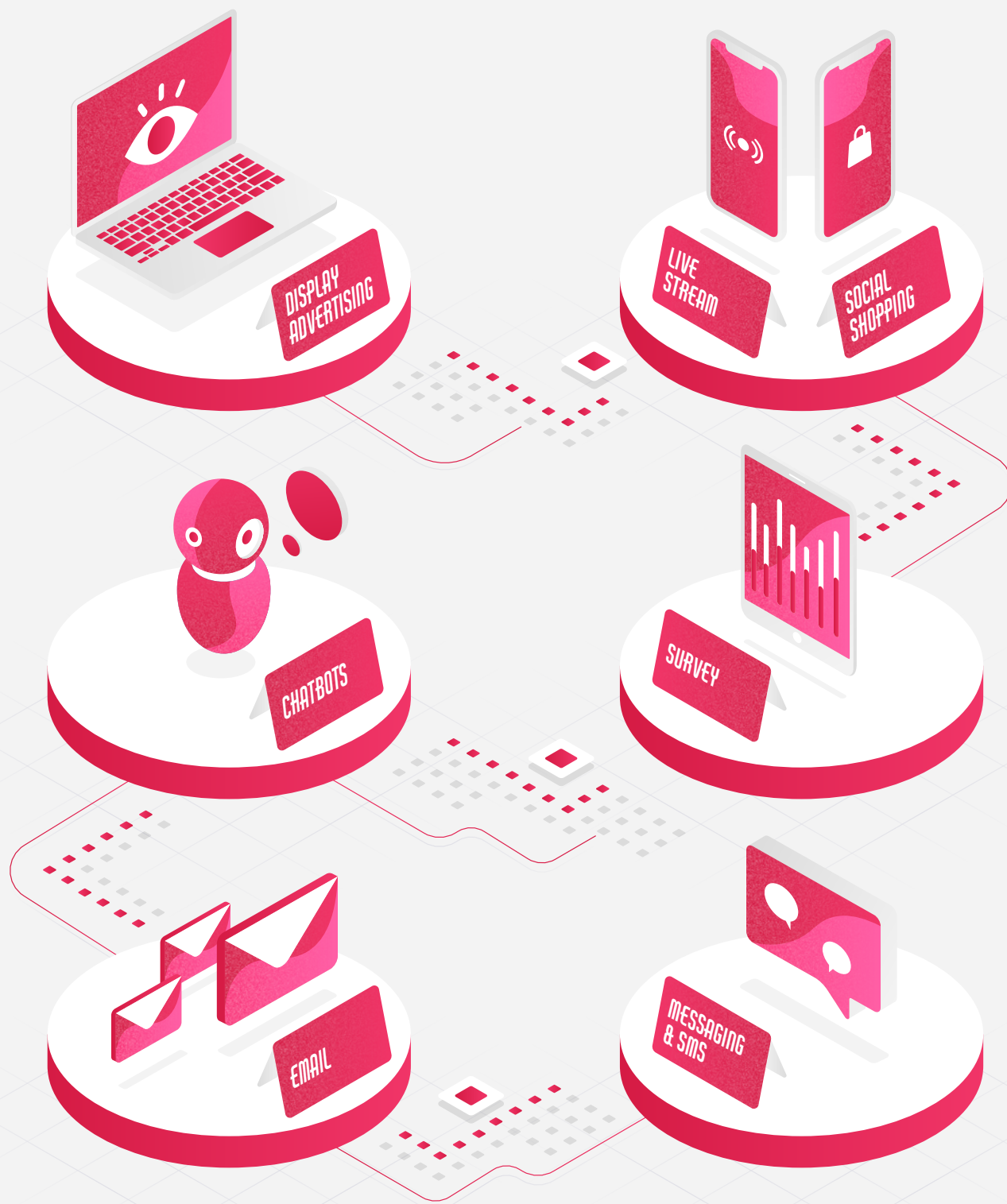


The state of the e-commerce marketplace

Assessing a year of change and planning strategies for 2022



The state of the e-commerce marketplace

Assessing a year of change and planning strategies for 2022

The emergence of online marketplaces has presented an opportunity for companies to advance their commerce strategy, as [e-commerce continues to experience growth](#). Building an online marketplace can help drive brand awareness and increase customer acquisition and findability. Online marketplaces also provide new outlets for product promotion, specialized services and omnichannel experiences.

Online marketplaces are also a key part of collaborative commerce, the practice of working with customers, suppliers, channel partners and even competitors

to deliver more value to customers. Marketplaces help companies scale their businesses, expand product assortment and gain customer insights into pain points and preferences.

To successfully build or replatform an online marketplace, companies need to take a tactical approach when it comes to engaging and retaining customers, improving the customer experience and measuring the success of their marketplace initiatives. Much of the time, this requires partnerships that can help them achieve each business objective.

In 2021, Modern Retail and VTEX surveyed nearly 60 brand executives to uncover how companies are approaching online marketplaces.

This report highlights what the respondents said, from how they're shifting budgets to how they're targeting the right customers. Featuring expert insights from marketplace platform experts and agency partners, this report explores the main challenges and opportunities to consider when building an online marketplace.

What's in this report

- [Why brands are building and using online marketplaces in 2021](#)
- [How companies are approaching targeting and retaining customers through online marketplaces](#)
- [Technical challenges and opportunities](#)
- [Action steps to future-proof online marketplace strategies](#)



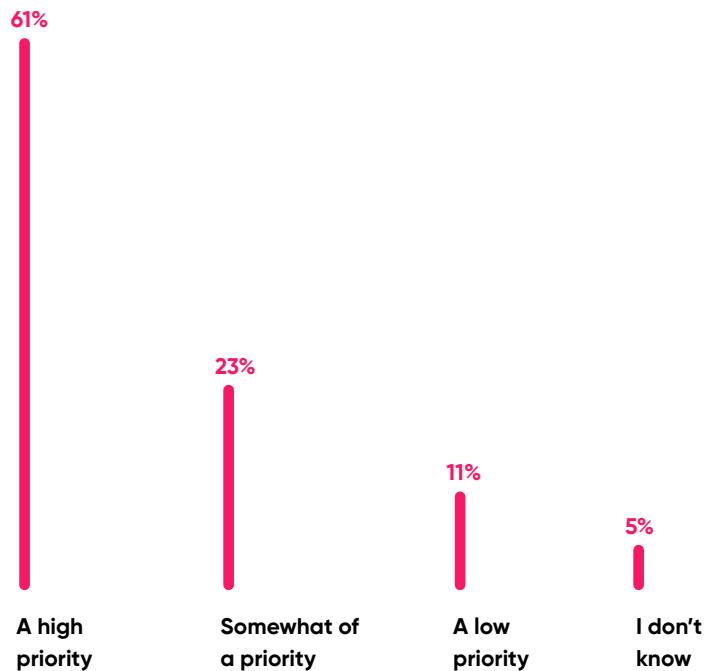
How brands are investing in online marketplaces

The rapid growth of B2B and B2C online marketplaces is a primary reason why companies are prioritizing them in their e-commerce strategy. [Forrester](#) reports that “one-third of all U.S. business now flows through e-commerce, and 63% of that is through marketplaces.” The top 50 U.S. marketplaces, which include Amazon, eBay and Walmart, [also grew sales by 40%](#) in 2020.

This growth aligns with how our survey respondents are approaching online marketplaces in 2021. More than half of our respondents (61%) consider building an online marketplace a high priority.

How companies are prioritizing marketplaces

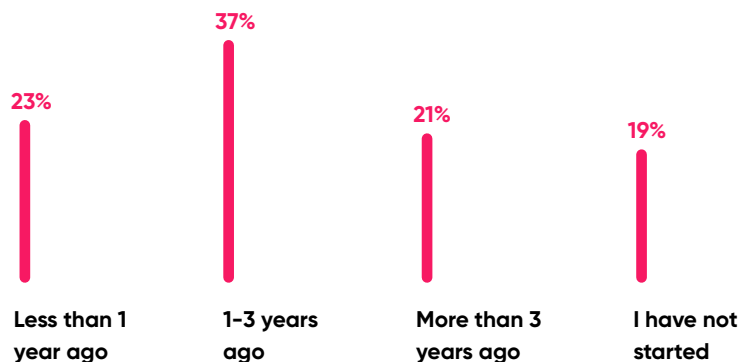
Q How much of a priority is building an online marketplace at your company?



More than half of respondents (60%) also began investing in online marketplaces within the past year to three years ago.

Shifting marketplace investments

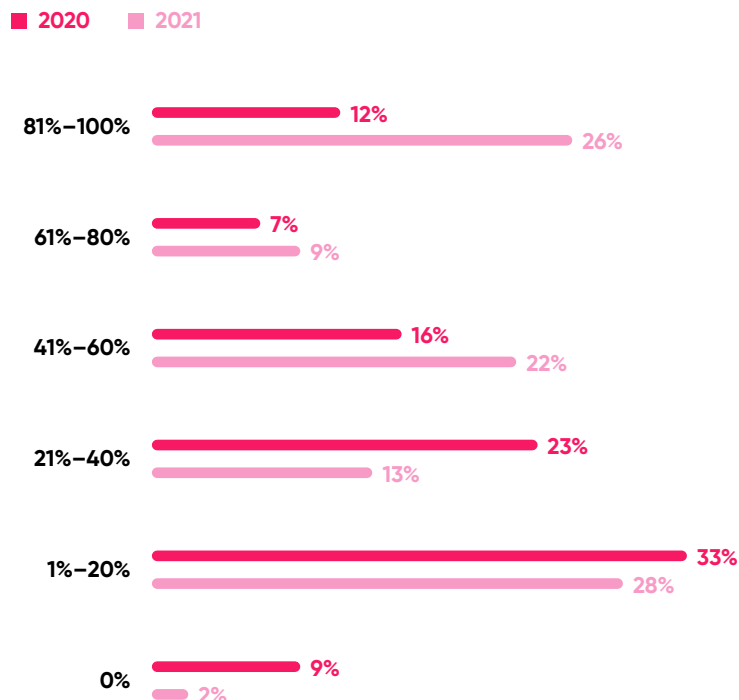
Q When did you start shifting investments to building an online marketplace?



Respondents have increased their budgets for online marketplaces over the past year, with many pulling from their marketing, sales and third-party retail partnership budgets. The survey found increases in budget from 2020 to 2021, particularly in companies where they planned to allocate significant amounts to marketplaces.

Changes in marketplace budget allocation

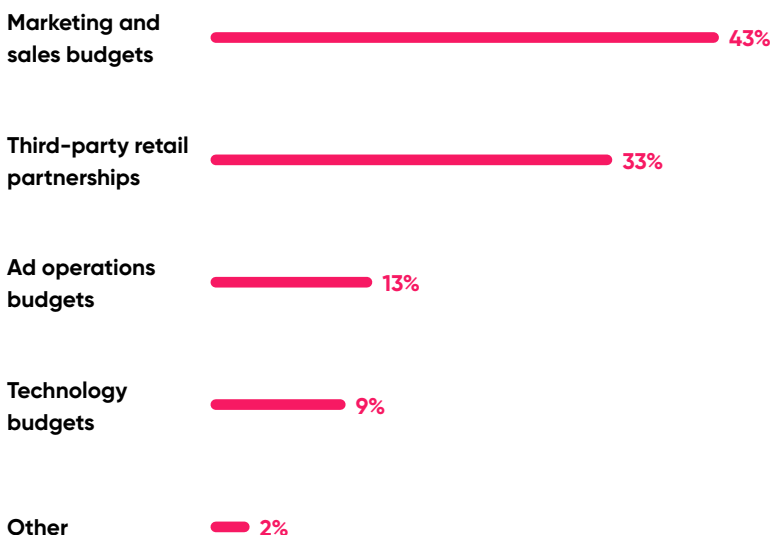
Q How much budget did you allocate toward online marketplaces in 2020 and 2021 (expected)?



To support their online marketplace strategies, companies are shifting money from marketing and sales (43%), third-party retail partnerships (33%) and also ad operations budgets (13%).

Shifting budgets to accommodate marketplace efforts

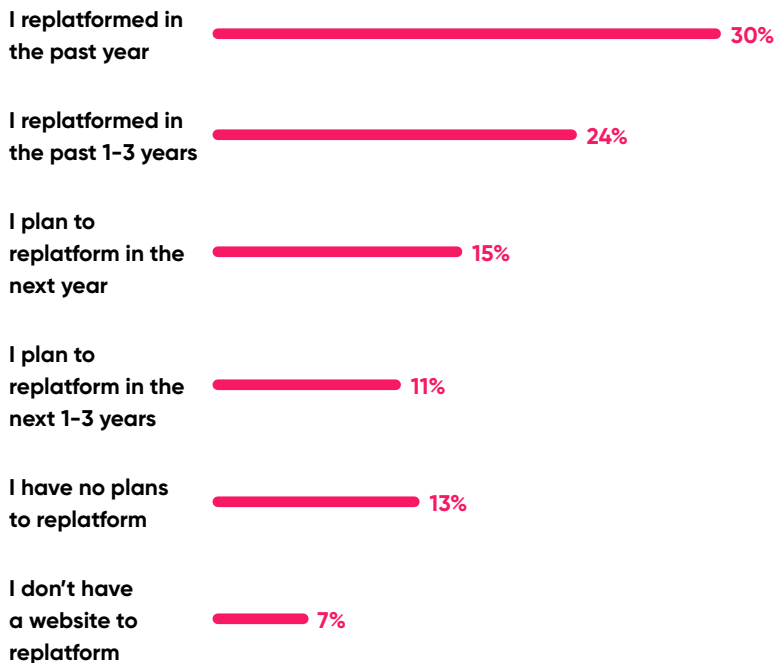
Q From which budgets are you shifting allocation to support your online marketplace strategy?



Additionally, a significant amount of energy has gone into changing existing e-commerce platforms, which companies do to improve the functionality and customer experience of their marketplace. More than half of our respondents (54%) replatformed within the past three years.

Replatforming timelines

Q What is the status of replatforming your online marketplace?

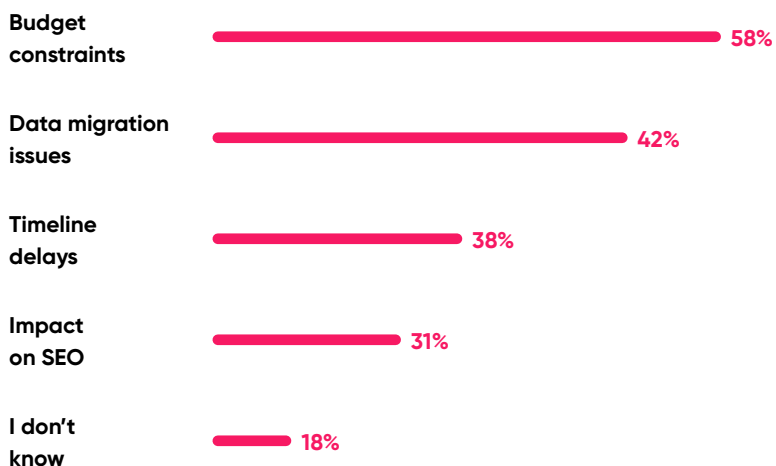


Furthermore, these changes require a measure of caution. When it comes to replatforming risks, respondents are primarily concerned about a lack of budget, data migration issues and the impact on the timeline for re-launching.

Overall, our survey finds that the respondents that have launched an online marketplace strategy are fairly new to the challenges and opportunities that come with this commerce channel. However, the survey data also indicates that respondents understand the importance of shifting budgets to fuel an effective and efficient marketplace experience for buyers and sellers.

Replatforming risks

Q If you need to replatform in order to launch an online marketplace, what e-commerce replatforming risks are you most concerned about? Select all that apply.

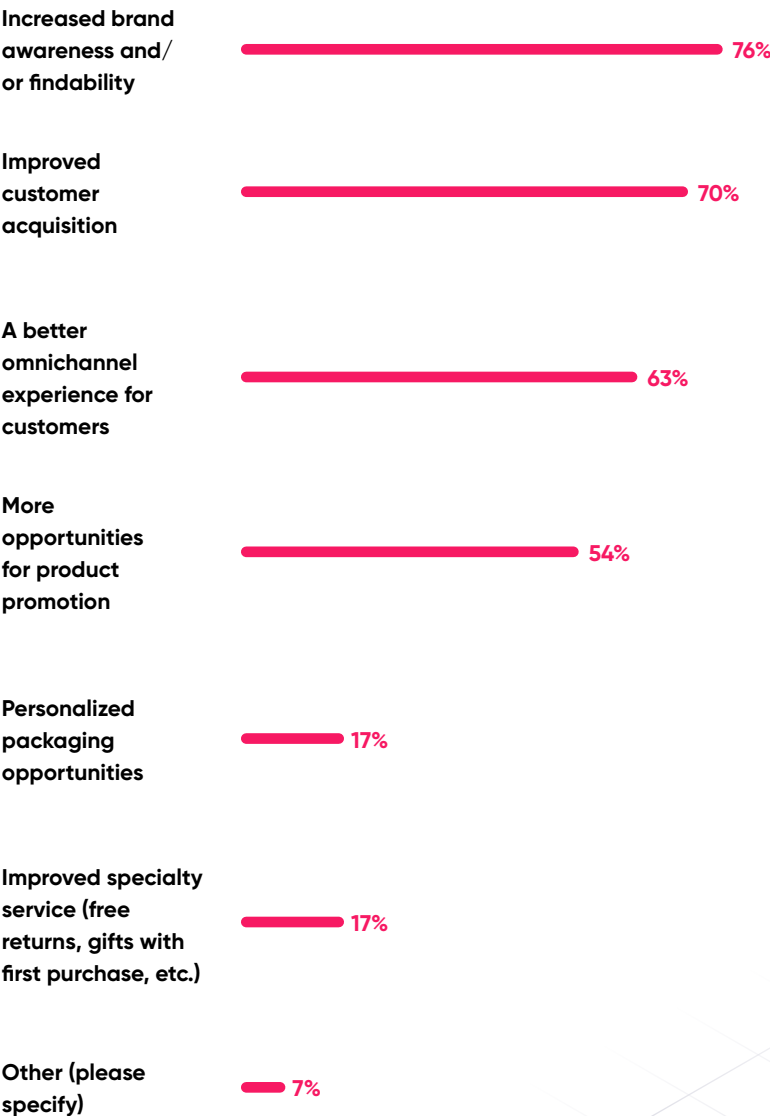


Why companies are building online marketplaces

Among our respondents, those who are investing in and developing their online marketplaces are doing so for reasons ranging from customer acquisition and increased brand awareness or findability to more opportunities for product promotion.

Reasons for launching an online marketplace

Q Why are you choosing to incorporate an online marketplace into your e-commerce strategy? Select all that apply.



Seven percent (those who chose "other") cited better inventory, and better control of brand messaging and the manufacturer's suggested retail price (MSRP), as reasons for building marketplaces.

An example of the work underway, in 2021, clothing brand Land's End launched a new platform that allows select third-party brands to sell products directly to consumers.

"Companies are exploring or launching marketplace opportunities to survive or thrive to get ahead of competition," said George Chang, marketplace executive at VTEX. "For brands, in particular, this is across all spectrums: retail, distribution and manufacturing. They look at marketplaces as a way to disrupt what customers are doing and present themselves as an ecosystem of products."

Many retailers are launching third-party marketplaces as a way to expand their product assortment, informed by analytics on buyer behavior. Adding more products from third-party sellers expands a retailer's categories, creates

a bigger brand footprint and drives SEO. Ultimately, a marketplace can help a retailer become a destination site for their particular category or vertical, while reducing risk.

For example, a shoe seller would know that people who buy shoes are also interested in socks, inserts and laces. But their current supply chain might not be equipped to buy those items. Exploring or expanding the assortment of products would require finding vendors, negotiating pricing, bringing in inventory and having a warehouse — dynamics that are costly and risky. A marketplace would allow the shoe seller to onboard that assortment from a reliable third party, who would deliver the products to customers.

"If you're a manufacturer or retailer, you can see in real time what your customers are buying or not buying," said Chang at VTEX. "With marketplaces, you see a real path of who the customer is, and that information will allow you to make better decisions in the future."

Why a grocery wholesaler launched an online marketplace

In 2021, an established organic food distributor wanted to launch a marketplace to connect with numerous smaller manufacturers of organic and specialty goods with customers without being responsible for restocking. The distributor wanted to integrate the marketplace into its existing customer portal, which was being used by larger grocery chains to order food restocks and supplies.

To meet this challenge, the distributor partnered with online marketplace agency McFadyen Digital to integrate a B2B marketplace into the existing customer portal, onboarding hundreds of smaller vendors and connecting them with their enterprise and independent supermarkets.

McFadyen Digital helped integrate the marketplace into the distributor's Adobe-based commerce platform and launched it in all of North America. Now, supermarket clients can log into the customer portal for their typical orders, but also have an entire roster of specialty items. The program has created a new ecosystem that puts a national spotlight on local and niche vendors.

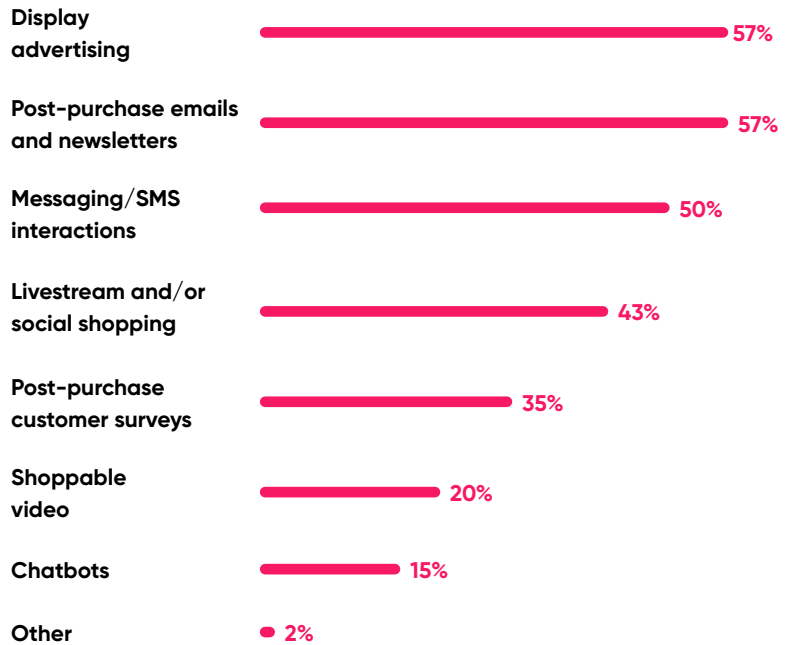


Acquiring and retaining sellers and buyers in 2021

While traditional e-commerce strategies revolve around marketing to customers, running a marketplace requires a balancing act of attracting buyers and sellers. To that end, as the survey highlights, more than half of the respondents (57%) are using display advertising and post-purchase emails or newsletters (57%) to keep buyers engaged through online marketplaces.

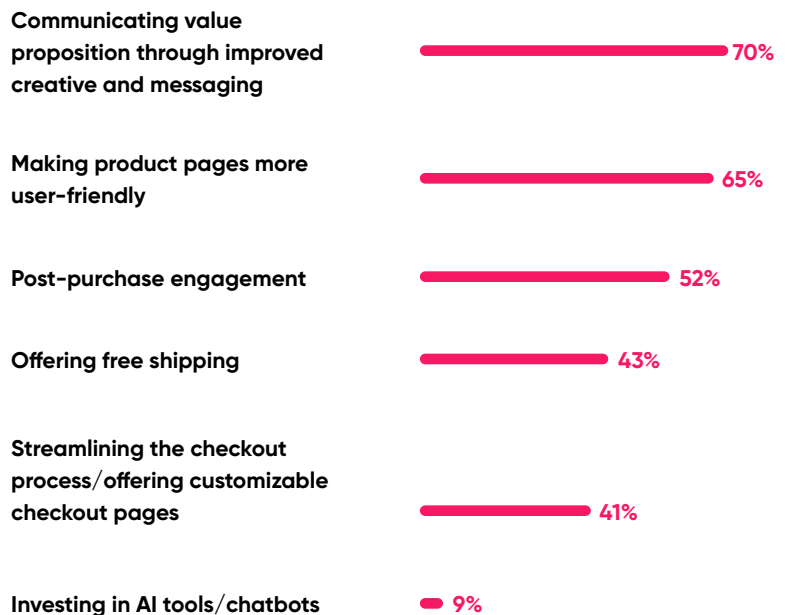
How online marketplace operators engage with buyers

Q In what ways are you reaching and engaging with shoppers through online marketplaces? Select all that apply.



To improve customer experience in 2021, respondents have been focused on refining creative and messaging to communicate value propositions (70%), making product pages more user-friendly (65%) and driving post-purchase engagement (52%).

Q What steps are you taking to improve the customer experience in 2021? Select all that apply.



Meanwhile, “when it comes to sellers, marketplace owners have to attract them, retain them and motivate them to upload their catalog and inventory – and fulfill orders on time,” said Tom McFadyen, CEO of McFadyen Digital. “It is really a matchmaking network that connects buyers and sellers.”

While marketing to sellers is important, marketplace owners also have to consider commission rates – i.e., the rates for categories such as electronics and furniture will differ – as well as the transparency of their messaging and the user experience.

Furthermore, marketplace operators should be communicating what happens when the buyer wants a return or how shipping will work.

“It’s about making sure the sellers are communicated to, that they understand what the expectations are and that the user experience for the customers

will continue bringing them back,” said Tom Gaydos, CMO and marketing practice lead at McFadyen Digital. “In marketplaces, one of the biggest mistakes we see is marketing only to the customer, and not having that steady communication stream going with your buyers and sellers. You need to keep everybody in the loop.”

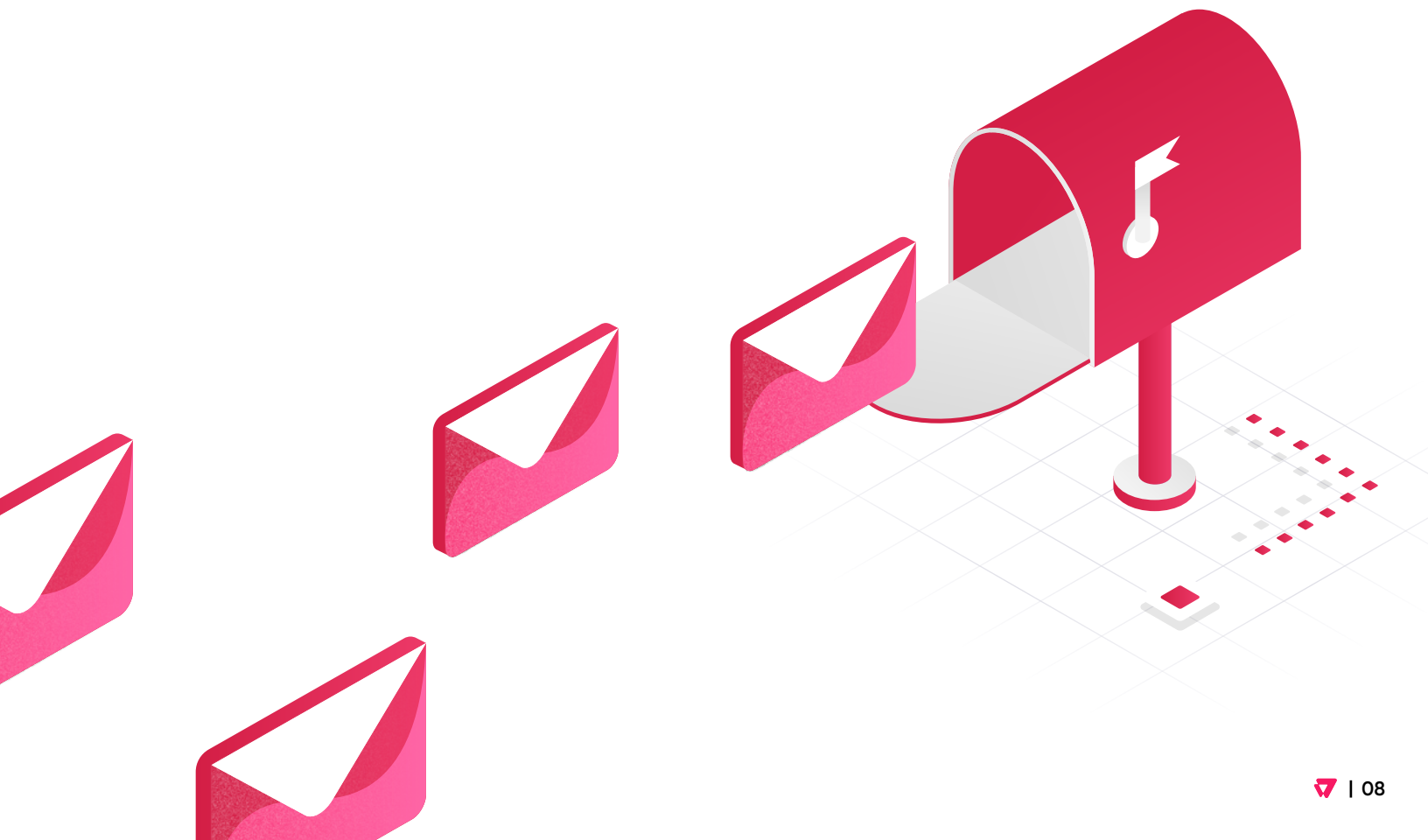
Anheuser-Busch InBev, the world’s largest brewer, launched new online marketplaces across Latin America in 2020 to help retailers adapt to less in-person traffic and meet increased consumer needs for ordering food and beverages online. Marketplaces have become an extension of the company’s e-commerce efforts, anchored by its Ze Delivery courier business in Brazil, which the company launched in 2016.

France Roy, global vice president of direct-to-consumer technology at Anheuser-Busch InBev, said that to accommodate seller and buyer needs

across various regions, the company keeps itself agile when introducing new features to meet buyer or seller needs.

For example, when Anheuser-Busch InBev saw that the checkout flow for buyers was too long in one of its marketplaces – noticing an increasing abandoned cart rate – Roy’s team introduced a one-click payment option to speed up the checkout process in an effort to increase conversions. The company has also introduced custom screens for sellers to upload menus or change prices.

“We want to offer an amazing experience for buyers and sellers and make sure they are able to use the platform in an easy-to-access way,” Roy said. “As we continuously release new features, we want to make sure our buyers and sellers are aware of those features and have training or guidance on how to use them.”



Measuring online marketplace success — the goals and KPIs

Gaining initial traction with customers (65%), establishing CRM and analytics capabilities (52%) and increasing buyer-seller matches (39%) are top marketplace priorities for respondents.

Online marketplace priorities

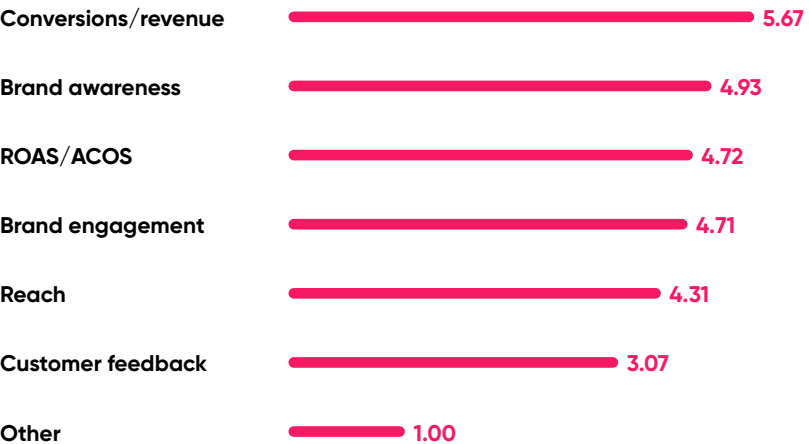
Q What action steps are top of mind as you approach building and operating an online marketplace? Select all that apply.



When it comes to tracking success, conversions and revenue are a key KPI for our respondents, followed by awareness, return on ad spend and engagement.

KPIs of importance

Q What KPIs do you use to measure the success of online marketplace initiatives? Rank by order of importance.



• Score averages are based on a weighted scale of 1 to 7

Technology challenges and opportunities

There are numerous factors to consider when building an online marketplace, such as figuring out KPIs and key success criteria, timelines, a plan for new hires such as seller-recruiters and onboarders and, notably, working with the right tech stack.

Building a robust marketplace model and acquiring the knowledge to deploy that model is already a challenge, one that companies are tackling with the help of an integrated tech stack they don't have to build themselves.

"Ten years ago, the marketplace was only a game for big boys [like eBay and Amazon], and you had to build one from scratch," Chang at VTEX said.

"Now, thanks to marketplace technology vendors, buy-versus-build becomes a much easier decision. Companies can now purchase marketplace technologies that have the basic fundamentals built in."

The technical pain points that companies must consider when setting up a new marketplace largely revolve around integrating third-party e-commerce software, such as enterprise resource planning (ERP), into existing systems.

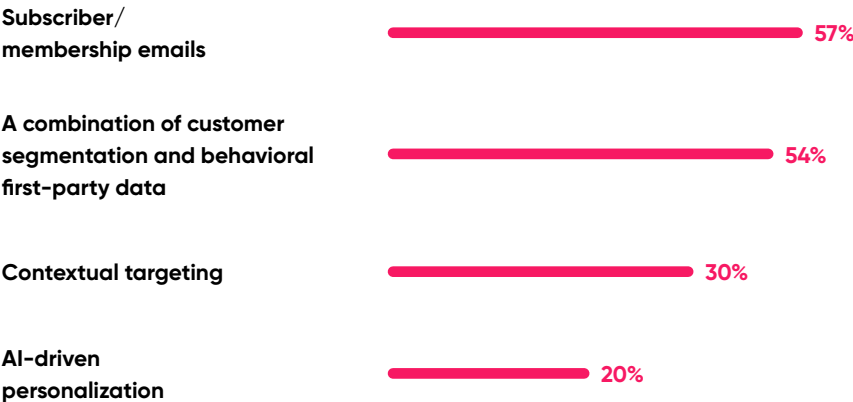
Technology vendors that have integrated tech stacks are key in helping companies approach their technical or replatforming challenges.

Using an integrated tech stack allows companies to avoid complicated dynamics between their commerce and their new marketplace. If a company gets an order on their website, they'd have to manually route it and integrate it into a third-party marketplace system. With an integrated framework, this process happens automatically.

Marketplace operators are also navigating how to reach customers amid data deprecation, privacy laws and decreasing willingness from consumers to share information. More than half of our respondents are relying on subscriber or membership emails, as well as a mix of customer segmentation and behavioral first-party data to target consumers.

Privacy-forward targeting tactics

Q What steps are you taking to target customers in privacy-compliant ways through online marketplaces? Select all that apply.



Roy at Anheuser-Busch InBev said that the company has always prioritized collecting consumer data to understand what their customers want.

"With a marketplace, you have access to insights such as what consumers are ordering and the time of day they're ordering it. This informs how we can sell our products more effectively," said Roy. "There's so much potential with data and analytics to understand the consumer better and tailor our offerings to meet their needs."

Privacy regulations such as GDPR in Europe, and LGPD in Brazil, require the Anheuser-Busch InBev team to reach buyers in a privacy-compliant manner and prevent data from being used for targeting outside of specific regions or even used internally for other purposes.

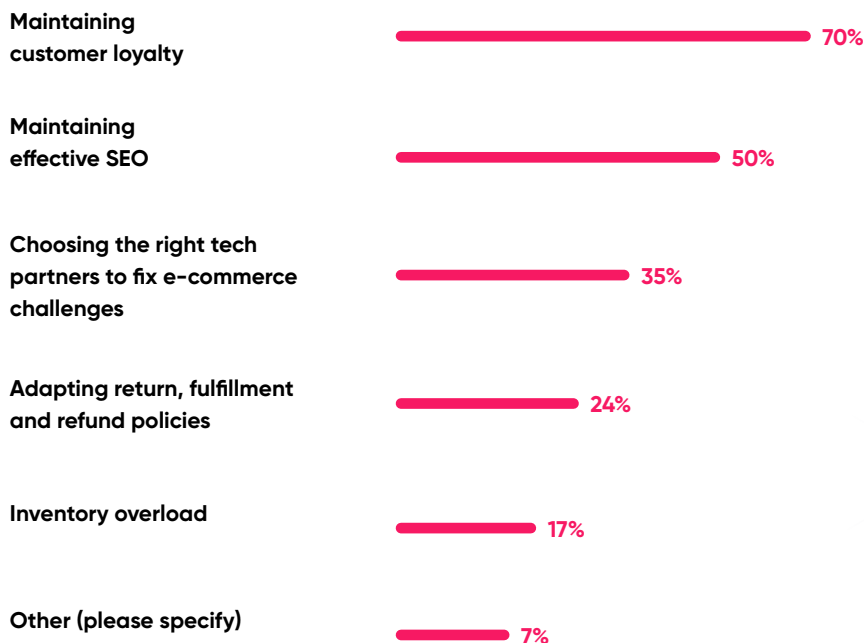
For example, if a customer leaves information after purchasing beer from the Anheuser-Busch InBev's Beer Hawk marketplace in the United Kingdom, the company can't use that data beyond that particular use case.

"We want to make sure that with whatever data we capture on a consumer, they have given us consent to use it in the way we want to use it," Roy said. "If a customer requests that we remove all the data we have on them, we do that in all of our systems."

Our respondents also said that maintaining customer loyalty, maintaining effective SEO and choosing the appropriate technology partners to address e-commerce pain points are key challenges to marketplace performance.

Challenges to marketplace success

Q What are the main challenges to successful online marketplace performance? Select all that apply.



Future-proofing online marketplace strategies

As marketplaces are always evolving, companies are seeking tech partners that already have a deep pool of clients. Companies pursuing a new marketplace will experience new flows, encounter new seller requirements and see business models change.

"It's important to find a marketplace partner that has a breadth of experiences to lean on, because oftentimes marketplaces can scale very quickly," said Chang at VTEX. "Almost overnight, you could go from having 20 sellers to 500 or 1,000 sellers. A technology partner needs to have the infrastructure to be able to sustain that type of growth quickly."

For Anheuser-Busch InBev, which prioritizes speed in the rapidly growing marketplace space, being able to launch

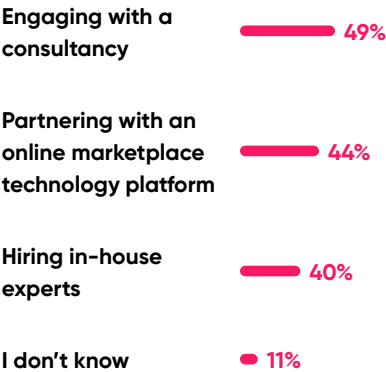
customizations and new features quickly is a challenge that usually can't be deployed efficiently with custom-built or enterprise technology. A technology partner with marketplace expertise is key to building and launching new features in a timely manner.

"Leveraging a technology partner helps us launch and iterate quickly when it comes to new features or product offerings," said Roy at Anheuser-Busch InBev. "We can really get a business up and running in a true startup fashion and continue to evolve our platform and capability."

To improve the impact of their online marketplaces, nearly half of our respondents (44%) are partnering with technology platforms.

Advancing the online marketplace

Q What steps are you taking to improve the efficiency and effectiveness of your online marketplace strategy? Select all that apply.



Our respondents who haven't considered building a marketplace yet cited lack of budget, staffing and knowledge on how marketplaces work as the main reasons for hesitancy.

Q If you have not started shifting to a marketplace business strategy, why not? Select all that apply.



With online marketplaces continuing to grow as a commerce tool, brands that are interested in building or evolving their marketplace are pursuing technology partners that can help them solve pain points, from technology integrations to determining and measuring KPIs.

Companies are keeping these insights in mind to ensure they have a marketplace strategy that will produce long-term payoffs:

Keeping these insights in mind will not only help companies succeed in building an online marketplace, but also ensure it drives a fruitful commerce experience for buyers and sellers in 2022 and beyond.



A marketplace is a business transformation, not a technology add-on.

Creating a meticulous business strategy for a marketplace is critical. It will require companies to rethink their organizational structure and what new roles and responsibilities will be needed to ensure the marketplace runs effectively and efficiently.



Marketplaces require changing company mindsets to accommodate new products.

In a typical e-commerce site, the owner would have full control over merchandise and product descriptions. In order for a third-party marketplace to be successful, companies have to be willing to explore and accommodate new categories and new products for sellers.



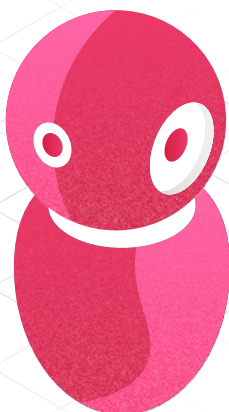
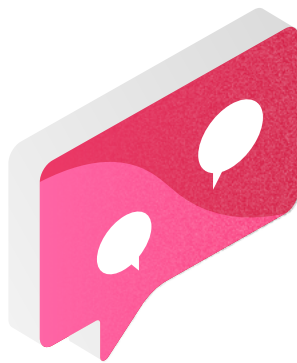
Developing and creating a seller acquisition plan is a priority.

Often, companies underestimate how long it will take to get sellers to agree to onboard their products. An important initial step is setting seller guidelines and expectations for the marketplace structure, experience and its benefits.



Seek a technology partner with marketplace expertise.

Since online marketplaces are a fairly new opportunity for most companies, it's critical to partner with a vendor that knows how to handle platform integrations and has experience in scaling marketplaces. A vendor should have the capabilities to integrate a customer-facing e-commerce engine and a seller-facing marketplace engine, as well as have an order management system to facilitate the flow of goods from buyers to sellers.



About VTEX

VTEX (NYSE: VTEX) provides a software-as-a-service digital commerce platform for enterprise brands and retailers.

Our platform enables our customers to execute their commerce strategy, including building online stores, integrating and managing orders across channels, and creating marketplaces to sell products from third-party vendors.

Founded in Brazil, VTEX has been a leader in accelerating the digital commerce transformation in Latin America and is expanding globally. Our platform is engineered to enterprise-level standards and features. We are trusted by more than 2,000 customers with over 2,500 active online stores across 32 countries, who rely on VTEX to connect with their consumers in a meaningful way*.

*Figures as of FY ended on Dec. 31, 2020

