

# The State of Retail AI

VOLUME 5: DECEMBER 2022

WINNING WITH ONLINE MARKETPLACES

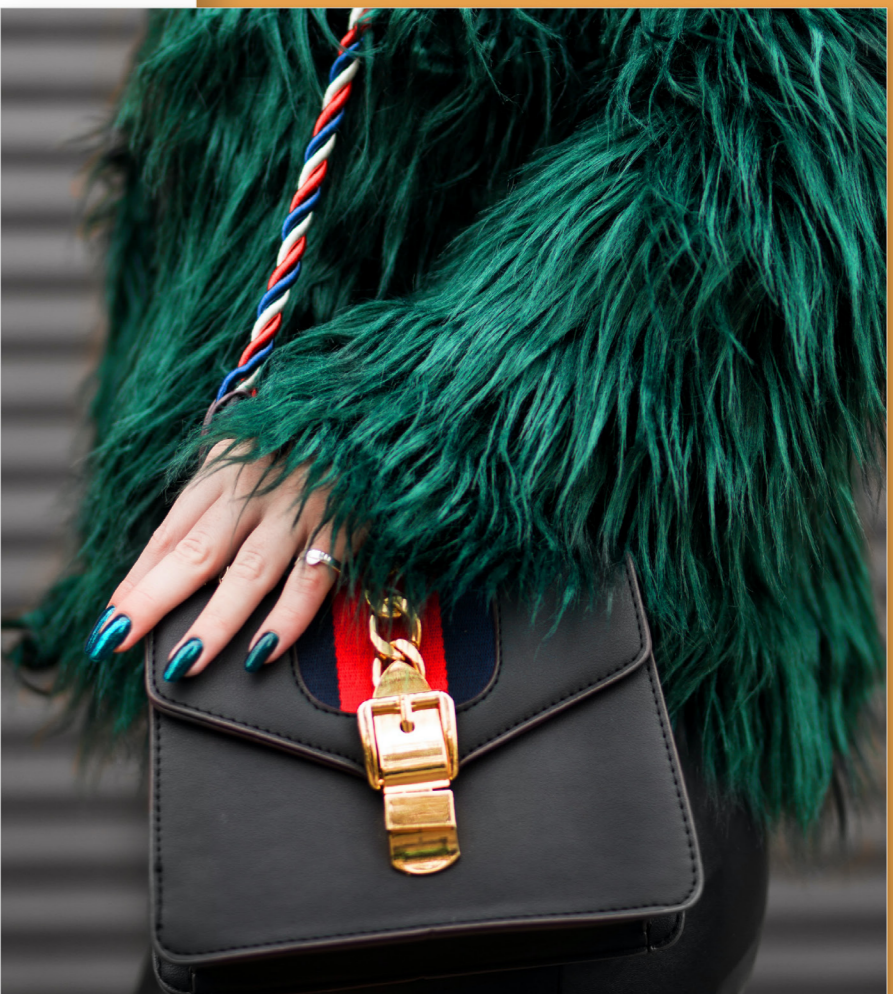
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\$25



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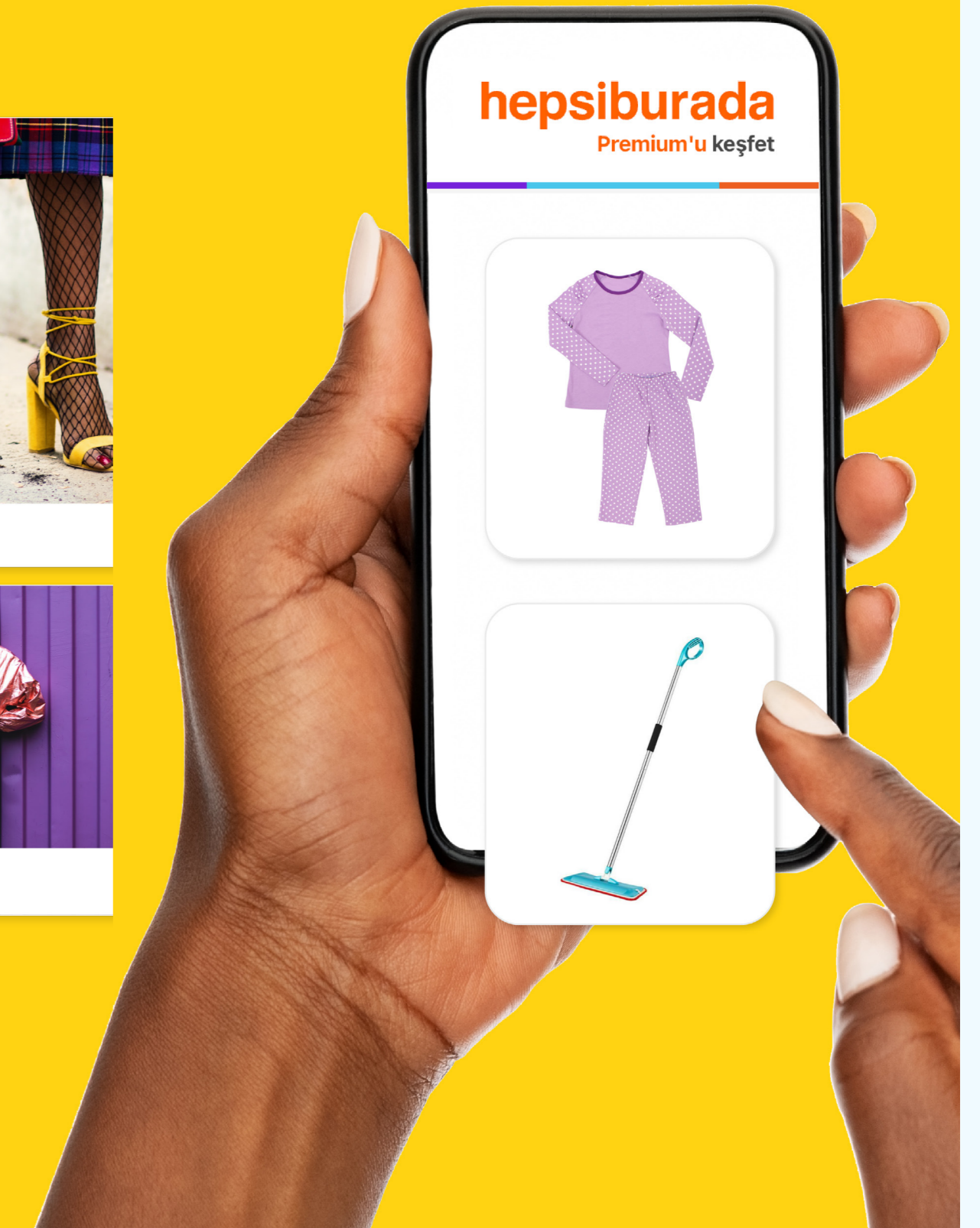
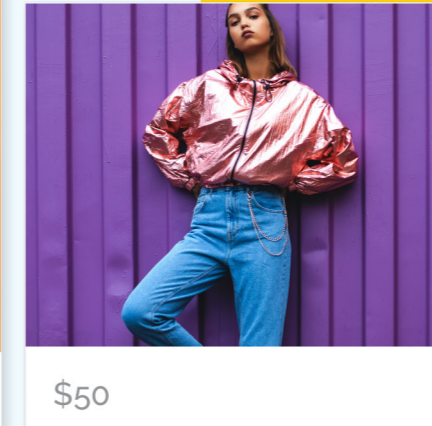
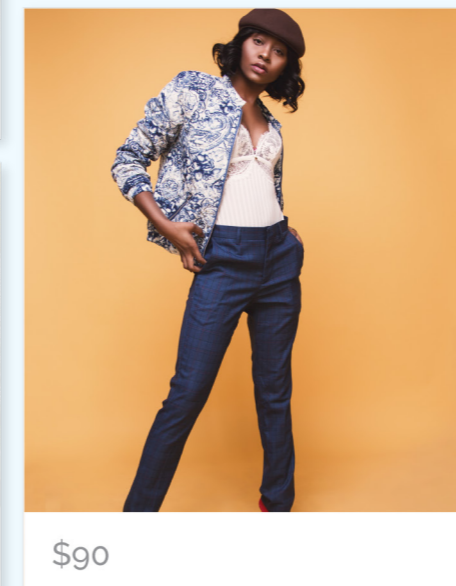
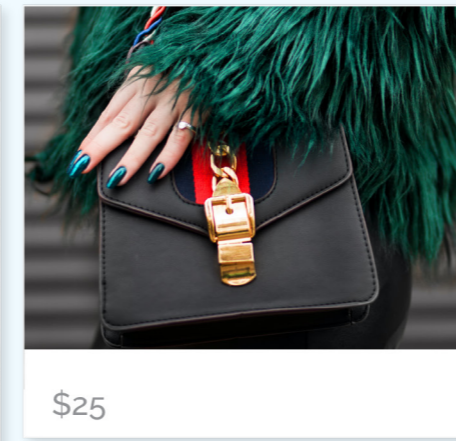
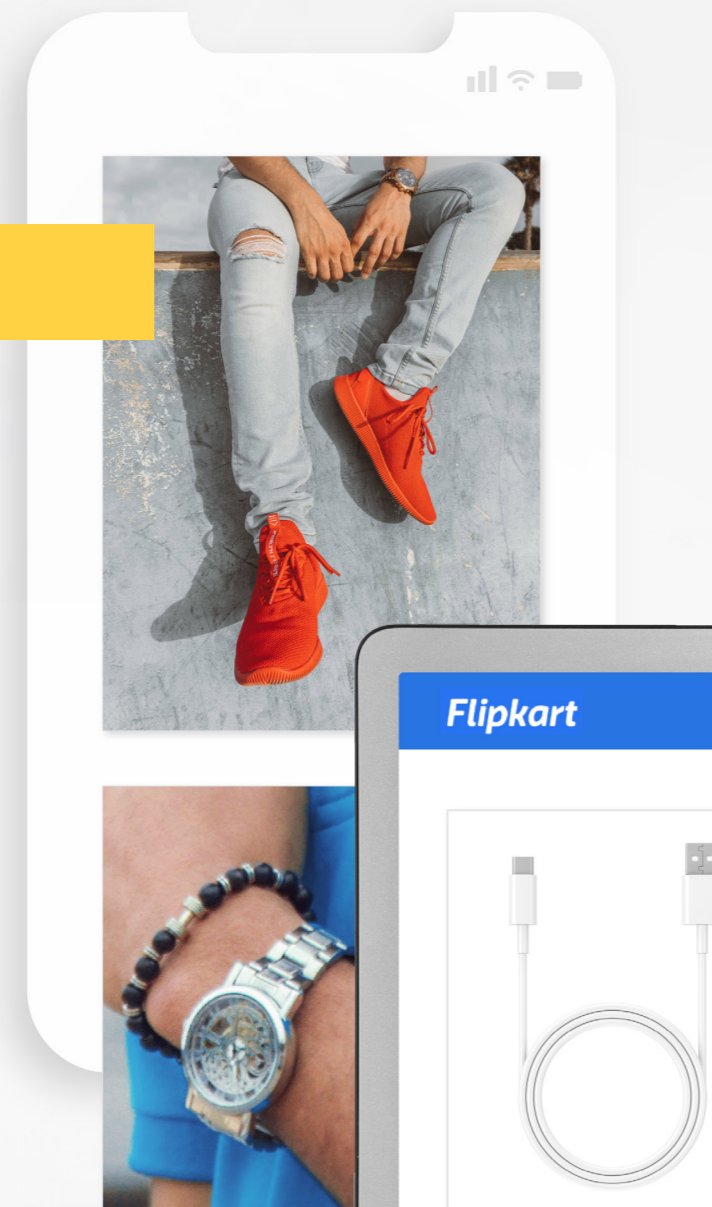


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Key Takeaways

# Welcome to ViSenze's latest installment of the State of Retail AI report.

This time around, it's all about Marketplaces.

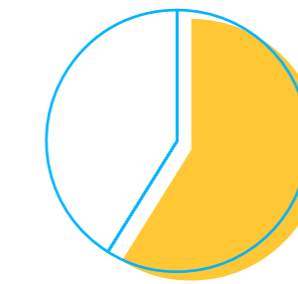
## Executive Summary

For years, ecommerce has been blooming. But lately, focus has shifted to one of its most prominent buds: marketplace platforms. While the technology has been important for quite some time, it has recently moved into the limelight in a bigger way. Large operators in the ecommerce industry have seen tremendous success with marketplace implementations, and since the formula was perfected by Amazon, other retailers are starting to follow suit.

In this report, we'll explore the current state of retail marketplace platforms, some driving factors that are influencing its unprecedented growth, the benefits of these platforms as well as some projections for the future of the model.

We'll cover a range of topics throughout this installment, but here are a few key points to note before jumping in:

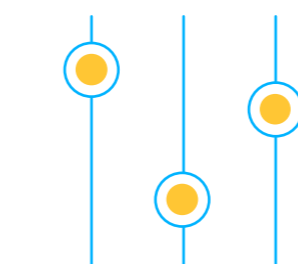
## KEY POINTS



By 2027, marketplace sales will grow to account for an estimated 59% of global ecommerce activity.<sup>1</sup>



By the same year, third-party sales via marketplaces will be the fastest growing retail channel across the globe.



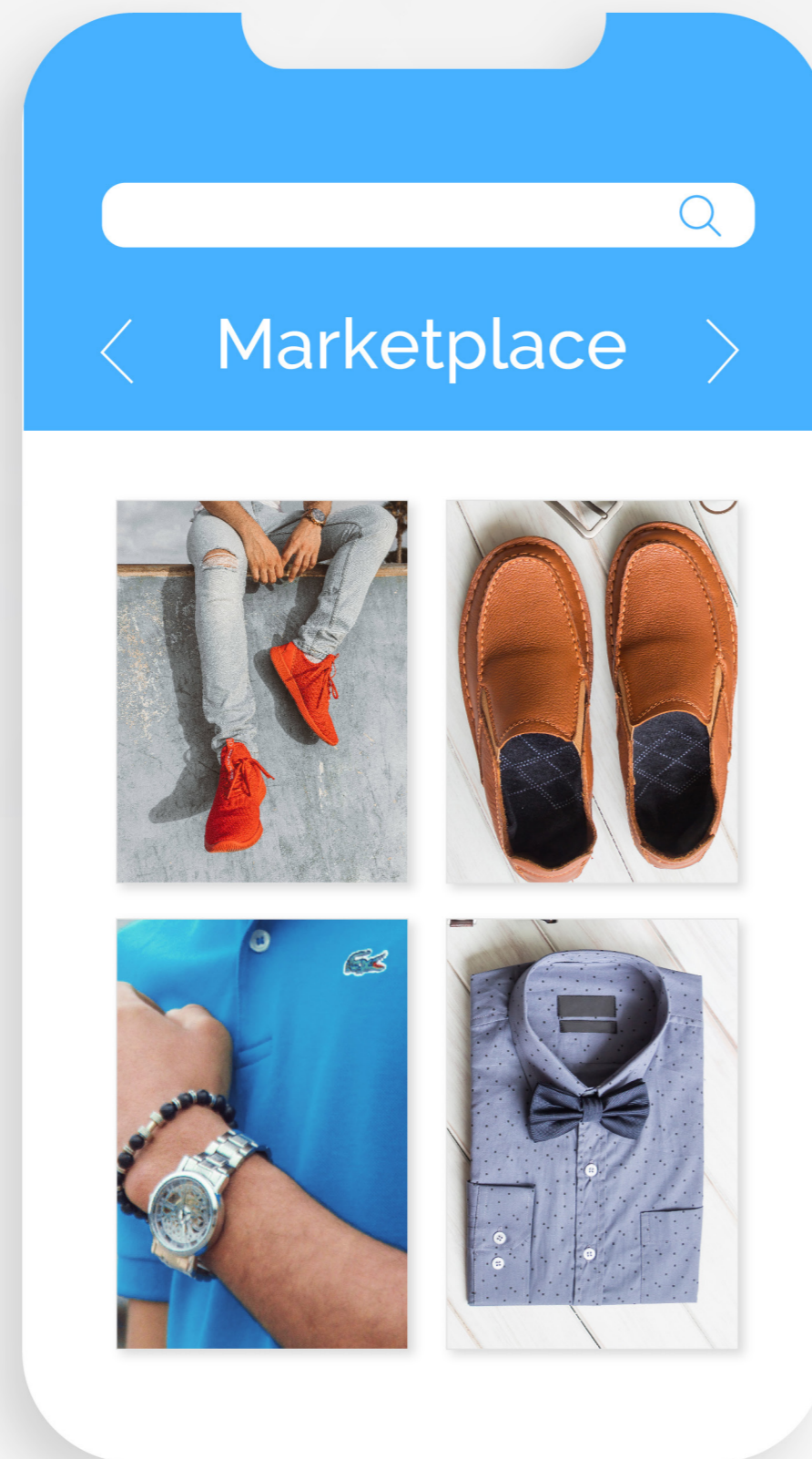
Big operators in the marketplace arena are starting to allow third-party sellers more control over their platform experience.



Among leading sales strategies, B2C — but more specifically, marketplaces — is starting to take precedence over traditional D2C models.

## ECOMMERCE MARKETPLACES: WHAT WE KNOW RIGHT NOW

While marketplaces do offer lots of great benefits to users — both platforms and sellers — there are bound to be a few drawbacks. Knowing what they are, we can start to think about ways to improve the marketplace model and implement solutions to provide a better overall marketplace experience for retailers.



Here are some things we know right now, the good and the bad, about the current state of marketplaces:

### Benefits

- ✓ Retailers can more quickly get their products in front of more people.
- ✓ International selling becomes less of a hassle and liability through marketplace platforms.
- ✓ They offer a great podium for brands to test new products.
- ✓ Retailers can reallocate saved funds — for example, from marketing — into improving other areas of their ecommerce business.

### Downsides With the Current Marketplace Model

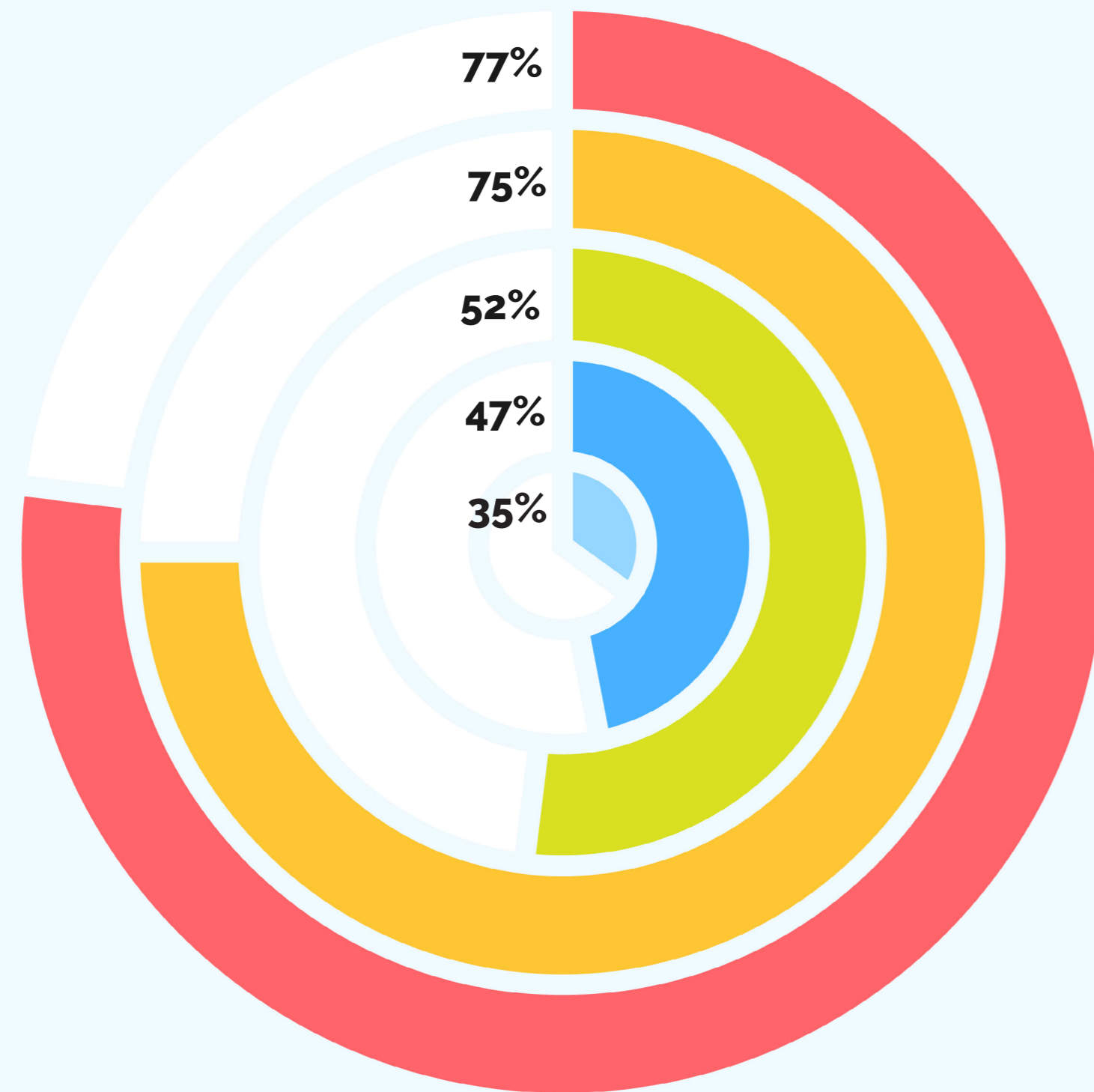
- ✗ When third-party sellers choose to host their products on a marketplace, they are often bound to the terms of that particular platform and must abide by their chosen marketplaces rules.
- ✗ While this is starting to change, third-party sellers often have little to no control over the customer experience (CX) when selling on marketplaces. This can extinguish some of the excitement about using these platforms, as CX is an integral part of commerce and something that, traditionally, is highly personalized.
- ✗ There's no control over data ownership, which begs the question: How is shoppers' data being used?

Challenges are to be expected, but they don't have to be detrimental — they can be overcome so that the full potential of marketplaces is realized. How? With state of the art retail AI implementations to smooth user experiences across the board while maintaining all of the incredible perks offered by these platforms.

# WHAT'S DRIVING MARKETPLACE GROWTH?

According to Digital Commerce 360, these are the top five most enticing aspects of ecommerce marketplaces for brands<sup>2</sup>:

- **77%**  
Enables brands to reach more customers.
- **75%**  
Near-endless potential to grow sales.
- **52%**  
Opportunity to expand brand awareness.
- **47%**  
Gives products a better chance of being discovered.
- **35%**  
Extends sales beyond existing retail partners.



These components are largely responsible for the model's rapid growth, and will likely remain top of mind for retailers into the future. The list of considerations for brands that are considering marketplace implementation as a strategy is exhaustive — they offer near unlimited opportunity for sales growth and product discovery. Other reasons retailers are considering selling on marketplaces include:

**The ability to target new audiences at a much lower cost than traditional ecommerce strategies.**



**An increased capacity for global reach and the sale of products to international audiences.**

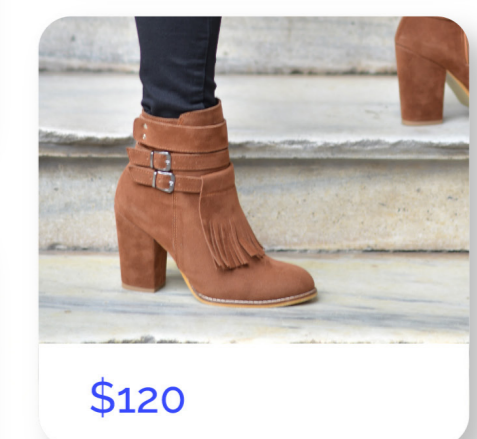
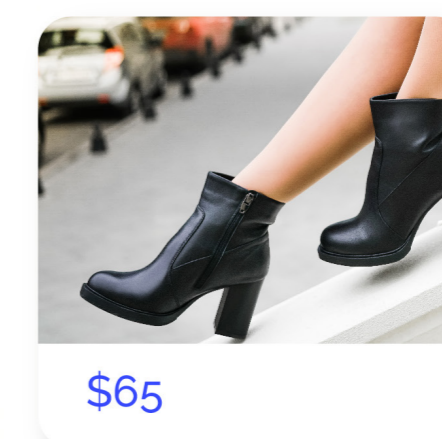
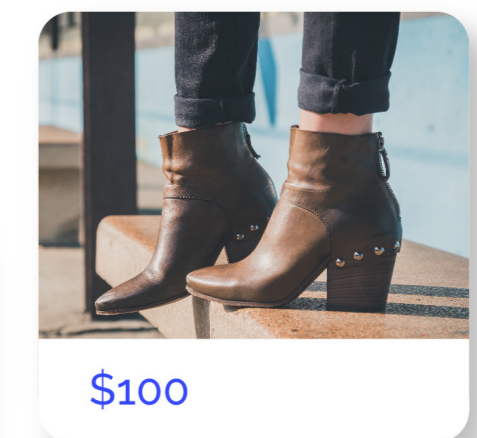
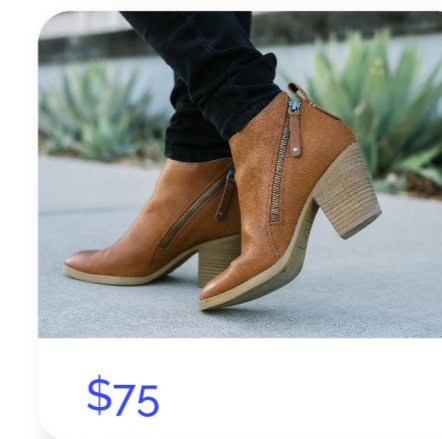


## Peer-to-Peer Marketplaces

There's no shortage of peer-to-peer marketplace models, either. With platforms like eBay, Etsy and Facebook Marketplace showing large gross revenues, their success has further encouraged standalone retailers to implement their own versions of the model.

In 2021, Facebook Marketplace generated \$26 billion in gross revenue, a 48% increase from 2020.<sup>3</sup>

Fashion retailer Land's End says that their reason for launching their platform is "to expand into a few select categories, including home goods and footwear" — another value-add for peer-to-peer marketplaces.



## BIG MARKETPLACE OPERATORS: WHAT'S USEFUL ABOUT THE PLATFORM?

For large retailers, marketplaces offer a few considerable benefits that help them increase their bottom line. Large ecommerce players are increasingly launching or adding unique marketplaces as part of their overarching business model to:

- ✓ Monetize existing website traffic.
- ✓ Offer a wider assortment of products to their customers.
- ✓ Help reduce inventory cost.

Companies like ASOS and ZALORA have realized these benefits and are continuing to develop their respective marketplace platforms.



V-neck teal dress  
\$65.50

Sage green midi dress  
\$65.50

Red silk dress  
\$65.50

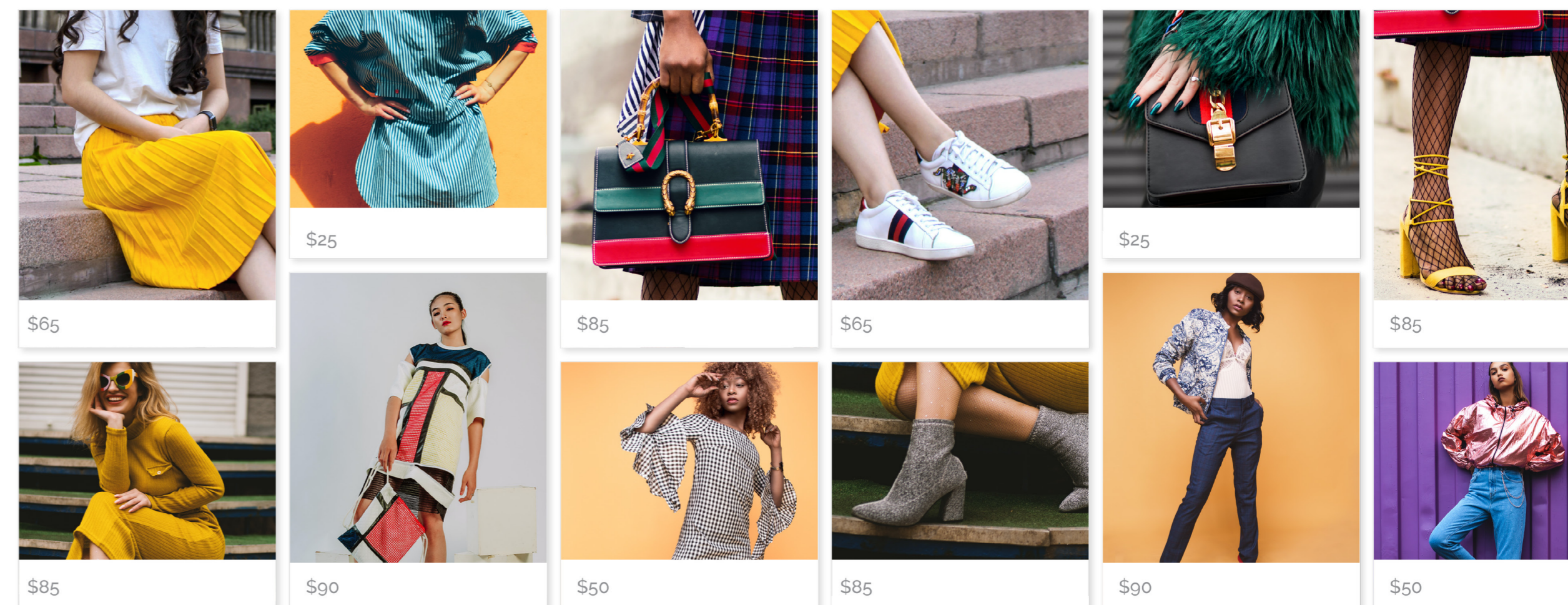
## ASOS MARKET PLACE

Inaugurated in 2010, ASOS' marketplace platform has evolved from just 20 small sellers into a global leader in the marketplace arena. They offer a platform for tens of thousands of independent brands and vintage clothing boutiques to get their products in front of more eyes.

ASOS has used their marketplace to take advantage of the booming popularity of thrift shopping and recycled clothing by making curated vintage items more accessible to a wider audience.

## ZALORA MARKETPLACE

ZALORA has created a marketplace platform that leads with personalization. As one of Singapore's go-to online fashion retailers, ZALORA allows sellers to essentially own and manage their virtual marketplace storefront. With an array of customization options, ZALORA makes owning your customer experience easier — and you can set your own prices, too.



## MARKETPLACES VS. D2C: IS THERE A CLEAR WINNER?

Marketplaces are quickly becoming the go-to business to consumer strategy for brands in the ecommerce space — but how does it compare to traditional direct to consumer (D2C) ecommerce operations?

Here's a side by side comparison of the current Marketplace experience against the direct to consumer approach:

	MARKETPLACES	DIRECT TO CONSUMER (D2C)
Audience	Marketplaces offer immediate access to a wider audience, increasing sales potential exponentially.	For D2C-only businesses, marketing carries more weight. With no pre-existing traffic to intercept, it's on the business to generate and maintain customer interest.
Cost	More often than not, marketplace platforms charge seller and other commission-type fees. Sometimes, they even operate on a subscription-style basis, charging a monthly fee to sellers that gives them access to the service.	There are fewer fees to worry about for D2C businesses. Aside from the expected transaction fees and website development/maintenance, there are no more surprises. However, up-front costs can be considerably higher.
Barriers	To sell on today's most notable marketplace platforms, brands must meet highly-specific criteria as outlined by the platform.	There are fewer barriers to entry for D2C businesses; anybody can start a website to sell their own products.
Sustainability	One of the most difficult selling points of marketplaces for D2C businesses is the lack of control. From customer experience to scalability, it can all be just a bit more challenging on these platforms.	While a brand will have almost full control over just about anything on a traditional D2C eCommerce website, there is considerably more up-front and sustaining effort that's needed to be successful.
Support	Most marketplace platforms offer seller-oriented tools to help them do well on the site.	For companies that operate mainly on a D2C basis, it's up to them to find third-party support.

### Overcoming Marketplace Challenges With ViSenze

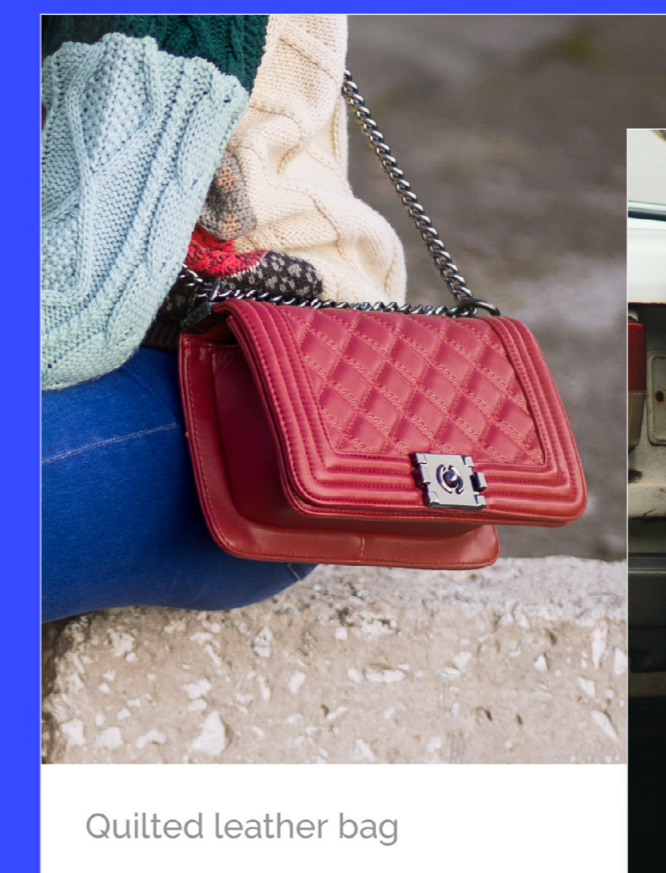
Online marketplaces have a more varied shopper demographic than a single-brand store. The broader the variety of customers, the more pathways to product discovery. Many marketplace shoppers prefer the accuracy and convenience of image search rather than text to find the exact product they are looking for. ViSenze Smart Visual Search unlocks more revenue by allowing high-intent customers to shop and convert instantly.

It is easy for a marketplace shopper to get lost in a sea of products and categories, making it impossible to drive effective personalization for cross-sell or upsell. With ViSenze, make recommendations based on what shoppers are seeing with Visually Similar and Outfit Inspirations - AI Styling Engine.



New marketplace operations promise to protect brand equity and offer brands more autonomy over their visual identity to support storytelling and user experience."

**BUSINESS OF FASHION, 2022**



Quilted leather bag



Red purse with chain strap

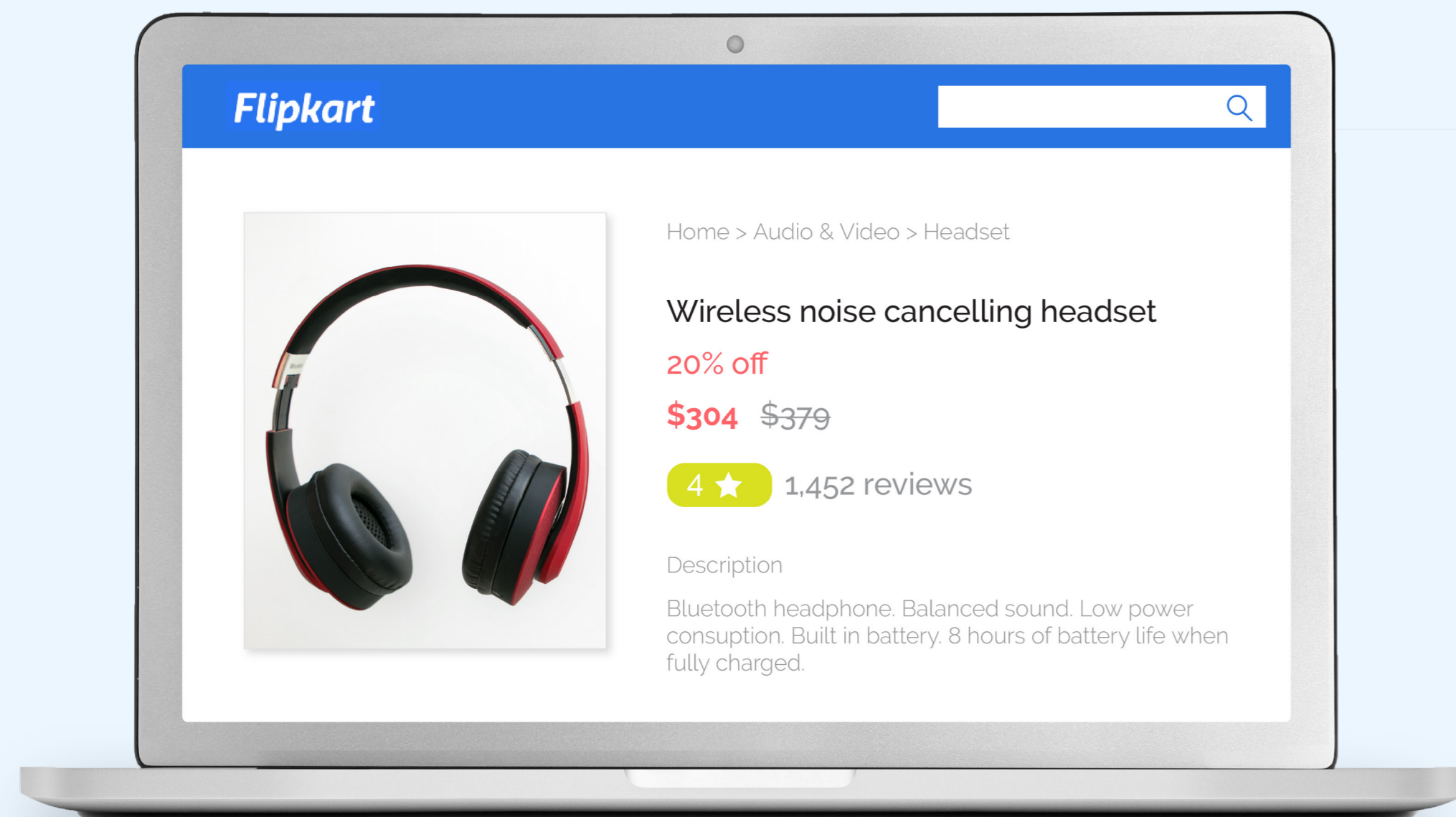
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## FAST-GROWING DIGITAL MARKETPLACES

### Flipkart

India's Flipkart is one of the fastest growing marketplaces in the world. The company was acquired by Walmart in 2018 in the largest recorded deal in eCommerce history at the time, stoking the flame between eCommerce behemoths Walmart and Amazon.

An acquisition of this size only speaks to the ever-growing popularity of the marketplace model, and it isn't expected to slow down any time soon. Today, Flipkart and its sellers offer more than 80 million products across 80+ categories including electronics, media, clothes, baby care and more.

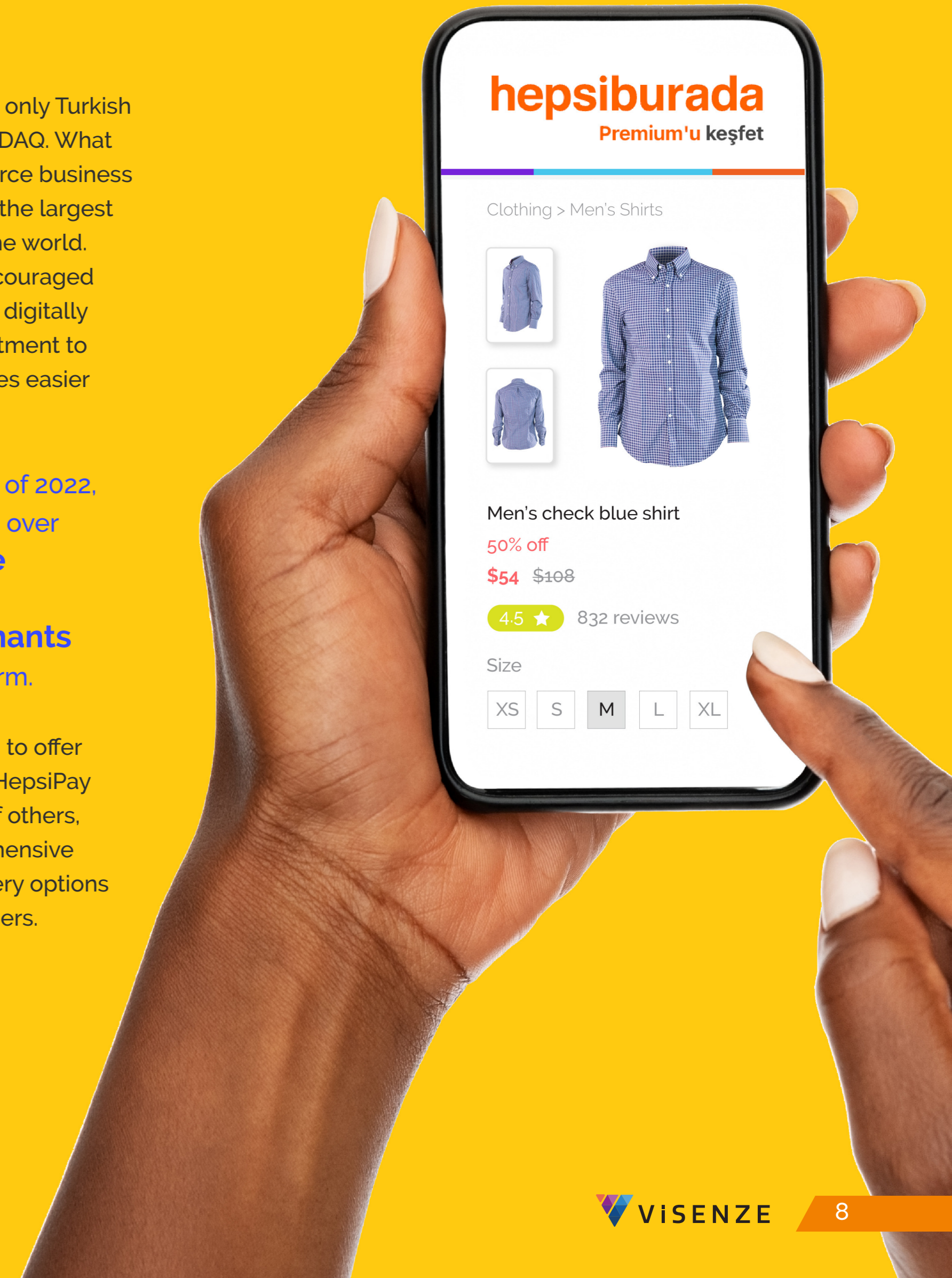


### Hepsiburada

Hepsiburada is the first and only Turkish company listed on the NASDAQ. What started as a small eCommerce business quickly evolved into one of the largest marketplace platforms in the world. Their unique model has encouraged thousands of businesses to digitally transform, and their commitment to making customers' daily lives easier is clear.

In the second quarter of 2022, Hepsiburada boasted over **11.7 million active customers**, and **88.7 active merchants** selling on their platform.

Hepsiburada has expanded to offer services such as Hepsijet, Hepsipay and Hepsiad, among lots of others, to offer even more comprehensive service solutions and delivery options for both sellers and customers.

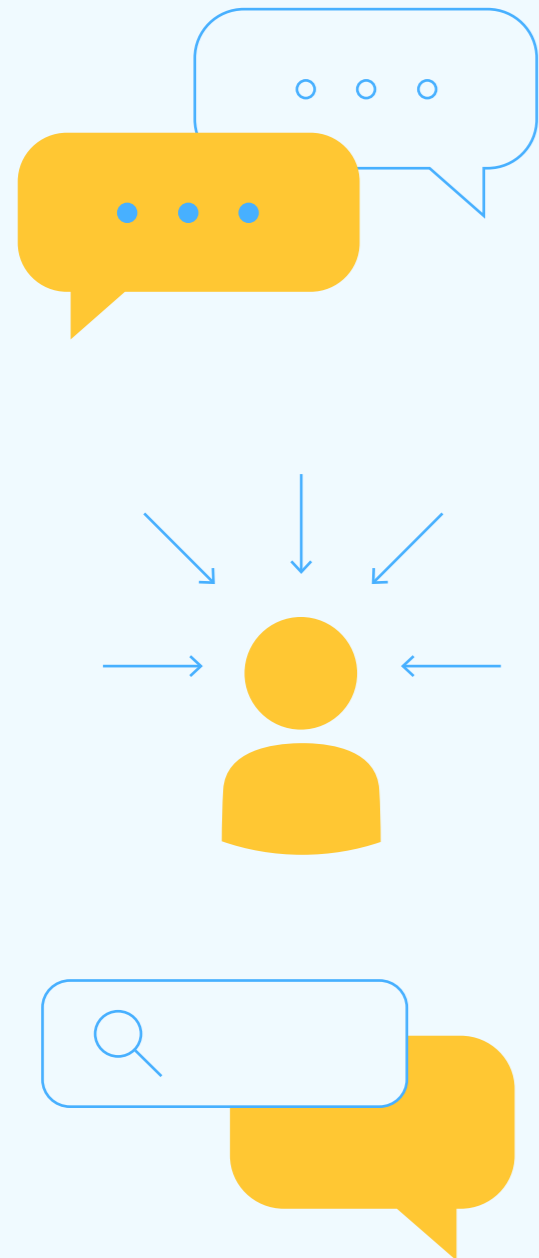




## PROJECTIONS FOR THE FUTURE OF MARKETPLACES

Now and into the future, marketplaces will continue to grow, develop and transform. While the model has been around for some time now, it is still in its infancy, as popularity is just now becoming widespread.

In terms of what marketplaces will look like as they continue to evolve, here are some predictions that we've gathered or concluded:



- ▶ Social+ marketplaces are on their way to becoming the standard. Aside from simply enabling the buying and selling of products, social+ marketplaces allow buyers and sellers to interact via chat features, comment sections and newsfeeds, creating a sense of community.
- ▶ Marketplaces are becoming more narrowly focused and localized. Soon, more tailored and relevant experiences will be expected from users.
- ▶ By leveraging text, image and voice, marketplaces are integrating better multi-search functionality and experiences.



## KEY TAKEAWAYS

As we march forward, marketplaces will continue to expand and transform. Having access to capable AI technology and solutions will likely be a major component for the future of the ecommerce model.

Here's what we know:

- ▶ There's an increasing desire for optimized shopping experiences that integrate multi-search functionality between text, image and voice for product discoverability.
- ▶ The increasing verticality of marketplaces will help the platforms cater to more niche markets, offering a more tailored shopping experience to users on both a local and global level.
- ▶ Users want socialization features.
- ▶ Industry leaders are beginning to allow more control over a seller's customer experience.
- ▶ Within the next 5 years, marketplaces will be responsible for a majority of all ecommerce activity (59%).

Implementing AI and machine learning solutions that adapt to the evolving needs of customers can drive marketplace success beyond current projections and provide a better experience for everybody — both buyers and sellers.

#### Sources:

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#### ABOUT VISENZE

ViSenze is the world's smartest product discovery platform. Retailers like Rakuten, Zalora, Meesho, DFS, EyeBuyDirect trust ViSenze to power their product discovery.

ViSenze processes over a billion queries a month from retailers, supporting them in-store and on ecommerce sites. Use cases range from enhanced search, product tagging, smart recommendations and merchandising analytics.

To learn why the world's leading brands trust ViSenze, visit [www.visenze.com](http://www.visenze.com).

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