WHY ARE ONLINE MARKETPLACES SO POPULAR?

Online marketplaces allow consumers to access a wide range of products and services from different providers, all in one place. They offer a convenient, one-stop-shop for shopping, with the added benefit of easy comparison shopping.

Marketplaces can extract more value in their take rates if:

- There is a suitable local environment
- There are attractive profit pools
- There is growth within a category

The success of a marketplace is a function both of the local environment and the marketplace’s ability to extract value. For consumers, they bring convenience, choice, and value.

The rise of marketplace giants has created a highly consolidated landscape, such as Amazon and Rakuten. Nonetheless, the extraordinary growth of online marketplaces, particularly in travel and classifieds, has continued. The growth of marketplaces is likely to continue as more category leaders shift to online.

Source: Globaldata, Euromonitor, eMarketer, Digital Commerce 360, Statista, ecommerceDB, PwC Media Outlook

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### Excluded Categories

1. Cinema, Sport and Music events only – tickets for museums, theatres, cabarets or comedy clubs excluded, primary ticket sales only

### Established Marketplace Categories

- Luxury Goods, Books, Other Retail
- Travel / Vacation
- Classifieds
- Games
- Food Delivery
- Utilities
- Home Improvement
- Fashion
- DIY / Gardening
- 2. Commerce
- 3. OTAs
- 4. Classifieds
- 5. Books
- 6. Other Retail

### Nascent Marketplace

- China is excluded from our figures given that it is an insulated market with very dominant local players (more on this later).

### Growth Areas

We also saw third party marketplaces capitalise on the opportunities Covid presented. This report focuses on product categories already highly penetrated by online marketplaces, including, retail, travel, ticketing, classifieds, books, and other retail. It remains to be seen how this will play out as we move towards a 'new normal' - but it is clear that the rise of third party marketplaces is here to stay.

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### Source: Digital Commerce 360, Company annual reports
Despite many exciting opportunities for incumbents and insurgents, marketplaces are driving online retail revenue on both sides. The world's leading marketplaces are hyper-vertical players, those with brand or curation authority, and those with a broad range of verticals and an ecosystem of goods and services that make it easier and more convenient to do business. Clearly the relevance of these to any specific situation or business will vary, but looking across global marketplaces, we see a series of interesting innovations.

Marketplaces will continue to disrupt eCommerce, creating $2-3tr of new online consumer spend by 2025. Thematic marketplaces, focused on niche products or verticals, such as Farfetch for fashion or Wayfair for home furnishings, will outstrip the e-commerce market, accounting for 45-50% of online spend.

- Specialists will take market share from generalist marketplaces as they are better placed to provide bespoke RFQs, project and inventory management. Despite the significant untapped opportunity, B2B marketplaces such as ePorta for interior design still require specialised functionalities such as a bespoke B2B platform.
- The circular/second hand economy gains share with the millions of products that are sold via marketplaces such as eBay and Amazon.
- Comparison, lead generation and classified sites go transactional with marketplaces offering curated online auctions. The auction mechanic is now moving into the consumer arena, with eBay perhaps the most ubiquitous example. However, paying more than your rival isn’t the only way to win an auction. Marketplaces like eBay offer a platform for other players.

Examples:
- Launch an app for second-hand products
- eBay is the platform that most obviously comes to mind when it comes to online auctions. However, paying more than your rival isn’t the only way to win an auction. Marketplaces like eBay offer a platform for other players.
- Farfetch is the marketplace for fashion “handpicked from the world’s best brands and curated for you. A million users are already exploring and buying from 4,000+ labels from 80 countries.”
- AmazonFresh, an online supermarket, is an example of a marketplace that is part of an existing retail business. It is now the fastest-growing part of Amazon with over 1,000 marketplaces.
- Amazon is also trying to build a marketplace for its ecosystem of products. In its “Amazon Basics” private label, it started with a range of


c.17% ($tr):

<table>
<thead>
<tr>
<th>Category</th>
<th>GMV 2020</th>
<th>GMV 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established</td>
<td>$13bn</td>
<td>$4-5tr</td>
</tr>
<tr>
<td>Nascent</td>
<td></td>
<td>$6-8tr</td>
</tr>
<tr>
<td>Global (excl. China)</td>
<td></td>
<td>$2-3tr</td>
</tr>
</tbody>
</table>

Source: eCommerce DB

And where are the risks?

- Marketplaces can face increased regulatory risk as marketplaces are seen more as retailers. However, payment and transaction risk are a key advantage of an online marketplace, which can, for example, ensure that only high-quality goods are listed.
- Marketplaces must ensure that they are hosting safe products, be it through top-notch service, high-quality listings, tailored pricing, and the eventual outcome, it may well act as a trigger for lawmakers around the world to introduce regulations relating to tax, safety, competition, and how goods are ranked.

Regulators will crack down, for example, on marketplace categories. It would be no surprise if Facebook Marketplace joins them soon. As discussed above, ten players account for 70% of online marketplace sales in established categories. Why? They have superior scale, a customer base, strong brands, and the value-added services offered by smaller specialists.

Others

The circular/second hand economy gains share. On eBay, the average listing is c.35-40% waiting to be sold. As for marketplaces, the concept is not new. But as the world’s largest online retail company, Alibaba launched Aliexpress.com in 2010, enabling Chinese retailers to sell products to global buyers. Meanwhile, China is home to three of the four largest marketplaces in the world, Taobao and Tmall (owned by Alibaba), and JD (owned by Tencent). As China’s market leader, Taobao accounts for 54% of online retail in established categories and has higher gross margins than many B2C marketplaces. The Chinese giants will step into the West, where there are fewer regulations and where marketplaces like Farfetch are already making inroads.

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