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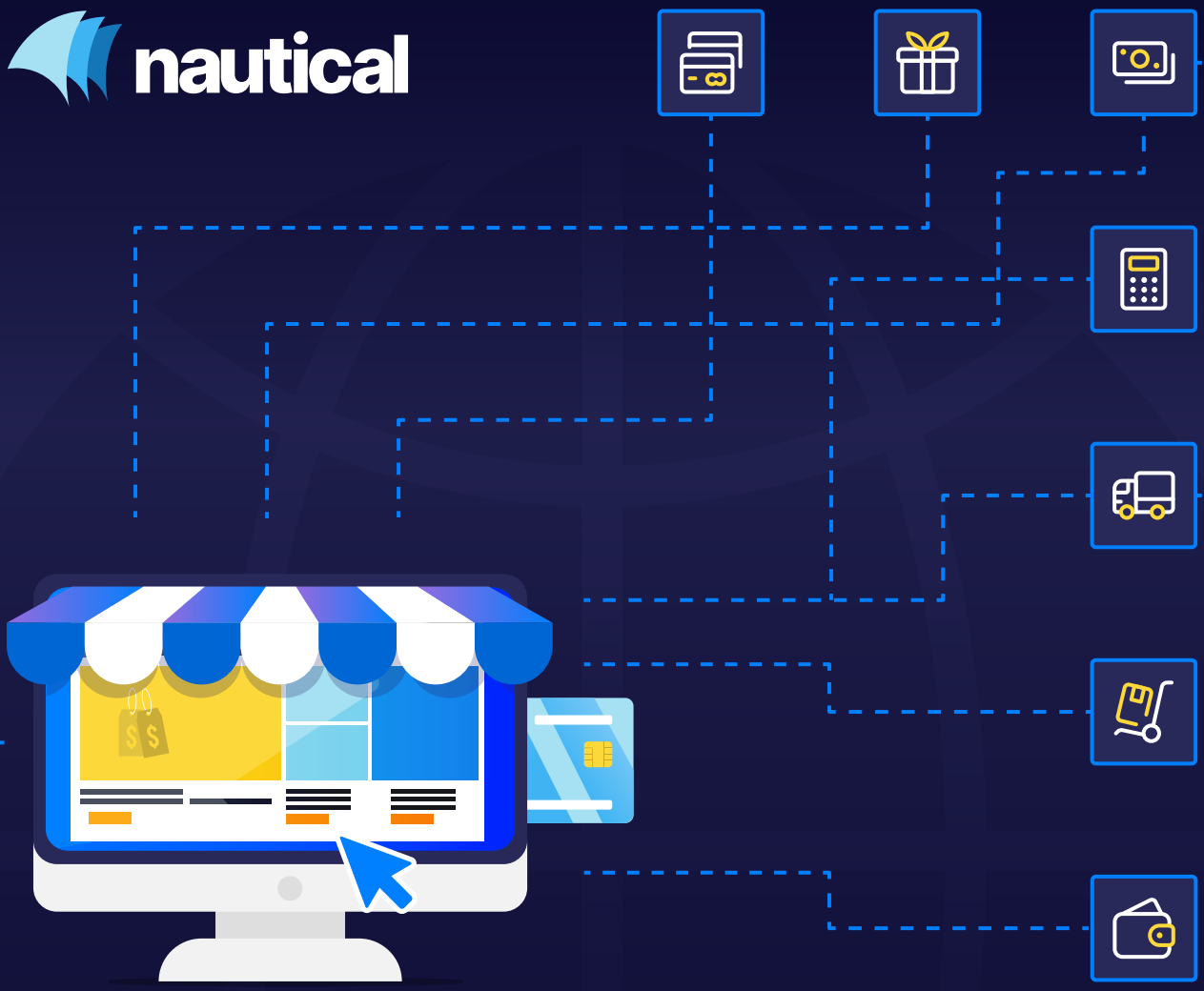
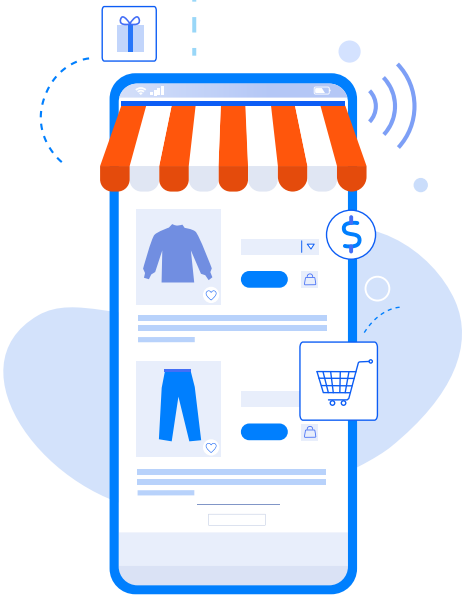


Marketplace Best Practices

Minimizing Friction Through Best Practices that Enable Marketplace Growth

Introduction

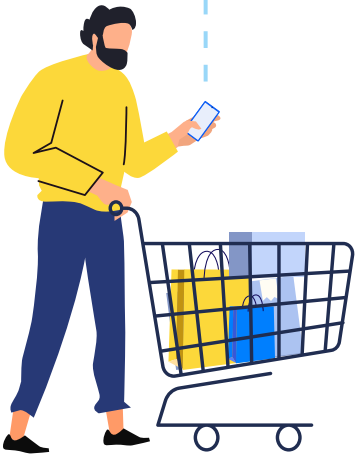


Most people don't think about the invisible — the behind the scenes of how products manage to make it to us within 24 hours, or how our payments make their way seamlessly to the right place, or even the shipping updates we receive. These invisible operations are what set certain shopping experiences apart.

There are a lot of invisible operations happening behind every ecommerce experience, but marketplace operations and workflows are especially complex. You see, the function of a marketplace is to connect buyers and sellers — not sell any of their own goods.

The amount of coordination required is significant, and demands thoughtful experiences for both the buying and the selling stakeholders.

From the consumer perspective, though, they expect the same caliber of customer experience as they would any traditional ecommerce store.



While there may not be one secret ingredient to growing a successful marketplace, there are definitely several marketplace best practices that can mean the difference between competing with well-known platforms and fading into online obscurity.

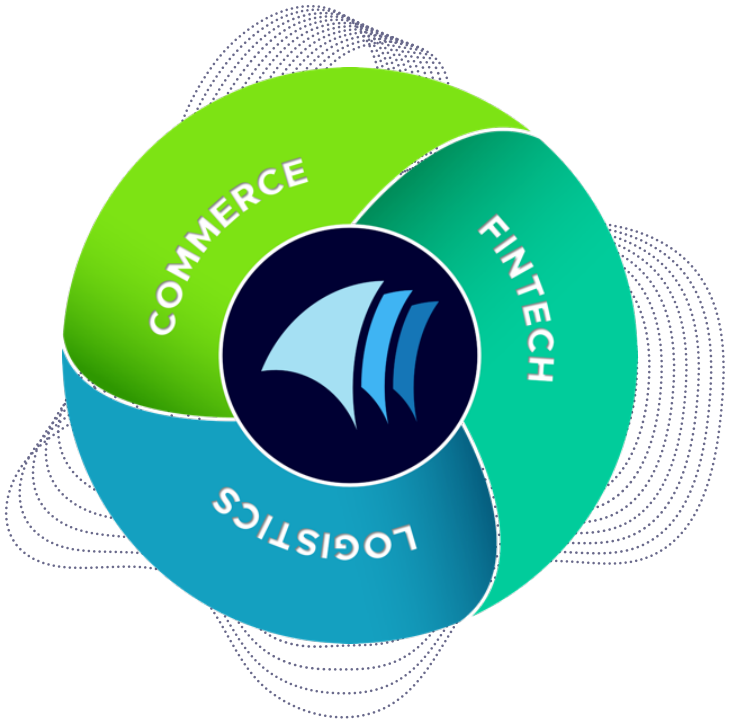
These Marketplace Best Practices include:
Best Practice #1: Focus on nailing the customer experience
Best Practice #2: Remove the friction to sell
Best Practice #3: Curate your catalog
Best Practice #4: Don't underinvest in fintech
Best Practice #5: Be thoughtful about technology

The Intersection of Commerce, Fintech, and Logistics

Due to the connective function of a marketplace, marketplace platforms are not just about ecommerce. In fact, if you only look at a marketplace through the lens of ecommerce you will significantly hamstring your growth. Marketplace platforms are complex ecosystems that operate at the intersection of three realms — commerce, fintech, and logistics. Each of which is just as important as the next.

Pushing payments to preferred methods that suppliers, sellers, and distributors want is a complex process, firmly in the realm of fintech. While the logistics component of a transaction requires a marketplace platform to be able to orchestrate a transaction across a variety of logistic providers and sellers, seamlessly throughout the entire process.

Successfully managing these realms can help remove friction, and can, in combination with marketplace best practices, help keep the invisible, invisible.





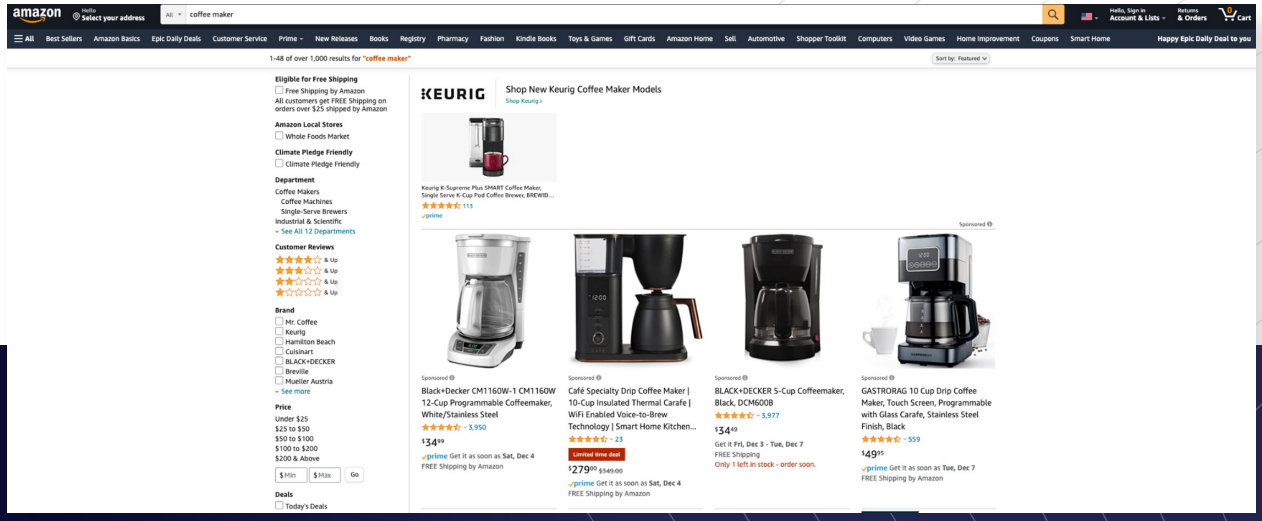
Best Practice #1: Focus on Nailing the Customer Experience

Focusing on nailing the customer experience remains the number one best practice for marketplaces. The core job of a marketplace is to aggregate demand, in doing so, they attract more sellers. Although this marketplace best practice may seem obvious, it is so critical because platforms have to invest heavily on the invisible — the back office functions and capabilities that ensure seamless experiences, including exception management.

Amazon, probably the most successful and well-known marketplace, has truly productized the invisible. Their focus on conditioning consumers to expect free shipping and delivery within 2 days is where they have concentrated their time and effort, and from a product perspective — they have nailed it. Their success in large part doesn't come from an incredible user interface, but from the fact that they can get products to a consumer quickly and consistently.

Traditional ecommerce stores set the customer experience standard for all ecommerce experiences - including on marketplaces. However, marketplaces have a much harder time living up to these standards because they don't have the same amount of control that traditional ecommerce stores have over every aspect of their commerce experience. That is, marketplaces have to work with the products, warehouses, logistics, and staff of each one of their sellers and ensure sellers are shipping on time, have inventory, and are correctly uploading products.

Maintaining a quality commerce experience for consumers every single time is one key component that differentiates a traditional ecommerce store and a marketplace.



Amazon has nailed the invisible aspects of ecommerce such as shipping and delivery.

Effectively managing all sellers or vendors in your ecosystem to fulfill orders quickly, provide high-quality products, images, metadata, and inventory information allows marketplaces to provide a quality experience that allows them to dominate traditional ecommerce stores. However, these operational workflows need to be built thoughtfully to create the best customer experiences.

	Marketplace	Traditional Ecommerce Stores
Manages Buyer Experience	✓	✓
Handles Customer Service	✓	✓
Manages Seller Experience	✓	✗
Pushes Payouts to Sellers	✓	✗
Manages Seller SLAs	✓	✗
Promotes Transactions Between Parties	✓	✗
Fulfills Products/Services	✗	✓
Holds Inventory	✗	✓

Marketplaces differ from traditional ecommerce stores in a variety of ways.

Best Practice #2: Remove the Friction to Sell

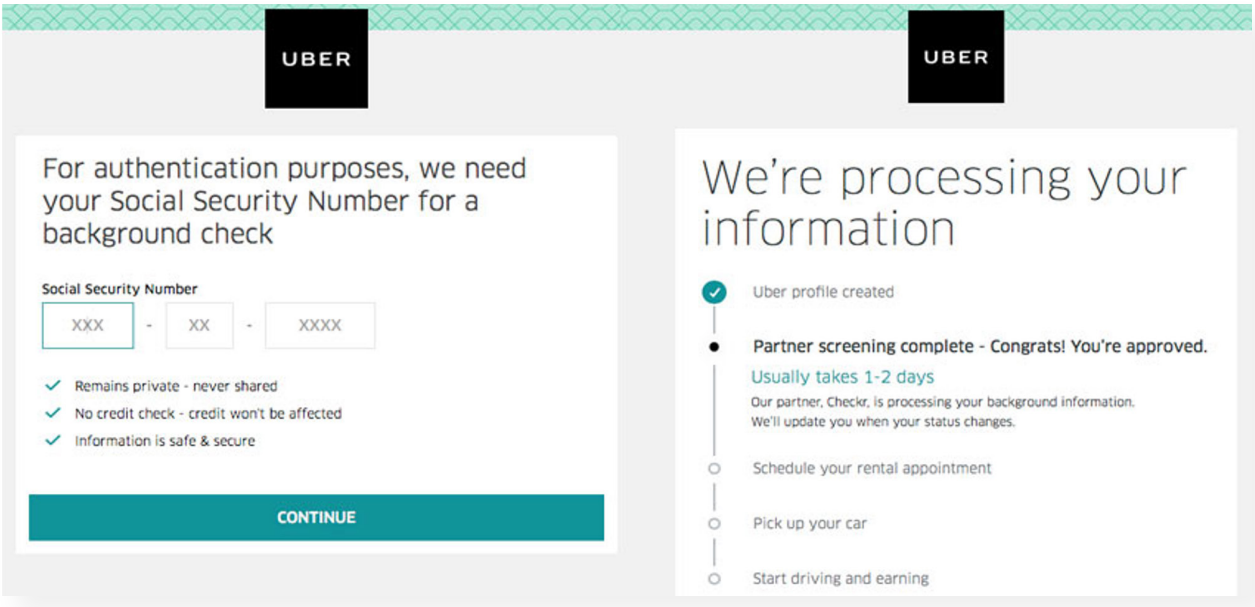
The second best practice is to remove the friction to sell. There are two parts to this marketplace best practice: 1. Meeting sellers where they're at, and 2. Seamless onboarding. As marketplaces pop up at an astonishing rate, most sellers only utilize between 5-7 marketplaces, if they are sophisticated. Therefore, you need to make joining your marketplace as a seller a no-brainer.

In order to meet sellers where they're at, ensure sellers don't have to do anything new to join your platform. Allow them to work in the systems they're used to. Let them keep their PIMs, their OMS, their shipping provider and integrate directly into your marketplace platform. You will get better data from your sellers and remove an incredible amount of marketplace friction.

Focusing on making the amount of effort exerted by sellers less than the value they get in return is uber-important.

Additionally, you need to make onboarding seamless. Make it extremely easy for sellers to provide you with the information that you need for the marketplace with things like self-service onboarding and integrations to upload existing products and inventory.

Commissions paid to marketplaces have to be worth the expense. When the overhead isn't justifiable, sellers tend to migrate toward marketplace giants. Removing the friction to sell and syndicating a seller's catalog across different marketplaces is essential to getting them to participate in the marketplace.

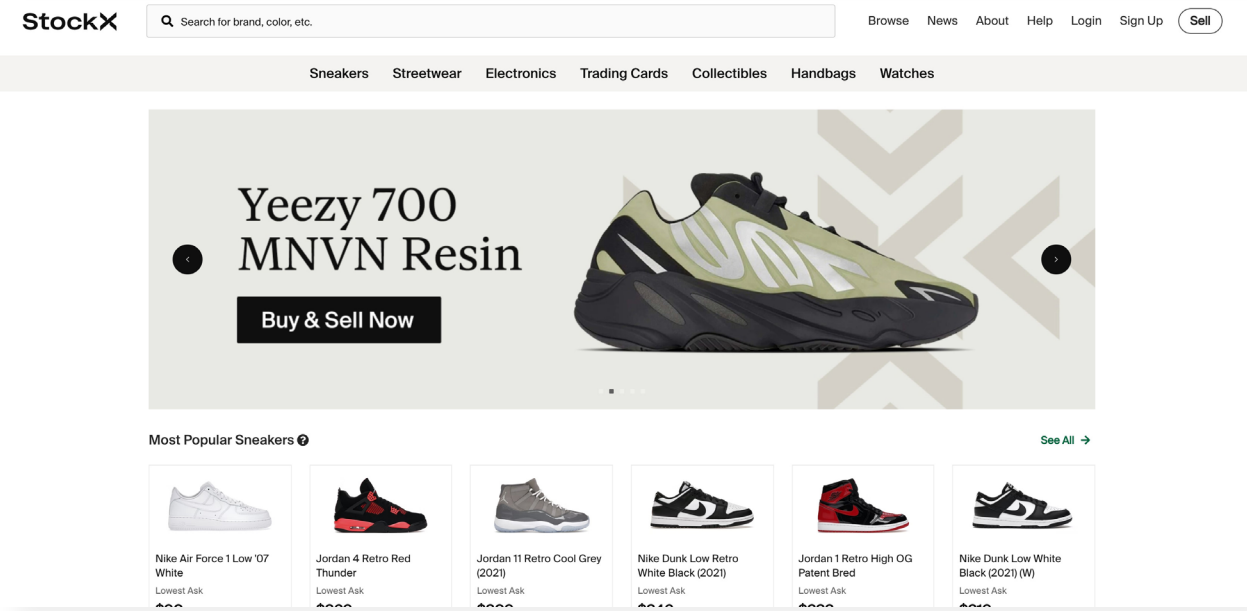


Uber is a great example of a marketplace that reduces the friction to become a driver (or seller).

Best Practice #3: Curate your Catalog

Moving to the third marketplace best practice — curate your catalog. In the last decade, we have seen an unbundling of marketplace giants like Craigslist and eBay. Consumers are going to marketplaces like Amazon to find everyday things they need, but are still craving a brand experience that relates to them. Finding a niche that resonates with consumers, and prospective suppliers and sellers is important.

An example of a marketplace that nails the curation process is StockX. They started off as a marketplace that sold one product — sneakers. As they discovered more and more about their consumer base, they began to offer a profile of products to provide a very specific shopping experience for a very specific group of people — curating a psychographic profile. This has allowed them to successfully move from one product type into a profile of products.



StockX now sells more than just shoes as they continue to curate their product offerings.

Curating the catalog doesn't necessarily mean not departing from a specific product, but rather, adding verticals that might complement the existing product line over time. For retailers and brands, there are opportunities to significantly increase revenue and customer reach by earning commission off complementary products listed on your site.

Best Practice #4: Don't underinvest in Fintech

Marketplaces have to be careful not to underinvest in fintech. One of the major differences between marketplaces and traditional ecommerce stores is the need to disburse payments to a variety of vendors. This creates a level of complexity that doesn't exist in traditional ecommerce and puts a spotlight on regulation.

Often, marketplaces enter the fray, not understanding their compliance obligations like Know Your Customer (KYC) and Know Your Vendor (KYV). When there's a supplier network or vendor, there is an obligation to legally validate every one of them. Otherwise, these may face financial crime penalties that could potentially put businesses under. In 2019 alone, governments worldwide issued more than $8 billion in financial crime penalties against organizations that did not meet their compliance obligations.



Best Practice #5: Be Thoughtful about Technology

Lastly, marketplaces have to be thoughtful about technology. Marketplaces grow because of their ability to generate demand and execute orders, not because of their ability to build IP software. When businesses start to write code, they start incurring debt. Custom code requires tremendous overhead. Changing regulations, PCI compliance, and privacy rules all require increased spending and upkeep. Selecting the right platform is the best way to become successful.

Recognizing what technology can do for you, and what trade offs you take is important. Additionally, technology should be a forward-thinking exercise. It isn't always about what technology can do right now, but what it will unlock for you over time.

Select a platform that is flexible and agile enough to route transactions through each step in order to successfully service your customer base and create an ideal customer experience. This will allow marketplaces to spend considerably less money, deal with less headache, and focus on growth.

Conclusion

Marketplaces are complex ecosystems. Succeeding means competing with marketplace giants, meeting industry standards, and providing great customer experiences — every single time. Always remember that building your own technology is not the secret sauce of your marketplace. The power is in the invisible — its operational efficiency.

Following the marketplace best practice recommendations listed above can help reduce both the friction to buy, and the friction to sell, ultimately helping marketplaces grow and succeed in business.

About Nautical

Nautical is a multi-vendor platform helping retailers, brands, and B2B businesses launch and scale marketplaces. We have marketplace building experience that spans industries and company sizes from solo founders to enterprises. Nautical is democratizing access to marketplace technology because we believe marketplaces should not have to be tech companies to provide incredible customer experiences.

If you'd like to speak with a member of the Nautical team, feel free to reach out!

Reach out

nautical

www.nauticalcommerce.com