

Why Online Marketplaces are not for Everyone

Online marketplaces are an [e-commerce growth trend](#) of the decade. And, with many now operating worldwide, they offer a brilliant way of making products accessible to a wider audience. With key players like Amazon, Etsy, and Alibaba sending products across the globe, the online marketplace as a channel continues to soar. In fact, in 2019, [50% of e-commerce sales](#) were made through such online marketplaces.

As the e-commerce landscape continues to develop, the importance of marketplaces becomes even bigger. However, many brands fear that selling their products through online marketplaces can have a huge negative impact on existing sales channels. So, how important are online marketplaces in the omnichannel retail landscape really?

Marketplace revenue doubles in 5 years

According to [Juniper Research](#), the revenue of online marketplaces is set to double from \$18.6 billion in 2017 to \$40.2 billion in 2022. However, while marketplaces continue to grow, they are not a key channel for all industries. This mainly comes down to customer shopping behavior. For example, customers shopping for DIY or home and garden products usually prefer to buy from specialist retailers. For example pure players, or brick and mortar specialists, like IKEA or B&Q. Some of these brands see it as counterproductive to list products as well on Amazon. As this could damage their margin and bottomline.

We are also witnessing big-name brands, like [Nike and Birkenstock, move away from online marketplaces](#). Because of

the number of counterfeit goods and unauthorized third-party sellers on such sites. When it comes to preventing these issues, online marketplaces still have a long way to go.

Pros and Cons

The relationship between manufacturing brands and online marketplaces is often a love-hate one. Many brands love the reach but are afraid it might upset their existing channel. Here are some of the pros and cons of online marketplaces:

| Pros | Cons |
|---|--|
| <p data-bbox="357 864 469 898">Reach</p> <p data-bbox="140 920 687 1227">Brands often choose to work with marketplaces because they have a greater reach, opening up their business to a wider global audience.</p> | <p data-bbox="876 781 1315 815">Brand loses identity</p> <p data-bbox="724 837 1471 1301">While there is a wider audience on marketplaces, there is also a greater range of products. Some brands feel they lose their identity within the sea of other brands on marketplaces, and that the variety of products available can prevent consumers from seeing theirs.</p> |
| <p data-bbox="205 1391 622 1424">Customer Preference</p> <p data-bbox="129 1447 699 1861">Many customers actively choose to shop from online marketplaces over brand or retail websites. This can be down to things like price, variety, delivery options, or simply wanting to use a gift card.</p> | <p data-bbox="922 1337 1272 1370">Channel conflict</p> <p data-bbox="724 1393 1471 1912">Some brands choose not to partner with online marketplaces to avoid channel conflicts. Because of the popularity of online marketplaces, they can end up eliminating a brand's other sales channels and becoming the dominant channel. Ideally, brands want their own sales channels to perform best, to reduce marketplaces fees.</p> |

| Pros | Cons |
|--|---|
| <p data-bbox="193 203 632 293">Additional Marketing Channel</p> <p data-bbox="140 315 691 618">In today's retail landscape, brands need to sell products through as many channels as possible, and marketplaces are a great additional channel.</p> | <p data-bbox="1050 232 1139 268">Fees</p> <p data-bbox="727 286 1469 595">It is not free to list products on marketplaces, but it is a cheap way to advertise. Fees vary per marketplace but are competitive and granular. This includes a fee per product sold.</p> |
| <p data-bbox="237 651 587 687">Customer Reviews</p> <p data-bbox="140 705 687 1061">Online marketplaces often display customer reviews, and those looking to purchase a product may trust these reviews more than those on brand websites.</p> | <p data-bbox="930 703 1259 739">Minimal control</p> <p data-bbox="738 757 1458 1010">While brands can provide marketplaces with comprehensive product details and imagery, they don't have much control over how their products are displayed.</p> |

In-house Marketplaces of Ingredient Brands

In-house marketplaces have become a popular alternative for many global 'ingredient brands' like Intel, Microsoft, and Nvidia. With in-house marketplaces, brands use their own website to display the products of partner brands, so-called OEMs. While it may seem counterintuitive, some brands are now using this kind of online marketplace to their advantage.

There are several benefits for in-house marketplaces. Firstly, they provide added value for website visitors and help to create a seamless shopping experience. Secondly, by displaying all product information and prices, visitors stay focused on buying the brand's ingredient product, rather than looking for more information elsewhere. Furthermore, ingredient brands gain a sense of control over their channel and information

that's displayed. And finally, these brands get access to a trove of analytical insights that help them better understand and improve their positioning.

Balancing Omni-Channel versus Online Marketplaces

In an ideal world, all businesses will provide consumers with a seamless omnichannel buying journey. And online marketplaces are just one of the channels that can help achieve this goal. For many brands, listing products through online marketplaces is a no brainer, especially those who are looking to extend their reach and don't have an exclusive channel policy. For well-established brands, a move towards in-house marketplaces can improve conversion and help access to different audiences.

While the world of online marketplaces is still professionalizing, there are already many benefits for businesses and consumers alike. As always, when it comes to sales channels, brands need to go through a process of trial and error to determine what works best for their business. Whether that be listing products via online marketplaces, or creating their own. Ultimately, brands need to work towards providing multiple purchase options to allow consumers to buy from their preferred channel. Marketplaces offer a brilliant way to do so. And by balancing the power of each channel, they can still "divide and rule".