

The manufacturer's and distributor's guide to B2B marketplaces

Learn how to build a marketplace strategy and make your first move



Amazon. Alibaba. TradeIndia. eWorldTrade.

B2B marketplaces are everywhere. And everyone is talking about them.

Is Amazon Business going to kill the distribution industry?

Will manufacturers have to slice margins to compete within massive portals?

Is everyone and everything becoming commoditized as buyers search for higher efficiency and lower prices?

The angst is unprecedented. The challenge is looming. And manufacturers and distributors have to build a strategy around marketplaces to stay alive.

Worth the hype?

Marketplaces aren't just a B2C thing anymore. Business buyers are using marketplaces for the same basic reasons we rely on marketplaces in our personal lives. Marketplaces give business buyers visibility into a diverse range of products, customer reviews and pricing comparisons.

B2B marketplaces are growing. They're getting louder. And yes, based on recent statistics it's pretty clear that the hype is indeed, worth it.

Take a look yourself



Analysts predict Amazon Business will reach \$31 billion in revenue by 2023¹



Alibaba raised \$11 billion just last month, the biggest offering in Hong Kong in nearly 20 years²



4 out of 10 business buyers are spending 11% of their budget in marketplaces; 20% of them are spending more than 26%³



8 out of 10 researchers use Amazon to learn more about products³



B2B marketplaces are predicted to reach \$3.6 trillion in five years, to 30% of all B2B online sales⁵

¹ Mike Hockett, Industrial Distribution <https://www.inddist.com/e-commerce/news/21105664/rbc-analyst-amazon-business-sales-will-hit-31b-by-2023>

² FinancesOnline <https://financesonline.com/b2b-statistics/#ecommerce>

³ MarketWatch <https://www.marketwatch.com/story/alibaba-raises-11-billion-in-hong-kong-secondary-listing-2019-11-20>

⁴ eMarketer <https://www.emarketer.com/content/marketplaces-2019>

⁵ Mark Brohan, Digital Commerce 360 <https://www.digitalcommerce360.com/2019/10/31/global-b2b-e-marketplace-sales-could-hit-3-6-trillion-in-five-years/>

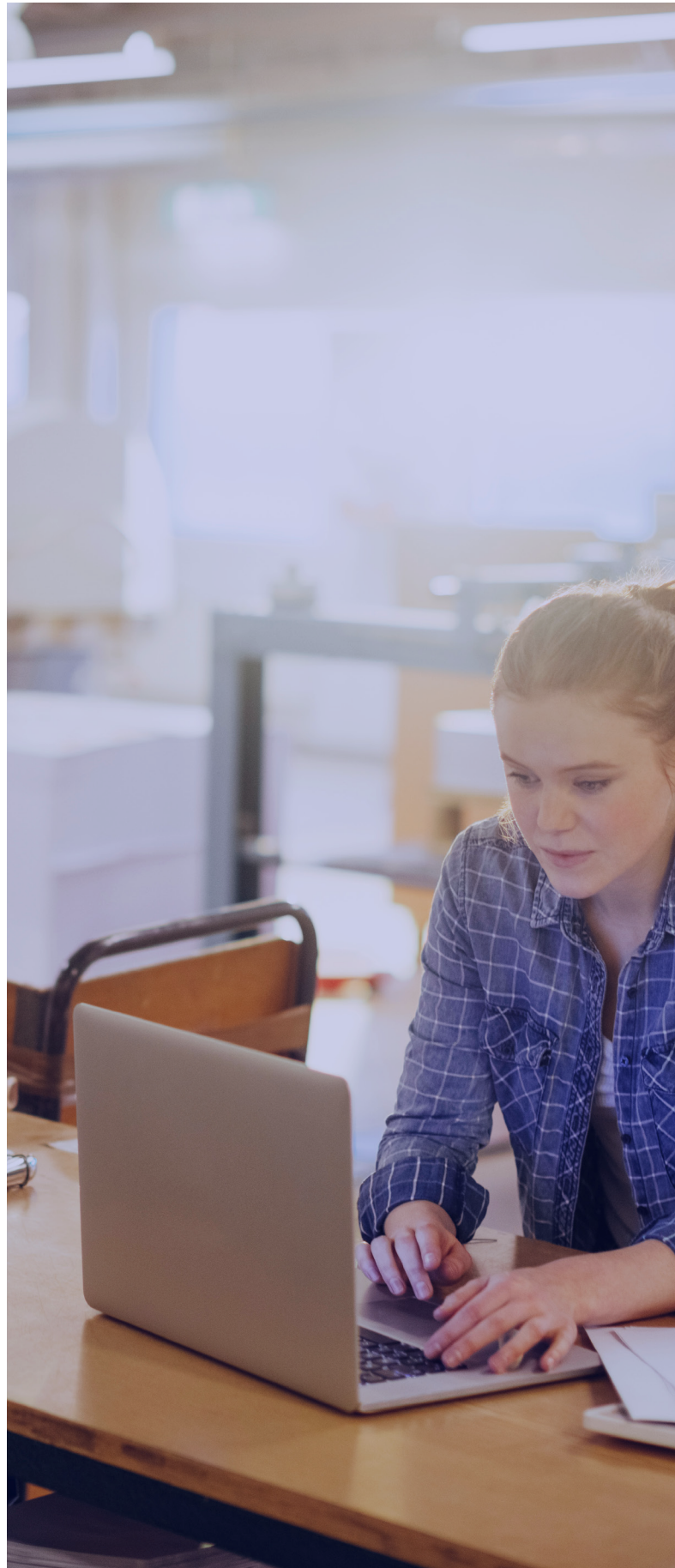
If you're feeling some anxiety when it comes to marketplaces, don't worry.

Breathe in, breathe out. There are answers.

The fact that you're even reading this means you already have the right business mentality – one that will help you stay ahead of future obstacles, if not the tenacity to turn them into real opportunity.

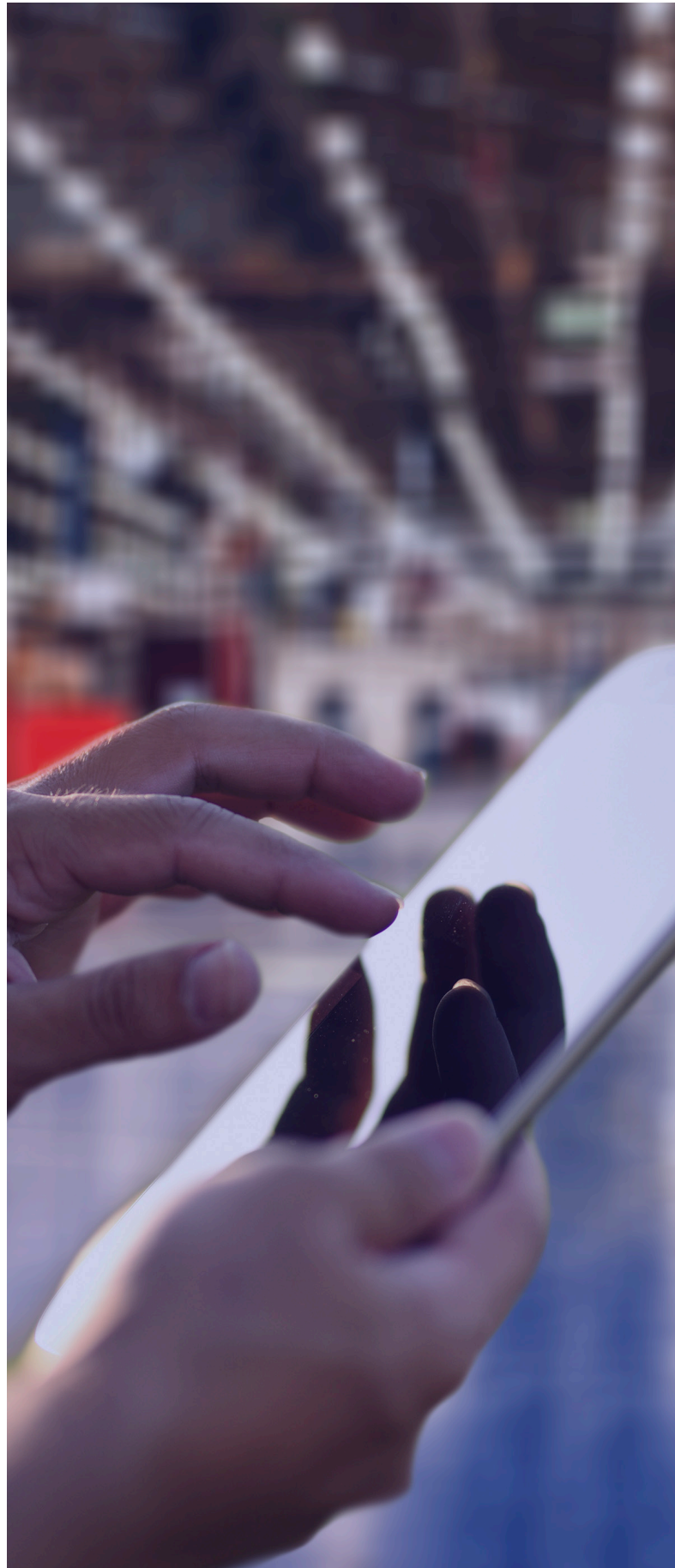
Taking a deep breath is the first tip we'll give you, but it's not the only one. In this guide, we'll give you a few more simple steps to solving this complex puzzle.

At Episerver, we've watched marketplaces evolve for over a decade. They're not a new phenomenon, though the angst is higher than ever.



Here's how to begin thinking through your response to marketplaces in three simple steps:

- Make sure you're not falling for sensationalism or hype. It's critical to understand the true nature of marketplaces based on your own unique business situation.
- Figure out your exposure where marketplaces are concerned. Understand where they can help you... and where they can hurt you. In most cases, they can and will do both.
- Finally, uncover the marketplaces opportunities. It involves a strategy that must include cooperation, competition and greater commerce capability.



Chapter one

Understanding the marketplace paradigm

Before diving in head-first, you have to know how deep the pool is. Let's start with the basics and get our arms wrapped around marketplaces.

Global marketplaces

Although everyone talks about Amazon Business, it's important to note that there are many tiers of marketplaces. Besides Amazon, many of the larger marketplaces are global, including TradelIndia, IndiaMart and Alibaba. Up and coming marketplaces include eWorldTrade, Wholesale Central and DHGate.

Niche marketplaces

Beyond the mid-tier, you'll find many niche marketplaces, including those that were created by distributors trying to gain a competitive advantage in terms of commerce efficiency, and those created to expand the service areas of more regional players. It's critical to understand if, how and where these marketplaces may be a factor within your customer base before you start strategizing.

Here are a few industry-specific marketplaces we've come across:

Auto & Auto parts

PartCycle
Car-Part.com
AutoHub
PartsMarket

Manufacturing Parts & Equipment

Asseta
Kinnek

Electronics

Kitmondo
BigRentz
IronPlanet
ConConn
Machinio

Industrial Heavy Machinery

Arrow
CDW

Building Materials & Supplies

Brickhunter
SupplyHog

Aerospace

ePlane
GoDirect Trade

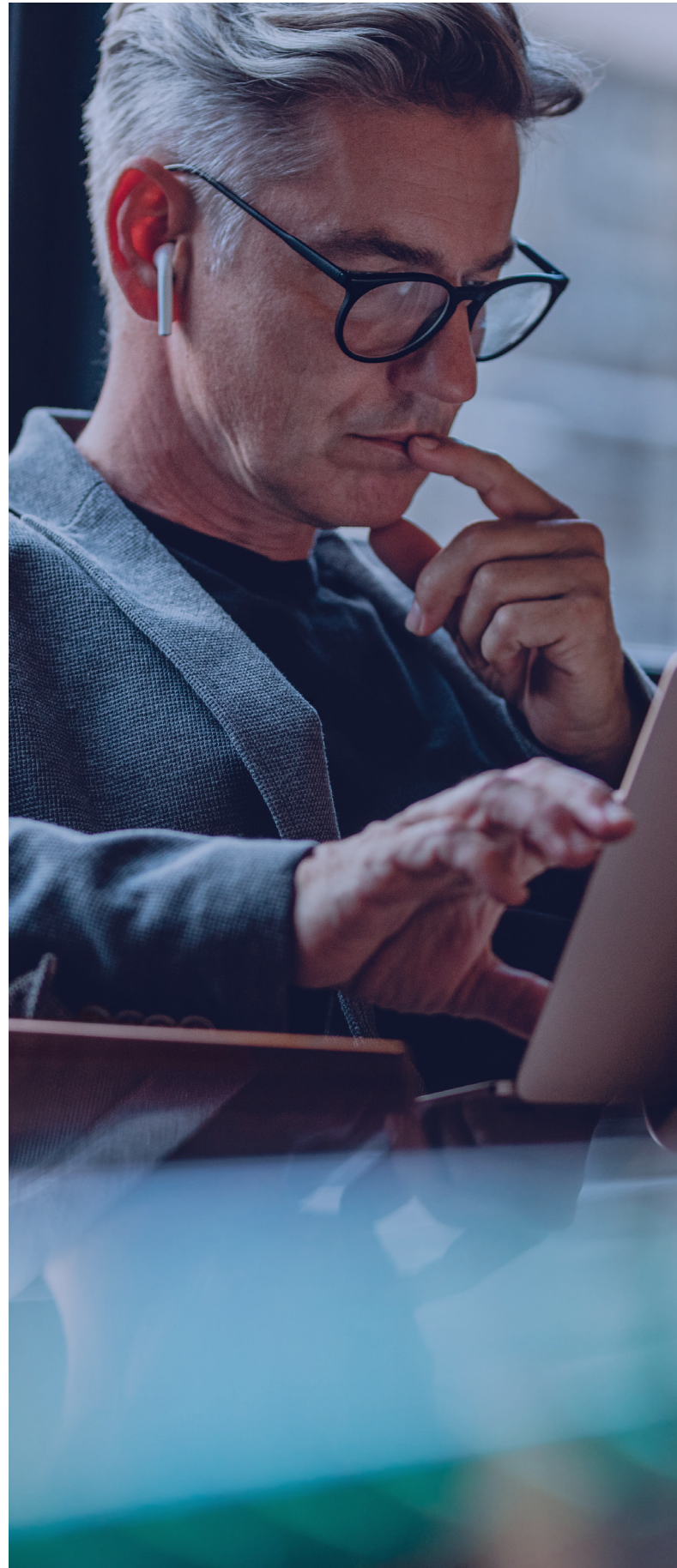
While doing analysis on the marketplaces that are out there and relevant to your business, remember why marketplaces exist in the first place. First, it's no secret that B2B transactions are looking more and more like retail transactions. We are creatures of habit. We want easy access to pricing, product imagery, descriptions and comparisons in B2B just as much as we want them when we're looking for cat t-shirts on Amazon.

Beyond being accustomed to buying online in B2C purchases, buyers and sellers may be attracted to B2B marketplaces for several reasons including:

- Low cost of entry, as order fulfillment has been streamlined with ecommerce platforms
- Ease and speed of setup, as there's no need to create a storefront
- New audiences that are already engaged within the existing marketplace
- A smooth customer experience based on state-of-the-art technology
- Increasingly, buyers are turning to internet searches to research products and solutions to business problems

Also, while there can be significant loss of control, for sellers, over things like shipping, or discounts, most marketplaces offer features that support the complexity of B2B transactions. This usually includes things like bulk order, customer-specific pricing, quoting capabilities, RFP services and multiple payment types. In terms of capability, nearly everyone is chasing Amazon Business as it attempts to set the standard for the B2B customer experience.

Overall, marketplaces are massively disrupting selling strategies in B2B. As things shake up, you have to get organized.



Chapter two

Figuring out your exposure to marketplace

The panic alarms are ringing in the wholesale distribution industry. Marketplaces have eroded market share.

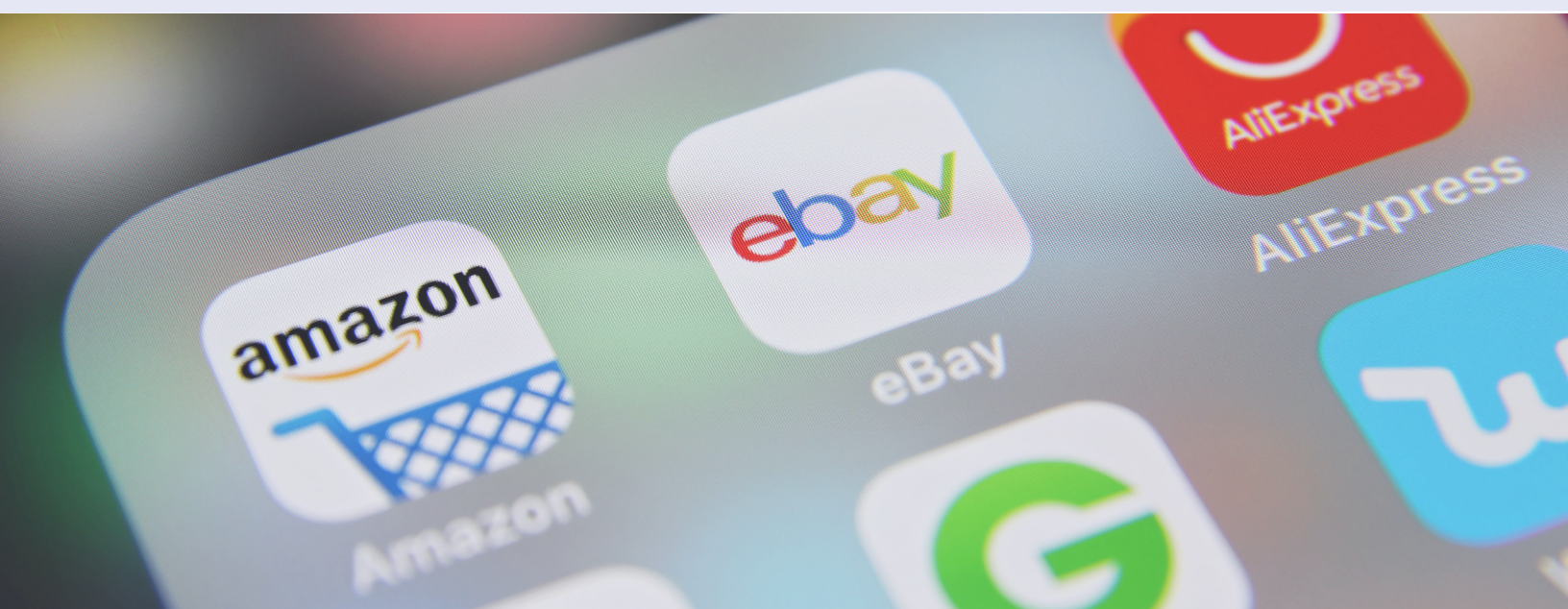
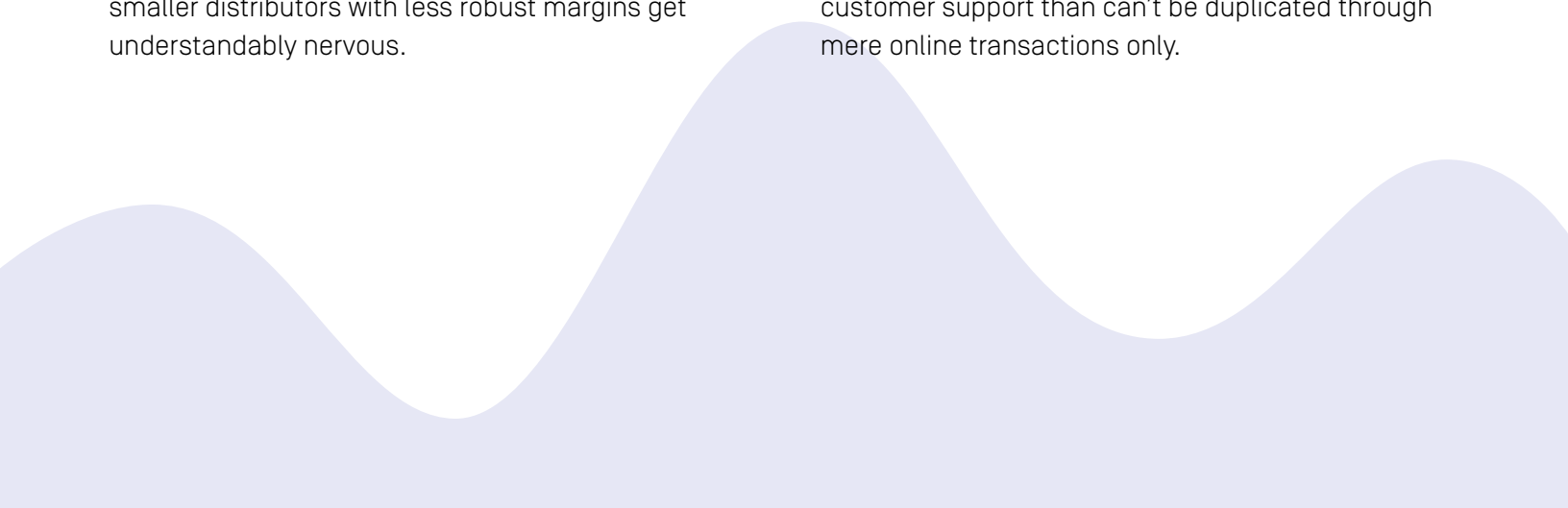
When powerhouse competitors like Grainger begin dropping prices across the board (as they did in 2017), smaller distributors with less robust margins get understandably nervous.

Plus, there's no question that as marketplaces advance, the commoditization of products makes it harder for distributors to prove their value to customers.

But...

Smaller distributors who create a solid marketplace strategy can still compete.

Remember one powerful fact: B2B sellers provide customer support that can't be duplicated through mere online transactions only.





Seriously. B2B sellers are salt of the earth people. They've built their businesses on handshakes and loyalty. Their word is a promise. B2B customers choose their businesses because they know they will be getting the best of the best services, products and customer care. Marketplaces can't compete with that.

While the biggest exposure to marketplace erosion may come from lower margin, commodity products, distributors aren't making the most profit from those those revenue streams.

Complex, higher profit buys usually require more human interaction, and a hybrid, transparent buying experience. This is not where Amazon Business or the larger marketplaces shine.

Smaller businesses will remain competitive by focusing on providing excellent service on these higher margin products that don't lend themselves to being sold on marketplaces.

While marketplaces can definitely erode margins for manufacturers, there is a hidden area of exposure that manufacturers don't often consider as they move into selling through marketplaces.

The hidden area? Data and information. Transactional data. Personalization data.

Preference data and all the information key to selling and developing new products, can be lost when working within a marketplace. While manufacturers may find new customers more readily, they're not learning as much about these customers as they could. And that's problematic.



Chapter three

Creating the right marketplace strategy

While it's impossible to tell you everything you need to know about marketplaces in one guide, we can point you in the right direction to get you building a stronger strategy.

As you can imagine, the challenges are different for manufacturers and distributors. On the next few pages, you'll get a breakdown of the questions you should be asking yourself if you're considering a move into selling through marketplaces.

“You have to measure your exposure to marketplaces to design a brilliant marketplace strategy. No matter what you decide to sell on Amazon Business or any other platform, you still need great ecommerce capabilities. You can't stop marketplace market share erosion throughout the industry, but with the right plan you can stop it in your business.”



Ian Heller

Industry Expert & President, Real Results Marketing

Questions to ask if you're a Manufacturer

Have you created a multi-channel strategy for your business?

Determine what products you'll offer direct to your customer. Also, determine which distributors are successfully carrying your products currently. You don't want to compete directly with your own distribution channel.

Which of your products are best suited for marketplaces?

Depending on the level of customer service in a marketplace, it's smart to start with lower margin products that are already commoditized. Products that require configuration probably aren't the best place to start.

How well do you know your customers?

Typically, 80% of your revenue is derived from 20% of your customers. Be sure that you understand how those "top tier" customers want to buy from you, and what they need. Factor in where they might feel marketplaces provide value and which customers are better served through existing channels.

What are your goals for finding new customers?

Consider using marketplaces to develop a new audience that you might not have discovered on your own. This might include a strategy to grow outside of your current regional base or simply to take advantage of the built-in search and promotional capabilities of marketplaces.

Are you using data as much as you possibly can?

Remember that marketplaces don't always provide the type of behavioral data you need to continue to evolve your current and future products. Make sure you're not only gathering data, but using the data you have to its best advantage. Finally, consider the trade-offs between gaining access to new customers vs. the loss of data around buying behavior that will occur with selling through marketplaces. In certain cases, it will be worth losing some control. In others, it won't.

Let's repeat that last part for good measure: in some cases, it will be worth losing some control. In others, it won't.

Some service providers or consultants will tell you to go all-in or not play in marketplaces at all. That couldn't be farther from the truth. You have to create the right strategy for your business.

Questions to ask if you're a Distributor

Are you maximizing your value add?

Many marketplaces offer sophisticated online experiences. But B2B buying is a complex business that often requires a hybrid buying experience between self- and full-service. This is where distributors can create and maintain stronger bonds with customers that create trust – and a competitive advantage.

Are you offering advanced commerce like a fully functional app, custom catalogs and other capabilities?

70% of the B2B commerce is still happening offline. A huge opportunity exists for those who adopt digital transformation initiatives. Greater share-of-wallet will happen for those distributors who can offer Amazonlike, B2B experiences combined with a personalized, human touch. It's not too late to adopt new technology, though that window is closing. Companies who boldly embrace new business conventions will win. And we're not just saying that because we're an ecommerce company.

Have you analyzed your strongest revenue streams?

Many distributors carry a large number of products simply because they can. However, focusing promotions and value-added services on the highest margin products can help you earn more profits.

Lower margin products can head to the marketplaces.

Are you maximizing the value of data?

Make sure your marketplace strategy includes robust data collection processes. Invest in employing and utilizing good business intelligence tools that can help you understand what's working, and what's not. Remember part of your value add is that you can provide manufacturers with data to help create an invaluable, holistic view of customer preferences and behavior. Plus, spotting trends and changes in buying behavior will allow for better inventory management.

Have you considered partnering to create your own marketplace?

The cost of creating and maintaining a marketplace platform has dropped dramatically with newer, cloud-based services. Your strategy should include scoping out potential partners with complementary offerings, perhaps in the same industry. It may not be as challenging as you think to develop a focused marketplace for customers to find specific products, and support for those products with trusted partners. Then you're maintaining the relationship with the customer rather than ceding that valuable connection to the Amazon's of the world.

For any small to mid-sized manufacturer or distributor, the winning marketplace strategy is underpinned by a strong commerce offering. Your ecommerce environment has to be able to compete with the likes of Amazon and Alibaba, remain cost-effective and demonstrate strong ROI. That means you have to consider ecommerce solutions with the most robust B2B capability, right out of the box. This typically includes solutions with these features:

- A fully functional mobile app
- Robust product management that's fully branded for your line of products or organization
- Built-in capability that's designed for the complexity of B2B buying and selling experience

- An easy to use CMS that delivers a powerful, intuitive user experience
- Integration architecture that connects with your ERP, PIM and other enterprise systems

Here's the cold, hard truth about marketplaces:

Someday they may carry nearly all your products. They may be able to deliver better than you can. They'll definitely be able to reach more customers than you can. And they'll have enough data to understand customers better than you can. Like we've been saying throughout this guide, all is not lost. There is hope. You can compete. We'll tell you how in the next few sections.

“Marketplaces actually present a huge opportunity for small to mid-sized manufacturers and distributors. They're forcing us to examine how much value we're deriving from our own data, and where we can maximize not only profit but powerful customer experiences. They make us think in a collaborative way which will only strengthen our industry overall. Don't let marketplaces scare you. Instead, use them to inspire you to evolve into a better business overall.”



Jon Greene

VP Sales Manufacturing and Distribution North America

Chapter four

How do you compete?

It's clear that marketplaces should not be ignored. We wouldn't have authored this guide if we thought they could just be swept under the rug. You have to consider whether you're going to compete and turn marketplaces into an opportunity, or get gobbled up by Amazon, Alibaba or some other major player.

With creative strategy thinking, many of our customers have found success on marketplaces. In the following pages, we'll share some examples of how our customers have gotten it right.



Doing it right - our customers in action

A plumbing and HVAC distributor places their overstock, deadstock and discontinued product on Amazon to clear out old inventory.

A fluid power and hydraulic pump distributor bundles together low margin items to create high margin "repair kits" that are sold to people doing repairs in the field. These customers are willing to pay more for a complete repair kit that is convenient rather than having to drive to a warehouse or big box store to purchase individual gaskets and screws.

We've seen manufacturers and distributors differentiate (and beat marketplaces) by developing services that are hard-to-digitize. If they involve people, marketplaces don't want to do it. So forward-thinking companies are learning how to price, sell and develop value-added services that marketplaces will never be able to offer. Here are a few examples of those:

- A power transmission distributor offers services beyond their products like seal production service, water jet cutting, hose assemblies and pump and gearbox repair.
- A petroleum equipment distributor offers certification classes, preventative maintenance programs, fuel spill emergency response and project development services.
- A food equipment distributor offers commercial kitchen design, equipment repair, and knife sharpening.
- A Rockwell distributor offers services like troubleshooting, motor rewinding, field modifications and exchange parts.



Simplify.



A few of our distributors have simplified their strategies by first analyzing their exposure to marketplaces by going through 300 transactions from the last year to understand which products could have been sold on a marketplace and which probably wouldn't have. They consider value-add, technical expertise and other factors and simply create two groups of products: those they'll sell on marketplaces and those they won't.

Here's another option:

Companies could team up with tech partners and Amazon's rivals to build their own distributor-centric marketplace. Amazon destroyed retail, but when will distributors answer? Amazon was the first movie.

But where's the sequel?

To compete in our rapidly changing world, you need the right technology.



But where do you start? There's tons of information out there about marketplaces and even more about ecommerce platforms. Luckily, you're not alone in the hunt.

At Episerver, we have many experts you can consult. For years, we've been working with manufacturers and distributors on establishing digital strategies. Our partners can also offer valuable expertise.

When all is said in done, remember you are not alone. Disruption in the form of marketplaces has reached B2B, but you can thrive with the right strategy.

About Episerver

Episerver empowers businesses to scale through the most customer-centric approach to digital experiences. Its Customer-Centric Digital Experience Platform™ features best-in-class content management, robust commerce and intuitive data and personalization solutions. The platform has consistently earned industry, analyst and media recognition for its vision, capabilities and customer commitment. Episerver's 900+ partners and 825+ employees in offices around the globe are proud to help more than 8,000 customers enrich their customer lifetime value, increase revenue and grow their brands.

Learn more at [episerver.com](https://www.episerver.com).

