Getting your B2B Platform Optimised: Lessons from AirBnB and Alibaba and Other Platform Economy Players

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Fact #1: Online sales (Ecommerce) is the fastest growing sector of global commerce

Global online sales turnover was expected to reach $3.4T in 2019 and with the projected annual growth of 7.7% is estimated to go as far as $4.6T in 2023. Ecommerce turnover is spread unevenly across the regions but the emerging new markets are growing at a fast pace and present interesting opportunities.

Source: Statista, 2017; eCommerce.com, 2019; Department of commerce, 2019; eMarketer, 2019
Fact #2: Cross-Border commerce is on the rise

- 26% of all cross-border sales were from China, US is at second place with 21%, UK with 14%, Germany with 10% and finally Japan is in 5th place with 5%.
- Leading category is Clothing and apparel with 31%, followed by Electronics with 21%, Health and Beauty products with 17%, Jewellery(11%) and Books(10%).

A large and growing proportion of B2C sales are cross border transactions, which are expected to reach nearly third of over all sales. There are specific patterns between countries with China supplying a large proportion of consumer goods, Germany – machinery and Southern Europe branded goods.
Fact #3: Marketplace Platforms are a new economy

- 90%+ of global retailers are either already selling or consider selling via a marketplace
- 97% of US consumers who shop online do so on marketplaces, up from 85% in 2016
- Over 40% of UK retailers are launching marketplaces

Customers spent $1.8 trillion globally on online marketplaces in 2018

Growth

The top 100 marketplaces account for more than 90% of global marketplace sales

Most popular marketplaces worldwide in 2018, by merchandise value. Source: Statista, February 2019

Marketplaces account for more than 50% of global online sales

Customers spent $1.8 trillion globally on online marketplaces in 2018

Growth

The top 100 marketplaces account for more than 90% of global marketplace sales

Most popular marketplaces worldwide in 2018, by merchandise value. Source: Statista, February 2019

Marketplace revenue growth

Customers spent $1.8 trillion globally on online marketplaces in 2018

Growth

The top 100 marketplaces account for more than 90% of global marketplace sales

Most popular marketplaces worldwide in 2018, by merchandise value. Source: Statista, February 2019

Marketplaces account for more than 50% of global online sales

Customers spent $1.8 trillion globally on online marketplaces in 2018

Growth

The top 100 marketplaces account for more than 90% of global marketplace sales

Most popular marketplaces worldwide in 2018, by merchandise value. Source: Statista, February 2019

Whilst current marketplace turnover is concentrated in a relatively small number of marketplaces, new marketplaces are growing faster and are expected to gain significant market share both globally and in its local markets.
Conclusion: Marketplaces, aka Platforms are a strong force going forward

Fact #1: Ecommerce is the fastest growing area of retail and other sales

Fact #2: Cross border is largely responsible for ecommerce growth

Fact #3: Marketplaces are the key facilitators of cross border commerce and expansion

Platform Economy approach encompasses a growing number of models
Platforms timeline and growth

Source: iBe Research
MARKETPLACES HAVE GROWN FROM THE SIMPLE P2P TO HIGHLY COMPLEX B2B AND SOME OF THEM ARE THE WELL KNOWN NAMES IN THE TRAVEL SECTOR

Marketplaces have their origins in P2P sales going back to late 1990ies. Subsequently retailers adopted the marketplace model in order to expand their product and services portfolios.

**Retailer Marketplace**
Using own infrastructure to let others sell, thus increasing selection of products

**Pure Player Marketplace**
Selling other businesses goods and services without having own product/service

**Franchise marketplace**
Using marketplace model to deal with payments

**Franchise and other B2B businesses are looking to Marketplace framework to solve its complex accounting issues. Their existing process is often paper and manual work as the b2b back office systems are often not interconnected.**

**B2B marketplace**
Using marketplace to deal with all suppliers and buyers

**P2P traditional marketplace**
Providing platform for persons & businesses to sell

Source: Limonetik presentation
Platforms have different dimensions

Let's review the three dimensions in detail.

- Ownership
- Target Segment
- Products
Types of Platforms By Target

There are three main target categories

This type of marketplace enables direct interaction between consumers. This model mainly focuses on selling a non-mass produce or services. Examples: eBay, Etsy

Here a company sells goods or services to consumer. Often this is when smaller and international sellers leverage large platforms. But it maybe large brands expanding their product range. Examples: Amazon, Rakuten, Etsy, Uber.

The migration of manufacturers and wholesalers from legacy to more modern systems lead to the rapid growth of the Business to Business online sales. Examples: Alibaba, Global Sources, eWorldTrade.
There are two types of platforms: those selling own plus others’ products or those selling third party products only

**Merchant + Third party**
- Large retailers or brands which expand their product portfolio by allowing others to sell via their platform
- Classic example is Amazon, but it can be any brand or manufacturer

**Pure Player**
- These are companies who purely act as a platform for others to sell goods or services on
- They don’t have their own products or services
Types of Platforms by product breadth

Based on breadth and width of product range platforms can be divided into two further categories:

**HORIZONTAL**

Such platform cater for sellers offering products in different categories, i.e. selling everything to everyone. Leaders when it comes to horizontal marketplaces are Amazon, Etsy, Rakuten, eBay and Alibaba.

**VERTICAL**

Platforms offering a wide variety of options but for one product or service. This allows them to focus more on the presentation of the product. Examples for such markets are UBER, Deliveroo, Booking.com or TripAdvisor.
So what is the market opportunity and what are the benefits of such Platforms?
Platform (marketplace) future estimations (2024)

P2P, B2C and B2B Future prediction for eCommerce and Platform Turnover (Billions USD, based on 2024 estimations)

Source: iBe Research
McKinsey: Procurement via Platforms

- McKinsey further suggests that traditional procurement function will benefit greatly from leveraging platforms instead of building own supplier and buyer relationships.
- And that indirect-spend ecosystems (aka marketplaces) are likely to become more complex and interconnected.
Benefits of the Platform approach

+ The consumers have broader reach to products and services
+ Brands don’t have to hold broad range of stock, as they provide a platform for ‘vendors’ to sell their goods/services or maybe able to add services to their products
+ There are less ‘middlemen’ adding to the final consumer price as businesses (e.g. manufacturer) can sell directly to the consumers
+ Quick onboarding of ‘vendors’ i.e. suppliers
+ Easy reconciliation and reporting, bypassing the legacy systems
+ Fast, efficient and cheap payout mechanism, with potential to make extra revenues on FX
+ Economies of scale in a range of services from payments to delivery
+ True international reach
Challenges of the Platform approach

– The consumers may be confused who they are buying from and this can lead to complaints and chargebacks
– Acquirers, local regulators and payment schemes are not clear in their rules as they are dealing with new and evolving models
– Marketplaces often have very strict T&Cs for the sellers and buyers, or they might not have good and clear T&Cs
– Challenging local competition without knowing the local customs may not be as easy as it sounds
– Fraud management and chargebacks can be an issue
– Payment processing is not straightforward...
Applicability of Platforms to Travel Sector

• OTAs are already similar to marketplace platforms by their nature but there are some key differences (ownership of the itinerary, for example)

• Expanding into T&E related services, ticketing or transportation can be much easier with the platform approach (e.g. bus tours, entertainment, ground transportation)

• Onboarding new suppliers is not easy, can be slow and cumbersome whilst the platform approach uses the latest technology and the onboarding can be almost instantaneous thus competing with the fintechs which aim for your clients

• Payments between suppliers are a challenge in the travel sector and it can be resolved with platform approach (e.g. Airbnb)

• If you don’t do it, others will do it and some are already doing it so watch out!
Some things to consider...
What is right for your organisation?

You may already have some of these pieces and is missing a few. The best way is to ensure that organisations leverage what it is good at and then bring in other ‘pieces’ from those who are established in the respective areas.
Summary and Conclusions

• Ecommerce growth is largely fuelled by new cross border and marketplace sales
• But platform approach is not only limited to ‘traditional’ p2p or b2c marketplaces: it can be applied to a growing number of businesses including B2B
• There are many ‘shining’ examples of platforming but there might be a different approach for different type of business (e.g. OTAs, Hotels and so on)
• Whist platform approach has multiple clear benefits it does have some challenges which need to be addressed, but often the companies already have some of the components in house and many can be easily outsourced to a growing number of fintechs specialising in platforming

Since the potential of platforming consists of both SAVINGS and generating NEW REVENUES it is worth considering!