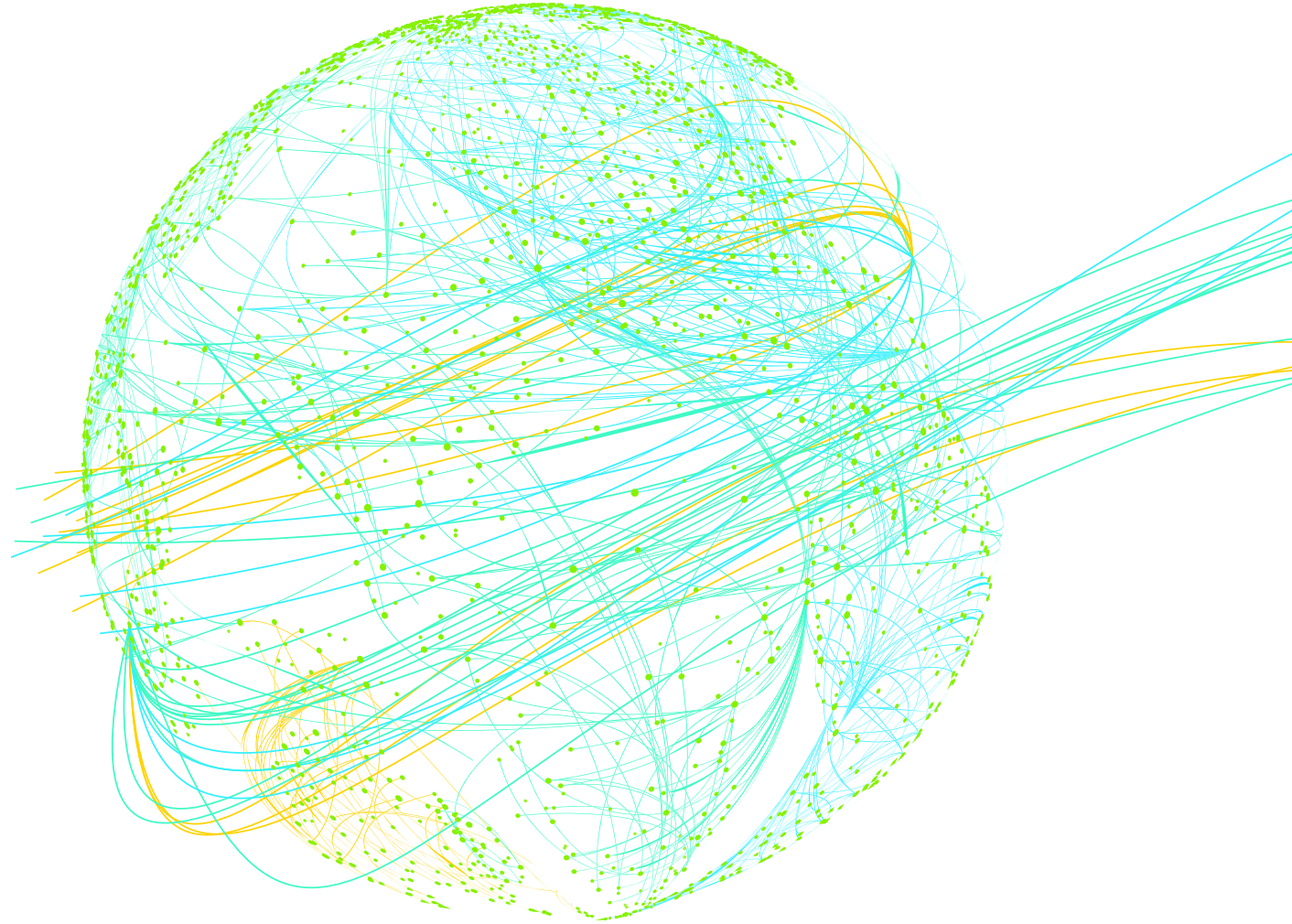


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Digital



Making an impact
with marketplaces

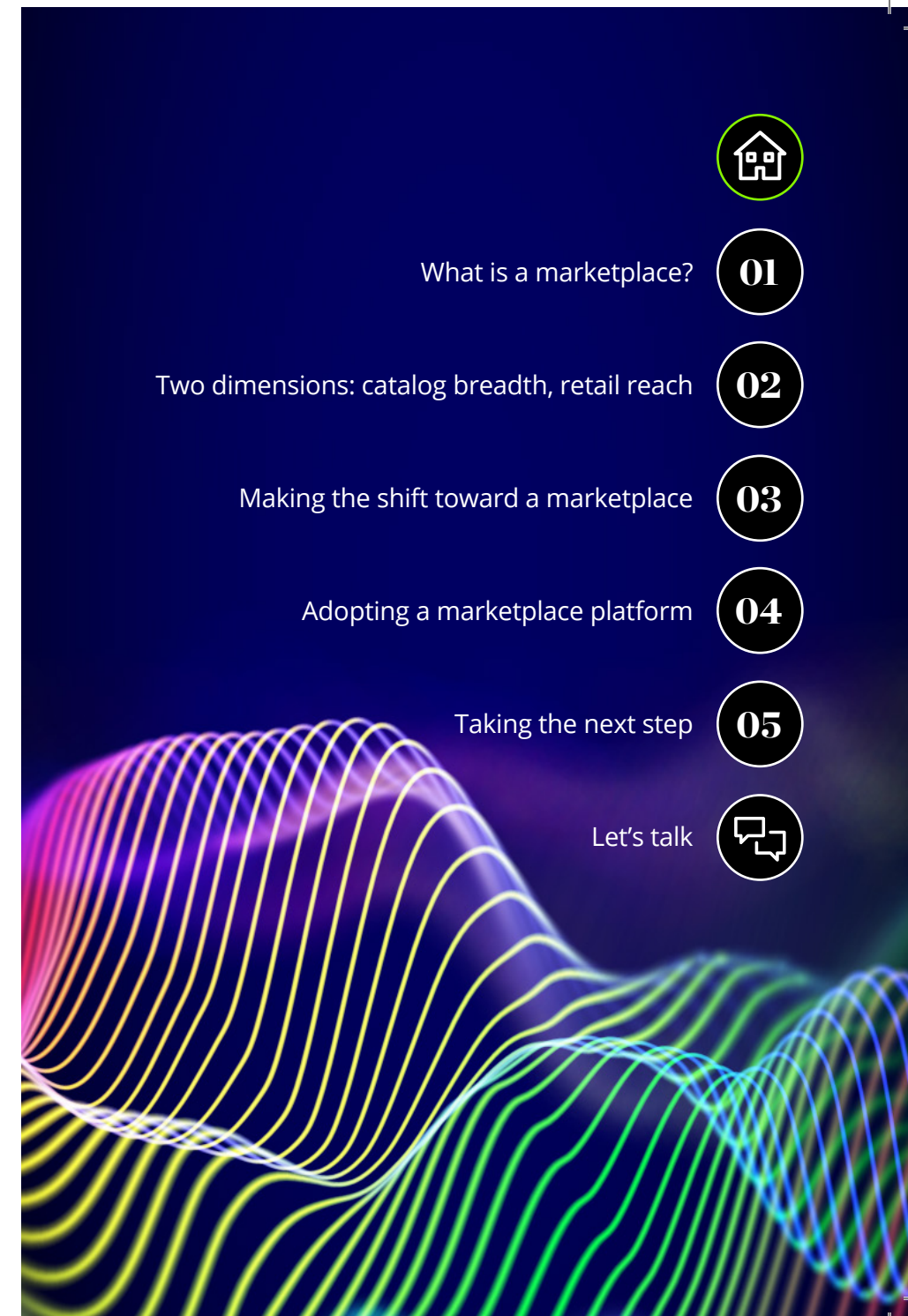
**An inflection point for
digital commerce**

Making an impact with marketplaces

An inflection point for digital commerce

As companies across industries look to replicate the success of online commerce leaders such as Amazon and Alibaba, the topic of digital marketplaces has become a hot one.

What exactly are digital marketplaces, and how can they help you generate new value for the business? For many enterprise leaders leveraging SAP® solutions for commerce, answering that question becomes imperative. Start with a high-level view of the landscape and the potential opportunities.



What is a marketplace?

A marketplace is a digital platform on which an operator hosts and facilitates the sale of products and services between its customers and multiple third-party sellers.

There are three actors within a marketplace environment:



The operator provides the sales platform, manages the sales experience, collects order details, and processes the financial transaction. When it comes to compensation, the operator receives a commission on the gross merchandise volume sold via its marketplaces. Commissions generally range from 5% to 25%, depending on the type of marketplace and sales volume.



The sellers are responsible for sourcing or producing the inventory, holding it in warehouses and fulfilling the orders received. Sellers must also respond to customer inquiries and process returns.



The customers are the purchasers—the endpoints in the digital commerce thread.



Two dimensions: catalog breadth, retail reach

Generally, two qualities define a marketplace. The first is the breadth of the catalog. Broad marketplaces are "everything" stores, selling products and services across an almost unlimited set of categories. These marketplaces are the digital evolution of multibrand department stores and deliver consumer value with convenience. But new entrants can have a difficult time achieving the scale required to populate so many categories—and to win customers from entrenched competitors. Many new marketplace operators, therefore, focus on niche marketplaces, which serve single industries or specific categories. Examples include Reverb, for musical instruments, and Houzz, for home furnishings.

The second characteristic is whether the operator is also a retailer itself. Pure marketplaces are those that sell only third-party goods (eBay is one example). In hybrid marketplaces, retailers offer their own goods and services alongside those of outside sellers (Amazon is a prime example). In some hybrid marketplaces, operators compete directly with their marketplace sellers on the same goods. In other cases, the sellers are restricted to categories or products in which the operator does not offer its own products.

	Broad	Niche
Pure	eBay Etsy	Viator Tradesy
Hybrid	Amazon Overstock Best Buy	Newegg Urban Outfitters SeatGeek



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Making the shift toward a marketplace

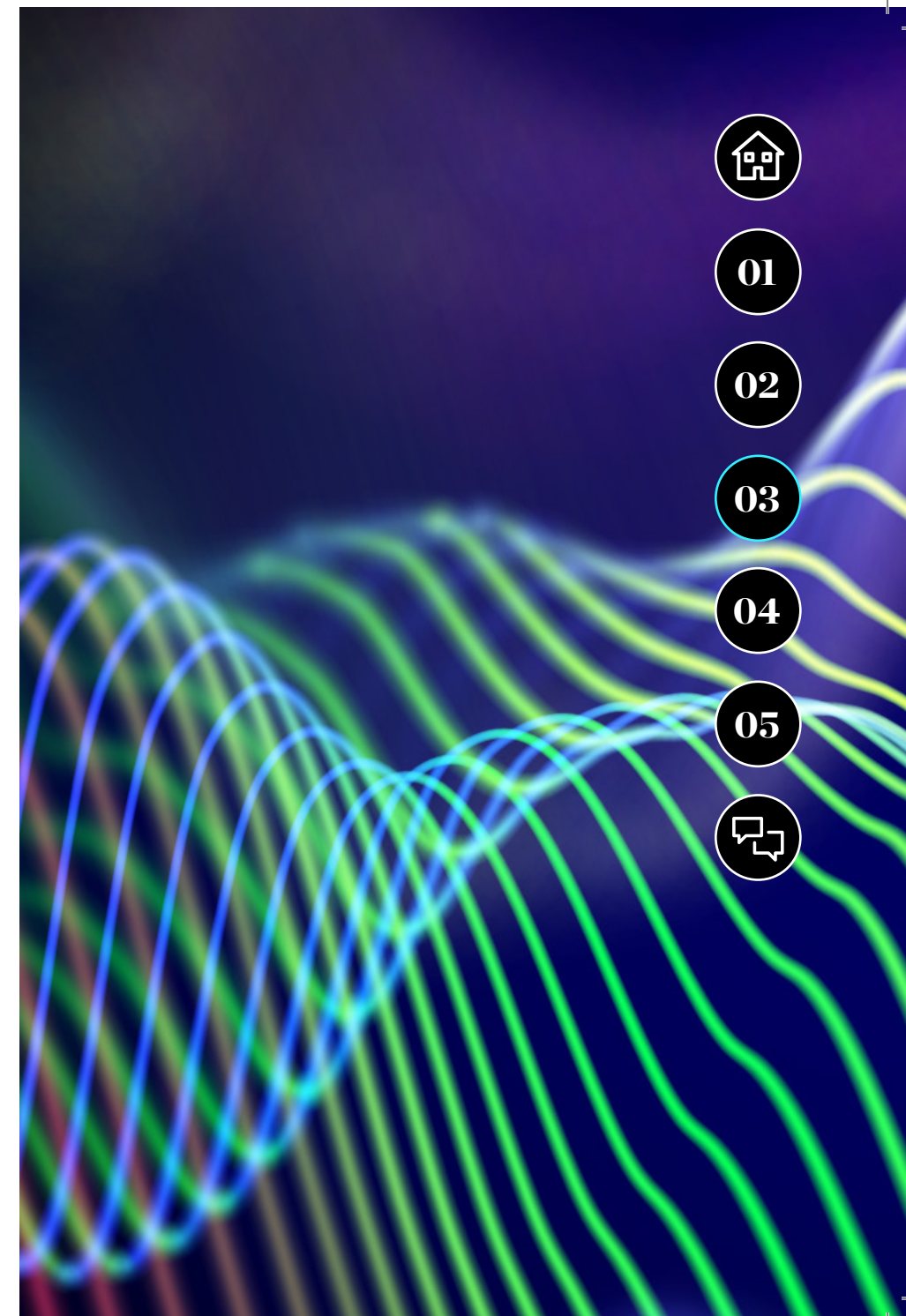
You likely have already interacted with marketplaces—perhaps without even realizing it. There are a few well-known, pure marketplaces such as eBay in the United States and Taobao in China. In those marketplaces, buyers generally recognize that they are interacting with third-party sellers. But a growing number of traditional retailers are introducing marketplace platforms to their existing online sales channels. (Do you know who fulfilled your last Amazon or Best Buy order?)

Many well-known consumer brands have recently launched marketplaces with third-party sellers to supplement their core online product offerings. In fact, Gartner predicts that by 2020, "more than 50% of online sellers will either list their products on marketplaces or sell third-party products on their core commerce sites."¹

1. Gartner. Magic Quadrant for Digital Commerce. June 2018

Increasingly, companies view marketplaces as a way to offer customers a larger and richer selection of products, without the need to increase on-hand inventory or logistics support. Companies can realize increased revenue through commissions on sales and still collect valuable customer and transactional data on all sales. They can then use this data to better target marketing efforts, based on purchase history, and they can identify opportunities for future core product expansion, based on proven sales. For example, Amazon uses sales trends from its marketplace to identify products to add to its own warehouse inventory, and where to expand its AmazonBasics white-label products.²

2. <https://www.bloomberg.com/news/articles/2016-04-20/got-a-hot-seller-on-amazon-prepare-for-e-tailer-to-make-one-too>



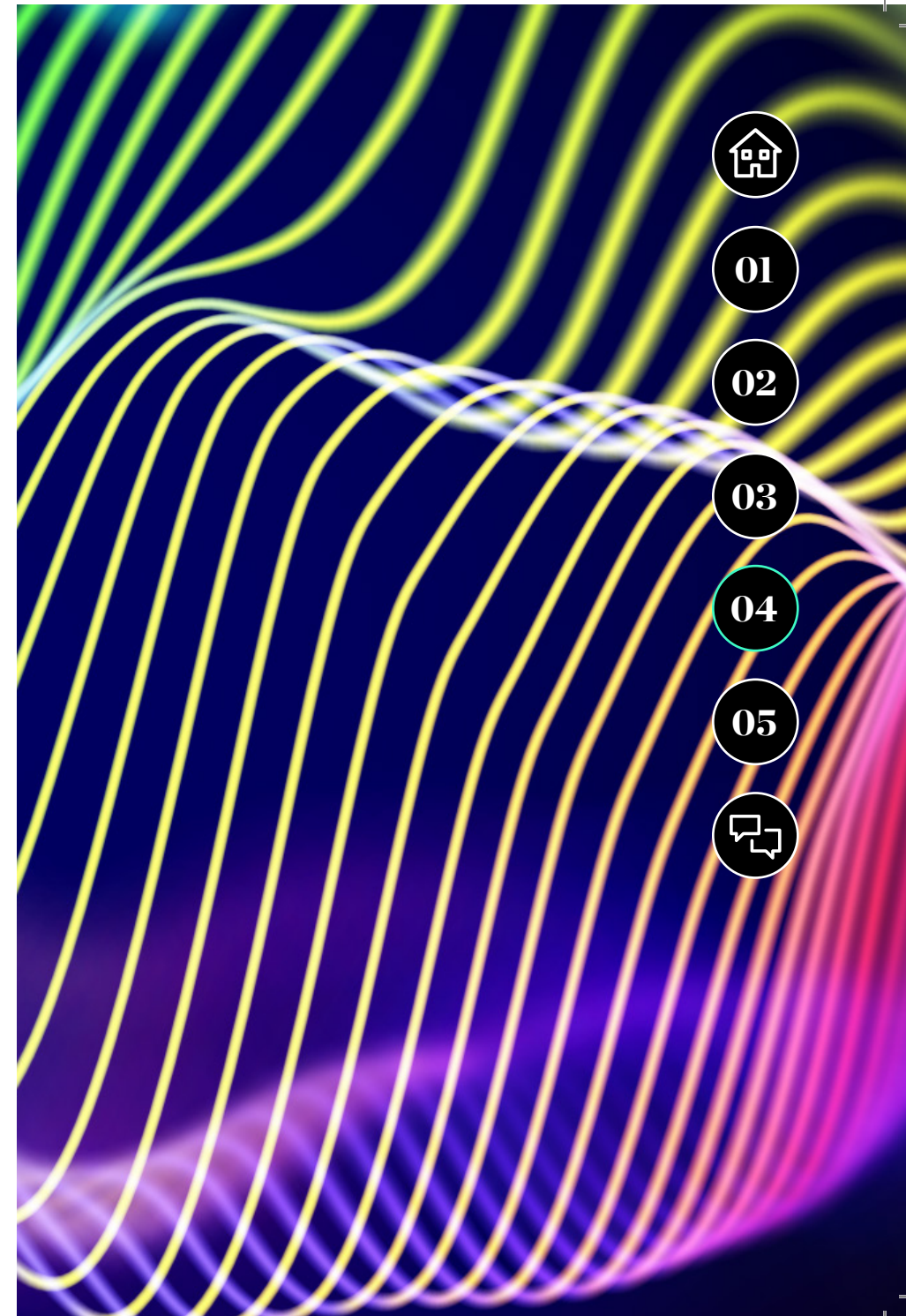
Adopting a marketplace platform

Marketplace operation applications can help support companies' marketplace ambitions. When looking at potential offerings, it's important to consider the full lifecycle of marketplace operations—from onboarding sellers to importing products to facilitating orders to supporting post-purchase activities. A strong marketplace solution provides a technology platform, integrating business leading practices to support all phases of the operations lifecycle.

For companies using or considering SAP technologies, one new marketplace platform has entered the mix—the SAP® Commerce Marketplace Management by Mirakl, which can extend the traditional SAP Commerce digital storefront with marketplace capabilities. Mirakl is a SaaS-based backend platform that offers seller onboarding and performance

tracking, a product catalog curator, pricing and promotion management, order orchestration, commission calculation, and other features. It also can help facilitate customer service between customers and sellers.

Organizations can incorporate SAP Commerce Marketplace Management by Mirakl into new or existing commerce storefronts, with the solution integrating into front-end storefronts to display marketplace information—such as seller details and reviews. SAP Commerce is still responsible for collecting customer information, capturing payment, and facilitating order processing



Taking the next step

As the face of digital commerce changes, many organizations will realize that, to remain competitive, they will have to integrate marketplaces into their enterprise IT landscapes. They also will have to adapt their digital commerce models to incorporate an entirely new array of products, processes, and third-party sellers. By developing a clear vision and a clear strategy, businesses can unlock a number of important benefits.

For example, you can:



Increase revenue through expanded digital commerce capabilities



Operate more efficiently with a commerce platform integrated tightly with core business systems



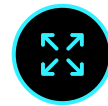
Enhance the customer experience and drive customer loyalty



Develop processes to help accelerate the identification and onboarding of third-party sellers



Establish quality standards for product descriptions, metadata, and images



Source and curate products based on customer behavior



Develop customer service procedures for marketplace orders—to align with customer expectations



Derive insights to drive decision-making—for example, through monitoring seller performance and KPI adherence

Making the move to a marketplace requires more than an ability to plug in technology. You likely will need help selecting technologies and integrating them with other solutions, such as the SAP S/4HANA® digital core ERP, SAP Analytics Cloud, and other SAP Customer Experience solutions, including SAP C/4HANA. You also may need assistance with identifying and prioritizing areas for growth, aligning your business processes with new IT, managing risks, and driving change within your organization.



Let's talk

No matter where you are in the commerce transformation journey, Deloitte can bring extensive capabilities and experience at the intersection of business transformation and SAP technology enablement—including systems design, project planning, technology integration, and change management.

Wondering what your next step should be for digital commerce? A conversation with Deloitte can be an excellent starting point. Deloitte can help you reimagine *everything* and develop a new vision for digital commerce. We can also help you bring that vision to life—so you can start realizing benefits sooner.

Contact us for additional insights, to schedule a demo of SAP Commerce Marketplace Management by Mirakl, or to discuss a specific challenge your organization is facing.

Gagan Mehra
Mirakl Alliance Lead
Deloitte Consulting LLP
gaganmehra@deloitte.com

Kashif Rahamatullah
Principal, US and Global SAP Customer Experience Lead, Deloitte Consulting LLP
krahamatullah@deloitte.com
@DCKashif

Paul do Forno
Managing Director
Deloitte Consulting LLP
pdoforno@deloitte.com
@dofornop

Brady Emerson
Manager
Deloitte Consulting LLP
bemerson@deloitte.com

Surya Saurabh
Senior Manager
Deloitte Consulting LLP
sursaurabh@deloitte.com
@suryasaurabh

Bill Zehmer
Managing Director
Deloitte Consulting LLP
bzehmer@deloitte.com
@bzehmer

SAP@deloitte.com
www.deloitte.com/SAP
@DeloitteSAP





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