



The Expanding Role of Marketplace eCommerce in Retail

**Exploring How Retailers Are Leveraging
eCommerce Marketplaces and AI for Growth**





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Executive Summary

Despite the ongoing dominance of giants like Amazon, the retail eCommerce space is becoming more competitive. Not only are more brands and retailers selling products on third-party marketplaces, but they have begun launching marketplaces themselves to target niche audiences and generate more return business.

According to a 2022 study by Digital Commerce 360, retailers are now garnering 38% of their commerce via marketplaces.¹

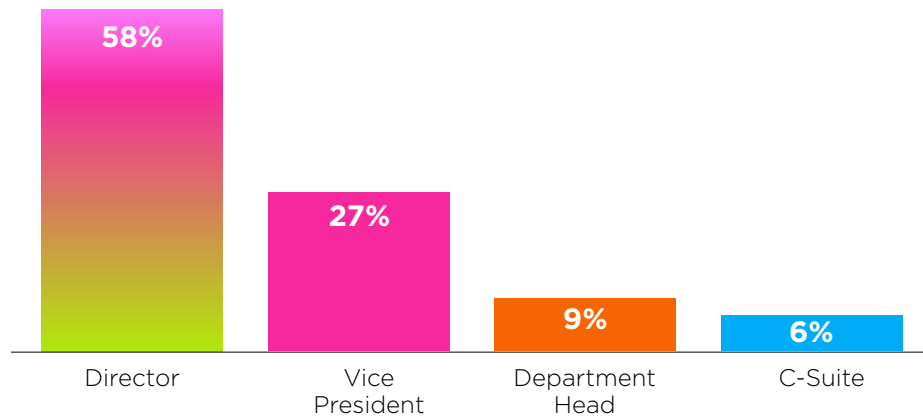
This report explores how retailers are expanding upon the fundamentals of marketplace eCommerce to create a more lucrative future. It also identifies the challenges and opportunities associated with selling on third-party marketplaces and launching one internally.

¹Freedman, Lauren. "The Retailer Speaks: Online marketplace twists and turns amid a changing landscape." Digital Commerce 360. July 13th, 2022. <https://www.digitalcommerce360.com/2022/07/13/the-retailer-speaks-online-marketplace-twists-and-turns-amid-a-changing-landscape/>

About the Respondents

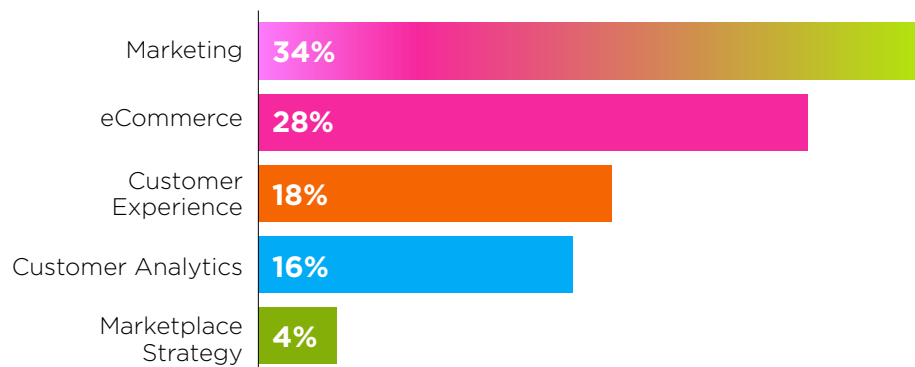
The WBR Insights research team surveyed 100 retail leaders from across the U.S. and Canada to generate the results featured in this report.

What is your seniority?



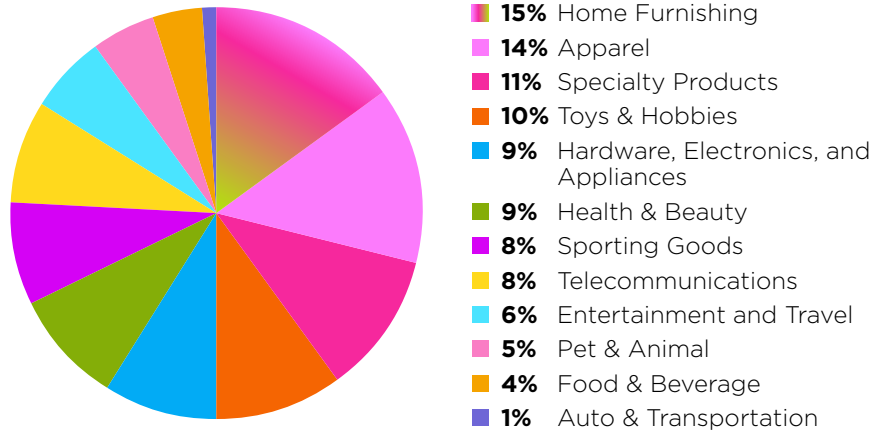
At 58%, most of the respondents are directors. The remaining respondents are vice presidents (27%), department heads (9%), or C-suite executives (6%).

What is your role?



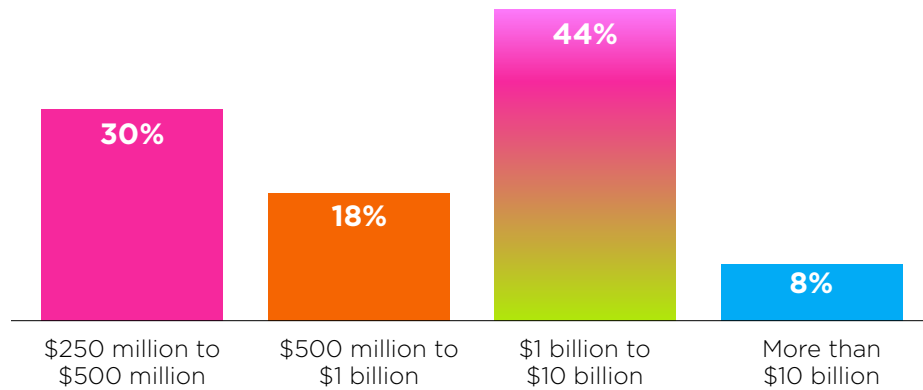
The respondents occupy roles in marketing (34%), eCommerce (28%), customer experience (18%), customer analytics (16%), and marketplace strategy (4%).

What is your primary product category?



The respondents represent companies that produce a variety of products, such as home furnishing (15%), apparel (14%), specialty products (11%), toys and hobbies goods (10%), and hardware, electronics, and appliances (9%), among others.

What is your company's annual revenue?



A significant portion of the respondents (44%) represent companies that make \$1 billion to \$10 billion in annual revenue. Another 8% represent companies that make more than \$10 billion in annual revenue.

Key Insights

Among the respondents:

- 99%** 99% sell their products through third-party marketplaces (e.g., Amazon).
 - Among these respondents, 46% claim that 25% to 49% of their total sales come from third-party marketplaces.
- 61%** 61% currently use a platform that connects them directly to multiple third-party marketplaces and online sales channels worldwide — 37% are interested in this capability.
- 38%** Their two biggest challenges when selling products on third-party marketplaces are establishing customer loyalty (38%) and category restrictions (37%).
- 79%** 79% claim they can dynamically adapt their pricing on marketplaces to stay ahead of the competition.
- 7%** Only 7% say their companies currently own or operate an online marketplace where multiple vendors can sell their products or services to a curated customer base.
- 71%** 71% claim their organizations currently use artificial intelligence (AI) to optimize profits, customer loyalty, and visibility on third-party or self-owned eCommerce marketplaces.
- 79%** 79% have plans for global or cross-border expansion in terms of sales — most plan to expand sales to North America (70%), EMEA (68%), and APAC (63%).
- 85%** 85% are at least somewhat familiar with generative AI (GenAI).
- 30%** The two areas they believe generative AI will have the most impact are customer product recommendations (30%) and fraud detection and prevention (27%).



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“Working with the GOVX team has allowed YETI to reach our consumer in a unique online space. The services that GOVX provides their customers create a loyalty to their brand that YETI sees tremendous benefits from. It has been a pleasure to work with GOVX team.”

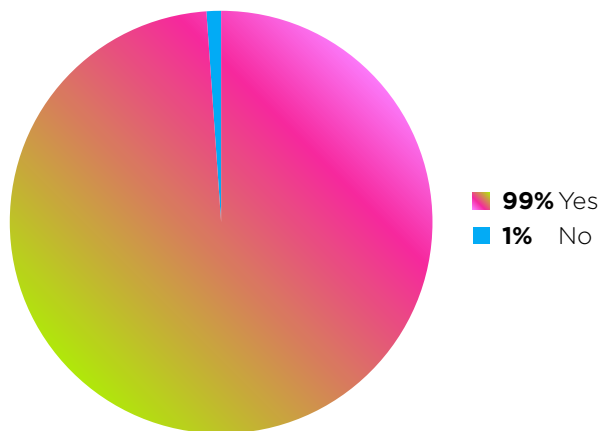


Retailers Are Reaching Maturity on Third-Party Marketplaces

The eCommerce landscape has evolved over the years, with retailers increasingly leveraging third-party marketplace platforms to reach a wider audience and maximize sales. As these marketplaces continue to dominate the field, retailers are not only mastering the art of selling through these channels but are also exploring the potential of launching their own marketplaces.

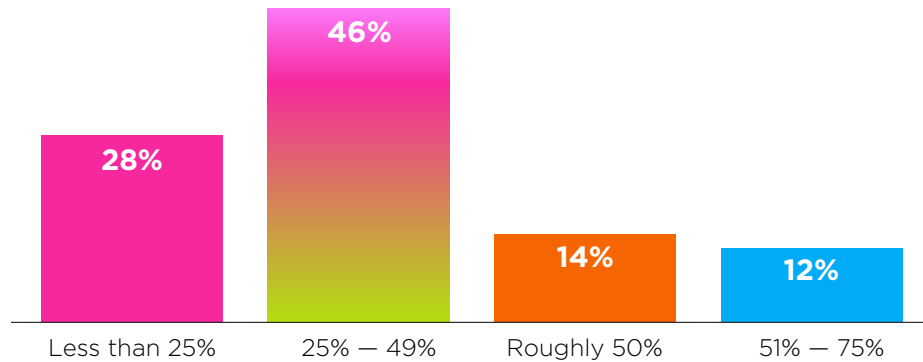
Retailers have also been striving to mature in this competitive environment, scrutinizing the challenges they encounter, the opportunities they seize, and how they are innovating to create a profitable future.

Does your organization sell its products through third-party marketplaces (e.g., Amazon)?



Third-party eCommerce has also become ubiquitous in the retail sector. Virtually all the respondents (99%) say their organizations sell products through a third-party marketplace like Amazon.

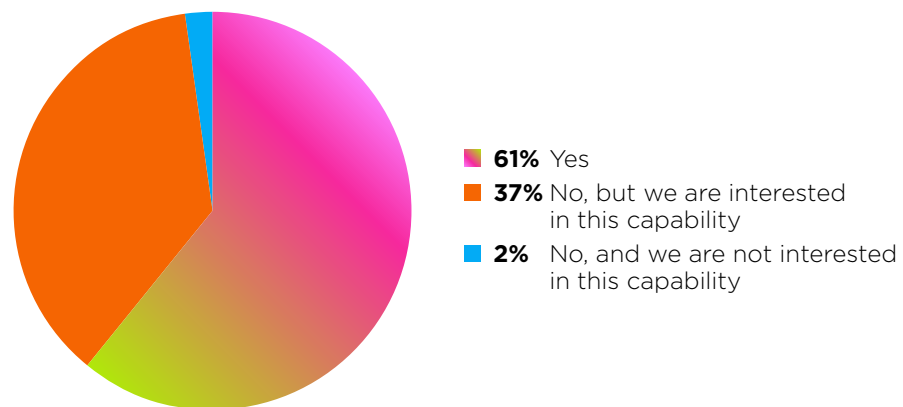
Since you said, “Yes,” what percentage of your company’s total sales currently come from third-party marketplaces?



Among these respondents, most make 50% or less of their sales through third-party eCommerce marketplaces. However, a significant portion of the respondents (46%) make 25% to 49% of their total sales through third-party marketplaces.

This suggests that despite the growing competition, retailers continue to find success in third-party marketplaces and are increasingly investing in this revenue stream. It’s possible that, in the future, these marketplaces could become the primary sales channel for retailers. Indeed, many small merchants sell exclusively online, relying on proprietary and third-party marketplaces to sell products to consumers.

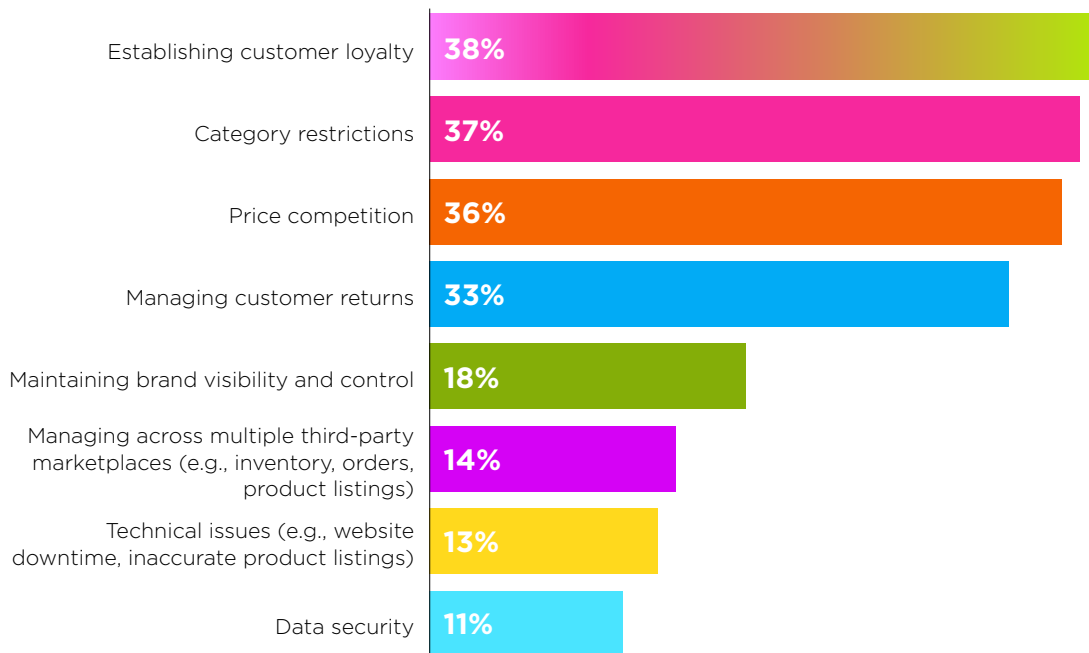
Do you currently use a platform that connects you directly to multiple third-party marketplaces and online sales channels worldwide? If not, is this a capability you’d be interested in?



Despite the growing maturity of marketplace eCommerce in the retail industry, some retailers still don't have the tools they need to access the wealth of data and opportunities across the third-party marketplace landscape. For example, more than one-third of the respondents (37%) don't currently use a platform that connects them directly to multiple third-party marketplaces and online sales channels worldwide, but they are interested in this capability.

This means that these merchants must manage product listings, pricing, and relationships manually through individual third-party platforms. Achieving success this way has worked in the past, but it will become increasingly time-consuming as retailers host more and more products and expand into new regions.

Which of the following are your top two biggest challenges when selling products on third-party marketplaces?



The respondents are also facing other challenges when attempting to sell their products on third-party marketplaces. The two most significant challenges cited by the respondents are establishing customer loyalty (38%) and managing category restrictions (37%).

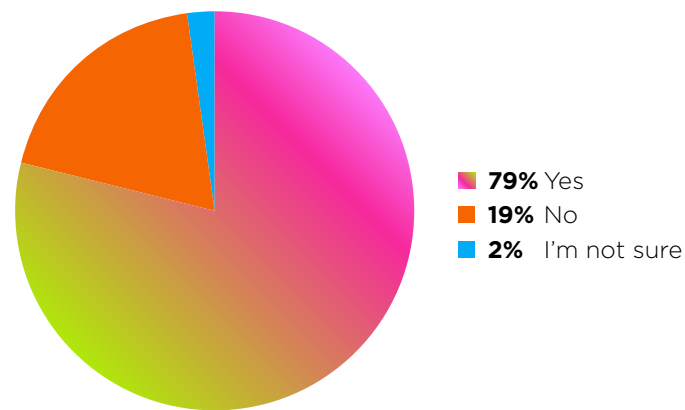
Establishing customer loyalty on third-party marketplaces can be challenging because retailers are competing against other merchants selling similar products in the same marketplace.

This makes it hard to differentiate and build a strong, loyal customer base.

Category restrictions can also make it difficult for some retailers to stand out and target specific types of customers in the marketplace. Many marketplaces have strict guidelines and regulations on which types of products can be sold, making it difficult for retailers to expand their product offerings or enter new markets.

Other noteworthy challenges cited by the respondents include price competition, which 36% labeled as a top-two challenge, and managing customer returns, which 33% labeled as a top-two challenge.

Are you currently able to dynamically adapt your pricing on marketplaces to stay ahead of the competition?



Despite these challenges, there are solutions available that can help brands build more customer loyalty, better manage their brand profile, and adapt to new pricing needs. At 79%, most of the respondents are already leveraging a capability that enables them to dynamically adapt their pricing on marketplaces and stay ahead of the competition.

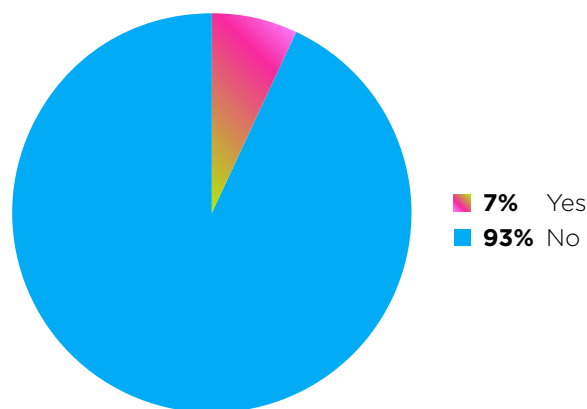
This capability is key because pricing is often the determining factor for online shoppers when comparing products and making purchase decisions. Retailers must be able to align their prices with consumer expectations to drive sales and stay competitive in the marketplace ecosystem.

Similar systems can even connect brands and retailers with marketplaces around the world, allowing them to scale their sales footprints quickly, simplify their marketplace operations, and boost revenue.

Retailers Are Planning eCommerce Expansions But Not with Proprietary Marketplaces

In the dynamic landscape of eCommerce, retailers are consistently seeking ways to expand their reach and grow their businesses. Third-party marketplaces have been instrumental in generating significant sales, so retailers are now considering how they can use marketplace capabilities to evolve their business models.

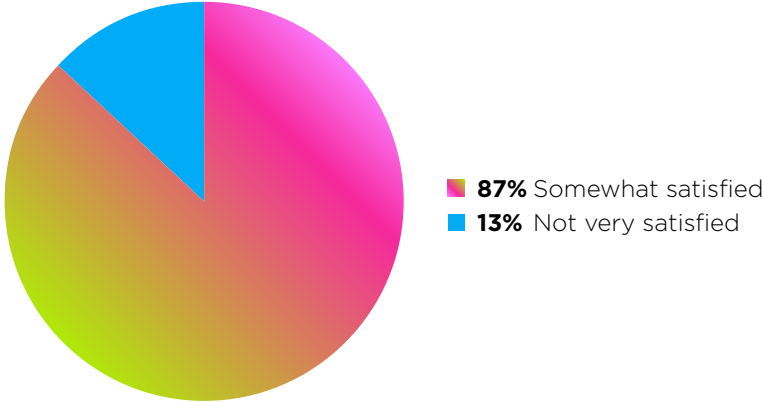
Does your organization currently own or operate an online marketplace where multiple vendors can sell their products or services to a curated customer base?



For some retailers, this means using a mix of proprietary eCommerce stores and third-party marketplaces. However, 7% say they also operate an online marketplace where multiple vendors can sell their products or services to a curated customer base.

This strategy can be lucrative for the brand because it allows it to offer a diverse range of products and attract a broader customer base. It also provides an additional revenue stream for the retailer, as they can charge fees or commissions from vendors on their marketplace platform.

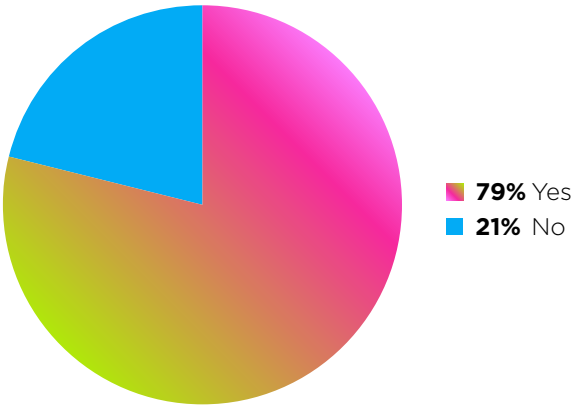
Since you said, “Yes,” how satisfied are you with your current marketplace solution (or solutions)?



Most of these respondents (87%) say they are somewhat satisfied with their current marketplace solution or solutions. These respondents feel that they can mostly rely on their technology to support their goals for the marketplace or marketplaces on which they operate.

However, none of these respondents say they are “very satisfied” with their current marketplace solution. Furthermore, 13% say they are not very satisfied. Likely, the current solutions in place at these organizations lack core capabilities like internal process automation, data analysis, brand marketing, and more.

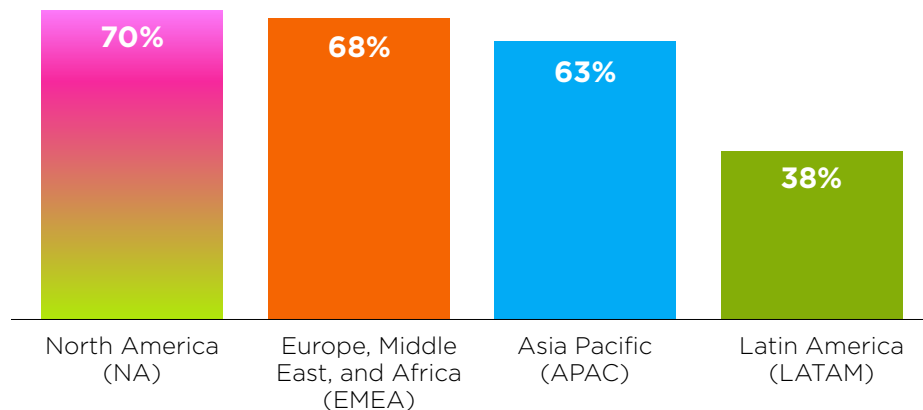
Do you have plans for global or cross-border expansion in terms of sales?



Whether they intend to use a proprietary eCommerce marketplace or not, most of the respondents (79%) say they have plans for global or cross-border expansion in terms of sales. Third-party eCommerce marketplaces can aid in this goal by providing a turnkey solution for selling in international markets and by featuring products on platforms that consumers in those regions already know and trust.

Giants like Amazon likely have a global footprint, but it can be difficult to stand out against the myriad of other brands hosted on the platform. There may also be regional platforms that are lucrative but could be difficult to access without the right tools. For example, companies that hope to break into a market like South Korea could benefit by featuring products on Coupang, an eCommerce giant that conducts most of its business in that country.

Since you said “Yes,” please indicate the regions to which you plan to expand sales.

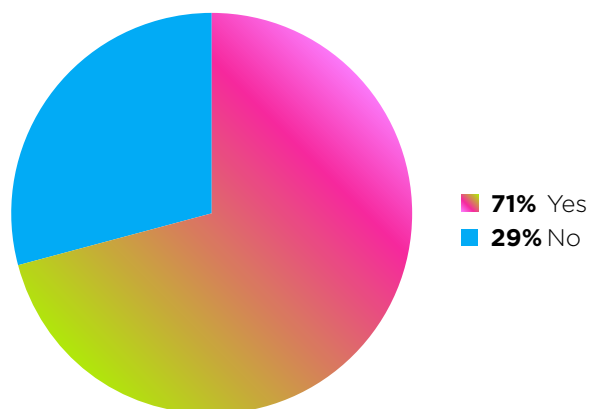


Indeed, 63% of these respondents say they plan to expand sales in Asia. Most of the respondents planning expansions also plan to expand sales in North America (70%) as well as Europe, the Middle East, and Africa (68%).

Generative AI is Starting to Have an Impact on eCommerce

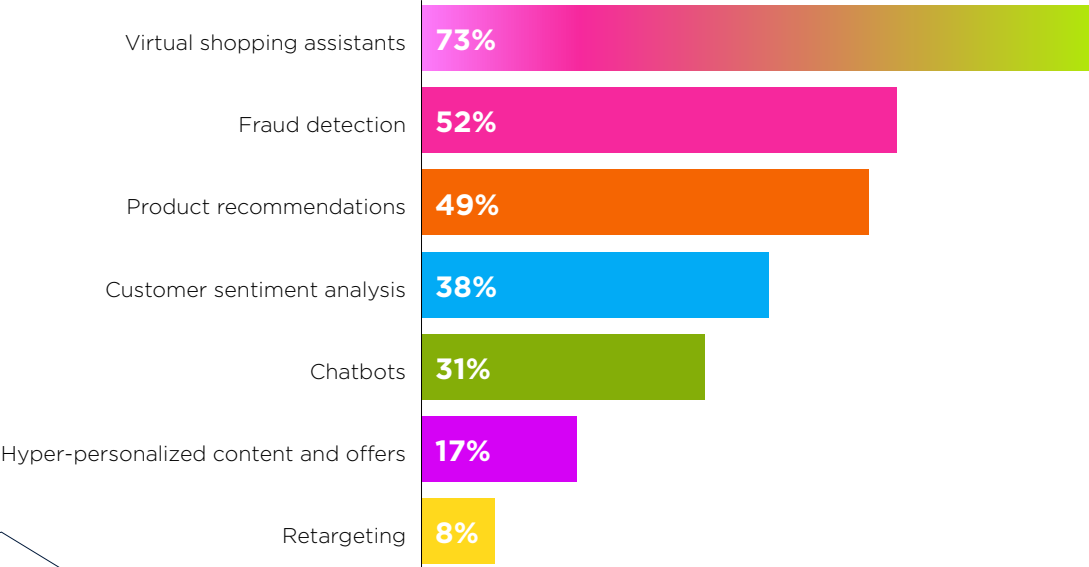
As the digital economy undergoes rapid evolution, the role of artificial intelligence (AI) is becoming increasingly prominent. This technology is no longer a novelty but a necessity, especially in the eCommerce domain.

Does your organization currently use artificial intelligence (AI) to optimize profits, customer loyalty, and visibility on third-party or self-owned eCommerce marketplaces?



Most of the respondents (71%) say they currently use artificial intelligence to optimize profits, customer loyalty, and visibility on third-party or self-owned eCommerce marketplaces. These companies are using AI in a variety of capacities, but some use cases are more prevalent than others.

Since you said, “Yes,” which of the following are ways you use AI to optimize sales on third-party eCommerce marketplaces?

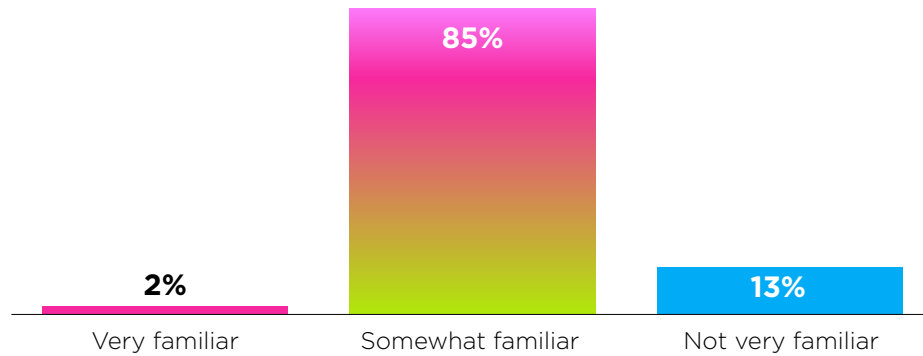


For example, 73% of these respondents say they use AI in the form of virtual shopping assistants. These are bots or recommendation engines that help consumers decide what to buy when they are shopping on the marketplace. This type of AI could directly recommend products, answer questions about product listings, or more. Indeed, 49% of these respondents say they are using AI for product recommendations.

About half of these respondents (52%) are also using AI for fraud detection. This is an automated AI implementation that can flag fraudulent purchases or returns, or even automatically flag problematic customers.

Fewer of these respondents are using AI for analytical capabilities or generative properties, such as customer sentiment analysis (38%) or hyper-personalized content (17%).

How familiar are you with the concept of generative AI (GenAI)?



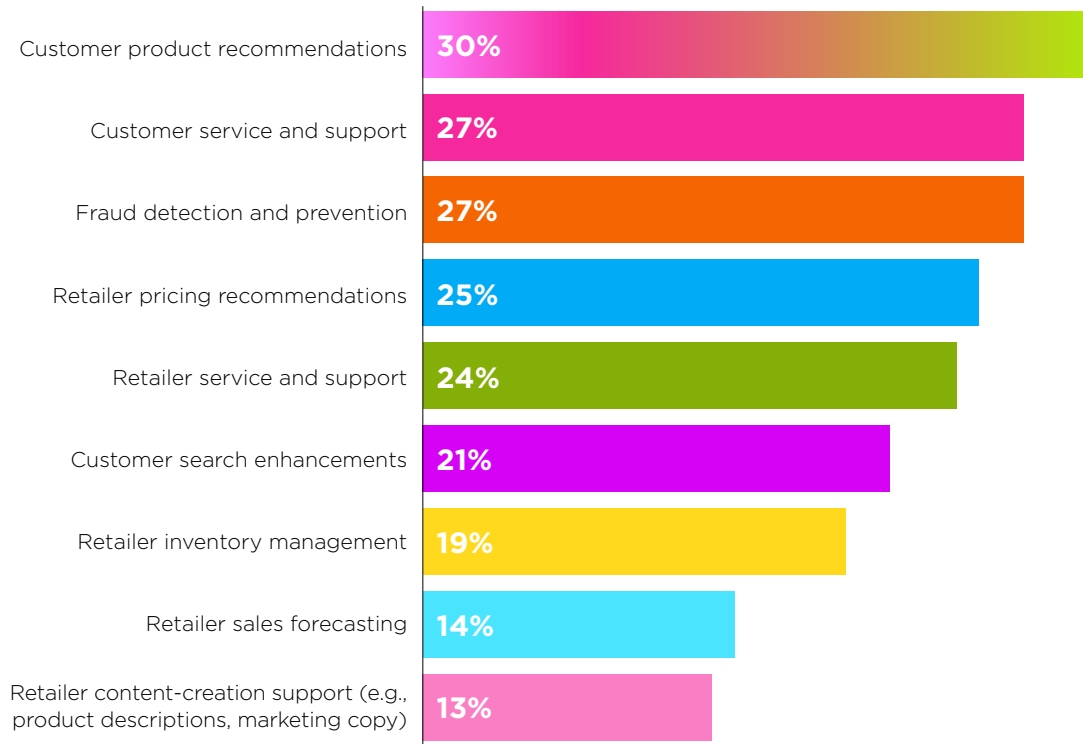
The results suggest that retailers are only just beginning to use generative AI for eCommerce applications. Most of the respondents (85%) say they are only somewhat familiar with this capability of AI, while 13% say they are not very familiar.

Generative AI is a powerful subset of AI that can generate content, images, and other creative elements autonomously. Brands are starting to experiment with this technology to deliver personalized experiences and create more engaging product listings.

With generative AI, retailers can dynamically create unique product descriptions for each listing, even if they have thousands or millions of products. This allows them to tailor their messaging to different audiences and improve customer engagement.

Moreover, generative AI can create unique images and videos for each product listing, making them stand out in a sea of similar products. This technology is also helping retailers automate the process of generating product-adjacent content like how-to guides, saving them time and resources.

In which areas do you think generative AI could have the most impact in third-party eCommerce marketplaces?



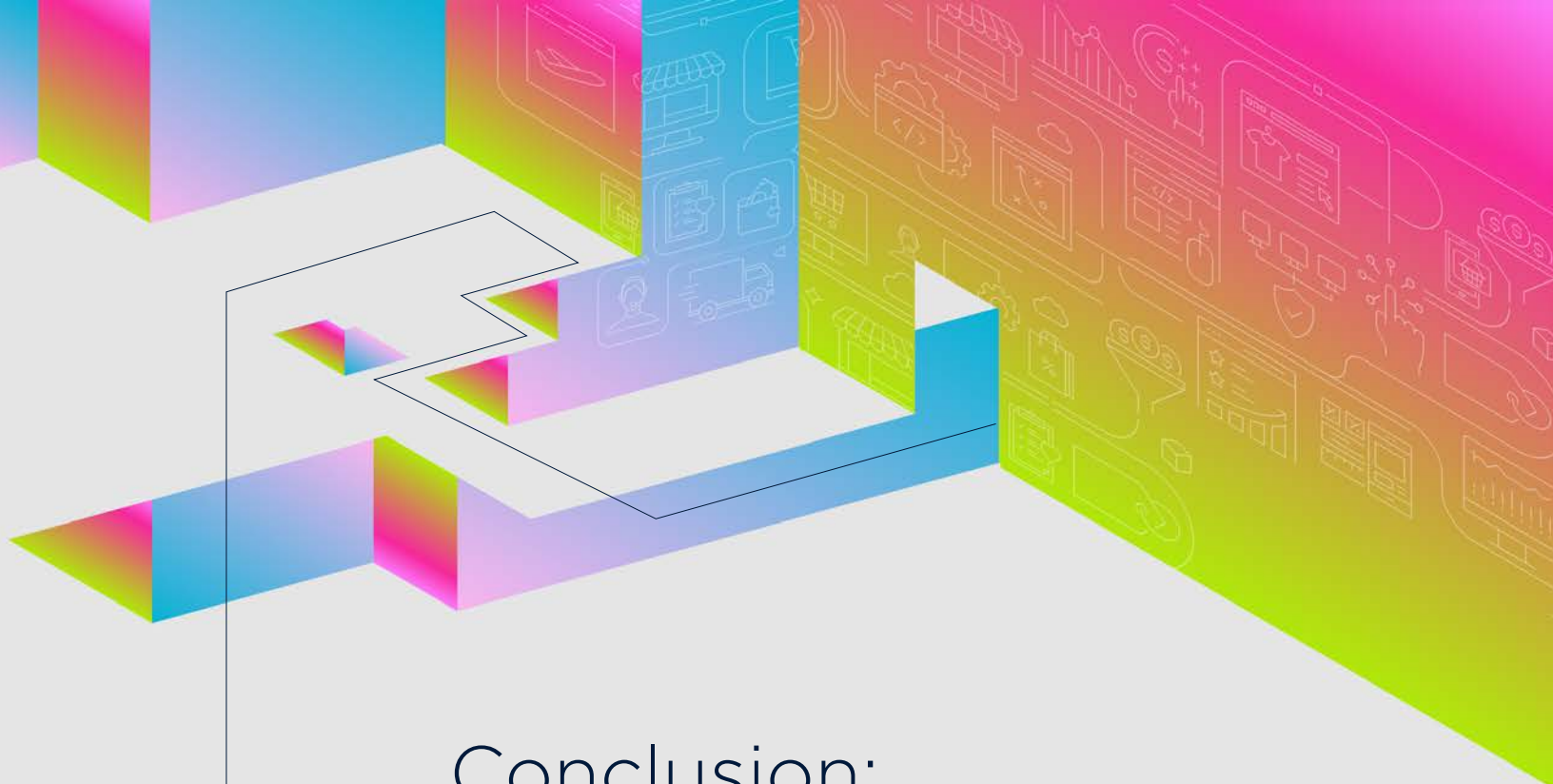
The respondents highlight three key areas where they think generative AI could have the most impact in third-party eCommerce marketplaces. Specifically, they believe generative AI could revolutionize customer product recommendations (30%), fraud detection and prevention (27%), and customer service and support (27%). Notably, one-quarter of the respondents believe generative AI could also impact retailer pricing recommendations.

AI technology is rapidly evolving and becoming more sophisticated, which has led some retailers to forgo significant investments and implementations. In discussions with researchers, some of the respondents voiced other concerns as well.

The major themes of those discussions include:

- 1 Data Security and Privacy:** This is a recurring theme with respondents expressing concern about the misuse or exposure of private information, potential cyber threats, and the need to remain compliant with regulatory guidelines.
- 2 Cost and Resource Allocation:** Many respondents foresee challenges in managing costs associated with implementing and maintaining generative AI technologies. This includes the potential increase in listing costs and resources required for hiring and retaining talent with the necessary expertise.
- 3 Quality and Accuracy of AI-Generated Content:** Respondents also raised concerns about the validity and originality of AI-generated content. They fear that generative AI might dilute the authenticity of content and there might be inaccuracies in the AI model.
- 4 Over-reliance on Technology:** A prevalent concern was the over-reliance on technology, which might lead to an increase in technology-related risks and vulnerability to hacking. Some respondents also fear that this could result in a loss of jobs and negatively impact employee morale.
- 5 Competition and Market Dynamics:** Respondents anticipate that the adoption of generative AI might alter the competitive landscape. There are fears of not being able to compete with top eCommerce marketplaces and the potential shift in customer service operations.
- 6 Ethical Concerns:** Some respondents underscored the ethical implications of adopting generative AI, like the possibility of bias in AI models and the ethical choices companies have to make regarding employee retention.
- 7 Consumer Sentiments:** The potential backlash from consumers in response to the use of their data for generative AI and the resultant hyper-personalization was another concern raised.

In summary, while respondents recognize the potential advantages of generative AI, they also express significant concerns that need to be addressed to ensure successful and ethical implementation in the eCommerce marketplace.

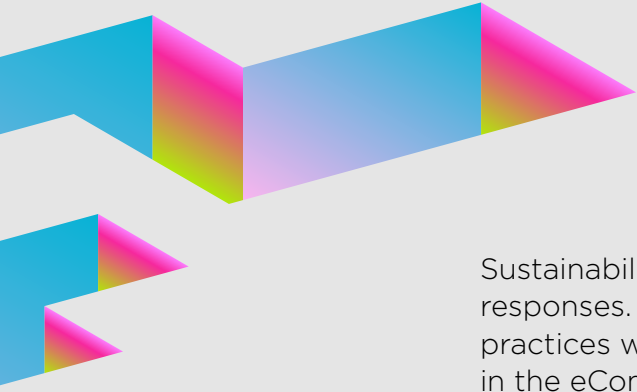


Conclusion: The eCommerce Marketplace Landscape in the Next Three Years

In their final line of questioning, researchers asked the respondents to describe how they foresee the eCommerce marketplace landscape changing over the next three years.

The respondents foresee a significant evolution in that time, with a common thread being increased personalization and an improved customer experience. The use of advanced technologies such as artificial intelligence and augmented reality is expected to drive this shift. These technologies are anticipated to facilitate more personalized shopping experiences, offer tailored recommendations, and create an immersive shopping environment.

They also predict that chatbots will be refined, and subscription-based services, along with 'buy now pay later options and digitized wallets,' will continue to influence the market.



Sustainability is another key theme that emerges from the responses. Many respondents anticipate that sustainable practices will not only become a priority but a driving factor in the eCommerce marketplace. This focus on sustainability extends to shipping practices, with improvements expected in this area. The respondents also predict the development of a more profitable landscape for all participants, driven by data analytics, which will be used more prevalently to offer personalized recommendations and enhance operational efficiency.

The role of social media in influencing the eCommerce landscape is also highlighted, with its influence expected to increase over the next three years. It's predicted that luxury brands that have previously refrained from listing products on eCommerce marketplaces will rethink their strategies, enhancing market diversification.

Finally, the respondents expect an increased focus on building a blended sustainable and customer-focused landscape and foresee more investments being made in creating a user-friendly shopping experience. Improved regulations, increased market diversification, and the inclusion of product demos to increase traffic are also among the predicted changes.

Key Suggestions

- 1. Invest in advanced technologies for personalization:** Retailers should consider investing in emerging technologies like AI, AR, and Generative AI. These technologies can help create a more personalized and immersive shopping experience, offering tailored recommendations to consumers. Their application in chatbots and subscription-based services can further enhance customer interaction and lead to higher customer retention.
- 2. Leverage a platform that connects you directly to multiple third-party marketplaces and online sales channels worldwide:** Retailers should consider using a platform that enables direct connection to multiple third-party marketplaces and online sales channels worldwide. This can reduce the effort and resources required to manage listings, order and inventory management, and fulfillment across different platforms.
- 3. Use a system to dynamically adapt your pricing on marketplaces:** Retailers should consider using a pricing optimization system that can dynamically adjust prices on different marketplaces based on competition and other factors. This can help them stay competitive and maximize profits.
- 4. Expand into new markets by harnessing localized eCommerce marketplaces:** Retailers should explore the potential of selling on localized eCommerce marketplaces in different regions. This can help them reach new audiences and tap into previously untapped markets.
- 5. Embrace sustainability:** With a growing focus on sustainability, retailers should incorporate sustainable practices into their operations. This can include using eco-friendly packaging, adopting sustainable shipping options, and promoting responsible consumption among consumers.

About the Authors



WBR Insights is the custom research division of Worldwide Business Research (WBR), the world leader in industry-driven thought-leadership conferences. Our mission is to help inform and educate key stakeholders with research-based whitepapers, webinars, digital summits, and other thought-leadership assets while achieving our clients' strategic goals.

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