



Winning in a World of Marketplaces

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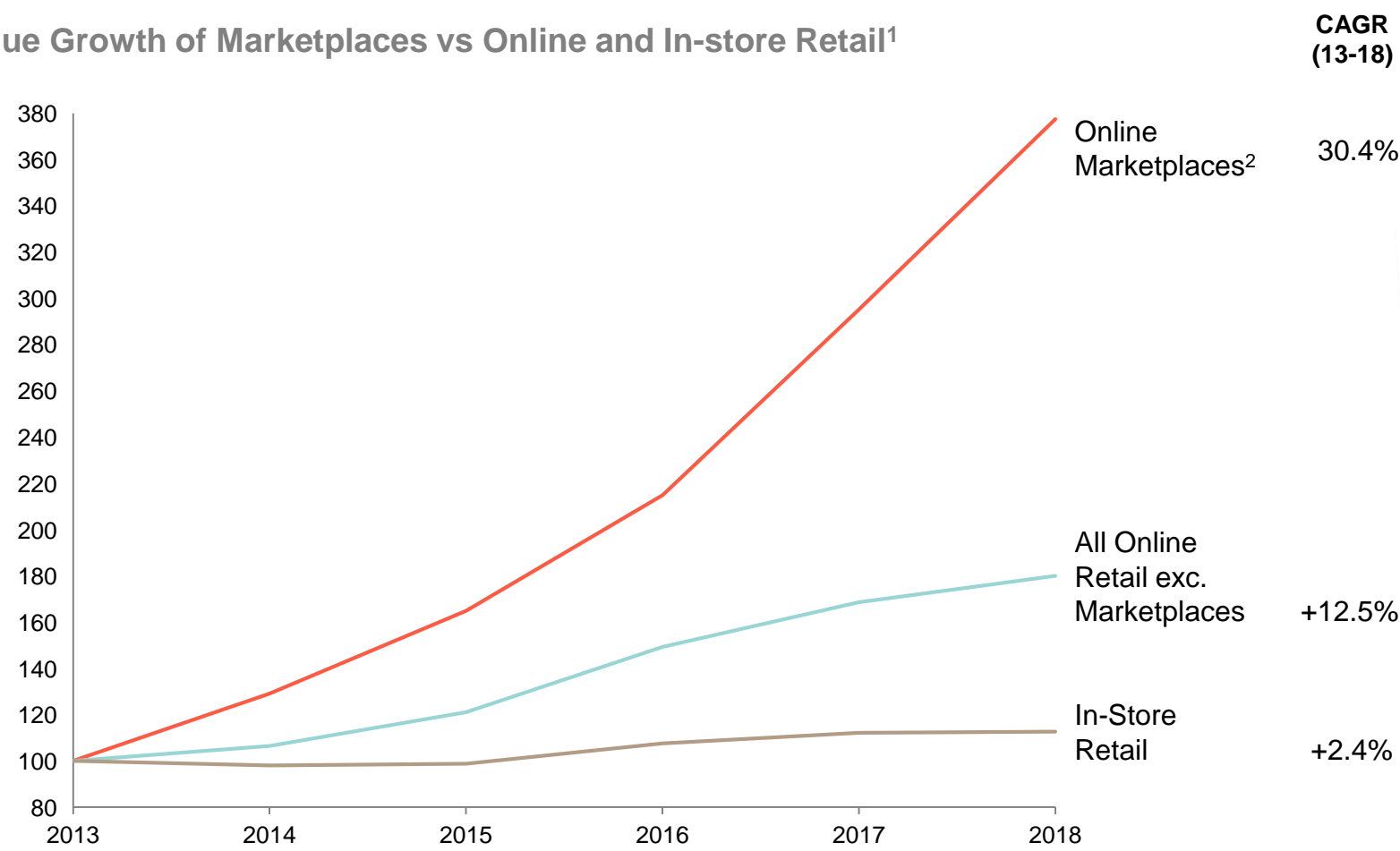
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uncommon sense

Marketplaces have been the big winners, but the industry can't agree on whether they are a force for good, or destruction

Revenue Growth of Marketplaces vs Online and In-store Retail¹



Online Marketplaces Thrive Where Retailers Falter

Alibaba: The future of retail

Marketplaces, the ideal way for SMEs to grow online

Marketplaces continue to drain industry profits

Amazon's ever-increasing power unnerves vendors

1. 2013 indexed to 100; North America and Northern European and Chinese Retail only
2. Based on revenue of Amazon, eBay, Alibaba, JD.com, Rakuten, FNAC, ETSY and Mercado Libre
3. Includes online pure plays and online sales of traditional retailers
4. Retail includes Grocery, Supermarkets and Duty Free
Source: OC&C analysis, GlobalData



The historic definition of a marketplace was clear (... and narrow)

The 2010 dictionary would say ...

A retail environment where product or service information is provided by multiple third parties, with transactions processed by a central marketplace operator.

Differing from traditional retail as the third parties own stock and are responsible for fulfilment.



But, in recent years, marketplace models have blurred and become more complex



The explosion of different models



Its no longer a 'free for all'



The economics are increasingly opaque



They are influencing brands through the innovation cycle

The traditional distinctions between retailers, consignment models, platforms and marketplaces are very blurry

User experience, range curation and service consistency have been re-set

As service offers have broadened, the fully-loaded cost of selling through the channel may not be entirely clear to brands

Marketplaces are no longer just a safety valve for end of line and surplus clearance

Successful marketplaces can create a win-win for the host, brands and consumers



The best marketplaces have been professionalising, and taking greater control of their retail proposition to drive performance improvement



Ranging



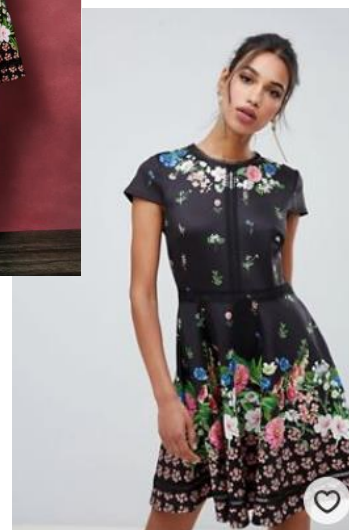
“Zalando are very specific in what they'd ask us for – for example they'd say we'd like 40 SKUs, and 80% of those should be dresses”

UK Fashion Brand

Product Positioning

TED BAKER
LONDON

ASOS



Pricing

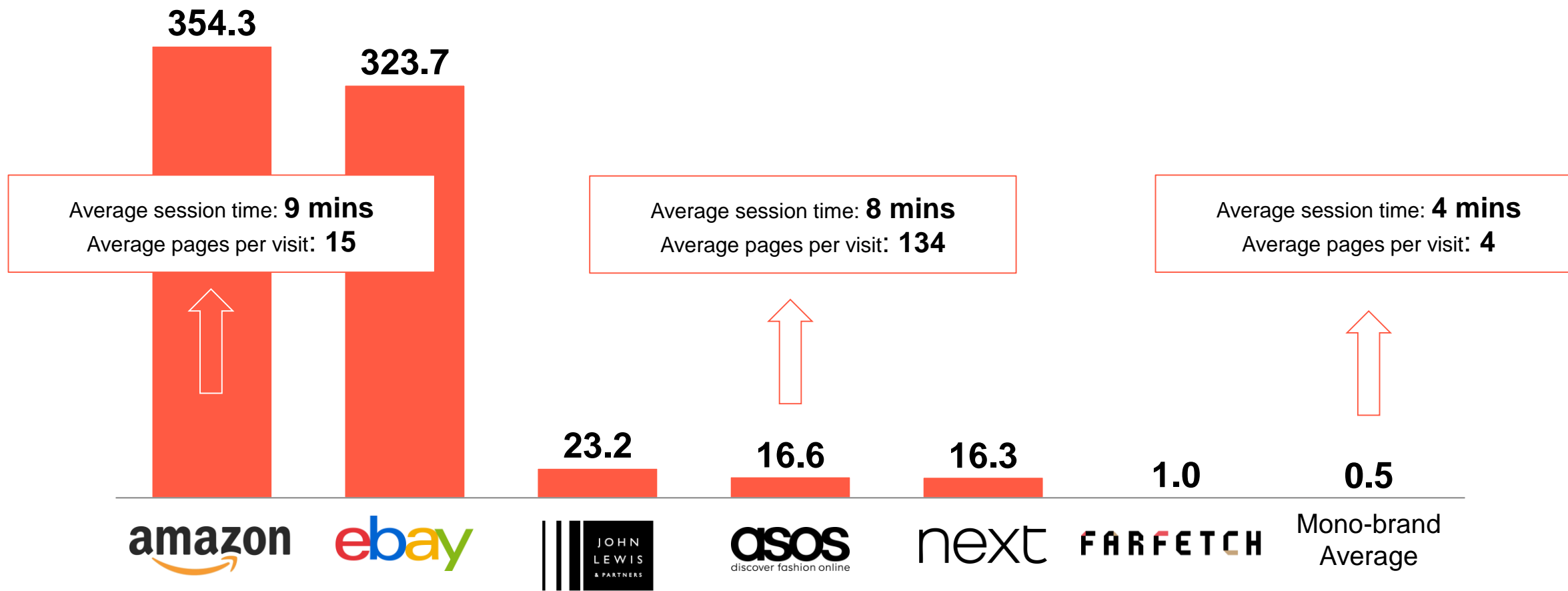


Degree of intrusion in brand's decision making

Footfall is a valuable commodity, and marketplaces have it ...



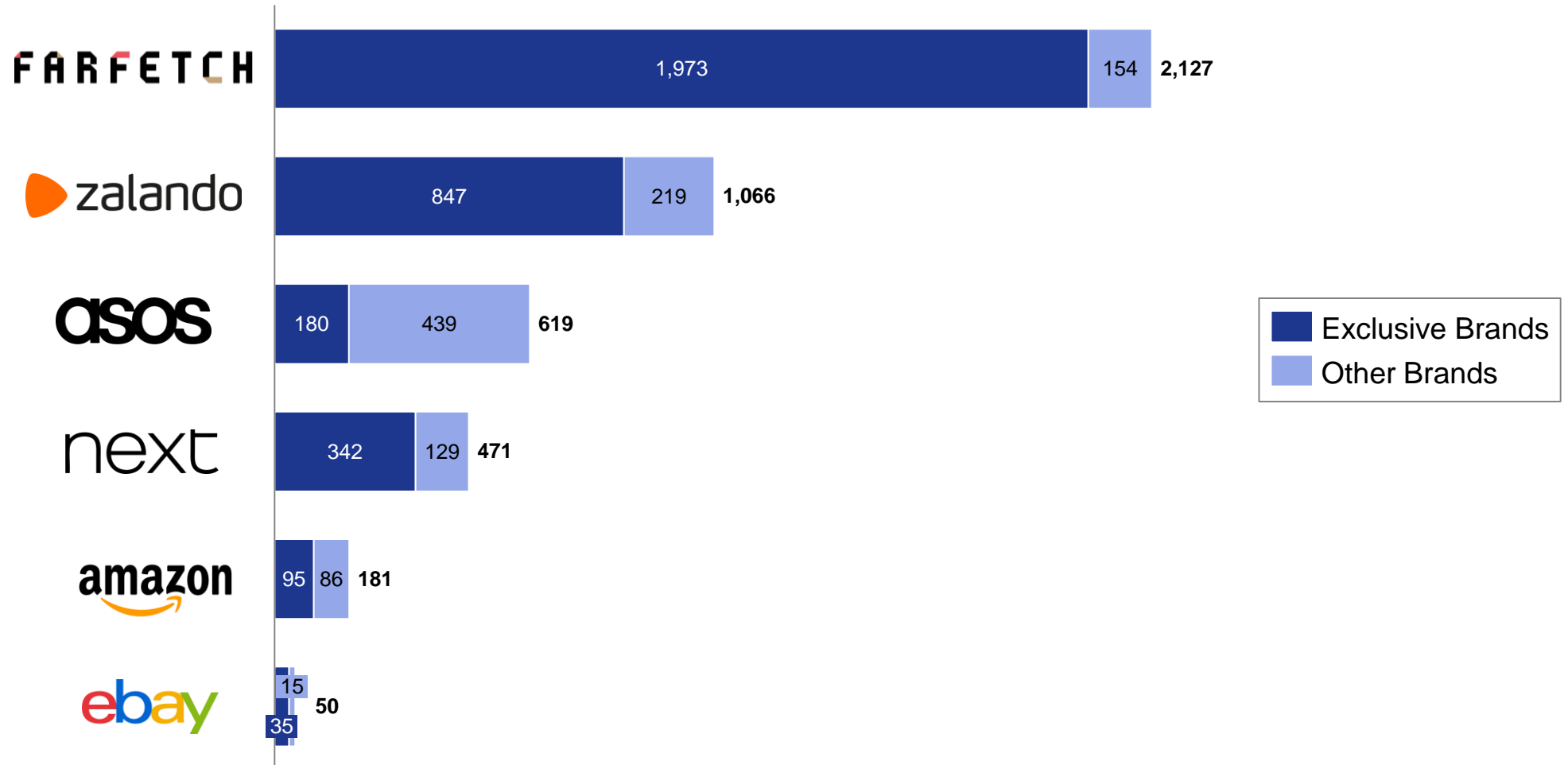
Average Monthly Visitors
m



... and for consumer, the brand selection and authority grows ever more compelling



Apparel Brands per Marketplace (#)



Source: Company Websites, OC&C analysis

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L'Occitane De Provence have successfully used marketplaces to drive growth in new markets

L'Occitane in China

- L'Occitane has successfully partnered with Alibaba's B2C platform **Tmall** as well as **JD.com** to **grow its business in China**

75%

L'Occitane's
Marketplace
sales growth in
China between
2017-18

225mn

Unique monthly
visitors L'Occitane can
access via its
partnership with
JD.com

12%

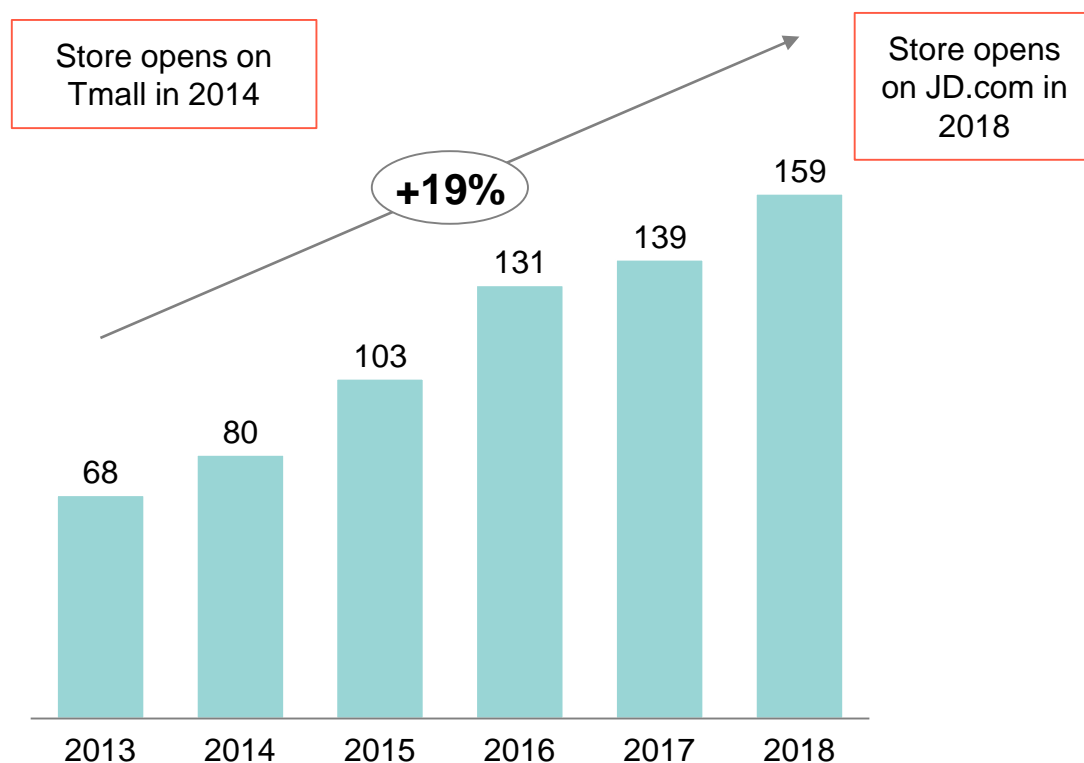
of total revenue was
generated in **China in**
2018 rising from **6% in**
2013

"Since 2014, the amazing result of our digital flagship boutique on Tmall marketplace in China has demonstrated L'Occitane's appeal to sophisticated shoppers in emerging countries"

Annual Report – L'Occitane International

Total Net Sales in China (€mn)

L'OCCITANE
EN PROVENCE

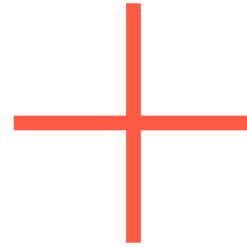


But brands and retailers need to tread carefully, adopting the wrong strategy can be damaging

ASOS

“...we want to be the world’s number one destination for fashion loving twenty somethings...”

Annual Report, 2017

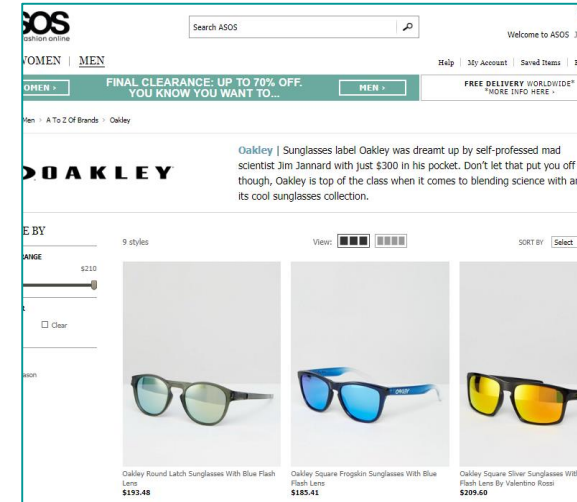
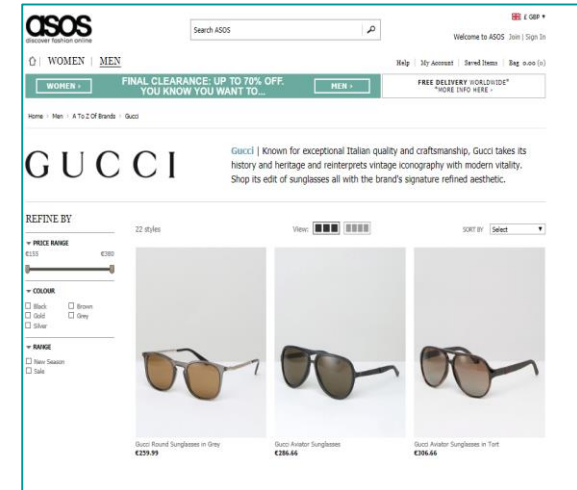


Gucci was too premium for Asos...

GUCCI

...while Oakley was not sufficiently fashionable

OAKLEY



Retailers and brands are increasingly asking 3 questions as they navigate the role of marketplaces

**Should I
develop my
own
marketplace?**

How do I compete
against
marketplaces?

What role do
other people's
marketplaces
play for me?



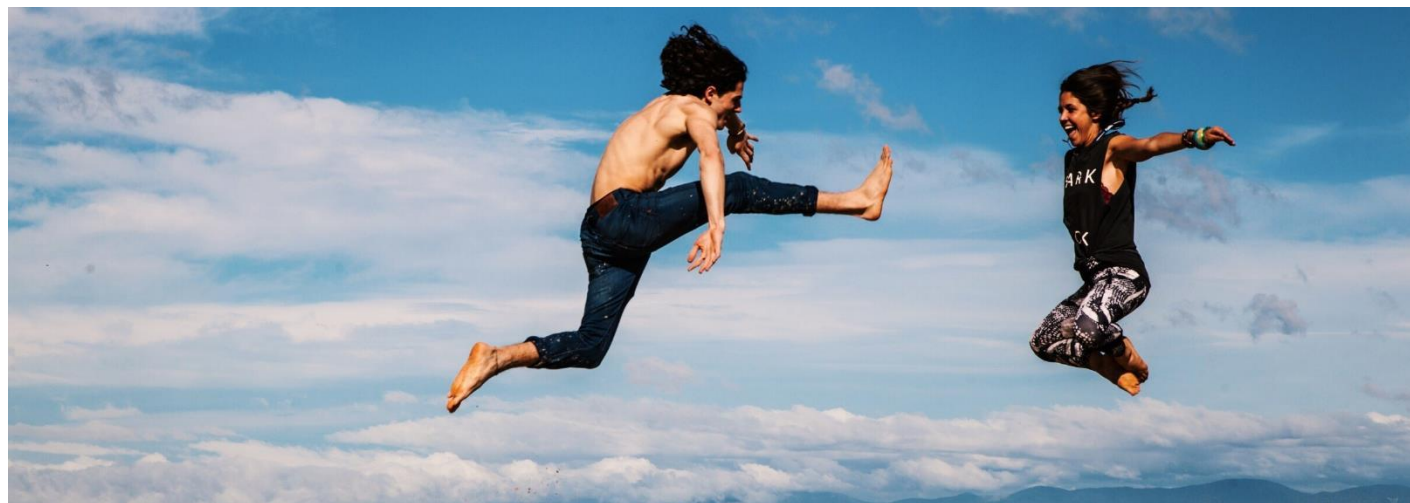
- Are there gaps in your offer today that need to be filled? ... and that won't cannibalise or confuse?
- Do you have the potential to 'own' a consumer need?
- Does your operating model get much more profitable with scale?
- Do you have (or can you build) the assets to 'win'? (e.g. footfall, technology, distribution)?

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- How do you maximise the value of your specialism to drive customer loyalty and conversion?
- What is your range strategy? What role do 3rd party brands play? How do you better support brands to deliver?
- Where do you need to neutralise a technology gap? What role do partnerships play?

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How do I compete against marketplaces?

What role do other people's marketplaces play for me?



- What role is the marketplace playing? Where in the product and customer journey does it add value?
- How do you think about the different role of marketplaces in your 'core' versus 'expansion' geographies and categories?
- What is the commercial relationship you want to have with marketplaces? Is it 'structured and continuous' or 'flexible and occasional'?

「 Thank you! 」



OC&C
Strategy consultants

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