

8 Steps to Going From Brand to Marketplace

Find the Marketplace Strategy That Suits
Your Business



Selling on a Marketplace
vs. Becoming a Marketplace

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TL;DR

Marketplaces are expected to **drive 50 to 60% of retail growth** over the next three years, and building one is easier than ever before. It's a great chance to grow both

your revenue and your reach. Are you thinking about taking the leap? To succeed, you'll need a bulletproof plan. Ready for our step-by-step guide?

1. Define your marketplace and fulfillment models
2. Choose the right shop system and partners
3. Select the brands you want to work with carefully
4. Define guidelines and requirements for your shop and partners
5. Build trust with prospective customers

Sounds too abstract?

Read on for in-depth explanations, insider tips, and insights on going from brand to marketplace, and learn how this strategy fits into your overall revenue model. Excited? Great, we are too – let's get started!



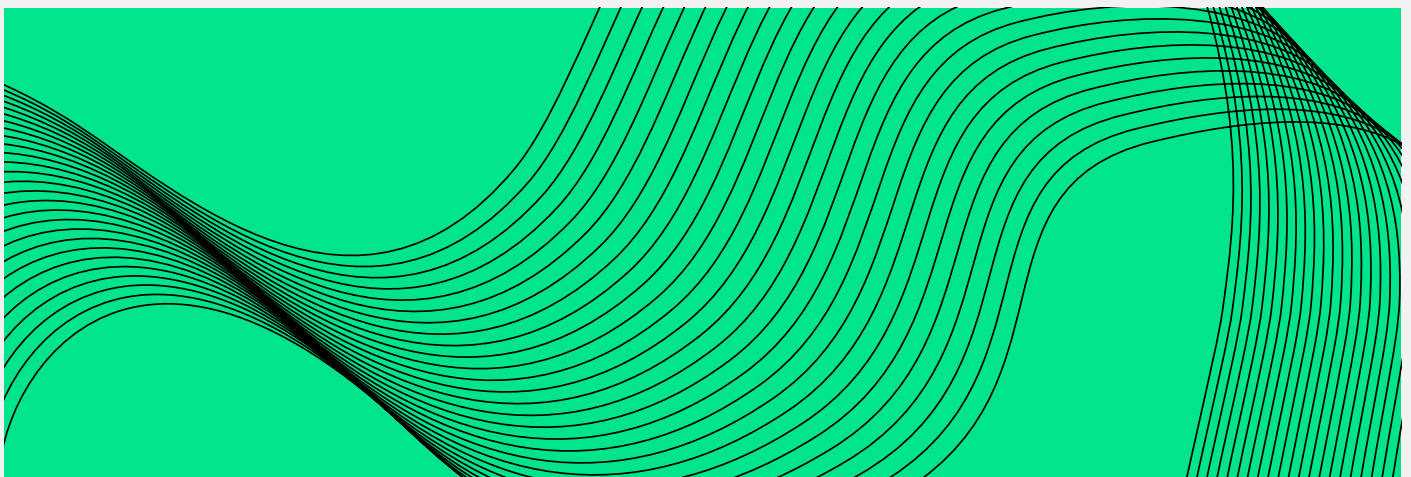
Introduction

In 2022, consumers spent nearly \$3.25 trillion in the world's leading online marketplaces. And while much of that money went to the top four global marketplaces, smaller marketplaces are also growing fast. In fact, McKinsey estimates that 50 to 60% of retail growth over the next three years could be driven by marketplaces.

What does that have to do with your eCommerce business? It means that online marketplaces are a great place to do business. But there's more to marketplaces than just putting products up for sale on someone else's platform. It has become easier than ever to take things a step further and become a marketplace yourself.

Why would one do that, you wonder? When becoming a marketplace, you can give your customers a tailored brand experience, paired with the convenience of shopping for complementary products from other brands, all on one platform. Do you want to get the best of both worlds? Combining sales on your own marketplace with sales on larger, global marketplaces can help you create a wider reach that ultimately funnels customers into your brand's own sales channels.

What exactly does it mean to become a marketplace? How can you benefit, and what risks are involved? We'll give you a step-by-step guide to getting started, and tell you what pitfalls to avoid.





Selling on a Marketplace vs. Becoming a Marketplace

So what exactly is the difference between selling on online marketplaces and **becoming a marketplace**? Selling on a marketplace means that you list and sell products on an existing platform like Amazon or eBay. By taking advantage of the marketplace's reputation, established infrastructure, and large audience, you can easily get started and quickly increase revenue.

Becoming a marketplace involves creating your own platform where you, along with multiple other partner businesses, can list and sell products. This approach requires

more resources and dedication, but it lets you define your marketplace's niche and control the customer experience. And of course, allowing other merchants to sell on your platform creates additional revenue for your business.

Do you want to master marketplace commerce? If you sell on other established platforms in addition to creating your own marketplace, you'll open up multiple revenue streams and truly have the best of both worlds.



Why You Should Consider Becoming a Marketplace

Establishing your own online marketplace is definitely an undertaking. You'll need to invest in the right IT stack, marketing, and much more. But there are immense benefits you shouldn't pass up.

One of the most exciting aspects is that you can define your own vertical niche and guarantee your customers a hyper-tailored shopping experience.

- You can offer an array of products and brands that complement your own.
- You're able to ensure high quality across the entire marketplace.
- Marketing, branding, content, and user experience are in your control.

Likewise, you can design your marketplace, product range, and user experience to meet the needs of a single, specific consumer demographic. This lets you create laser-targeted marketing, which results in a greater and faster return on your advertising investment.

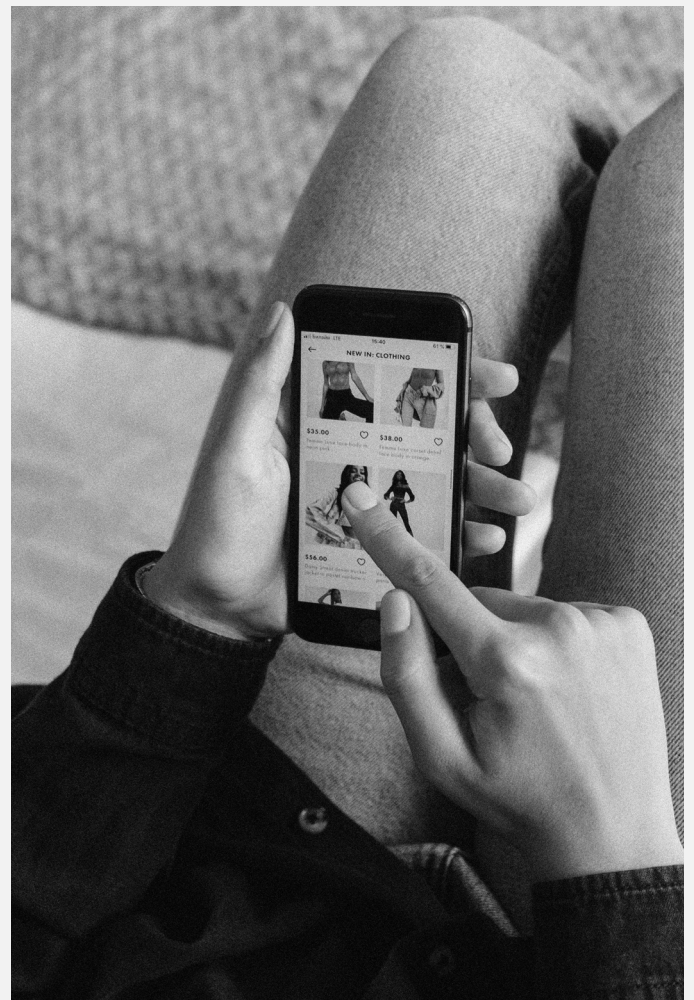


Your Business Plan: Steps to Becoming a Marketplace

If you're planning to set up your own marketplace, there are a lot of things to consider. Here are some of the most critical decisions you'll need to make while designing your go-to-market strategy.

1. Define Your Marketplace Model

Should your marketplace be an open or closed (curated) marketplace platform? The choice will determine how focused your niche is.



Open Marketplace

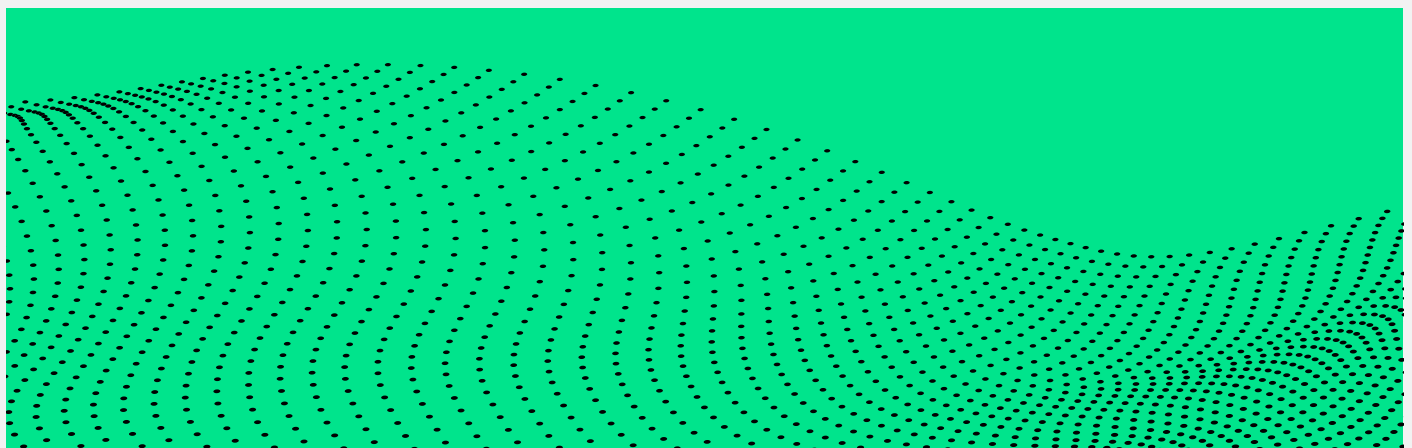
An open marketplace allows essentially anyone to sell anything. It's typically set up as a self-service model, where the sellers do the heavy lifting of getting onboarded, uploading their product images and descriptions, etc. Open marketplaces target a wide spectrum of customers and

focus on adding as many products and brands as quickly as possible to become a "one-stop shop". The marketplace owner can expect shop setup, maintenance, and advertising to be more complex due to the large number of product types and wide customer base.

Closed Marketplace

A closed marketplace defines specific criteria for the brands and products it allows on the platform. This means that you can make sure that the products on your marketplace complement – but don't compete with – your brand's products. You

don't have to worry about foreign sellers selling nearly identical products at rock-bottom prices. And although qualifying the sellers you work with takes work up front, it will likely save you effort in the long run.



2. Define Your Fulfillment Model

When launching a marketplace business, one of the most crucial decisions you'll make is defining your fulfillment model. Let's dive into a breakdown of these models to guide you in

selecting the one that best aligns with your business goals, target market, and operational capabilities.

The Wholesale Model

With this business model, your marketplace purchases products in bulk and sells them directly to the consumers on your marketplace. You are responsible for warehousing, product listings, inventory management, fulfillment, returns, and everything in between. This

gives you total control over the pricing strategy, target markets, and more. It also reduces supply chain risks and keeps your operations streamlined. However, you run the risk of getting stuck with unsold products or unsellable returned items.

The Dropshipping Model

In a dropshipping model, consumers purchase products via your marketplace and the seller fulfills the order. The seller is also responsible for processing returns. As a marketplace, you lose some control over the customer experience with this model – you provide the platform and the

marketing, the seller does everything else. The risks of said approach? If sellers take too long to ship their products, handle returns poorly, or run out of stock too often, it could leave the consumer with a poor impression of your platform.

The “Fulfillment by” Model

When you offer fulfillment services, your sellers send their products to your warehouse but maintain ownership. You provide warehousing services (usually for a fee), and – when a product is sold – you fulfill the order and ship the product to the customer. You’ll usually handle

returns for the seller as well. Offering fulfillment services gives you control over the customer experience and saves you the risk of buying the products in advance. However, this model gives sellers control over pricing, the product description, and product images.

The Hybrid Model

With a hybrid fulfillment model, you can offer a mix of fulfillment options. You might buy certain products from a brand at wholesale prices and sell them directly to your customers while offering additional products from the same brand

via dropshipping or “fulfillment by.” Or you might allow only brands with vetted customer service to sell via dropshipping. It’s your marketplace, and you get to make the rules!

The right model for your business will depend on your target market and your chosen vertical. Before deciding on your model, get to know your consumers and the existing market in your niche. Once you’ve decided on these key parameters, you’ll be able to come up with policies and rules to govern your marketplace and the sellers you work with.

3. Get Off to a Good Start With the Right Tech and Partners

The backbone of any eCommerce marketplace is the technology it's built on. There are a few options for creating a new marketplace. This means you can build everything from scratch, use a standard eCommerce solution and add third-party integrations, or choose a shop system that already includes multi-merchant capabilities.

While creating everything on your own is expensive and time-consuming, using a standard eCommerce solution with custom functionality could work very well for you. However, the tech stack may not be stable or scalable in the future. And most likely you'll be highly dependent on your third-party marketplace integration. If you're seeking a standard marketplace, a multi-merchant commerce solution might be a good fit for you. It will speed up the market launch due to its built-in capabilities and will be far easier to scale along with your growth because complexities are kept relatively low.

Ideally, you'll want to work with a provider who offers both the software and the expertise you need to succeed. When choosing the software for your marketplace, you'll need to look out for some important key features.

Must-haves in a marketplace software

- Basket split in checkout
- Reliable customer service
- Automatic data mapping
- Automatic data updates

With a split shopping cart at checkout, your customers can see how many packages they will receive and how long each delivery will take. Your software should also provide reliable customer service and tracking options to ensure your customers are transparently updated on order, shipping, and payment status.

Having automatic data mapping will help you guarantee that all product offerings meet your store's specific requirements. Finally, your marketplace software should also offer automatic data updates to keep your store updated when a merchant adds or changes product data. Don't forget to include manual processes alongside automation to ensure high data quality and consistency. Balance is key to running smooth marketplace operations.

Be sure to choose a flexible, modern system that will allow you to grow with your business in the future and is able to handle larger demands without sacrificing performance.

4. Selecting Brands to Work With

As a smaller marketplace, your best chance for success is to niche down, curate your products, and be very selective about who you work with. Not every brand needs to be a giant marketplace like Amazon. But you don't necessarily have to be a small niche player either. Anything goes as long as you stay within your specific target audience.

Therefore, select brands that complement your own range of products. Expanding your product range can significantly boost customer engagement and sales by offering a more extensive selection to choose from. By providing 10 different parasols instead of just 5, you create a broader range of options for your clientele, enriching their shopping experience and increasing the chances of finding the perfect fit for their needs. This way, you can boost your opportunities to acquire new customers with a bigger assortment while reducing costs.

Also, make sure to offer brands and products that appeal to your specific target audience. Align everything with your niche and target

audience. But watch out: You shouldn't add brands to your marketplace just for the sake of having more. Instead, look for quality and compatibility with your brand and values.

Keep in mind that a niche marketplace is easier to manage. Merchant onboarding, advertising, and fulfillment are all simpler with a smaller number of merchants and a clearly defined target demographic. The more merchants you onboard, the more complex your marketplace will get, which will result in higher maintenance efforts and most likely also lower quality standards.



5. Building a Strong Foundation

To build a strong foundation for your marketplace, you'll need to define some key aspects of your shop:



Standard data quality requirements (minimum required product data, mandatory attributes)



Data structures for your shop (e.g., naming nomenclature).



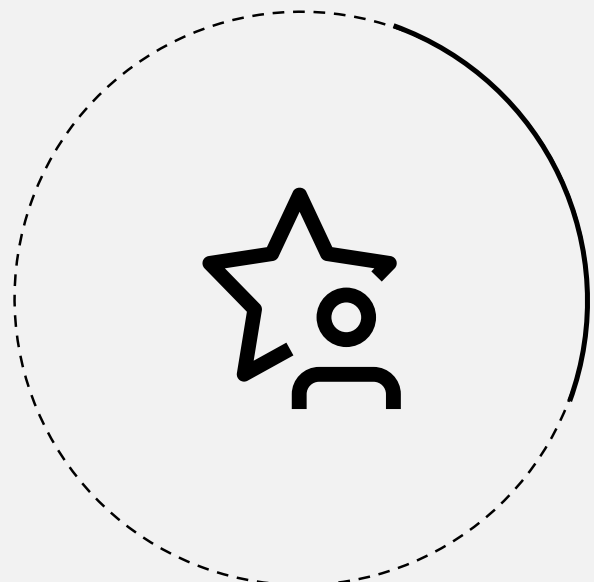
Delivery times

You'll need to ensure that your merchants can easily provide the required data on your market's back-end interface. Well-organized data will ensure that your product search shows customers exactly what they're looking

for, and will keep your product categories tidy and easy to navigate. Also, define standard delivery times for your shop. Brands that don't use your fulfillment services should fulfill orders within an agreed-upon time frame.

6. Designing an Outstanding Customer Experience

Much of your marketplace's success depends on the experience you offer your customers. And you'll need to work together with your merchants to ensure that the experience is consistent, no matter who is fulfilling the order. What are some of the elements you'll need to define?



**Code of
Conduct**

This can include things like supply chain standards, forbidden materials or labor practices, data security guidelines, etc. All the brands and retailers on your marketplace should agree to abide by it.

**Packaging
Guidelines**

Define which packaging merchants should use when fulfilling their own orders. You might have them use neutral packaging, marketplace-branded packaging, or packaging with their own branding. The latter is especially good for high-end brands. You can also add sustainability guidelines, like requiring plastic-free packaging or CO2-neutral shipping.

**Standardized
Return Policies
& Processes**

All merchants should offer the same return policy and send out the same return shipping labels or forms. This will save your customers confusion and frustration!

**Customer
Service**

Who will handle which types of requests from customers? For example, perhaps the marketplace will handle questions about payment while merchants handle questions about specific shipments or deliveries (if they are responsible for fulfillment). Define deadlines for responding to inquiries (e.g., within 24 hours).

**Delivery/Return
Tracking**

Merchants who handle their own fulfillment should agree to upload tracking information or return confirmations to the marketplace's backend within a specific timeframe.

After you have defined these elements, you need to track your merchants' performance. If some merchants fail to meet the requirements, consider offering them training or other support to improve compliance. Be

transparent, for instance, by offering a partner portal displaying the most relevant analytics. Make sure to agree ahead of time on the consequences if the problem continues.

7. Adding the Finishing Touches

As a new marketplace, you need to focus on attracting new customers and earning their trust and loyalty. To do that, you'll want to make the barrier to entry as low as possible. Offer an ultra-convenient checkout, seamless access from any touchpoint, and outstanding customer service.

With a targeted niche marketplace, you have an advantage over the big players: You can go the extra mile to give your specific customers more of what matters to them. Use that to your advantage.

- Build trust by displaying certificates such as Trusted Shops, the Ecommerce Europe Trustmark, or SSL verification.
- Display TrustPilot reviews or product reviews.
- Meet or exceed local norms for quick delivery.
- Offer free delivery with a minimum order value.
- Ensure excellent customer service. You could even give your merchant standard customer service scripts for a more consistent brand experience.

8. Localizing For New Markets

When it's time to expand to international markets, the same principles apply. You'll want to make your marketplace appeal to local consumers as much as possible.

Localizing Your Website



Speak to your customers in their language with high-quality translations. Be sure to localize the currency, units of measurement, and clothing sizes as well if needed.

Use Local Heroes For Delivery



Your international customers might be used to different delivery options than consumers in your home country. Choose local providers they already trust.

Research Regional Payment Methods



Each country (even within Europe) prefers different regional payment methods. Find out which options your new audience expects and offer them.

Warehousing



If possible, warehouse your inventory in multiple, centrally located countries. This will help you fulfill international orders more quickly, which also benefits brands that use your “fulfilled by” service. Side note: You'll need a shop system that lets you manage multiple warehouses.

Localize Your Marketing & Customer Service



Translation is only part of the picture. You'll also want to adapt your marketing to take local holidays and customs into account. And don't forget customer service. It should be provided in your

customers' native language and with the level of formality expected in your new target market.



Conclusion

Marketplaces are becoming more popular every day, and they offer great revenue potential. When launching a marketplace, strategic thinking and planning are the keys to success. Which marketplace model will you use? Which demographic do you want to cater to, and what will your niche be? What standards will you set in terms of product data and customer service?

Once you've answered these questions, it's all about finding the brands you want to work with and designing a convenient, smooth user experience for your customers. The better defined your target market and niche are, the easier this will be.

And then it comes to selecting your shop system. It's the foundation for your marketplace, so choose wisely. You'll want to work with a provider who offers not only

robust, flexible, multi-merchant marketplace software, but also guidance and expertise.

There's no need to go it alone.

Last but certainly not least, you should always keep in mind that the eCommerce world is changing rapidly and will continue to do so in the future. Make sure that your shop system is flexible enough to adapt to whatever the future may bring and that it enables innovation.

A well-designed selective or niche marketplace can give your business a new revenue stream, build relationships with other brands, and give you a competitive advantage at the same time. Although it will take some effort to get started, it can be a great way to future-proof your business.

Contact

SCAYLE is a flexible B2C SaaS enterprise shop system built on a headless and API-first architecture. An extensive feature set, including PIM, Shop Management, Checkout, and OMS, is combined with an intuitive UI. Brands and retailers use SCAYLE to stay on track with fast-changing market developments and to drive differentiation in commerce.

SCAYLE GmbH is a member of the ABOUT YOU Group and unites modern technology with a unique retail DNA. Leading brands like Deichmann, s.Oliver, Fielmann, FC Bayern, Marc O'Polo, and DEPOT choose SCAYLE's Commerce Engine. Managing directors are Christopher Metz, René Dalock, Sergio Sola, and Tobias Ring.



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