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# THE FUTURE OF MARKETPLACES



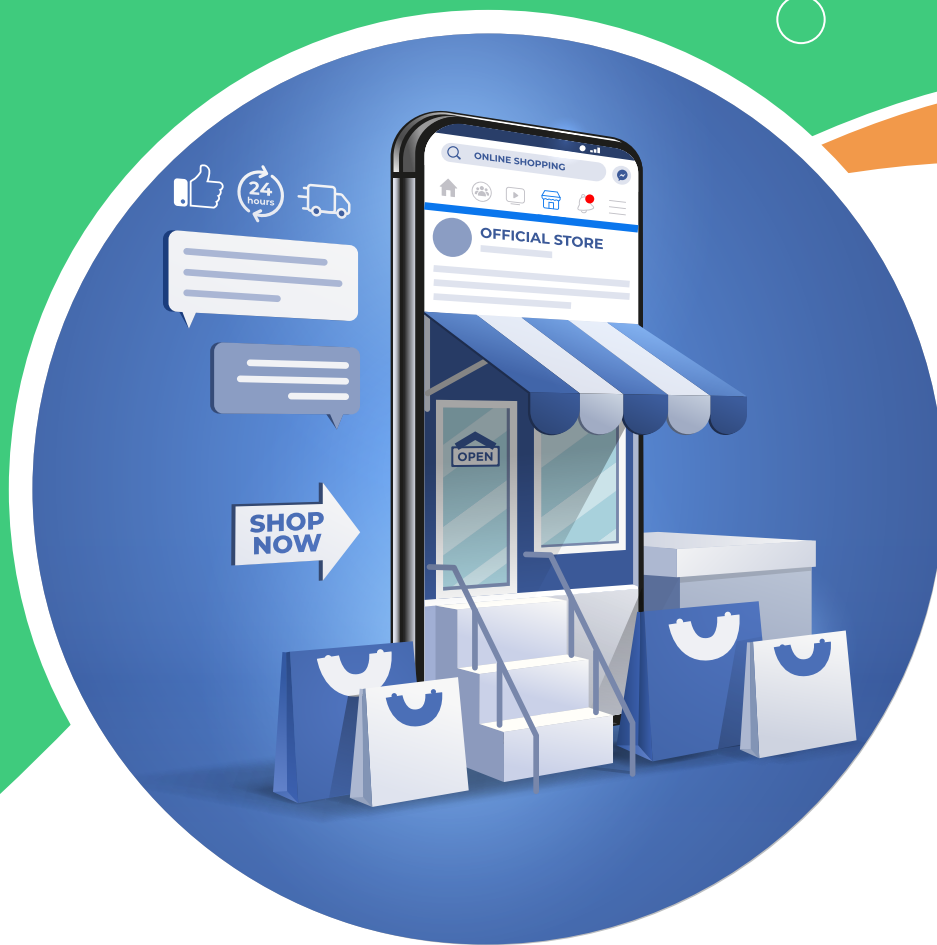
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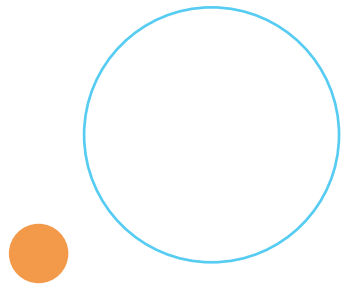
# BONUS MARKETPLACE QUICKSTART GUIDE

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## THE FUTURE OF MARKET PLACES

Since Jan 2020 to date, marketplace unicorns have grown 70% in value. Now, the industry has surpassed tech in general reaching an impressive \$5 trillion in valuation

Global online marketplaces have grown 50% for Nasdaq. The valuations for these public companies and private unicorns have grown by 70% since Jan 2020.

*Some of the segments that have experienced the highest performance in 2020/21 include:*

✓  
**+142% value**  
Fashion

✓  
**+132%**  
Food Delivery

✓  
**+120%**  
Digital Health

**As a result, there has been record-breaking investment into marketplace startups.**

Every sector of online marketplace startups continues to raise billions in funding.

**Vertically integrated models are a rapidly growing trend in new marketplace startups as it provides various ways of reaching multiple audience segments.**

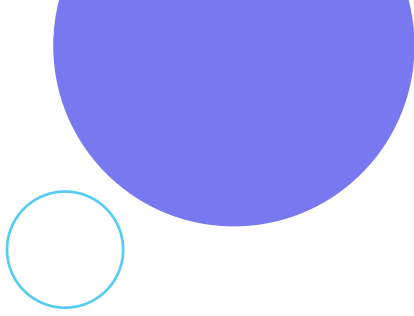
As of the start of 2022, over 390 marketplace unicorns have emerged globally. One would expect most startups to begin with simple marketplaces, known as 'light marketplaces.' However, a wide array of marketplace types has shown to be successful.

Many big consumer spending categories, such as cars, homes, and jobs accelerated adoption of digital during the pandemic, often through search and comparison sites. This model allows for a minimal level of consumer interaction.

With the vertical integration marketplaces are providing companies are seeing increased online customers, automated finance and lower costs. Every segment this touches may experience a full-scale transformation through new models of "full stack" online marketplaces. This will unlock new gigantic markets and growth opportunities for many businesses.

The most significant opportunities for online marketplaces are yet to be realized.

THE B2B MARKET IS PREDICTED TO REACH \$20.9 TRILLION BY 2027.



# THE GLOBAL ACCELERATION OF MARKETPLACES

## Amplifying the role of online marketplaces

Year to date, venture capital is witnessing investment records smashed. Profitability in the tech sector has continued, and so have investments. Marketplaces have become key benefactors of this trend, especially in areas like Food, eCommerce, and Digital Health.

Due to this acceleration, there exist 30 known marketplaces with a net worth of \$20 billion or more, with the world's leading marketplaces (public firms and private unicorns) worth a combined \$5 trillion.

Private and public unicorn marketplaces are exploding, growing by 70% in value since Jan 2020 from \$2.9 to \$5.0 trillion.

Marketplaces performed better than the wider tech industry, with primary drivers of growth being food and grocery delivery, health and fashion.

While the Nasdaq grew by 52%, segments such as fashion, digital health, and food delivery experienced exponential growth of over 107%. Some of the top performing businesses include FARFETCH, Teladoc, Zalando, Amazon, and Delivery Hero.



## RECORD VENTURE CAPITAL INVESTMENT

Private markets experienced similar trends, with venture capital in Q1 2021 smashing the all-time investment record, and nearly tripling Q1 2020 values.

Global VC investments in marketplaces before the pandemic peak in Q1 2020 stood at \$9.9billion. In comparison, Q1 values for 2021 shot up after the market adopted to the “new normal” and online shopping experiences to an impressive \$28b. Investors responded accordingly to match up growing demand in private markets.

Most of the investments are in full-stack models, logistics and last-mile delivery.

These include companies such as Glovo, Wolt, Loft, Cazoo, Gorillas, TravelPark, Kry, and GoStudent.

If the current investment rates into marketplaces keep up, 2021 investments would reach 144% from \$59B to \$132B.

VC investment in marketplaces would be highest in Europe followed by Asia then the United States. This factors in capital raised by SPAC private placement.

That said, there is rapid growth in VC investment into marketplaces in almost all regions worldwide.

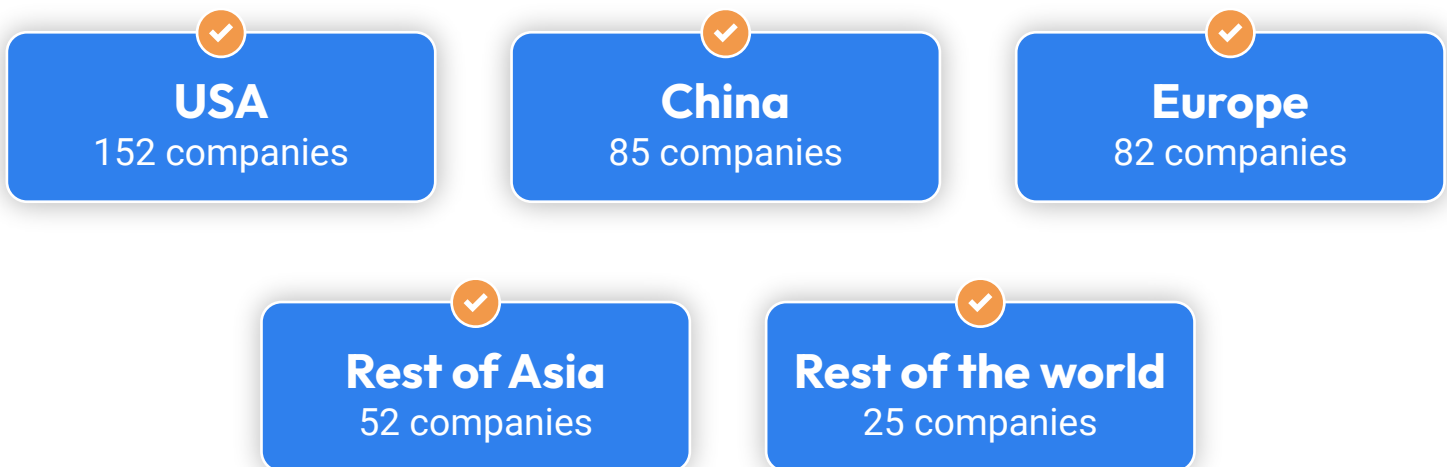
Venture capital is now universal, with more flows from USA and Asia into European marketplaces. Venture is gearing towards larger rounds in Europe especially. That said, Europe still lags behind the curve when it comes to super rounds.





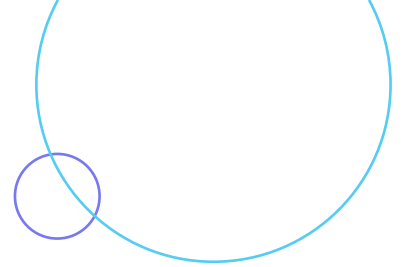
## GENERALLY, THERE HAS BEEN A GLOBAL EXPLOSION OF MARKETPLACE UNICORNS.

To give you a good impression, here are the number of marketplace companies reaching \$1 billion valuations per region:



Although many of these companies have existed since 1990, there is a growing number of new startups. For instance, there were 8 new marketplace unicorns in 2021 with a valuation of over \$1 billion in Fintech, while 6 new startups emerged in Fashion.





# INNOVATION IS A MUST-HAVE FEATURE FOR THESE GROWING COMPANIES, PERMEATING ECOMMERCE CULTURE

Innovation in marketplaces primarily occurs in two main ways: greater ownership of the chain and enablement with other products.

*A greater ownership of the value chain is characterized by:*

- ✓ Minor financial risks for users through more curated transactions (e.g., Leboncoin, TravelPerk, and Airbnb),
- ✓ Reducing operational risks by owning the logistics (Cazoo, FARFETCH)
- ✓ Creating trust among end users by owning stock thus less balance sheet risk (Kry, Opendoor, Zalando, Getir)
- ✓ Lower product-market risks by owning the brands in the marketplace (Amazon, Beyond Meat)



On the other hand, innovation through enablement with other products may come through advertising, fee on transaction, SaaS-enabled, AI-, Finance-enabled environments.

**Through investments and innovations, marketplaces are going after bigger and bigger markets, empowered by new models. Embedded finance is a game changer and a “virtual last mile” for those looking to upscale.**

While early adopter markets were made possible by the web, later markets heavily relied on smartphone adoption and increasingly last-mile logistics. However, markets that embed finance into the marketplace have reaped significantly more value. Examples include Upwork, Fiverr, Zillow, Teladoc, Udemy, Carvana, and Opendoor.

The marketplace of the future will be heavily driven by finance and technology (Fintech), which will allow for a wider market reach, customer trust hence retention, and satisfaction.

Marketplace Technology will come in as the perfect complementary revenue path to test new regions and products, without the burden of additional inventory risks.

The future of marketplaces lies in innovation, automation, engineering, software adoption, and pleasing customers.

Those businesses that fail to innovate in a fast-changing digital market will be left behind. Some examples include GM, Montgomery Ward, Blockbuster Video, and Digital Equipment Corporation.



# SETTING UP YOUR MARKETPLACE

## Critical Steps To Setting Up A Marketplace

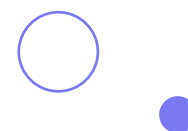
- ✓ Assess the potential of your idea. Is there a particular market need or pain point that your market solves?
- ✓ Define your target audience. (Age, Location, Occupation, Education Level, Family, Yearly Income, Possible Pain Points, Fears, Inspirational Sources) This improves the viability of your concept in the market.
- ✓ Check out your competitors. You'll end up with insights on how to best tweak your product categories and tags to suit your market.
- ✓ Marketplace monetization is a crucial factor. Don't forget to factor in the legal aspects when deciding on how to monetize.

- 1 Develop a prototype to test your idea. Have a detailed project documentation for the designers (or yourself) to stay on track on the objectives of the marketplace. Use [www.mymarketplacebuilder.com](http://www.mymarketplacebuilder.com) to build the marketplace platform you deserve.
- 2 Develop a marketplace website minimal viable product (MVP).
- 3 Grow your online marketplace.

**42% of startups fail due to lack of market need!**



Use [www.mymarketplacebuilder.com](http://www.mymarketplacebuilder.com) to build



# TYPES OF MARKETPLACES EXPECTED WITH MAJOR GROWTH POTENTIAL

The further towards the right a marketplace falls, the higher the commission/fees involved.

	SaaS	SaaS-Like Network	Light Marketplace	Managed Marketplace	Heavily Managed Marketplace	Vertically Integrated
<b>Supply Value Prop</b>	Efficiency, Services	Payments, Efficiency Services	Leads	Liquidity, Security	Liquidity, Security Logistics, Capital	None
<b>Demand Value Prop</b>	None	Efficiency	Easy Search + Contact	Discovery, Efficiency & Trust	Discovery, Efficiency, Trust, Supervised	Standards
<b>Payment</b>	3rd Party e.g. Stripe Standard	1st Party	3rd Party or None	1st Party	1st Party, Bank-Like Services	3rd Party
<b>Demand side Branding</b>	None	Minimal + White Labeling	Marketplace Branding	Marketplace Branding	Marketplace Branding	Company Branding
<b>Customer Service</b>	Heavy	Supply: Heavy	Supply: Minimal	Supply: Heavy	Supply: Heavy	Supply: Heavy
		Demand: Minimal	Demand: Minimal	Demand: Heavy	Demand: Heavy	Demand: Heavy
<b>Trust and Quality</b>	No	No	No	Quality Signals, Proactive Management	Quality Signals, Proactive Management	No Quality Signals, Proactive Management
<b>Refund Policy</b>	Variable	Supply Generated	None	Demand Friendly	Consumer Guarantees	Variable
<b>Fees</b>	Subscription	3-10%	8-15%	12-20%	20-35%	100%

## Light Marketplaces

Here, the marketplace does the bare minimum to be termed as a "marketplace". The marketplace will be responsible for customer acquisition and legibility. The rest is left to the buyers and sellers. Examples include Zillow, Craigslist, and HomeAdvisor.



## Managed Marketplaces

In these marketplaces, the problem of coordination is solved, including trust. The marketplace incorporates a vetting process for suppliers and buyers through strong reviews and a feedback mechanism. Airbnb, eBay, and Etsy follow this company model.



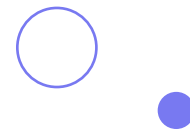
## Heavily Managed Marketplaces

At this point, the marketplace begins to take on itself more of the supplier's responsibilities. This includes providing logistics (Instacart), providing net payment terms (Faire), and underwriting the transaction.



## Vertically Integrated Models

The marketplaces at this level get to keep 100% of the economics. The marketplace will hire or partner with suppliers and service providers, and will be in charge of standardizing the pricing and services as well as managing service delivery end-to-end. Some classic examples of these are big tech-enabled service providers such as Honor, Clutter, and Oyo. This group of marketplaces is sometimes called super suppliers.



## Successful marketplaces Are the ones that improve on price, speed, quality, and selection.

First, and perhaps most importantly, marketplaces should look at how the end user experience can be improved. This especially plays out in the form of speed of service and product delivery.

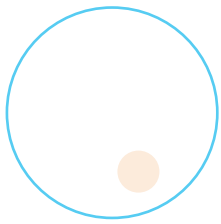
Next, marketplaces should assess any gaps and underutilized fixed assets on the supply side. Building assets from scratch, both software and hardware is a tedious and expensive process. Going forward, marketplaces will seek to improve and optimize all available opportunities.

Marketplaces that seek to reap the benefits of scale may avoid taking on risks themselves. There is a trend of growing partnerships with third parties, like partnering with an insurance provider.

In other words, there's a progression towards an integration between marketplace and eCommerce. In general, following this path would call for three things:



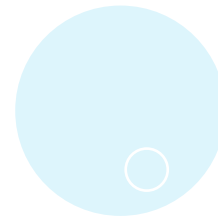
COORDINATION	CAPITAL	CREATIVITY
LEGIBILITY	CUSTOMER ACQUISITION	
MATCHING	RISK	
TRUST	LOGISTICS	
	COGS	
	SG&A	



## What's next: launching your own marketplace. Stay tuned!

Getting Started	Go Live!	Next Process	Design Process	Relevant Settings
Set up the website	Create welcome emailand SMTP settings	Invite users	Customize landing page	Site wording
Monetization	Connect Domain	Rigorous marketing	Customize menu	Orders setup
Select your landing page layout	Google location and social login		Customize login page	
Create categories	Create test users		Customize sign up page	Admin Panel
Create custom fields and filters	Stripe connect – Payment processor setup		Customize contact us page	Users Report
			Customize about us page	Dashboard – KPIs





## Determinants of A successful B2B marketplace



















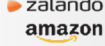
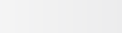




## APPENDIX: A DEEPER UNDERSTANDING OF MARKETPLACES

Overall, there is increased interconnection between ecommerce ecosystem & marketplaces

A single marketplace stack will integrate financial products, logistics, advertising, software tools, and private labels to deliver a wider range of services.

For instance, a marketplace may rely on Wix as the software provider while working alongside LALAMOVE to deliver on logistics.

Comparing between  
A “full-stack” marketplace and a marketplace.

	 Demand	 Customer acquisition	 Listings	 Transaction incl. payment	 Logistics & software tools	 Own inventory	 Production	 Supply
Traditional Marketplace	Listings	<input checked="" type="checkbox"/> Asset light, profit <input type="checkbox"/> Low revenue per	able user 					Homes, cars, jobs, horizontal
	Transactional Marketplaces	<input checked="" type="checkbox"/> Still asset light, <input type="checkbox"/> Possible long-term	higher take-rate strategic disadvantage	 				Travel, delivery, freelance
New age Marketplace	Full-stack Marketplace	<input checked="" type="checkbox"/> Control over user <input type="checkbox"/> Operational risk	-experience requires market density	UBER	CAZOO 			On-demand services
	Market maker (iBuying)	<input checked="" type="checkbox"/> Create new suppl <input type="checkbox"/> Capital intensity	y, verify quality & risk, requires homoger	us market	nested GOAT 	Temporary trade on the books		Homes, cars, jobs, products
Competing B2C models	eCommerce	<input checked="" type="checkbox"/> Same-day deliver <input type="checkbox"/> High capital intens	y of goods, control over ity, low margins	user experience		 		Fashion, groceries
	Direct-to-Consumer	<input checked="" type="checkbox"/> Own entire produ <input type="checkbox"/> High capital intens	ct identity / experience ity, limited assortment	/sometime s with physical	stores	  	WARBY PARKER 	Cosmetics, food, banking, wellness, lifestyle, eyewear



## How does the current landscape of Marketplace evolution look like?

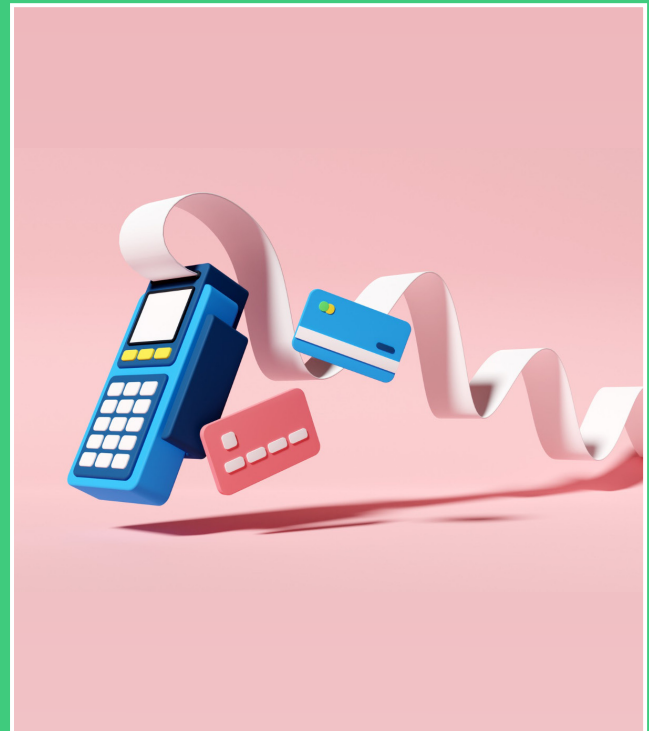
The 1st generation of online marketplaces turned bulletin boards and town squares into Craigslist and eBay. A transformational digital migration.

That said, the last two decades have brought more changes in marketplaces than the last two centuries combined.

Newer models of marketplaces like Uber and Cazoo have reduced transaction complexity by ensuring that the "marketplace" is less visible to the consumer.

In every iteration, the overarching trend has geared towards minimizing friction to unlock unrecognized potential and new markets. Thus, marketplaces are becoming more "full-stack", vertically integrating from components of a market ranging from shop front and transaction to delivery and after services.

High liquidity has offered asset light models like Craigslist a high level of resilience. Additionally, full-stack scale efficiencies, coupled with plenty of cheap capital, have resulted to the age of asset heavy models in the past few years.





































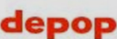
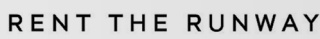

## Different segments vary in stages of development, but can generally be divided into three groups.

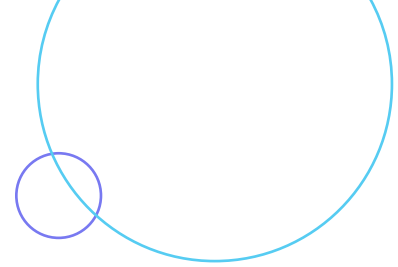
Travel and fashion were digitally made possible by the web itself. Venture capital invested in these segments since 2015 was over \$20billion, thus more asset-light and more capital efficient. For instance, innovations in Farfetch now incorporate a new logistics model.

Jobs, cars and properties 1.0 was about search. These segments did not surpass the \$200billion mark in combined value. Embedded finance will propel 2.0 to take an even bigger role in the transaction. Watch out for digital health and groceries in this segment.

Meal delivery and shared mobility make up the third segment. These are heavily invested and highly competitive, with the food delivery industry almost reaching a combined value of \$400billion.

Steady supply of venture capital encourages asset-heavier marketplaces to take bolder bets.

Asset-lighter	Catagoy	Asset-heavier
 Takeaway.com 	Food delivery	 deliveroo 
 Avito 	Used cars	 CAZOO 
	Mobility	 
 	Media	 
 	Banking	  
	Healthcare	
	Housing	 
 	Travel	 
 	Jobs	 
 	Second-hand Fashion	 



Fashion is a leading segment, by the cumulative number of unicorns and \$1B exits as well as future unicorns. Food delivery follows closely behind followed by travel and shared mobility in cumulative number of unicorns and \$1B exits.

Under future unicorns, travel and property search follow closely behind fashion, with car search and rent coming third.

In terms of combined enterprise value, food delivery and travel take the first two spots, with an estimated value of \$380B and \$337B respectively. Fashion, shared mobility, and property search fill up the remaining top five spots.

#### The biggest growers by absolute

- ✓ Amazon
- ✓ Meituan
- ✓ Pinduoduo
- ✓ Shopify
- ✓ Netflix
- ✓ JD.com
- ✓ Airbnb
- ✓ COupang
- ✓ Mercado Libre
- ✓ Uber
- ✓ Alibaba

#### The fastest growers, relative

- ✓ Coupang
- ✓ GoodRx
- ✓ Etsy
- ✓ Jumia
- ✓ Upwork
- ✓ Farfetch
- ✓ Allegro
- ✓ Shop Apotheke
- ✓ Redbubble
- ✓ Doordash
- ✓ Pinterest
- ✓ HelloFresh
- ✓ Pinduoduo

To start your marketplace today, visit [www.mymarketplacebuilder.com](http://www.mymarketplacebuilder.com) and use the most powerful marketplace platform available today.

## OUR METHODOLOGY

### Definition Of marketplace

Marketplace here refers to a digital platform that brings together buyers and sellers.

### Our Valuation

Company valuations are based on market capitalization for publicly traded companies, or on the latest transaction value for private firms.  
Share prices are updated to April 2021.

### Venture Capital investment

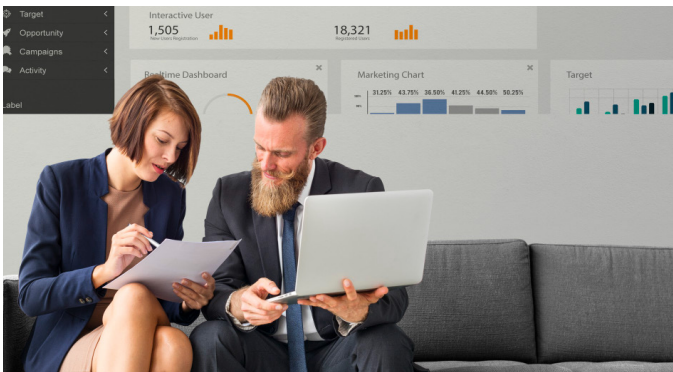
Investment numbers refer to venture capital investment rounds including seed, series A, B, C, etc and growth equity rounds. It doesn't refer to lending capital, grants, debt or other non-equity funding, and ICOs.

IPOs, M&A, secondary rounds, and buyouts are grouped under exits and not considered in funding data.

Investment rounds are derived from public reports such as news, press releases, filings and verified user-submitted information. Data as of date of this report.

## VITAL CONSIDERATIONS

Detailed data on how to go about opening a marketplace successfully is available online via [help.marketplacesupports.com](http://help.marketplacesupports.com)





## CONTACT US



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