KEY FINDINGS FROM THE 2018 ONLINE MARKETPLACES REPORT

An exclusive sneak peek at the key findings from the 2018 Online Marketplaces Report

Internet Retailer, a Digital Commerce 360 brand

Compliments of: newegg
The retailer conversation surrounding marketplaces a couple years ago was quite different than it is today. It largely went like this:
Are marketplaces good or bad for my business?
Is Amazon my friend or my enemy?

That discussion is less relevant today. The proliferation of marketplaces in e-commerce and in consumer shopping habits is hard to ignore for any size retailer or brand. Data shows that transactions on marketplaces as a percentage of e-commerce sales is growing—so much so that it is nearly equal to sales on traditional e-retail sites. While a few large marketplaces dominate, there are a number of smaller and specialized online marketplaces that consumers are gravitating toward.

For the first time, Internet Retailer researched and analyzed the top 75 online marketplaces in the world. Our analysis shows these 75 marketplaces sold more than $1.55 trillion in 2017. Gross merchandise sales on these sites account for more than 90% of global marketplace sales and roughly half of all global online retail sales.

The world’s largest marketplaces, operated by Alibaba Holdings Group Ltd. and Amazon.com Inc., dominate the industry. But there are a number of marketplaces, many that sell products in a particular retail category, increasing sales at a rapid pace. In fact, 41 of the 75 marketplaces

### INDUSTRY OVERVIEW

**Growth of the Top 75**

Gross merchandise value, in $trillions

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$1.16</td>
<td>$1.55</td>
</tr>
</tbody>
</table>

Growth: 34%
Internet Retailer tracks grew faster than the 27% growth Amazon logged, and 15 of those marketplaces brought in more than $1 billion in sales in 2017.

Collectively, the gross value of goods on the 75 sites grew 34% last year compared with 2016. It’s not just the few big marketplaces that are growing either. 33 grew more than 15% last year and 22 grew more than 50%. Big or small, these platforms are attracting shoppers.

**HOW THE TOP 75 MARKETPLACES GREW IN 2017**

Number of marketplaces

- > 100%: 7
- 50.1-100%: 15
- 15.1-50%: 33
- 0-15%: 16
- < 0%: 4

Source: Internet Retailer
What are the key advantages for a retailer selling goods via an online marketplace?

Marketing is a major asset of online marketplaces. Major marketplaces typically host a suite of marketing services and programs to help sellers get the product exposure they need. Retailers utilizing online marketplaces also reap the benefits of operations support. Marketplaces support sellers through an established fulfillment infrastructure, customer service, order management, and payment gateways. Also, while global scalability may seem daunting to some retailers, online marketplaces can give retailers access to many new markets and customer bases and reduces middlemen involvement.

Why would a retailer seek to have marketing and operations handled by an online marketplace?

Risk reduction. Retailers entering into an online marketplace have the benefit of selling to an existing customer base. That saves time from having to acquire new customers and gain their trust and makes brand and product exposure easier.

Retailers considering setting up their own fulfillment infrastructure must factor the costs and time to build such a network. Enter marketplaces. If a retailer is selling on a marketplace, then leveraging their fulfillment service can create a more seamless buying experience for customers because some marketplaces also handle returns and customer service. In e-commerce today, engaging marketing campaigns attract customers to peruse and convert. Without them, retailers can’t stay relevant in the customer’s mind. Retailers can hand off marketing duties to online marketplaces that already have a presence in a given region and know how to promote and sell to the local customer base.

What are the common pitfalls to avoid when deciding whether to work with a particular online marketplace?

It’s important for retailers to take customer demographics into account when entering into an online marketplace. Just because a marketplace has a massive following, that doesn’t mean its following makes the most sense for your business. Throwing products onto a storefront without any thought as to who tends to purchase there is a surefire way to get disappointing results. Retailers also should assess what product assortment can sell successfully on any given platform. Retailers sometimes run the risk of entering into marketplaces already oversaturated in a given product category. Make sure you understand the costs. Most marketplace fees are deducted as a percentage of each sale. This can vary from category to category. However, additional fees tied to transactions and processing, for example, can negatively impact a retailers’ overall margin.

Can an online marketplace help a retailer reach out to foreign markets? If so, how?

The notion that selling internationally is an insurmountable hurdle has been discredited thanks to online marketplaces connecting retailers and customers internationally. Online marketplaces have proven to be a popular channel because they reduce the complexities when selling overseas by the various inclusive services they offer. For example, marketplaces integrate numerous tools such as payment gateways, leverage local partners for last mile fulfillment, provide advice on local best practices, and give retailers wider data-mined information on customer behavior.
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Logistics and Customer Service
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Marketplaces are popular because customers are attracted to the breadth of products available on a single site with competitive prices. Internet Retailer and Bizrate Insights surveyed more than 1,082 U.S. online shoppers in March to learn more about their online shopping habits. The survey asked consumers the first and second shopping sites they visit, and among the results were seven marketplaces operators (Amazon, Walmart, eBay, Etsy, Wish, Facebook and Newegg). 54% of consumers say Amazon is the first site they visit, followed by Google (15%) and Walmart.com (6%). Of course, sites like Walmart and Newegg sell their own products as well, but it’s still a signal to marketplace sellers that their products are put in front of a large audience.

When asked which shopping apps are installed on their smartphones, six of the 14 results were for companies that operate marketplaces (Amazon, eBay, Walmart, Groupon, Etsy and Wish). Internet Retailer conducted the same survey in March 2017, and comparatively, the percentage of consumers using certain marketplace apps increased this year. 65% of online shoppers had installed Amazon’s app (57% in 2017), 34% had Walmart’s shopping app (25% in 2017) and 11% installed the Wish app (6% last year).

Furthermore, 97% of U.S. consumers who shop online do so on marketplaces, up from 85% in 2016, according to the 2017 global study by United Parcel Service and comScore Inc. The study evaluated consumer shopping habits of more than 18,000 online shoppers worldwide last year. Of those U.S. marketplace shoppers, 90% surveyed said they shop on Amazon, up from 70% the previous year.

### CONSUMER SURVEY

**WHEN SHOPPING ONLINE, WHERE ARE THE FIRST AND SECOND PLACES YOU GO?**

<table>
<thead>
<tr>
<th>FIRST</th>
<th>SECOND</th>
</tr>
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<tbody>
<tr>
<td>54%</td>
<td>22%</td>
</tr>
<tr>
<td>Amazon</td>
<td>22%</td>
</tr>
<tr>
<td>Google</td>
<td></td>
</tr>
<tr>
<td>Walmart.com</td>
<td>14%</td>
</tr>
<tr>
<td>Facebook</td>
<td>0%</td>
</tr>
<tr>
<td>Target.com</td>
<td>6%</td>
</tr>
<tr>
<td>Macys.com</td>
<td>2%</td>
</tr>
<tr>
<td>Bing</td>
<td>1%</td>
</tr>
<tr>
<td>Directly to other retailers’ websites</td>
<td>26%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
</tbody>
</table>

Respondents were required to write in an answer if they selected ‘Other.’ Roughly 2% of respondents wrote in eBay as the first site they visit, and 4% as the second site they visit.

Source: Internet Retailer and Bizrate Insights survey of 1,082 consumers, March 2018
Across the globe, 99% of shoppers in Mexico and 98% of online shoppers in Asia have made an online marketplace purchase, along with 96% of shoppers in Canada and Europe, according to the 2018 edition of the global study.

The top reason for shopping on an online marketplace rather than a retailer was better prices, consumers across all regions said. Other top reasons included free or discounted shipping and a broader selection across any given category.

The prevalence of online marketplaces has also helped online shoppers embrace international retailers. Consumers in Canada shopped internationally at the highest percentage with 83% having made an online purchase from an international retailer. But only 55% of online shoppers in Asia and 47% in the U.S. have made an international purchase.

Consumers said the top reasons they sought out an international purchase was: “I found a lower price at an international retailer on a regional marketplace,” “I want something unique not found in a regional store,” “The brands or products I like are not available regionally” and “The price is better internationally.”

Looking forward, 37% of shoppers in Asia said they intend to make more purchases on marketplaces, while 30% of survey respondents from the previously published 2017 UPS and comScore study said they’ll purchase more

<table>
<thead>
<tr>
<th>Shopping Apps Installed on Consumers’ Phones</th>
<th>2017</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>Amazon</td>
<td>57%</td>
<td>65%</td>
</tr>
<tr>
<td>eBay</td>
<td>27%</td>
<td>24%</td>
</tr>
<tr>
<td>Walmart</td>
<td>25%</td>
<td>34%</td>
</tr>
<tr>
<td>None</td>
<td>24%</td>
<td>15%</td>
</tr>
<tr>
<td>Groupon</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>Target</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>Etsy</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Walgreens</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Kohl’s</td>
<td>10%</td>
<td>18%</td>
</tr>
<tr>
<td>Best Buy</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Home Depot</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Macy’s</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Wish</td>
<td>6%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Internet Retailer and Bizrate Insights survey of 1,082 consumers, March 2018
products on marketplaces and 29% said they will research on marketplaces more.

“The research shows time and again that, as online shoppers gain the benefit of greater choice, they are increasingly dictating the terms of their buying experience,” says Sylvie Van den Kerkhof, vice president of marketing, UPS Asia Pacific. “And it is vital that retailers know how to cater to and adapt to their changing needs.”

97% of U.S. consumers who shop online do so on marketplaces, up from 85% in 2016

Top reasons for shopping on a marketplace

- Better prices
- Free or discounted shipping
- Broad product selection

Source: "The UPS Pulse of the Online Shopper" by UPS and comScore Inc.
QUICK TIPS FOR SELLERS
MANAGING SALES ON MULTIPLE MARKETPLACES

Selling on multiple online marketplaces has its challenges. To maximize sales on each platform, sellers should be paying attention to such things as orders, customer reviews and inventory levels daily. Here are some suggestions from a few retailers that sell on more than five marketplaces on how to manage each one.

1. Online sporting goods retailer Dazadi Inc. built software that allows the company to keep track of all product data for all marketplaces in one central database. The database then connects via an application programming interface (API) to the various marketplaces it sells on.

“We definitely check performance daily, including weekends [for some marketplaces],” says co-founder and CEO Jason Boyce. He says the retailer spends the most time on marketplaces that offer the most data about listings, products and customer comments such as Amazon (No. 3 in the 2018 Internet Retailer Online Marketplaces Database), eBay (No. 4) and Jet (No. 22). For example, Amazon provides data on seller and product reviews.

On eBay, sellers can compare how their listings are performing against their competitors. “Being able to process information improves success on those marketplaces,” he says.

2. Office supplies e-retailer Jam Paper & Envelope creates daily sales reports each morning, which show the prior day’s sales per channel, the month-to-date sales per channel and the year-to-date sales per channel. “This helps us identify any issues that might be occurring and to dig in if necessary,” CEO Andrew Jacobs says.

The company uses business intelligence software Tableau to help analyze the large sets of data. When Jam Paper looks at total orders and sales figures, it has projections or expectations in mind, so they can easily spot if a number looks way off.

3. Another challenge for sellers is pricing. Sellers can strategically set prices on different marketplaces based on demand, time of day or competitors’ prices. Accessories retailer Phoenix Leather Goods sets floor prices, or the lowest price for which an item can be sold, for all

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products. This helps in maintaining gross margin per product on every marketplace, says Brad Rusin, director of e-commerce. The retailer uses an algorithmic repricing feature from technology firm ChannelAdvisor Corp. to set those prices for all products.

Many retailers sell the same products on marketplaces as they do on their own e-commerce sites, and the product descriptions are typically the same across all channels. When the descriptions are the same, sellers risk being penalized by search engines like Google for duplicate content, and therefore may see a dip in traffic to their own e-commerce sites as a result.

Amitai Sasson, vice president of marketing and technology at overstockArt.com, says his company tries to have two sets of descriptions for every SKU: One description used on all marketplaces and another for its own site. “We separate descriptions on our own site versus marketplaces to keep the search engine optimization value on our website,” he says. Meaning, the retailer uses more SEO keywords and more detailed descriptions on its own site so overstockArt.com will rank higher in search results. The company also does this so Google doesn’t penalize the retailer’s website for having duplicate content across multiple domains.
ABOUT THE AUTHOR

Fareeha Ali is research director and senior analyst of online marketplaces. She leads the data team at Internet Retailer, which tracks and analyzes research on more than 4,000 online retail sites worldwide. In addition, Fareeha focuses on in-depth data analysis of the overall online retail market, particularly through digital data visualizations such as charts and infographics.

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At Internet Retailer Research our goal is to provide data and information about e-commerce that helps retail companies, investors and technology providers prosper.

The team tracks hundreds of metrics on roughly 6,000 online retail companies around the world, including such sought-after data points as web sales and traffic, conversion rates, average order value and key technology partners used to power their e-commerce businesses. We sell this data in its raw format in our multiple online databases, and we dig deeply into these numbers to help inform our 30+ exclusive analysis reports we publish each year on key e-commerce topics, including online marketplaces, cross-border e-commerce and omnichannel retailing. In-depth, data-focused reports are also available on key categories of online retail like apparel, housewares, food and luxury. We also have a robust custom research department, which provides tailored research products—in-depth reports, exclusive surveys, raw data pulls and other products—for top retail companies, consultants, financial analysts and technology companies.

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