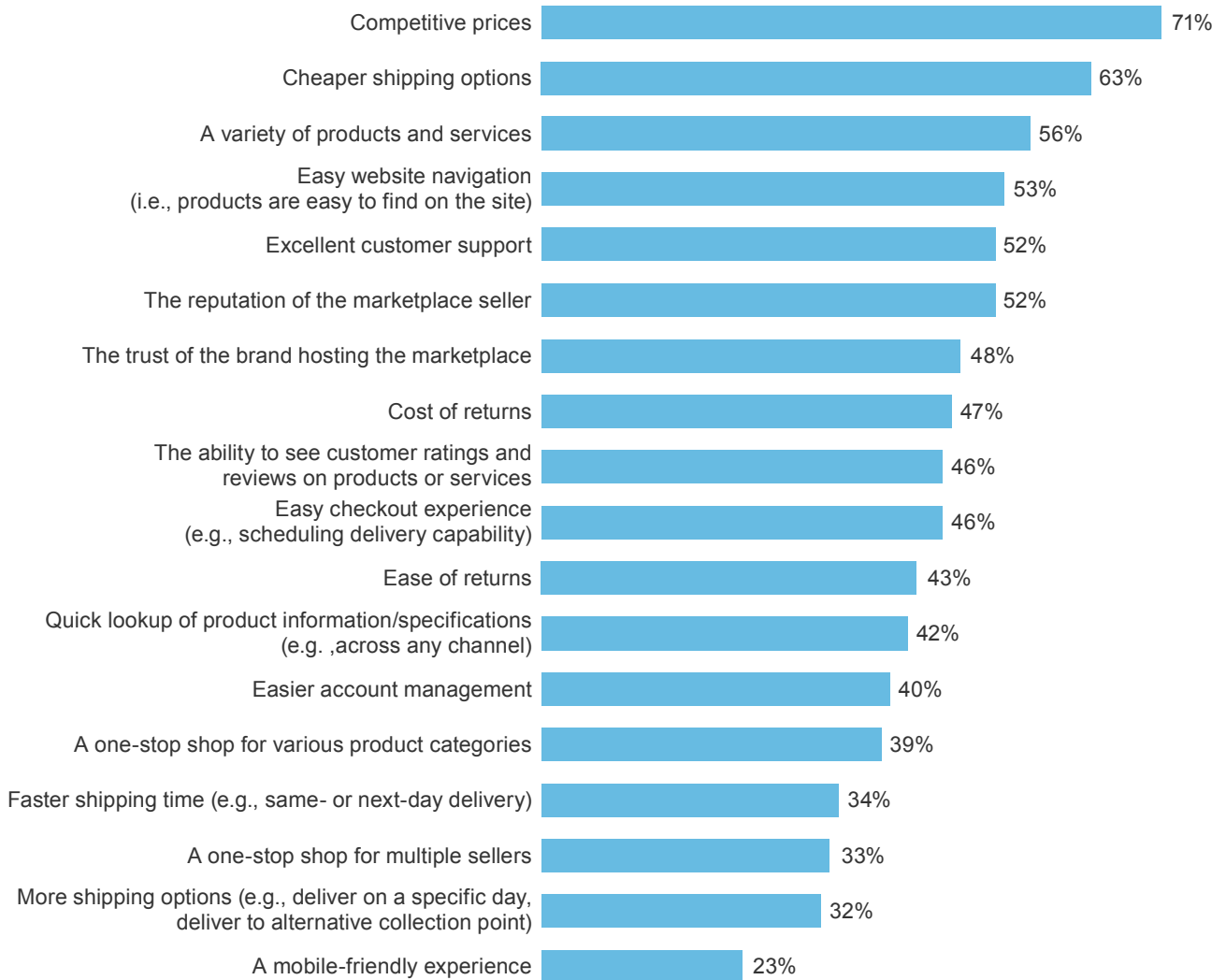
— VP of eCommerce at major US retailer

› **Better overall experiences.** Consumers who have poor experiences will shop elsewhere, so it is important to provide a smooth and straightforward shopping journey. Consumers want a marketplace that is easy to navigate (53%), offers a smooth checkout experience (46%), and has user-friendly account management (40%).

FIGURE 3

Consumers Are Influenced By Key Attributes When Making A Purchase On Marketplaces

“How important are the following attributes when purchasing from a marketplace?”
(Showing “very important” only)



Base: 2,520 consumers who have shopped in a marketplace

Source: A commissioned study conducted by Forrester Consulting on behalf of Mirakl and ChannelAdvisor, March 2016

Marketplaces Increase Customer Loyalty And Average Order Values

Retailers that can match customer expectations will see those customers return. Over 90% of consumers said they will purchase from the same marketplace again when looking for a similar item (see Figure 4). The large majority (90%) of respondents were either satisfied or very satisfied with their most recent marketplace purchase. Our study revealed that to maximize success in a marketplace, retailers must:

- Utilize the power of ratings and reviews.** Consumers are able to guide the spending of other consumers by providing feedback on products or services they have purchased. To ensure brand integrity, some retailers in North America have launched marketplaces with a limited number of sellers to control the experience and learn from mistakes.³ This highlights that retailers are wary of sellers that fail to meet customer needs and hurt their brand.
- Strive for a simple returns process.** It is no secret that returns are a universal pain point for customers when shopping online. Nevertheless, easy returns and exchanges lead to repeat purchases. Almost a third of customers (31%) said they would buy from the same marketplace if the returns process was easy. Moreover, 33% said they had a better experience returning their items on a marketplace than with an online retailer.

“If customers cannot return items easily, have consistent problems, or find the process too complex, we’ll end up losing them, and we cannot afford to lose customers in such an increasingly competitive market.”

— VP of eCommerce at major US sports retailer

By adding marketplaces to their eCommerce offerings, retailers will gain access to more customers, gain additional revenue, and meet customer demand. A successful marketplace will have a direct impact on the retailer’s success.

For instance, a leading US retailer expanded its watch and jewelry product range through a marketplace. It measured an increase in customer average order value, which included both the retailer’s brands and the marketplace sellers.

The benefits for the seller are also significant. An eCommerce marketing manager at a UK retail organization that lists on other marketplaces told us:

“Aside from expanding our own products and categories and increased revenues, we’ve seen a meteoric rise in our customer base and loyalty by having such a broad assortment of products on the marketplace. We’re a specialist firm, but marketplaces are helping us to expand into other categories that support our core products.”

— eCommerce marketing manager at UK retailer

FIGURE 4
Consumers Are Very Satisfied With Their Marketplace Purchases

“Thinking about your most recent order from a marketplace, which are you most likely to do the next time you plan to purchase the same or similar items?”

I would purchase through the same marketplace again  91%

“Thinking of your most recent marketplace purchase, please rate your overall level of satisfaction.”

Very satisfied  60%

Satisfied  30%

Base: 2,520 consumers who have shopped in a marketplace

Source: A commissioned study conducted by Forrester Consulting on behalf of Miraki and ChannelAdvisor, March 2016

Ways To Boost Consumer Confidence In Your Marketplace

Customers rely on comprehensive, accurate data to help guide their purchasing decision. The products listed on a marketplace must display compelling product information and content, including images, recommendations, availability by location, shipping fees, and ratings and reviews. Customers use this information to decide whether they can trust the seller and if the product will meet their needs.

For consumers, the ratings and reviews of the products and sellers on a marketplace are critical. Eighty-two percent of consumers deem ratings and reviews on products and services an important or very important attribute when purchasing. Moreover, consumers will consider a purchase only if ratings and reviews are present for products they are seeking (67%) and on the sellers they are buying from (45%) (see Figure 5). Additionally, over a third of consumers indicated that they will actively look for ratings and reviews if they are not familiar with the seller. Marketplace retailers must enforce rules around quality and weed out poorly performing sellers. In fact, one marketplace manager at a UK retailer told us:

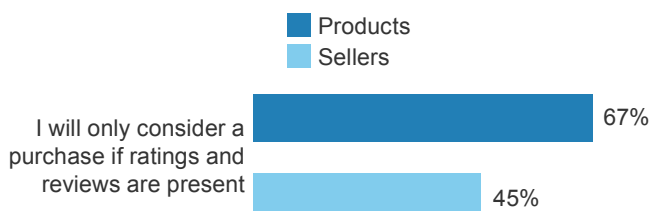
“Our platform allows us to track and monitor seller performance on our marketplace; one of the metrics we look at is the ratings and reviews of that seller. If a seller is below a certain level, we’ll investigate and, if need be, cut ties with them.”

— Marketplace manager at UK retailer

FIGURE 5

Consumers Are Influenced By Ratings And Reviews

“How do ratings and reviews of *products* and *sellers* in a marketplace influence your purchase decision?”



Base: 2,520 consumers who have shopped in a marketplace

Source: A commissioned study conducted by Forrester Consulting on behalf of Mirakl and ChannelAdvisor, March 2016

MARKETPLACES MUST CONSISTENTLY DELIVER A HIGH-QUALITY EXPERIENCE

Marketplace owners have to proactively ensure high service levels or risk losing trade to competitors who can better meet customer expectations. Customers who have faced an issue with their marketplace purchase told us they have:

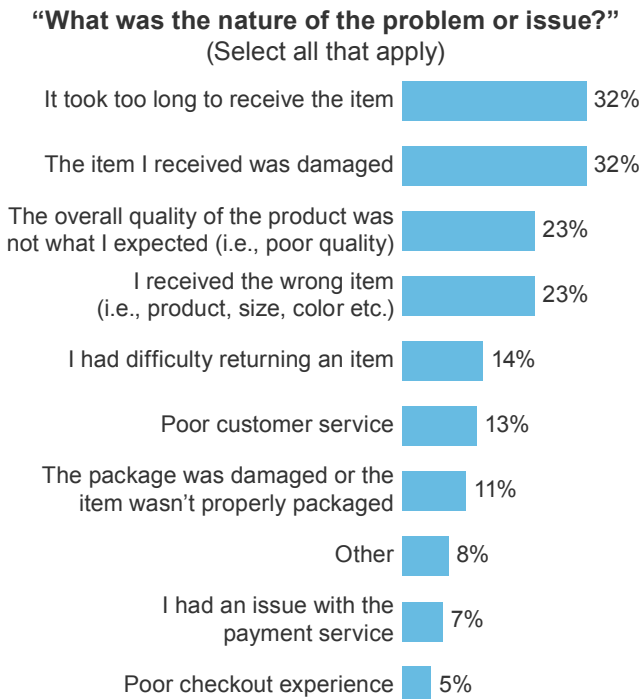
- › **Endured long delivery lead times.** Customers have higher expectations than ever before and want to be able to receive their item quickly. Thirty-two percent of respondents who have faced an issue said their item took too long to arrive. Marketplace owners must be proactive in their efforts to weed out poor-performing sellers to ensure their marketplace consistently delivers high service levels.

“We have recently implemented a new policy which states that sellers must ship a product within three days if it is being delivered domestically and within five days if it is being delivered internationally. This strategy was implemented after receiving reports that customers were receiving items far too late.”

— eCommerce marketing manager at UK retailer

- › **Received damaged items.** Thirty-two percent of respondents who faced an issue with their marketplace purchase said they received an item that was damaged. Receiving a damaged item is a frustrating experience for any customer, and it can hurt the reputation of the seller.
- › **Received low-quality products.** If customers receive an item that isn’t on par with their expectations, they will likely leave negative feedback for the seller. More than 20% of consumers who have had an issue with their marketplace purchase have received an item that did not meet their expectations.

FIGURE 6
Consumers Face A Myriad Of Issues On Marketplaces



Base: 719 consumers who have shopped in a marketplace
Source: A commissioned study conducted by Forrester Consulting on behalf of Miraki and ChannelAdvisor, March 2016

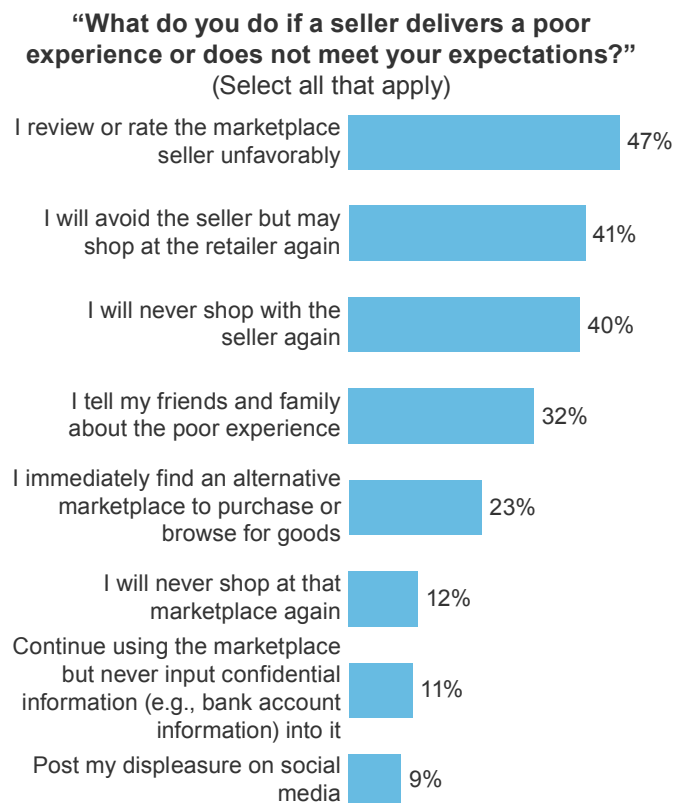
The consumer study showed that sellers deal well or very well with more than half of consumers' issues. But when sellers don't resolve issues satisfactorily, consumers will (see Figure 7):

- › **Review or rate the seller negatively.** Almost half of consumers will rate the marketplace seller unfavorably if the seller does not meet their expectations. All the retailers we spoke to highlighted that they take action and even remove sellers from the marketplace that receive consistently low ratings. Additionally, 32% of dissatisfied customers claimed that they would tell friends and family about their poor experience.
- › **Retain loyalty to retail brands.** When experiencing problems, customers are able to identify between the seller and the retailer. Forty-one percent said they would avoid the seller but may shop at the retailer again. One UK retailer told us that the seller and buyer do all pre- and

post-purchase communications. Complaints rarely come back to the retailer directly, but when they do, consumers know that the retailer will act swiftly to resolve the matter. Consumers are able to differentiate between marketplace sellers and the retailer brand.

- › **Actively search for other sources of supply.** Poor experiences stimulate customers to question their shopping habits and brand loyalty and search for other sources of supply. Forty percent of consumers said they would never shop with the seller on the marketplace again if they had a bad experience.

FIGURE 7
Consumers Are Reacting To Poor Services And Experiences



Base: 2,520 consumers who have shopped in a marketplace
Source: A commissioned study conducted by Forrester Consulting on behalf of Miraki and ChannelAdvisor, March 2016

Key Recommendations

Marketplaces are here to stay. They offer retailers a way to capture new revenue through commission on sales, without the headache of storing and shipping items themselves. Retailers need to develop a marketplace strategy to seize this opportunity, or they will face difficulties remaining competitive with limited product variety. Companies will struggle to develop a marketplace without a commitment to the technology, people, and processes that will enable it to thrive. Retailers should:

- › **Develop a strategy and build their own marketplace.** Customers are shopping online more and demanding competitive prices and a wider variety of products and services. They are also seeking a one-stop shop for all of their purchasing needs. Online retailers must develop a marketplace strategy to not only meet customer demand but to realize benefits like additional brand exposure, increased revenues, and a wider customer base. Use promotional offers to incentivize shoppers to engage with sellers in a new marketplace.
- › **Focus on boosting customer experiences to build trust and get noticed.** Superior customer experience drives customer loyalty. Customers will switch to a competitor if a retailer does not meet their needs or expectations. A great shopping experience doesn't stop when customers receive their product. Retailers must also consider the return or exchange process to ensure it is as smooth as the initial purchase process. Retailers should oversee the performance and service levels of their sellers on their marketplace to ensure that they meet customers' needs and weed out any poor-performing sellers quickly.
- › **Proactively recruit and continuously assess sellers on marketplaces.** Your established marketplace will attract seasoned and new sellers that want to be associated with your brand. But you must proactively recruit and vet sellers that want to join your marketplace in order to determine if they can align to your brand content guidelines and are able to deliver high-quality service to your customers.

"We recruit and vet our sellers to the marketplace — we have an invite-only model, which allows us to thoroughly research who we want selling on our site. By being selective, we have noticed that customers only shop with that specific seller. The customers are fiercely loyal. In return, we work closely with our merchants to increase their business by at least 40% through loyalty programs, memberships, and promotions during a holiday season."

— Marketplace and business development director at a European retailer

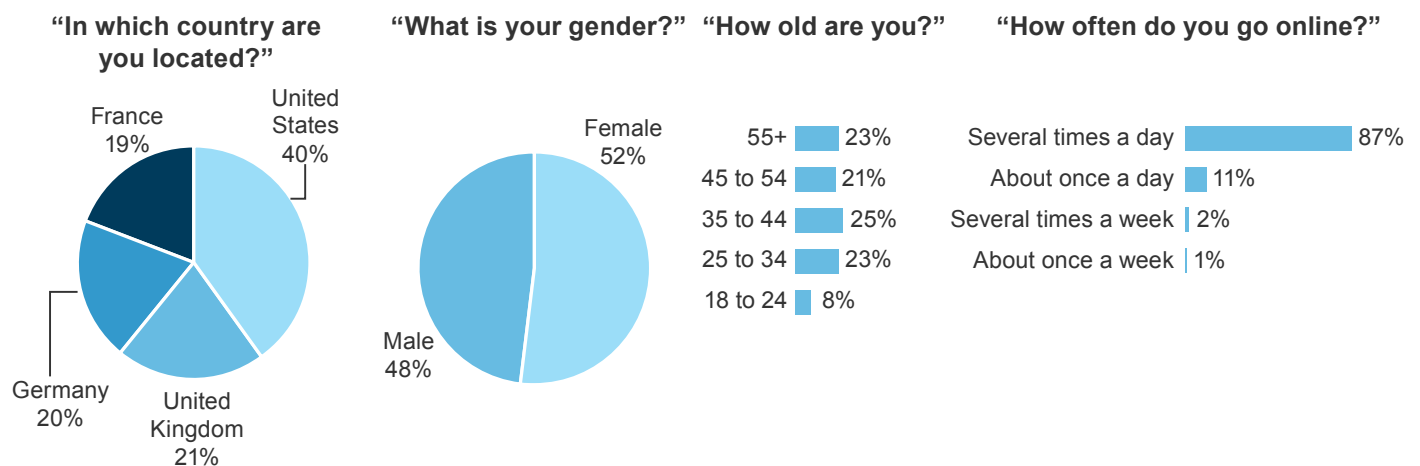
- › **Enhance technology capabilities to support their marketplace strategy.** Marketplace business processes around content, orders, and customers are strikingly similar to those processes in your online channels. However, creating your own marketplace adds complexity because of additional third-party data integration and the need to establish new business-to-business relationships. The marketplace must support these relationships to manage third-party content and handle orders, customers, and suppliers. It is paramount that marketplace platforms not only offer search, merchandizing, and personalization tools, but also include additional layers of sophistication such as product content management, inventory management, order management, seller management, and quality control tools. Engage with a third-party organization that specializes in marketplace development. These organizations have the experience to guide you and provide expertise to establish a marketplace that will bring increased loyalty, higher revenue, and better customer satisfaction.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 2,520 consumers who have purchased from a marketplace at least once within the past month in France, Germany, the UK, and the US. Forrester also interviewed five organizations that have an online marketplace to understand their current strategies, the benefits from having an online marketplace, and the challenges or barriers in taking their marketplace strategy to the next stage. The interviewed participants were at the director level or above and influence or give some input into the marketplace strategy. Interviewed respondents were offered a syndicated Forrester Research report as a thank you for time spent on the survey. The study began and was completed by March 2016.

Appendix B: Demographics/Data

FIGURE 8
Survey Demographics: Country, Gender, Age, And Online Frequency



Base: 2,520 consumers who have shopped in a marketplace
(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Mirakl and ChannelAdvisor, March 2016

Appendix C: Endnotes

¹ Source: Forrester Research Online Retail Forecast, 2015 To 2020 (US), Q4 2015 Update.

² Source: "Why Every Retailer Needs An Online Marketplace," Forrester Research, Inc., October 29, 2012.

³ Source: "Why Every Retailer Needs An Online Marketplace," Forrester Research, Inc., October 29, 2012.