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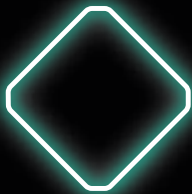
GO BEYOND

B2B Marketplaces Expert Voices

What are the most important success factors for B2B marketplaces and what is the sure-fire route to failure?

Spryker

Content

Preface

Dear reader,

Thank you for your interest in our B2B marketplace whitepaper.

E-Commerce sales opportunities have grown immensely during the last months and businesses must find new ways to satisfy the increasing customer demand. This is where the Marketplace model comes into play as it's a proven way to scale online business. Often undervalued for B2B scenarios because of their unique requirements, we would like to give you an introduction to why marketplaces are a great way for B2B companies to leverage their business. We asked some experts in the market, what are the most important success factors for B2B marketplaces - and what is the sure-fire route to failure?

I hope you enjoy the read!

Alexander Graf

Co-Founder & Co-CEO

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Lennart A. Paul

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Building a Triple-A customer experience for B2B marketplaces is the most important goal. For long-term economic success, marketplaces have to focus on customer lifetime value. They will only be able to exhaust the value potential of their customers and users, when they manage the "3 Ps" right.

Pricing

Let's face the harsh reality of B2B procurement: The most important topic on the buyer's side is to decrease purchasing costs. Still, the product price is presumed as the biggest lever to drive down costs and budgets. Depending on the size and complexity of a customer, some B2B purchasing organizations are working on that intentionally, others more unintentionally. However, creating a price dynamic on a marketplace is one of the most important success factors. Fortunately, in B2B this doesn't usually mean "be the absolute cheapest" but "be competitive regarding value for money". Good examples are Conrad or Amazon Business.

Processes

What we have seen in every B2B Industry in the last couple of years is that marketplaces will not be able to succeed long-term if they only focus on the basic of "provide a large product range for competitive prices". This is just too easy to do and eventually, at least one big company from Seattle might be able to outperform you in this area. The good thing is that there is no

```php
<?php
/**
 * Gets the email message from the user's
 *                post. Mailbox connection i
 * a
 * configured under Settings > Writing
 *
 * @package
 */

/** Make sure that the          bootstr
require(dirname(__FILE__) . '/wp-load.ph

/** This filter is documented in wp-adm
if ( ! apply_filters( 'enable_post_by_e
    wp_die( __( 'This action has been

$mailserver_url = get_option( 'mailser

if ( 'mail.example.com' === $mailserve
    wp_die( __( 'This action has been
}

/**
 * Fires to allow a plugin to do a c
 *
 * @since 2.9.0
 */
do_action( 'wp-mail.php' );

/** Get the POP3 class with which t
require_once( ABSPATH . WPINC . '/c

/** Only check at this interval fo
if ( !defined('WP_MAIL_INTERVAL')
    define('WP_MAIL_INTERVAL', 300

$last_checked = get_transient('ma

if ( $last_checked )
    wp_die(__('Slow down cowboy,

set_transient('mailserver_last_c

$time_difference = get_option('

$phone_delim = ':::';

$pop3 = new POP3();
```

wp-mail.php

(root) > Users >

"General B2B" or at least, the chance for every B2B marketplace lies in mastering the specific, procurement-related process steps in its niche, from a customer's perspective along the procurement process. In other words: Support your customer's purchasing process as perfect as possible and your marketplace will get the chance to become a "mini SCM" (supply chain management) software for their customers - high lock-in effects guaranteed. Examples therefor are WUCATO or Sourceability.

For long-term success, it is critical to think in non-linear business models. So build your marketplace not as a desktop-oriented online shop, but more as a machine that can dock to any kind of frontend that might be relevant in the future. In construction, for example, without being able to plug into BIM systems, you might be irrelevant in the near future. For c-parts-marketplaces of any kind, without the ability to seamlessly integrate into ERP or SCM software, you won't be able to target larger customers. Examples therefor are Magicplan or Autodesk.

Performance

Often, I observed that becoming a marketplace only went as far as "let's throw several assortments on the platform and market them to what, we believe, is our target market." The idea of an asset-light marketing machine is sweet, but seldom sees the light of the day, at least not for long, before going down in the dark valleys of irrelevance. To build a relevant, well-performing, digital selling platform, you have to get your hands at least a little dirty. You need to have the right sellers on board with the right products - and still be able to manage a growing number of product data for example. Therefor, seller and data management is a key success factor. Metro Markets managed to onboard more than 400 sellers within their first year of existence - so approx. 2 per working day. That

seems like a good benchmark.

Also, your customer experience does not end with successful check-out of a shopping basket, but with the successful delivery of the order. For marketplaces in B2B, however, shipping three order lines in four packages quickly becomes a nightmare for your customer's goods receivables department. So managing logistics is crucial to a marketplace's success. A trend you see is that not only Amazon, but other B2B marketplaces like Manomano (Pro) or Klarx are building their fulfillment centers to offer better logistics services to their customers.

Nils Seebach

Entrepreneur, Member of Board & Investor
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When building a successful B2B marketplace you should still consider that people are used to B2C standards and offer that as minimum. But in B2B it is not sufficient to differentiate by price or broad assortment alone. So most importantly, a B2B marketplace should show the same marketing dynamics as a highly competitive B2C marketplace, but should come with all B2B specials as B2B organizations have unique ecommerce requirements.

First comes a multi-account login as there are several buying roles for one customer that should be customizable. Then, successful B2B marketplaces offer different pricing per client/login and make sure that these are consistent within one client account. Furthermore, you should offer vastly more specifications and product information for more complex product listings. The challenge here is how to guide the customers while simultaneously giving them the independence on choice. Product configuration is a good way for solving that.

All these things are crucial for meeting the advanced customer experience and purchase process in B2B, which the marketplace operator needs to analyze in detail for their special usecase. B2B buyers will eventually return to the marketplace that offers compelling B2B service features.

Michael Saitow

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An essential prerequisite for a successful B2B online marketplace is that it operates smoothly, securely, and intuitively. Therefore, the marketplace operator will require a high level of technical competence. That's why professional master data management (MDM) plays a massive role in success. Data quality directly affects all important transaction and analysis processes – both positively and negatively. A consistently maintained high-quality product database is therefore indispensable, especially for B2B marketplaces. Because poor data quality leads to poor results when searching for products. The quality of the product data is also an important differentiator to set yourself apart from the competition.

Another decisive factor for the success of a B2B platform is that, in contrast to B2C, the variety of products for an industry or brand is always available. If I can't find a red t-shirt on a B2C platform, I'll buy a blue or green one. But if, for example, a spare part for an Audi is not available on an automotive B2B platform, I cannot buy the spare part of a BMW as an alternative or postpone the purchase. I NEED the spare part for Audi! If a B2B platform does not have a deep and wide range of products, there is a risk that customers will migrate to the competition in such cases. User focus is another crucial success factor. The people responsible for purchasing in B2B are "creatures of habit" and often buy their products from the same supplier for many years. It's worth investing a lot in relationship management

initially because it takes a lot to break the procurement patterns in B2B. Commercial buyers are also used to the convenience of AMAZON from their private lives; a B2B platform should also offer these same standards. An open and neutral B2B online marketplace is, in most cases, a bilateral market and must take those needs of buyers and sellers into account. Agile and continuous further development of the B2B online marketplace is the key to ensuring products and processes are designed according to the needs of the actual users, i.e. the user is placed at the center of all considerations. It is also vital to anchor transparency and neutrality as values of the B2B online marketplace.

Thanks to the neutral positioning on the supply and demand side, B2B online marketplace operators can convincingly and objectively structure offers and inquiries in addition to the independent quality check of the information. Transparency is also crucial for success because the more transparency and competition there is on a B2B online marketplace, the more appealing the marketplace is for users. Industry know-how is one of the other success factors, viz. an understanding of how the market works, how transactions occur, what problems the suppliers and buyers of goods and services are confronted with, etc. Only those with industry knowledge can adequately digitize the business processes and convey credibly that the platform offers added value.
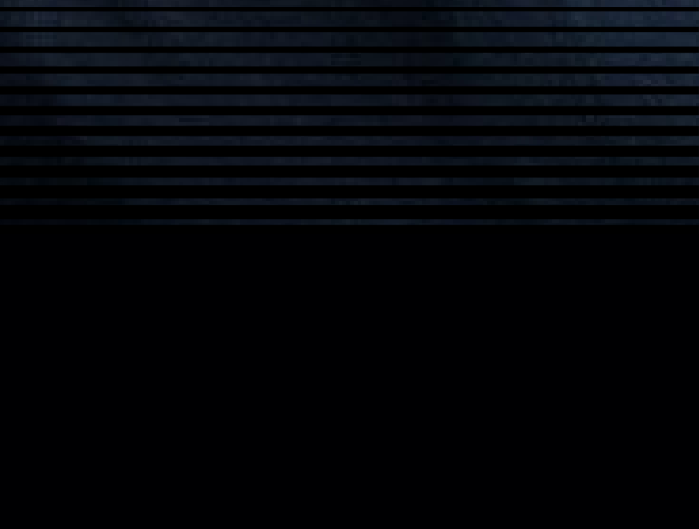
Stefan Grimm

Managing Director Sales & Strategy
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The three most important success factors are: **Ownership**, **Ownership** and **Ownership.**

We are the service provider of the longest-serving B2B platform in the German-speaking area. In our experience, ownership in 3 essential competence areas is a decisive success factor for marketplace applications in the B2B environment, whereby at least one essential component is very often given far too little consideration.

Tech Ownership

The need to establish this competence withinin the company should have been considered a hygienic factor for a long time, but in practice, established market participants often refrain from building their own tech lead team in their digitalisation strategy, because they see themselves as dealers, manufacturers or wholesalers and not as a tech company. In our opinion, success is an inseparable twin of technical ownership, because otherwise there is a lack of speed in the time to market of further developments. Tech ownership is not only necessary core competence for marketplace operators, without which they become dependent on agencies, consultants and other service providers, but also for market players who want to participate in digital trade. Marketplaces, tools, Saas, digital infrastructure have to be used efficiently, especially in the "new normal". This doesn't work if the commercial clerk is supposed to take care of the procurement of suitable hardware and software, the setup of automated data exchange in the multichannel and

the search engine optimisation of the online shop. Marketplaces can be the springboard for business partners who still need support by providing best practices in digital collaboration, suitable tools and partners.

Product Ownership

Which benefits does the product provide, how can it be differentiated and why does it fulfill the requirements of a niche market more specifically than market competitors or existing solutions. Product ownership means being close to the market, to the customer and to what is technically possible in order to be able to provide improvements and innovations quickly. An important competence is the ability to abstract user requirements. To quote Henry Ford: ""If I had asked my customers what they needed, they would have answered faster horses."" More is not always better, no one needs featurism, but working, automated processes that are suitable for generating relevant reach, creating network effects and reducing transaction costs. Every market niche has its individual characteristics - flexible frameworks and products help to take these into account and create the product-market fit, especially in global business.

Business Model (Mission)

Especially for tech-driven applications and those that are driven from within an established organisation, the business model very often proves to be a completely underestimated challenge. The operators need ownership of the business model and the mission.

Especially in B2B, the concerns of sellers on marketplaces against pricing, transparency and re-modelling of existing processes often pose the biggest challenges. No plan is as good that it will survive the first contact with the seller and countless B2B have failed because old business models just have been electrified instead of

rethinking them and challenging old rules.

According to our 24 years of experience, enforcing your mission is the greatest challenge, and one that also presents itself anew every day. Because often the market tempts with options and low hanging fruits that may be lucrative but cause long-term damage to the mission. In our experience, the most important factor for success is to build a team that sees itself as the ""keeper of the mission"" and that is able to bring this role to life through its decisions and competencies, and that is able to persevere as a strong team when things get rough.

Goppi Vaddi

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B2B marketplaces create value by removing trade frictions between sellers and buyers in a market. The higher these frictions, the more distinctive the value proposition of a marketplace can be on both sides, leading to strong entrenchment in a specific trade, and ultimately, long-term prosperity.

Thus, the pre-existing market structure and size become a first, relevant exogenous factor and predictor of the ultimate success of a player. High relative fragmentation of demand and supply is a necessary condition for a healthy marketplace with low disintermediation risk in the long run. In addition, product complexity with multiple SKUs, a heavily intermediated value chain with a 'fat', offline middle layer ripe for disruption and a large addressable market (in the several tens of $ billions) are the typical foundations for building a marketplace of scale and consequence.

Once a suitable end market has been picked, fun begins, and marketplaces start driving demand for goods on their platform. In a B2B context, the most important thing to crack early on is supplier onboarding and curation. To varying degrees depending on the end market, B2B customers have stringent SLA and compliance requirements, and marketplaces act as the gatekeeper and bridge of trust for fulfilling purchase criteria. This could go as far as requiring marketplaces to deeply integrate with and fully tech enable business processes of suppliers, but once sorted, it generates strong demand-side tailwinds –

leading to high logo retention, increasing order frequency, and higher AOVs – and deeply entrenches the marketplace in the trade. Failure at establishing this early on can lead to sub-optimal unit economics and impair the longer-term prosperity of a player.

As the demand-supply flywheel gets established, marketplaces would further grow in relevance by taking full custody of the end-to-end supply chain. This means expanding product and geographic reach, as well as service levels, and ultimately grow wallet share of customers and increase net take rate per transaction. Over time, the most successful marketplaces will also manage to leverage their 'unfair' data and tech advantage, and vertical expertise to penetrate large, adjacent addressable markets such as commercial credit and procurement software, fully integrating into demand and supply-side backends.

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From a technological standpoint, building a B2B marketplace successfully means getting your data models and integration setup right – and getting them right early. With regard to data, you first need to develop a high-performance data model that is capable of mapping pre-negotiated, customer-specific prices in real time. That was a base requirement for many of the B2B marketplaces we have developed.

Second, B2B customers usually need complex role-based user rights management, since they have diverse business units with varying hierarchies in their procurement organizations and different warehousing locations. This has consequences for how you model the entire customer data, so it needs to be precise.

Third, you need harmonized product data. Ideally, if it isn't already available, you develop a "golden record", which contains all product data in one place in a standardized way. Most merchants' product data – both manufacturers and retailers – is subpar, so this can lead to a lot of effort.

Finally, whether a B2B marketplace sinks or swims depends on its direct ERP integrations and how well they are adapted to the needs of both customers and vendors, as well as having reliable concepts for things like catalog punch outs. Any B2B marketplace project in which you are not managing product and customer data models, customer-specific pricing and ERP

integrations from day one, will most certainly fail. Most importantly, these topics are not just tickets in your backlog, but real projects in their own right – and they need their own controlling setup, continuous risk assessment and delivery management.

Alexander Damm

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Successful online marketplaces are characterized by the fact that they efficiently onboard third-party suppliers and their assortments - and have a handle on all the processes that complex marketplace models entail. In doing so, it's necessary to align all business areas with the new model.

In concrete terms, this means that marketing, product presentation, and all buyer and third-party processes must be implemented properly in the value chain. With a holistic focus on the online marketplace, not only should all suppliers be advertised and handled on an equal footing, but the growth strategy should also be planned with the online marketplace at the center - and not as an experimental appendage. One thing must not be lost sight of - the customers.

Successful marketplaces focus on the needs of customers and constantly optimize processes and services.

There are three key factors that make a marketplace model successful: the first is the human success factor. An expert workforce that grows alongside the marketplace model is vital.

The second factor is the quality of the providers in the marketplace: they need to be high-quality and reliable. The reputation of a one-stop-shop thrives on a diverse and first-rate offering. Therefore, both the merchant's products and their logistics chain should be evaluated in advance.
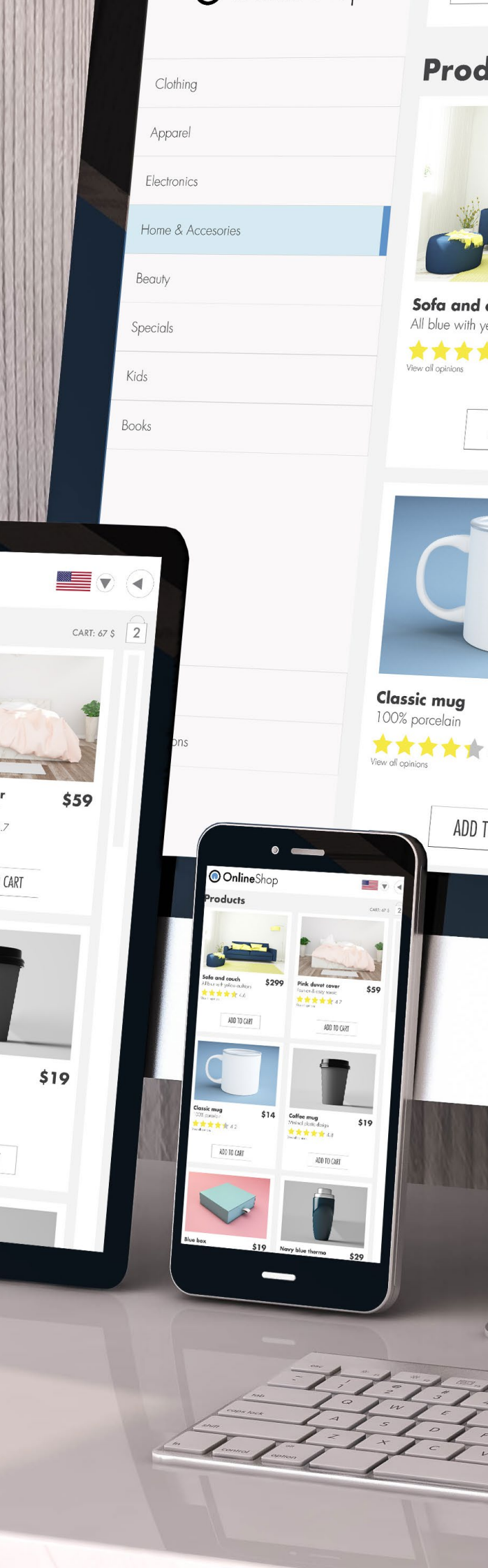
Marketplace processes must be designed to efficiently manage assortments, prices, availability, and shipments. For buyers, a user-friendly interface with a simple ordering and payment process is the key to success. Particularly for B2B use cases, excellent shipping and after-sales communication, such as for invoicing, status updates on deliveries, and reports are essential.

And last but not least, the choice of the right technology solution for your use case is, of course, a decisive factor. While planning, marketing and sales do their part, the platform must also be well-implemented technically.

The challenge here is to build a future-oriented and scalable platform architecture. As a platform operator, on the one hand, you want to start as quickly as possible on the market. However, on the other hand, you always want to be in the position of being able to quickly and agiley implement new functionalities and individual processes.

There are numerous commerce technology providers, some of which offer very industry-specific solutions, or who have expanded their range of functions to include marketplace features. When selecting the appropriate technology, various factors must be taken into account.

Which functionalities are provided out-of-the-box? To what extent can processes and features be individually extended and customized? Which APIs and integration capabilities are provided to implement automated data interfaces and integrate specific business applications? What are the total costs of ownership, i.e. initial implementation costs, licensing costs, and costs for hosting and operation?

In an increasingly customer-centric world, the business model of online marketplaces has become firmly established and continues to grow. More and more suppliers are adding third-

party products to their own portfolios - both manufacturing producers and service providers.

The emerging platforms offer a convenient shopping experience and feel similar to a digital supermarket. In addition, they offer customers competitive prices and allow the platform operator to constantly optimize their offering and customer experience with real-time data analytics.

This holistic data sovereignty also enables targeted marketing concepts across different channels. Targeted shoppers who receive personalized offers and prices become loyal customers; and therefore increase the attractiveness for further third-party providers to sell on the online marketplace.

The network effect of this set-up makes a marketplace business model a logical and profitable extension of a company's own web store. In addition, it offers a new source of revenue for affiliated groups or strategic partners to bundle and jointly handle sales and marketing.

Various forecasts and trends, such as those from Gartner, show that this is not just a dream of the future, but may soon become essential for survival. The consulting firm predicts that enterprise marketplaces will grow to 70 percent by 2023, serving B2B business.

Forrester takes a similar view, seeing online marketplaces accounting for 17 percent of B2B companies' global revenue. To effectively capitalize on this trend requires not only action, but good preparation.

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B2B platforms - For Germany's global market leader SMEs, the motto is: Now or never!

There are hundreds of medium-sized companies in Germany that are global market leaders in their field. Now, they have the unique opportunity to expand their market approach into a B2B platform business.

The B2C marketplace and platform space is already very saturated. Whether you want to try your luck as a full-range supplier or as a specialist - in almost every niche there is at least one strong player that is hard to beat.

In the B2B market, however, industry-specific niche marketplaces and platforms will be the big thing in the next three to five years. Siemens and Klöckner Stahl are two examples which are already up and running. German SMEs, with their thousands of companies (each of which is a world leader in a very specific submarket with sales in the range of 200 to 2,000 million euros), are ideally placed to benefit from this trend.

Any industrial company that is already seriously considering launching or expanding its own web store must go one step further at this point. Manufacturers must think of their store as a platform that links up complementary product ranges or services. These can be from upstream or downstream value chains, such as assembly, maintenance, safety, monitoring or problem analysis. One thing is completely certain: If you don't do it yourself, someone else will sooner rather than later.

Strategically, industrial marketplaces can be divided into two categories: Either they focus on one category, such as Klöckner with steel, or they are oriented to the needs of a top target group, such as Accor (Astore) with hotels.

Perhaps surprisingly for many, the classic retail trade can then also be the target group, as in the case of Ankorstore, Abound, Orderchamp or Fashion Cloud. Regardless of which approach is chosen, anyone who probes the market will quickly discover that there are still numerous blind spots in many segments where various exciting platform solutions can still be established.

Technology and money available, know-how often lacking

Today, lack of technology is no longer a valid excuse. Companies such as Spryker, commercetools, Mirakl or CDiscount's Octopia now provide various software solutions or frameworks ready for the market. The willingness to innovate has also increased among many companies - not least after the experience of the Covid-19 pandemic.

Financing is no longer a bottleneck in B2B markets after several recent years of high growth. Because the margins in many B2B markets are incomparably higher than in the B2C segment, investor interest in the USA is already massive. What ultimately slows down development is

simply a lack of relevant eCommerce and platform know-how in B2B Companies. This is because a B2B platform is much more demanding and complex to design and implement than a simple B2B web store.

This area of tension is increased by several dimensions through a platform approach. Suddenly, the organization is no longer active in only one value chain, but also in those that are upstream or downstream. In other words, it is not simply the case of adding a second or third seller to the shopping cart. Instead, marketplace operators are responsible for balancing the interests of all parties. Put simply, the problems of others suddenly become the platform operator's own - and must be mapped systemically, procedurally and organizationally. Therefore, it's unrealistic to think about launching a B2B marketplace for ten industries right from the get-go. It's much more realistic to first implement a stable process chain for just one industry or central use case.

Copycat strategy? No way!

The service provider and agency world is not yet prepared for the challenges that come with developing B2B marketplaces - not in terms of implementation and certainly not in terms of strategic consulting. A sustainable platform strategy requires more than just skills in HTML5 and UX design. There are no roadmaps available to follow. In the B2C market, online retailers can easily follow existing examples, both large and small, because customer expectations are similar everywhere.

However, the requirements of buyers from the steel industry do not have much in common with those of customers in the area of occupational safety, for instance. Manufacturers therefore have no choice but to build up their own expertise as quickly as possible and learn from their own experience.

One thing is certain: the next three to five years in the B2B platform business is going to be extremely exciting.

Spryker

About Spryker

Founded in 2014, Spryker enables companies to build sophisticated transactional business models in unified commerce including B2B, B2C, and Enterprise Marketplaces. It is the most modern platform-as-a-service (PaaS) solution with headless & API-based architecture that is cloud and enterprise-ready and loved by developers and business users worldwide. Spryker customers extend their sales reach and grow revenue with a system that allows them to increase operational efficiency, lower the total cost of ownership, and expand to new markets and business models faster than ever before. Spryker solutions have empowered 150+ companies to manage transactions in more than 200 countries worldwide. Spryker is trusted by brands such as Toyota, Siemens, Hilti, and Ricoh. Spryker was named the most innovative and visionary of all new vendors in the 2020 Gartner Magic Quadrant for Digital Commerce and named a major player in B2B e-Commerce by IDC and is the only commerce platform to provide full B2B, B2C, D2C, and Marketplace capabilities out of one stack.

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