

Creating a Marketplace Best Practices

Successfully launching and operating a marketplace requires detailed planning, strong strategic vision, and commitment. Below are some best practices you should absolutely consider when launching a marketplace.

1. **Choose Your Niche. You Can't Be Everything to Everyone.** Consider targeting a vertical market instead of a horizontal one. Vertical market vendors focus on delivering specialized products or services that meet the needs of a niche group of customers. Specialization helps vertical vendors to differentiate their marketplaces and gain a competitive advantage.
2. **Start in a Limited Area and Expand Gradually.** Allows you test the worthiness of your business idea before expansion, reduce expenses and possible risks, gain a critical mass of users, and get useful insights into how your target audience reacts to your products.
3. **Onboard Enough Vendors (Sellers).** Sourcing products from a variety of vendors will ensure continuous product availability and breadth of assortment. Competition amongst vendors will naturally ensure competitive prices and great quality of service.
4. **Target the Right Vendors to Fit Your Niche / Brand Strategy.** Partner with vendors that have the willingness or internal structure to perform on marketplaces. Target active vendors in other marketplaces, and review their track record, ratings and reviews. The more important your marketplace is to them, the better they will perform on it.
5. **Track Vendors' Performance.** Managing and tracking vendors' quality of service is key to preserving your brand and making your marketplace a success. Enforce high standards by automatically deactivating vendor accounts if their ratings dip below a certain value, or if their rate of response is too low.
6. **Vendor Management Module.** Provide a vendor management module (tools) to enable vendors to manage their individual product inventories, product content, prices, orders, payments, etc.
7. **Build Customer Trust Through Transparency.** Consumers value transparency in the purchases they make. They like to know who the vendor is and be aware of any after-sales service that might be required. Provide the ability for vendors and consumers to communicate directly, while ensuring that you still own the relationship.
8. **Ensure Consistent Quality of Product Information.** Ensure all vendors' product data meets your content specifications and falls within the right product classification and that each new product sheet meets your criteria. Consistency is key to maintaining customer trust and ensuring an optimal purchasing experience.
9. **Total Company Buy-in and Commitment.** A successful marketplace is dependent on buy-in from all stakeholders, e.g., senior mgmt, merchandising, marketing, ecommerce, IT, operations, etc. An aligned, integrated cross-functional operation will ensure success and a great customer experience.
10. **Invest in Traffic Generation.** Invest in the utilization of SEO and SEM tactics to increase site visibility within search engines (Google, Bing, etc.) to generate increase site traffic.

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eCommerce Diligence™ Checklist

Creating a Marketplace Key Questions to Ask Yourself

Company

1. What is your business?
2. What is your core competency?
3. What is your topline and profitability?
4. What does your target demographic look like and their average order value?
5. Is there an opportunity to increase your AOV?
6. Is there an opportunity to increase market share by going after different demographics?
7. What are your fulfillment capabilities (pros/cons)?
8. Is there any improvement to be made to your existing acquisition and retention strategies?
9. Is there total “buy-in” and commitment from all stakeholders?

Products/Services

1. What are your competitive advantages over other marketplaces?
2. What kind of products are you anticipating to sell?
3. Why would users buy your products over other websites/marketplaces?
4. Will these products impact (cannibalize) sales on your own branded website?
5. Will you be able to attract and retain enough vendors (sellers) to provide a continuous flow of products (breadth and depth)?
6. Have you created a vendor product setup “Standard Operating Process” (SOP) to ensure data meets your content specifications and falls within the right product classification and that each new product sheet meets your criteria?
7. How much are you willing to invest into the channel to seed initial sales (going into a new channel sometimes requires investment upfront)?
8. Since consumers value transparency in the purchases they make and would like to know the vendor making the sale and any after-sales service that might be required, are you willing to provide the ability for vendors and consumers to communicate directly?
9. Do you have an internal team ready to dedicate time and resources to sell and manage vendor (seller) accounts?
10. Is it PCI compliant and certified?

Features – What key features will be included in your platform?

1. **Security is Priority One:** All users’ personal information must be secured and kept in strict confidence.
2. **Managing User Profile:** Registered users should have accessibility to view, update and manage their personal details within their accounts.
3. **Vendor Account Registration:** Vendors will require access to all functionality provided to manage and sell their products based on established selling policy.
4. **Managing Product Listing:** Vendors need to publish and manage their product listings.
5. **Product Search:** For site visitors, provide the ability to search, use filters and view product detail information.
6. **Collaborative Order Processing:** Provide functionality for reserving products for user and collecting delivery information for you.
7. **Reviews and Ratings:** Vendor and users should be able to see listing reviews; users should be able to write reviews and rate listings.
8. **Notifications:** Users should be informed of order status via SMS or email. Users should be able to change notification settings.
9. **Multiple Payment Options:** Provide advanced payment functionality – payment system, ability to use credit cards, debit cards, PayPal, cash, billing and invoice operations, etc.
10. **Platform Integration:** How does your platform integrate with POS, Order Management System, including back-office systems, other online shopping channels and/or point solutions?
11. **Reporting & Analytics:** What reporting and analytics tools does your platform include? Does it provide the ability to analyze cart abandonment, quantify browser searches, tie product purchases to search terms, etc.?

Pricing

1. What is the best revenue model for your online marketplace (i.e., commission, subscription/membership, listing fee)?
2. What is your pricing and margin strategy for the marketplace?
3. How do you determine product pricing and how do you optimize for margins?

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