

Consumer & Retail

2021 - THE YEAR OF THE MARKETPLACE

By Melissa Reed



It seems as if everyone is jumping on the digital marketplace bandwagon and although these multi-brand platforms are by no means a new feature of the consumer industry, we have seen startling growth over the past 12 months as the pandemic has driven new patterns in consumer behaviour, accelerated digitisation and made marketplaces even more appealing for retail and fashion companies.

Buoyed by the phenomenal success of the marketplace model, that has seen the likes of Amazon, ebay, Zalando and Alibaba morph into some of our biggest consumer behemoths of the 21st century, it is tempting retailers of all types and sizes to wade in. Indeed, since the pandemic began, Anthropologie, Madewell, Marks & Spencer, Target and Walmart have all launched marketplaces, to name just a few. This year must surely be characterised so far by the sheer number of marketplace launches or expansions.

Is this opportunistic or strategic? A knee-jerk, short-term reaction to help boost revenues and grab valuable customer data or part of a broader more sustainable omnichannel strategy? Are we watching a marketplace bubble inflate?

In many ways, it's an obvious move to open up a marketplace as digital has become the primary channel for a growing number of retailers and this shift in market dynamics is unlikely to go away anytime soon. As the physical department store continues to suffer, brands are looking for more ways to extend their reach and customers are continuing to look and prioritise convenience, personalisation and curation. The incredible success of Farfetch in comparison to department stores such as Neiman Marcus highlights the instability of the traditional wholesale model in our post-covid world and having recently secured backing from Alibaba and Richemont, it begins to look unstoppable in its growth and ambition.

A Think With Google report (March 2021), highlights a growing trend for discovery as consumers make the switch from looking for specific brands to seeking

inspirations and ideas online. If consumers are less decided than ever before when shopping online, the marketplace model then presents a valuable opportunity to drive more traffic to the site, reaching and acquiring new customers whilst getting valuable intelligence on how different brands perform.

Marketplaces need to be very careful about the brands they hook up with as this is part of their differentiation. With so many new players adopting the marketplace model, ubiquity should be avoided at all costs. Likewise, brands need to be sure of their objectives – are they looking for a marketplace partner with an already existing cross-over customer or do they want to reach a new target audience?

Other questions arise: What control will they have over their brand equity and marketing? What tactics will they adopt over assortment and exclusivity to keep customers engaged through their own DTC channel and how to satisfactorily resolve the economics of the marketplace model?

Whilst brands need to remain competitive and reach their customers where they shop, in an increasingly competitive market, marketplaces must be able to clearly articulate their differentiated value proposition for both sellers and consumers. This differentiation and clear USP will ultimately separate the winners from the losers. Clearly the likes of Amazon and Alibaba have incredible breadth of products combined with slick fulfilment that helps set them apart. Contrast this with the emergence of specialist niche, highly curated marketplaces whose value is offering distinct products

and curating unique ranges.

Data – both in its quality and quantity - is enabling them to know their customers intimately. They are focused on creating loyal communities in order that they can then confidently provide relevant products that this group needs and desires. Second-hand marketplaces such as Depop and Vestiaire Collective, have grown to serve a

For those retailers looking to evolve a marketplace platform this all requires great technology expertise, capital expenditure and serious commitment, as it brings extra complexity into a business. With many retailers struggling to get to grips with their existing omnichannel strategy and channel mix, they need to keep focused on the critical needs of their core business and not allow business attention to be diverted to the shiny new marketplace.

With consumers increasingly unforgiving in their expectations for fast and convenient delivery, these are often complex logistics, and so supply-chain capabilities need to be robust and capable of providing best-in-class customer experience, that are consistent with brand values.

In these new uncharted waters, many businesses lack the necessary expertise in-house to guarantee

success. Bolting on additional requirements in areas such as marketing and technology to existing teams is risky especially when everyone is already exhausted trading through the past 12 months. Marketplace specific roles that can create win-win outcomes for what are often complex partnerships are of increasing strategic importance and bring together sophisticated commercial and negotiation skills with digital know-how.

With digital skills vital to economic recovery following the pandemic and digital acceleration in all sectors (specifically demand for AI, cloud and robotics), there is an inevitable shortage of talent in the now white-hot marketplace for such specialists, creating a digital skills gap. Against this backdrop, retailers must be convinced that adding such a channel to their business makes long-term rational sense but for those who get it right it's a game changer.



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