



Marketplace Organizational Strategy

How leading companies are building
lasting channel strategy



Introduction

Placing bets on a future channel that will drive incremental growth with a specific audience, and then finding the magic formula of resources to enable that growth is one of the most exciting (and challenging) parts of being a senior leader in a global brand. It's exciting to chart unknown territory!

For the last decade, leading brands have focused on moving from a handful of eCommerce champions to a separate Amazon COE, until finally just embedding eCommerce across their entire business. To get to that level of success, those teams had to be sponsored by a senior stakeholder to let them run as fast as possible across multiple departments, but remain separate enough from the normal rhythm of the business such that they do not get bogged down with daily operations. It has been the brands that can take those learnings and scale them across the rest of the business which have been most successful.

A new challenge has shown its face in 2020 — 3P Marketplaces and Digital Platforms such as Amazon 3P, Zalando, eBay, Shopee, Lazada, Mercado Libre, Walmart, and increasingly Instacart. The marketing levers are familiar (Content, Search, Reviews, etc.), but the commercial relationship is different enough that it may require a dedicated team to not only grow and manage the business but also to ensure we understand the nuances of what is different.

This report has been commissioned by our global Digital Commerce community to explore how leading brands are starting to capture this opportunity and tease out any learnings to support you as a digital commerce leader and the team you're on this exciting journey with.

- Your partners at [Vertical Advantage](#), [POTOO](#) & [firstmovr](#)

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Defined Channel: 57% of respondents have a defined & communicated marketplace strategy, with over 65% of our entire panel already putting resources in place to drive growth. The majority of brands are rolling Marketplaces into their eCommerce channel teams, putting it on equal weighting to Pureplay/1P retailers.

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Growth: Will come from four primary areas:

- 1 - **Bundle/Solution** packs created in partnership with strategic 3PLs
- 2 - **Aggressive Market Expansion** through international 3PLs
- 3 - **Custom Marketplace Portfolios**
- 4 - Profit centric approach to **1P vs 3P assortment** segmentation

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Talent is Key: 75% of our survey respondents said they're going to be hiring in the next 12 months. While senior leadership's skillset looks comparable to existing senior eCommerce talent, the more operational folks may require a different skill set than what is currently on your team.

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Capabilities: Over 75% of brands surveyed are expecting to outsource at least one capability. This is more likely to be fast-moving capabilities such as search, media, and brand protection than core competencies such as data & insight.

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New Partners: While 75% of brands are expecting to outsource some capabilities, over 60% are keeping core functionalities in-house.

3PL partners are becoming more strategic than ever before - especially those with international expansion capabilities.

Question 1: Strategy: Does your company/brand have a defined objective/strategy for 3P Marketplaces?

Over half - 57% of respondents say their business has a defined and communicated marketplace strategy.

We're delightfully surprised at the update as we assumed this would be lower - perhaps a sign of the 2020 pandemic that has made this channel a need to have rather than a want to have.

28% of brands that responded know they need to have a strategy but currently do not. These folks are still hyper focused on going 1P with a marketplace like Amazon.

Yes: Absolutely it is communicated across the business



Not Yet: We know there are marketplaces to explore but we're still focused on 1P/Direct for now



No: We are struggling to get leadership Buy-in and Priority



Unsure: If it's happening, I'm not aware of it yet



Question 2: Strategy: How would you rate your company's progress towards a coherent Marketplace/3P strategy?

Nearly half of the brands surveyed are starting to accelerate their 3P channel strategy. They've already completed their initial size of prize, are aimed in the direction they want to run, now it's about finding the right mix of people, process, product, and tech to help them get there.

We would expect this journey to be shorter than what many of us have gone through when bringing our brands through the initial Pureplay / Amazon / 1P acceleration 7-10 years ago. Senior leaders are likely bought into eCommerce, so it's less about convincing and more about prioritization & defining scope.

Just as you did before, look to those brands that you would consider leading on 3P - Digital Native Brands, Anker, or those brands owned by FBA aggregators like Thras.io

Respondents could select more than one option

Exploring: We will invest but we're still defining size of prize



Accelerating: We have commitment from leadership to begin on assortment, channel strategy, team structure, etc



Scaling: Partners Identified, Assortment Optimized, KPIs Set, Team Created - go go go



Leading: We've written the book on 3P - Strategic platforms build to our requirements



N/A: We're not progressing



Question 3: Strategy: Which of the following is an objective of your 3P Marketplace Strategy?

Every brand builds a Marketplace Channel Strategy out of a specific need.

What our community has said should be taken to heart:

- There is a growth opportunity identifying new assortment and new markets
- There is a growth opportunity in protecting the brand from rogue sellers

How you approach these two ways of growth will often come down to your business's willingness to trade volume for profit, how firm you will stand in upholding your dealer agreements, or your legal recourse in certain markets.

"If you think shopper experience first regardless of 1P/3P/D2C, you'll find the right levers to pull for growth" -- Interview Respondent

Respondents could select more than one option

Profit Growth: Optimized assortment and distribution



Brand Protection: Fighting unauthorized & rogue sellers



Revenue Growth: Entering new markets via marketplace expansion



Tactical Defense: Stop out of stocks or aggressive challenger brands



Reduce Leakage: Identify ways to reduce cross border sales



Question 4: Strategy: 12 month (2021) priorities

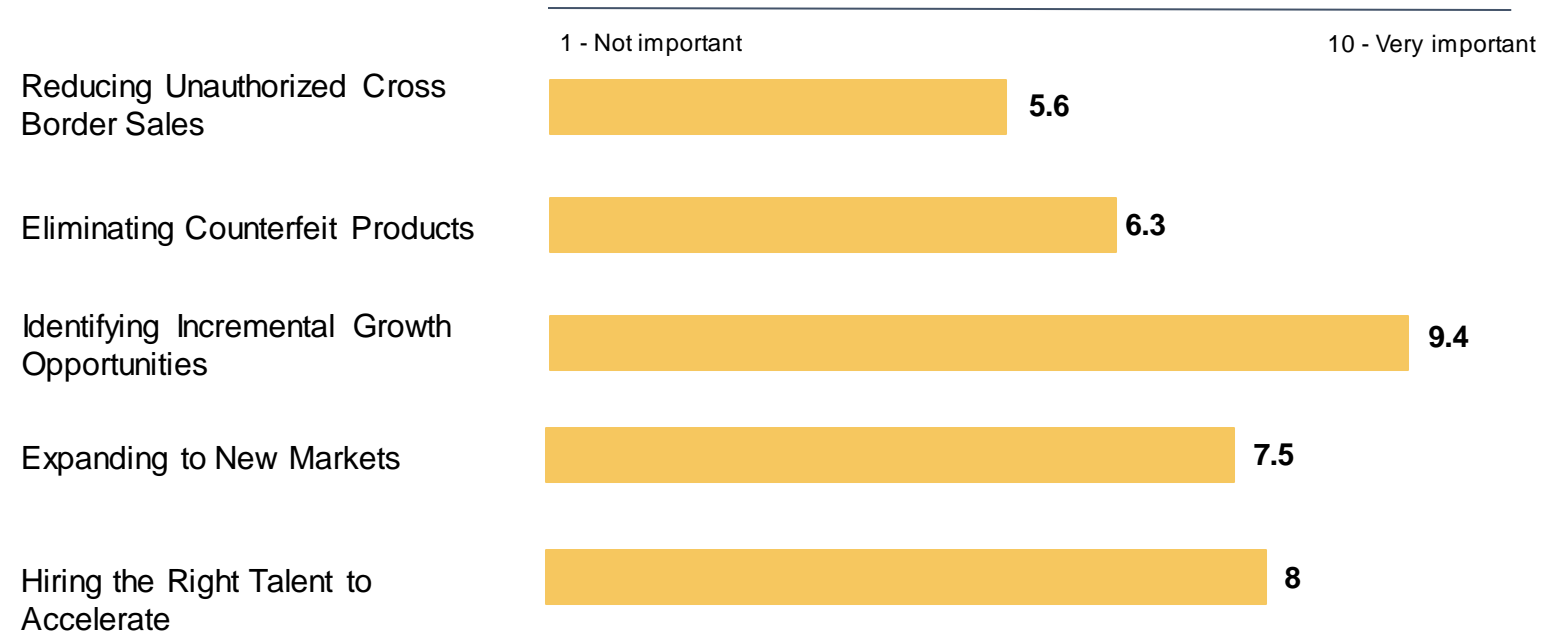
Growth is the leading priority for the Marketplace Channel Strategy rather than solely “Control”. This is absolutely the right position to take as it takes a longer term view rather than constantly firefighting.

Portfolio will be one of the most important areas of growth. We recommend that you:

- Identify 2P products and explore listing 1P
- Work with your NRM/RGM teams to build a growth portfolio that works with the economics of your chosen marketplace to your category strategy
- Identify where rogue 3P items could be actually listed as 1P via a 3PL to capture the demand that already exists

“Our goal is to make supply chain flexibility a key differentiator in the next 12 months to avoid over reliance on 1P/Direct relationships” -- Interview Respondent

Over the next 12 Months: How Important is the below to your business? Scale 1-10:



Question 5: Strategy: Which Marketplaces or Platforms does your business consider “Strategic Partners” over the next 3 years?

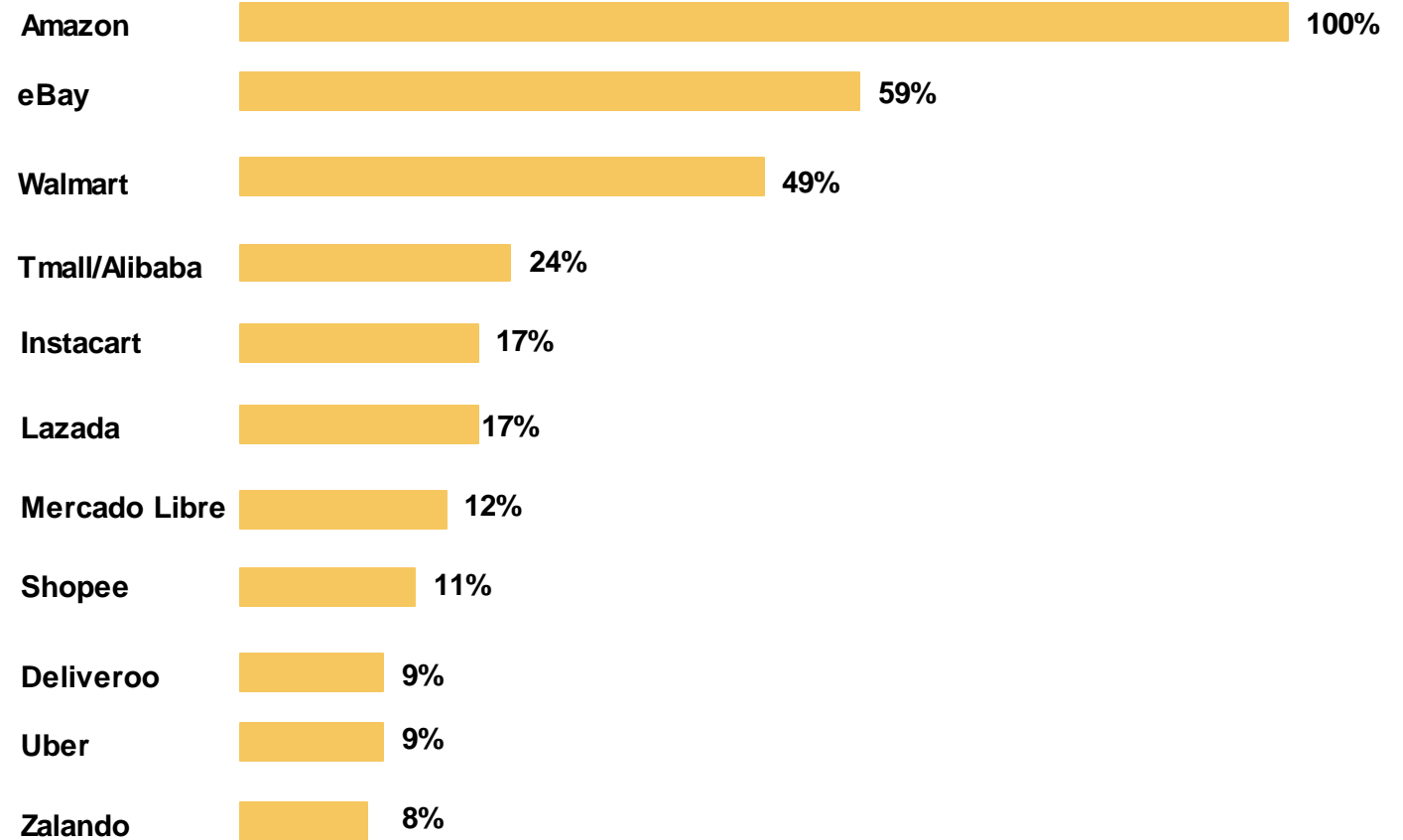
Absolutely no surprise - Every brand that responded had Amazon as a Strategic Partner.

Keeping in mind that 80% of our respondents were from Europe or North America -- it's interesting to note that the leading marketplaces in LATAM/APAC regions (Lazada, Mercado Libre, Shopee) are not yet considered strategic partners. There is huge room for those brands to lean into those customers and unlock even more momentum. Uber/Deliveroo are still very tactical with Instacart standing out.

However, as one of our community members put it:

“While the company has to take Amazon as a Strategic Partner POV for growth, I would not even classify them as a basic partner as they're so unhelpful on the 3P side” - Interview Respondent

Respondents could select more than one option



Question 6: Assortment: Is your business creating a dedicated 3P/Marketplace assortment?

It is not new news that every channel & customer wants dedicated, custom, and bespoke assortment. The difficulty is always balancing tooling cost, expected volume, channel conflict, and ultimately consumer experience. Everything is a tradeoff.

What is interesting is our panel is essentially split down the middle - with half already opting to build something custom, and the other half not yet being so adventurous.

- **Of those that are creating a dedicated assortment, twice as many are leveraging 3PLs to create bundle packs as not**

It is starting to become clear that brands are realizing they cannot do everything themselves - having manufacturing & distribution partners to support new channel economics is becoming imperative.

Yes: We're being opportunistic by building a few bundle/solution packs with 3PLs



Yes: This channel is now embedded into our category strategy and we're scaling products



No: We're not yet exploring any dedicated assortment segmentation this year



No: But we're planning to explore in the next 12 months.



Question 7: Distribution: Which of the following is your business currently exploring for the next 12 months?

We're seeing a mix of different tactics to take when thinking about distribution and category assortment optimization.

- Over half of businesses are exploring a 1P/3P hybrid approach for assortment
- 42% are exploring creating unique SKUs with 3PLs

Only 14% of brands are exploring D2C as a method for distribution on marketplaces or fast fulfillment. This is a combo impact of fewer brands having their own D2C to leverage, and the concern of added complexity.

Our recommendation -- **Find 2-3 international 3PLs you can partner with profitably and grow grow grow.**

Respondents could select more than one option

Hybrid: Assortment split 1P and 3P Distribution



Authorized 3P Dealers: These sit within existing channel/commercial strategy



Expansion via 3PL: Entering new markets via Marketplaces



Assortment via 3PL: Leverage 3PLs to create new SKUs that would be otherwise difficult (bundle/solution)



Education: Coach/Upskill existing distribution partners to drive eCom capabilities



Leverage D2C: Use D2C Distribution to dropship yourself



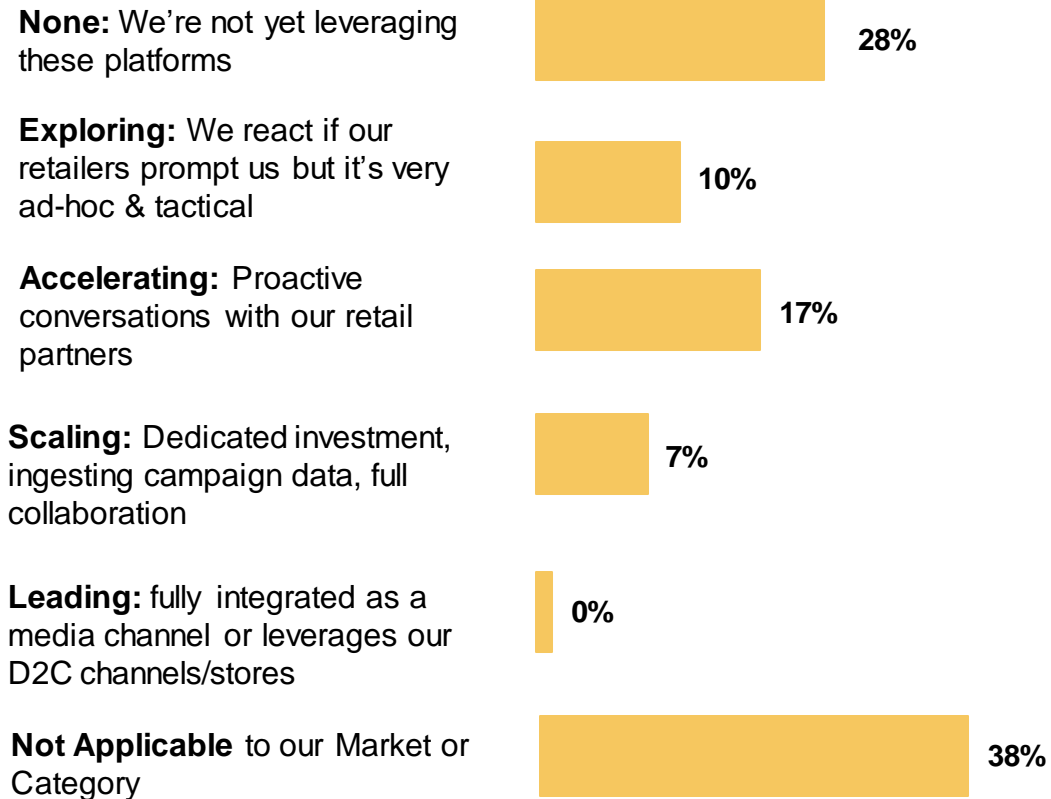
Question 8: Fast Fulfillment: How is your Business Growing with Fast Fulfillment Platforms (Instacart, Postmates, Deliveroo, Uber, etc):

Fast Fulfillment is still very much nascent among even those categories such as grocery that are first to market.

- Only 7% of those surveyed are leveraging campaign data as part of their retail media plan.

“We have an Instacart conversation and then a separate Walmart merchant conversation, it feels like it’s more a tick box exercise than something integrated into the store/online buying process” -- Interview Respondent

This is still in first-mover advantage mode. Proactively experiment with the leading platforms like an Instacart, and continuously bring up your learnings with your buyer. Eventually the stars will align.



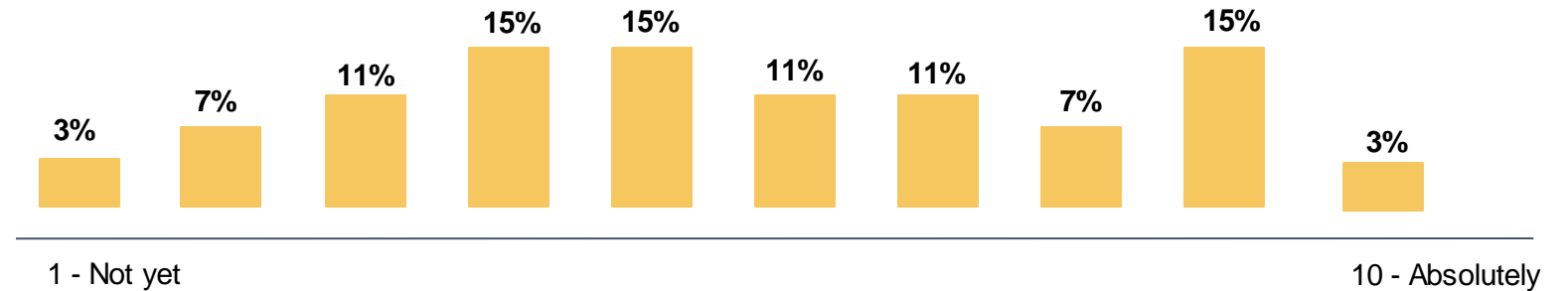
Question 9: Organization: Do you feel your business is equipped with the knowledge to capture the opportunity on Marketplaces & Digital Platforms?

The average of this one is 5.6 - right in the middle. But it is the distribution which is most telling.

There is still a huge opportunity for upskilling organizations not only on how to go to market through these channels, but what makes these channels so difficult to scale compared to traditional “direct” or 1P channels.

When taken in its entirety, we’re seeing brands that recognize there are unknowns - but are still keen on investing on the channel, creating dedicated assortment, partnering with 3Ps, and putting in place authorized distribution policies.

Leading companies are jumping into the unknown with both feet.



Question 10: Organization: Will you hire or bring in external expertise to drive Marketplace/Platforms in the next 12 months?

This one question may dominate the next few budget & LT meetings in certain regions of your business. The Mid-Manager level with execution expertise is in very short supply in 2021 and shows no sign of letting up.

Over half of those responding “Yes” to needing to hire have placed themselves in the Accelerating or Scaling level of development (Question 2). Those looking for incremental growth are willing to invest in incremental headcount.

“Our Amazon team is in hyper execution mode. Marketplaces are sufficient that we need to manage separately to avoid distraction” -- Interview Respondent

Yes: We will need to hire dedicated people in the next 12 months



No: We will absorb the marketplace & digital platforms channel into our existing team

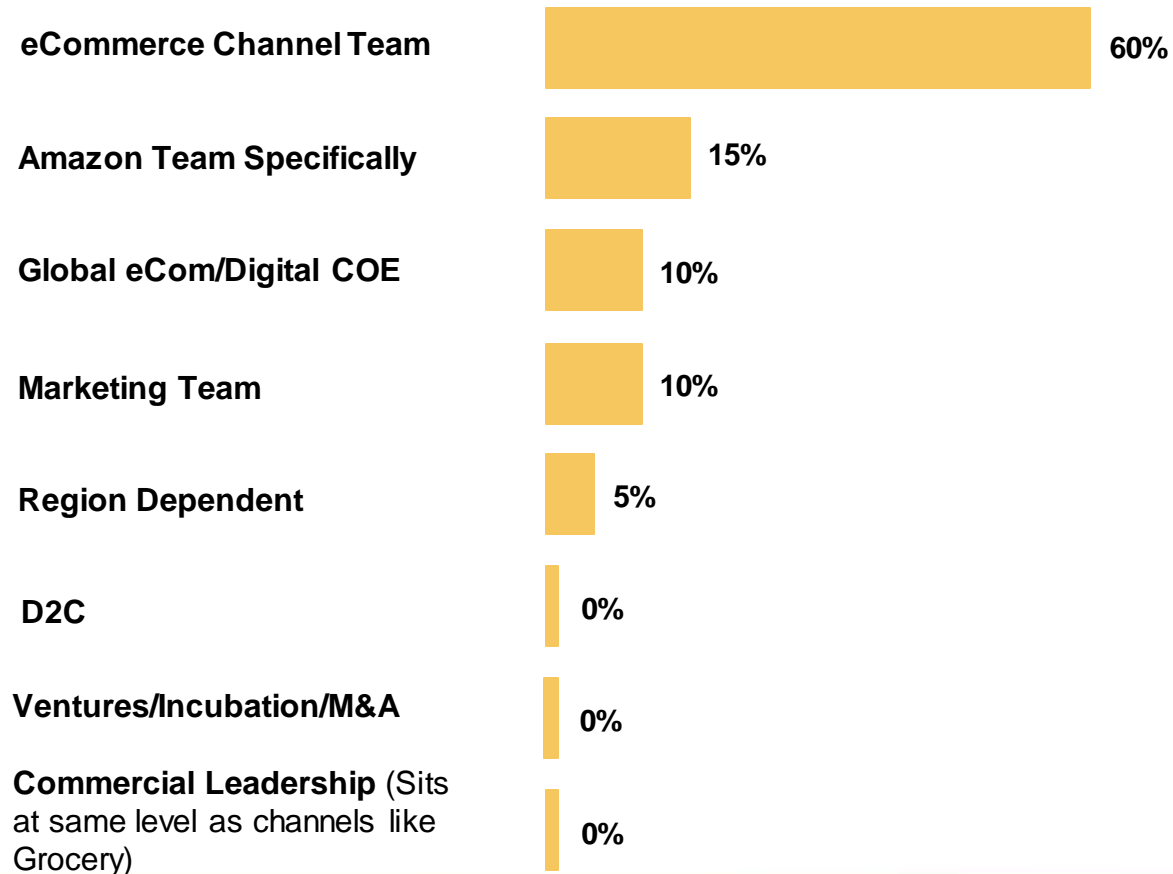


Question 11: Organization: If Marketplace/Platform channel ownership had a center of gravity, it would report into:

60% of brands surveyed said their Marketplace/Platforms channel has its home in the eCommerce channel team. This is interesting as it means:

1. There actually is an eCommerce channel team that is distinct in reporting structure rather than just the “Amazon team”
2. These companies are treating eCommerce as a capability across multiple activation points
3. They’re putting weight behind these emerging channels

Global eCom/COE is often a catch-all for channels/platforms/tech that does not have a native home in-market. For some companies this offers fantastic flexibility to quickly go after new growth - for others it's a Bandaid that is constantly running never-ending pilots.



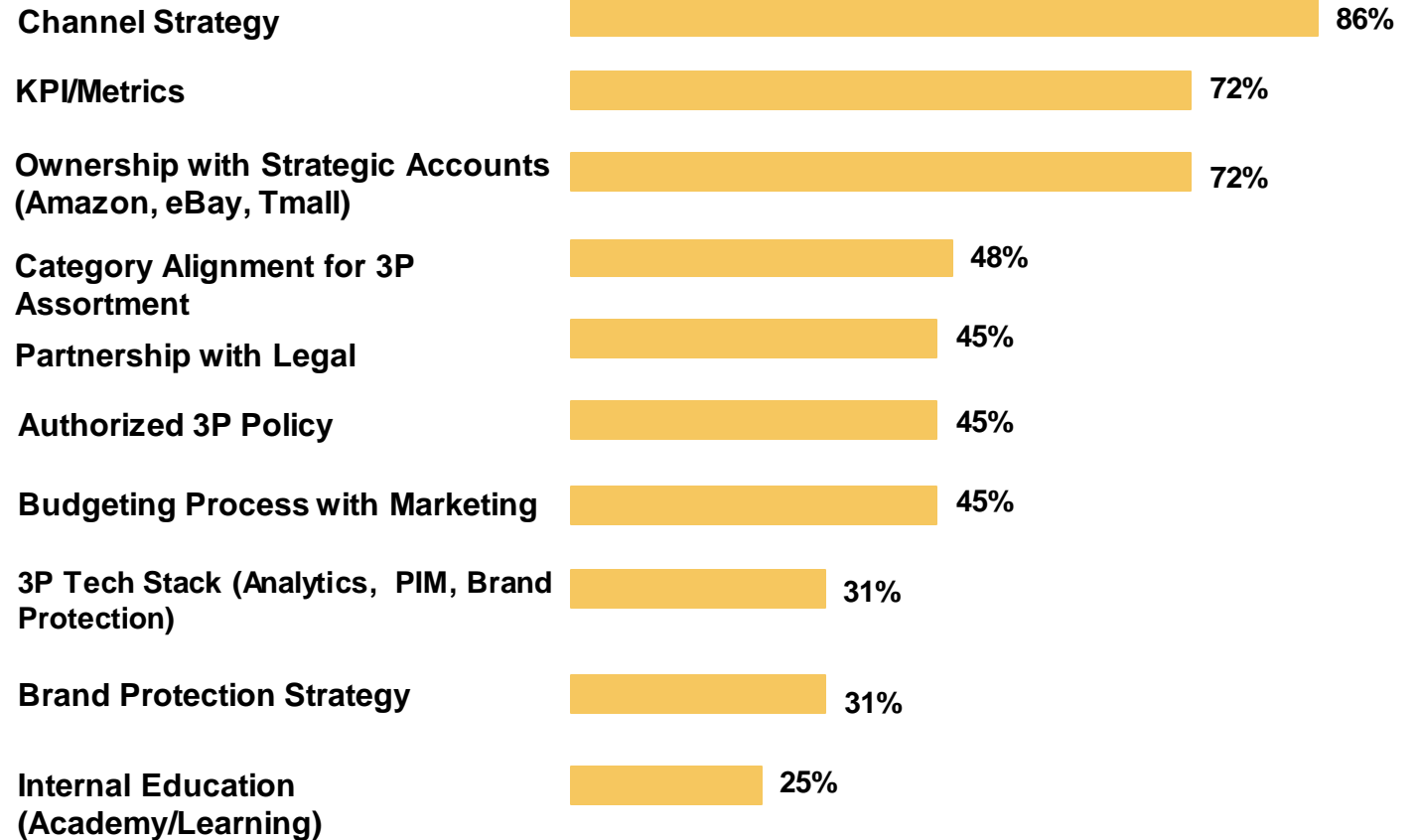
Question 12: Senior Channel Lead: For our Business, a Head of Marketplace/Platforms would be primarily responsible for driving:

Likely no surprises on this one as the **senior channel lead follows a similar blueprint to other channels**. They will be responsible for strategy, metrics to track progress, top to top ownership of strategic accounts, and liaising with cross-company stakeholders.

- Curious where the channel strategy is coming from for the other 14%! Perhaps from commercial excellence/development or inherited from the eCom channel team (Question 11)

Seeing the relatively low anticipated responsibility for brand protection is disappointing...but also no surprise. We're always willing to shout from the rooftops that effective brand protection strategy is a top-down whole company effort - and the fact that rogues/counterfeits/leakage are still running rampant is reflective of it still being too far down on the priority list for senior leaders.

Respondents could select more than one option



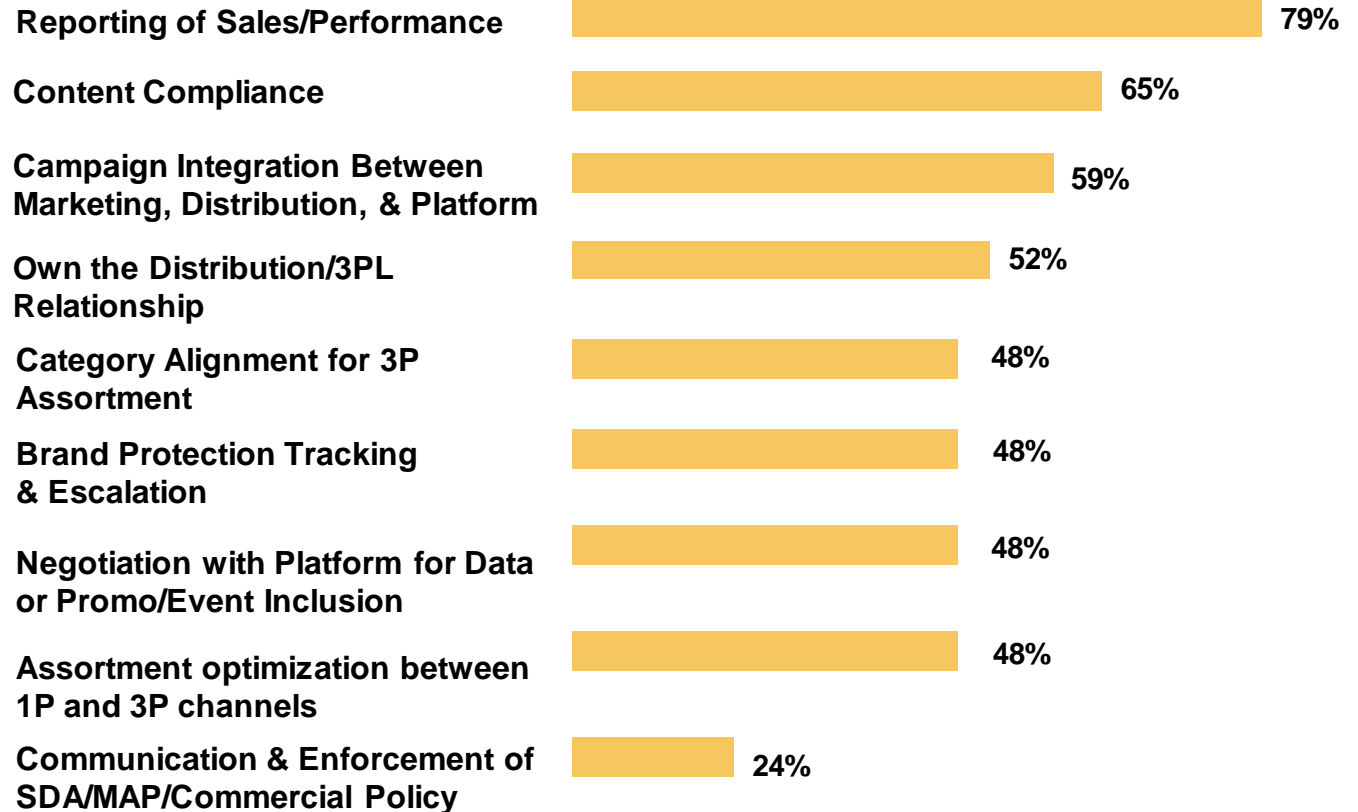
Question 13: Junior Channel Manager: For our business, a Marketplace/Platforms Manager would be primarily responsible for driving:

The Junior Channel Manager position is one that operationalizes the digital platform. Think Amazon KAM, but dial down the commercial negotiation and dial up the marketing integration and distribution management.

By the time most brands get to the point of having a Marketplace/Platform Channel Manager they most likely will have a robust eCom capability for content, search, display, and supply chain - so these teams can be more execution focused and leverage other existing capabilities/processes.

Reporting on performance, content compliance, and campaign integration are top priorities - bringing a smile to anyone's face who has been trying to build "brilliant basics" as a core competency for any eCommerce channel.

Respondents could select more than one option



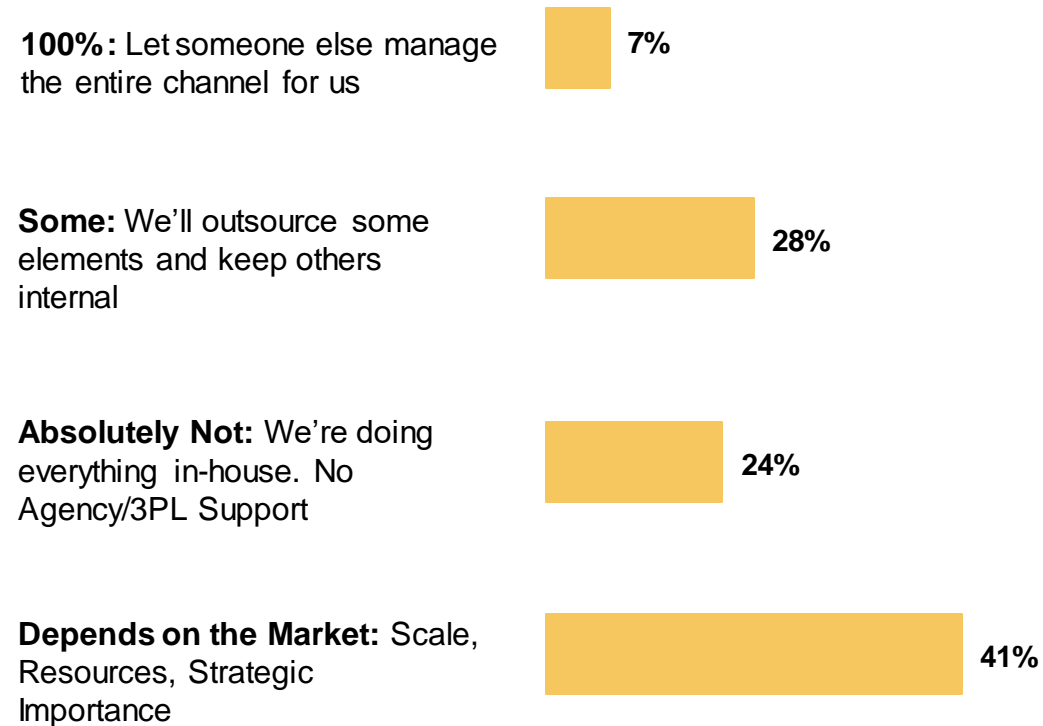
Question 14: Organization: How likely is your business to outsource 3P/Marketplace management to an agency or 3PL?

While only 7% of survey'd companies said they would outsource the entire management of the channel - **75% of those brands are the ones focused aggressively on market expansion.**

Similarly, over half of those who responded Depends on the Market are also looking to drive market expansion through marketplaces.

There is an opportunity for strategic international **3PLs to create a turnkey process to support growth from Europe/NA/APAC into other regions.**

Non-Distribution capabilities such as Search will likely follow existing outsourced capabilities to agencies for less complexity.



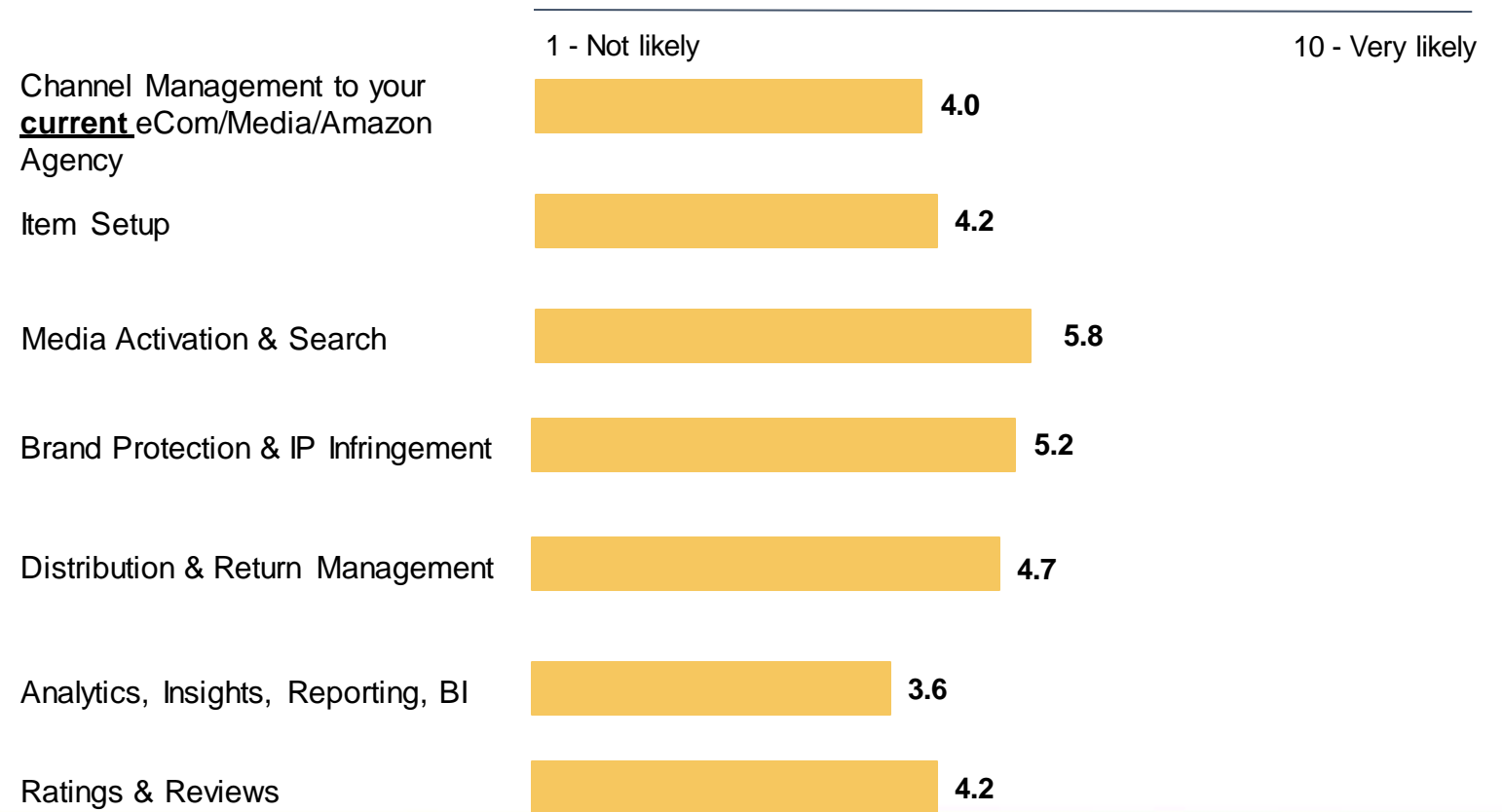
Question 15: Outsourced Capabilities: How likely is your business to outsource?

You can tell a ton about a brand when you see which capabilities it decides to insource vs outsource. Often when first starting out, brands will outsource the complex/friction inducing parts of the value chain (return management), or niche expertise areas where there is not yet robust muscle memory or process (Media & Search).

It's great to see that brands are fairly unlikely to outsource the analytics function to an agency - instead leveraging internal resources to spearhead that insight generation (they may still outsource data gathering, just not the interpretation).

Incumbent agencies may want to sit up and take note - **the survey respondents are more likely to outsource media activation, search, and item setup -- just not to their existing agency.**

Over the next 12 Months: How likely is your business to outsource? **Scale 1-10:**



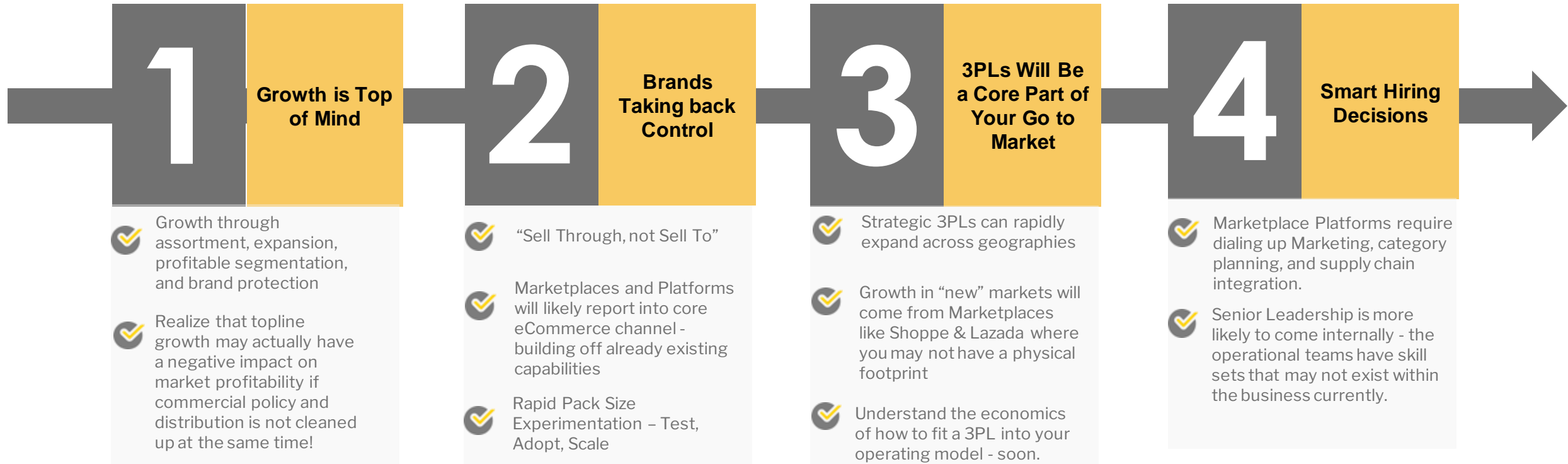
Takeaways





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ONLINE MARKETPLACE
INSIGHTS

Implications for Marketplace Brands



Your Cheat Sheet of Stakeholders - Matrix or Direct Engagement

 INTERNAL BRAND TEAM	 INPUTS AND PROCESS OWNERS
Commercial Excellence & Business Development	<ul style="list-style-type: none"> • Commercial Policy & Promotional Strategy • Channel Strategy & Customer Segmentation • Joint Business Planning
Category Planning & Marketing Excellence	<ul style="list-style-type: none"> • Integration of Marketplaces into Media Strategy • Assortment Optimization for Portfolio • Segmentation for Novelty, Seasons, & NPD Exclusives
Legal Business Partners	<ul style="list-style-type: none"> • MAP Policy where appropriate • SDAs where appropriate • Compliant Commercial Policy (USA, Europe, >30% Share, etc) • Escalation & Support in all data and documentation for any necessary litigation
WMT,TGT,COST,DISCOUNT,MASS Account Directors	<ul style="list-style-type: none"> • Segmentation of Promotional Strategy & Exclusive SKUs • Commercial Policy Communication if Required
Field Sales Channels & Distributor Management	<ul style="list-style-type: none"> • Drive Adoption of new Commercial Policy or SDA
Business Intelligence	<ul style="list-style-type: none"> • Integration of Marketplace Analytics & Compliance tracking into full Data Stack • Flagging System for Non-Compliance, Poor Reviews, or Rogue Listings
Supply Chain & Demand Planning	<ul style="list-style-type: none"> • Bundle Packs, Exclusive SKUs, FFP, or Drop Shipping

POTOO: Who We Are

COLLECTED

BILLIONS

Of Data Points

GROWTH

**Winner of
Marcum's Tech
Top 40 Award**

MANAGE

**8 of the Top 10
Brands Sold
Online**



WSJ



Inc.

WIRED



IACC
INTERNATIONAL ASSOCIATION OF CERTIFIED ACCOUNTANTS



POTOO Helps Brands & Retailers Grow By:



Tracking

Inventory
Listings
Sellers
Pricing



Identifying

Seller Storefront Name
Seller Legal Name
Physical Address
Email Address



Communicating

Unauthorized Sellers
Authorized Sellers
Marketplaces
Distributors



Actioning

Listing Opportunities
Violation Reporting
Catalog Cleanup
Test Buys

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