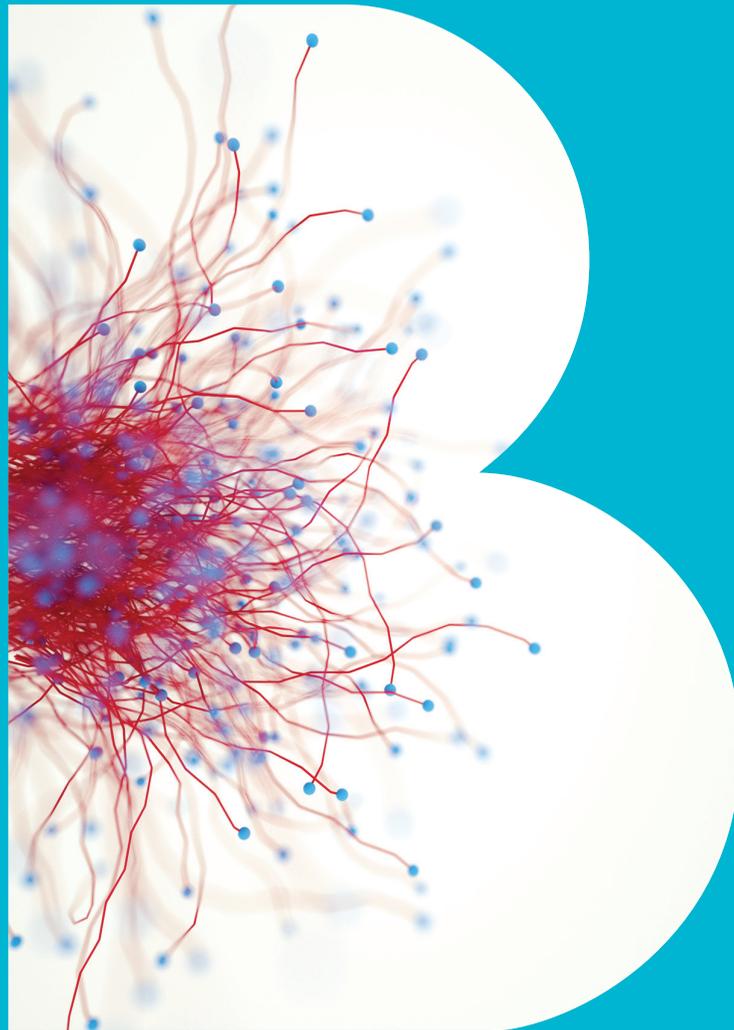


Roland Berger Focus

June 2018

B2B Marketplaces are blossoming

New opportunities for B2B players to capitalize on a growing business



Management summary

Following our publication last year of "The Spring of B2B Marketplaces," it is time to look back and to answer these questions: has there been some movement in the market? Have B2B players evolved in their marketplace business models? Is launching a new market observatory worthwhile?

The answers to all questions is "yes". Lots of things have happened over the past year. While there are still four broad B2B marketplace strategies, they have changed: two strategies have merged and a new one has emerged. These changes reflect a growing focus on this distribution model, while B2B e-commerce continues to grow. But launching a marketplace does not come easily. This study has identified several main challenges that must be overcome to ensure that businesses stay on the right track for success.

If we take a step back and look at the broader picture of B2B buyers' activities, e-procurement systems take the lion's share of transactions. Since marketplaces offer the additional benefits of large and flexible product portfolios, in the future these models will move closer together and deliver the best of both worlds.

In the previous study "The Spring of B2B Marketplaces" published last year, four different business models were identified: "Long-tail growth", "Defensive/Offensive one-stop shop", "Distribution channel extension" and "Business model transformation". One year down the road, there is further momentum in the market and new business strategies have emerged.

For now we have identified:

- > One-stop shop**
- > Distribution channel extension**
- > Procurement network**
- > Business model transformation**

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Chapter 1:

B2B Marketplaces, last springs' buds are opening

Marketplaces strengthened their position in the B2B e-commerce market.

B2B MARKETPLACES ARE CONTINUING TO GROW

Buds are opening, and Business-to-Business (B2B) Marketplaces are blooming.

Companies are already cashing in on this retail model, demonstrating that Marketplaces are becoming the future of professional e-commerce. Two of the major players, Alibaba and Amazon, generate USD 11 billion and USD 4 billion respectively with their platforms, although they have quite different business models.

The B2B sector has traditionally been built on long-term trust between buyers and sellers, as products are complex and often require substantial advice. At the same time, the purchasing process is often negotiational, with sellers setting individual prices and payment terms for each customer. Hence, the digital transformation of this entire market is lagging behind, despite being the much bigger market than the much better-known B2C e-commerce market.

The good news is that it is catching up, as B2B buyers are also B2C customers and increasingly want the same kind of purchasing experience in their professional environment that they encounter in the consumer world. → **A** Since Roland Berger, Mirakl and Webhelp Payment Services published "The Spring of B2B Marketplaces" last year, B2B Marketplaces have grown significantly and will continue to grow strongly (CAGR +10%) through 2020, using B2B e-commerce as a proxy. However, it is too early to say that the "summer" of B2B Marketplaces has finally arrived, as for now it is still the pioneers in their category that are the driving force.

In 2017, B2B e-commerce sales aggregated USD 7.6 trillion, of which Asia accounted for almost 80%. The trend is being driven by the faster adoption of digital technologies by Asians and the dominant market position of companies like Alibaba that have created a culture of online shopping in B2B while the market was still developing. Interestingly, the market driver in recent years was North

A: The B2B buyer is becoming more digital-savvy. Digital and multichannel modes offer new solutions for the B2B sector.

B2B PURCHASING BEHAVIOUR

74% research at least half of their work purchases online

61% research products on mobile

56% expect to make half or more of their work purchases online in the next three years

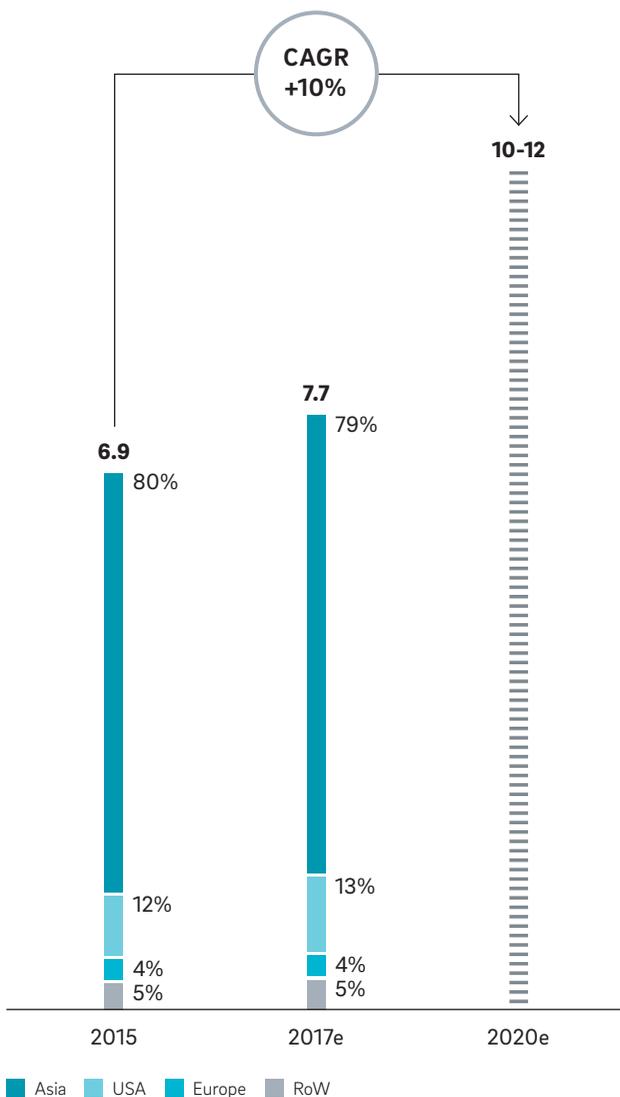
91% prefer to buy online once they have decided what to buy

Source: Forrester, Internet Retailer, Roland Berger

America (CAGR +12%), mainly reflecting the growth of Amazon Business. Europe, accounting for just 4% of global sales, is still lagging behind. That is partly because companies from Central and Eastern Europe need to catch up digitally, and because no strong European pure player has emerged so far that can act as a locomotive for this market. → **B** But this should change in the coming years, as Europe's share of global B2C e-commerce is 27%, not far behind the US (31%) and Asia (36%).

B: B2B e-commerce is dominated by Asia and will continue to grow strongly.

B2B e-commerce GMV by region [USD Tn]



Source: Statista, Roland Berger

Adding to regional differences are variations in the digital maturity of business sectors within B2B. While the travel & transportation sector, together with office supplies, has already largely embraced B2B e-commerce, other sectors will strongly grow the coming years, such as industrial supplies, automotive parts and HoReCa (all > +10%). → C

Most of the dynamics shown here can be transposed to the B2B marketplace model, as the marketplace model is often the logical next step when companies want to develop their e-commerce business.

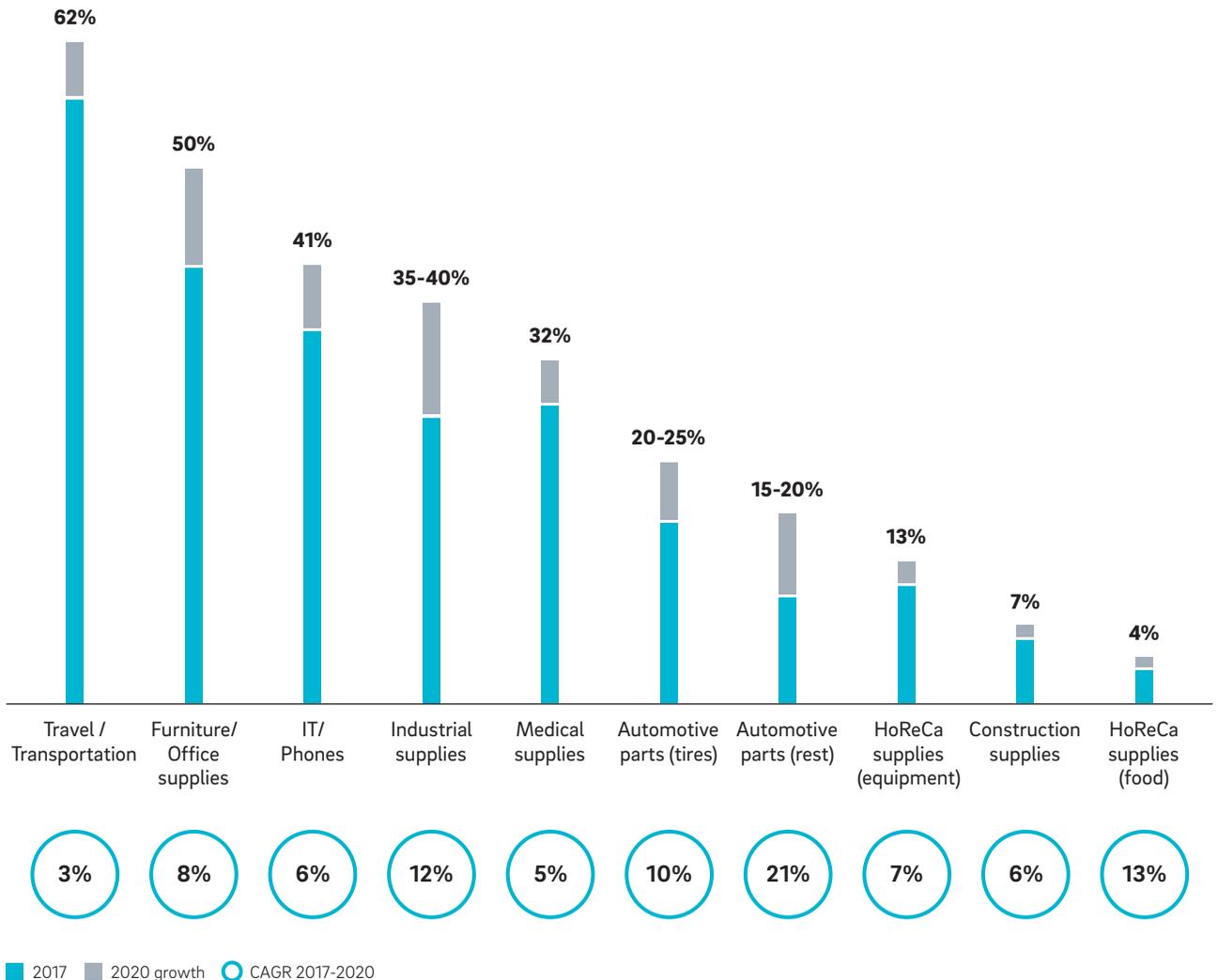
WHO ARE THE MAIN PLAYERS IN B2B MARKETPLACES?

B2B e-commerce is dominated by Alibaba in Asia and Amazon in North America, and both are very successful despite having quite different business models. While Amazon has been transferring its successful business model – a mix of wholesale and marketplace – from the B2C world to B2B, Alibaba has started off directly as a marketplace model, only adding a small quantity of inventory to its asset-light balance sheet, to prevent out-of-stocks on some core Stock Keeping Units (SKUs).

Hence their financials are also very different. In 2017, on the one hand, Amazon sold products worth USD 280 billion (GMV estimate) over its platform and generated revenue of USD 178 billion. Its main cost driver is the wholesale business, representing 63% of revenue (cost of sales), and the company delivered USD 4,1 billion of operating income. On the contrary, Alibaba has a GMV of USD 768 billion, almost three times that of Amazon, but a much smaller revenue of USD 40 billion, because its main source of income is service fees for allowing third parties to sell over its platform. Given the much lighter model, it produced operating income of USD 11 billion, and was thus much more profitable with an operating margin of 28% vs. Amazon's 2%. → D

C: B2B e-commerce will continue to grow strongly overall, but unevenly among different categories. Automotive parts will experience the most sustained growth.

SHARE OF B2B E-COMMERCE PER CATEGORY IN FRANCE 2020 [%]



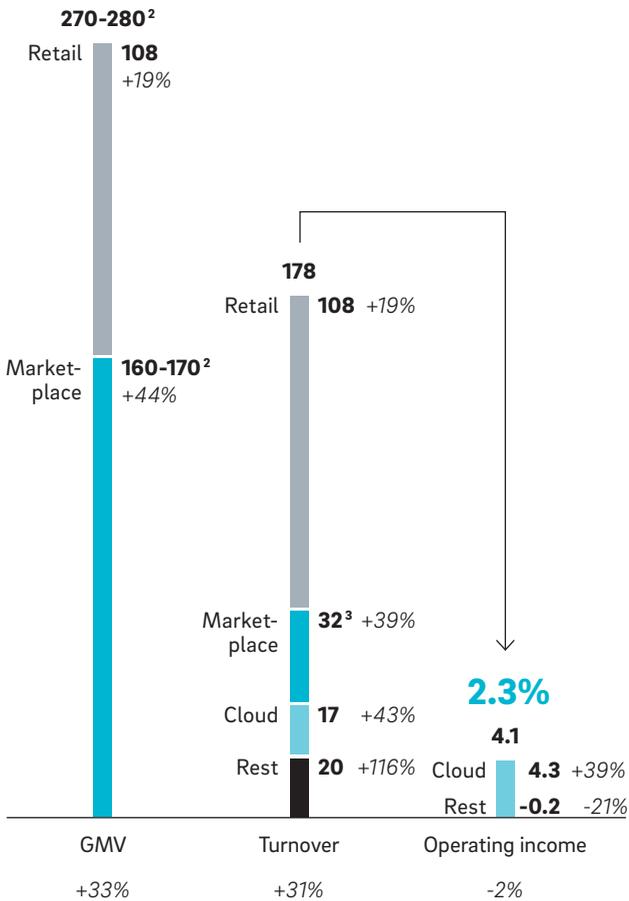
Source: Xerfi, Roland Berger

D: Financial analysis of Amazon and Alibaba.

Alibaba's business model is much more profitable than Amazon's.

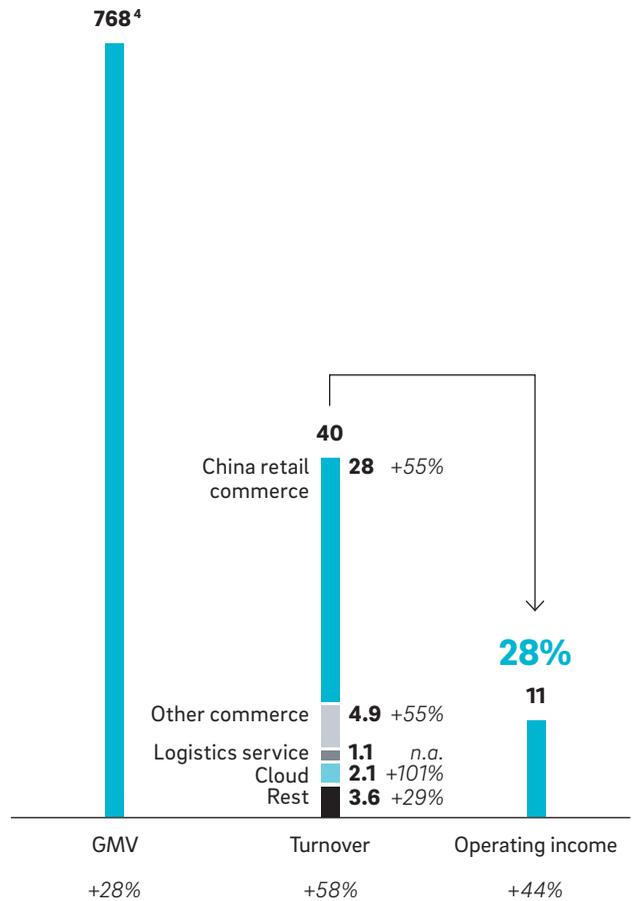
AMAZON (2017, USD Bn)

HYBRID MODEL



ALIBABA (2018¹, USD Bn)

MARKETPLACE MODEL



XX%: vs. previous year

1 Year April 17-March 18, 2 Estimate, 3 Third party services, 4 China business

Sources: Press review, Alibaba, Amazon, Roland Berger

Besides being a marketplace focused company, Alibaba has developed a bouquet of partnerships in sectors such as commerce, financials, logistics etc. These allow the company to leverage its own services, e.g. Alipay, further. For example, Alibaba entered Russia in 2015 and has successfully grown the commerce business AliExpress, while Alipay cooperates with a local financial service provider called VTB. At the same time, its logistics partner Cainiao is further expanding in Russia, and Alibaba has opened up a national data center there to analyze customer data in order to comply with regulations.

By contrast, Amazon is still mainly a wholesale company; the share of this business segment will continue to decline in favor of its other segments, especially its highly profitable cloud and to a lesser extent marketplace businesses.

Amazon launched its Amazon B2B marketplace business unit in 2015 and has since entered the biggest B2B markets worldwide (except China) with great success. In general, Amazon enters a market with a broad selection of low-complex products (such as office supplies) and then goes after more challenging categories. Amazon has a "killer combination of arguments", such as its broad product catalog, equivalent quality to other suppliers with (perceived) lower prices, and special B2B features/services, for example Business Prime Shipping, Amazon Business analytics, Alexa for Business, Free delivery above EUR 25, and multiple user accounts, all vectors that drive strong growth.

Through this strategy, Amazon managed to generate sales of USD 1 billion in just one year following its launch in the US, and after entering Germany in 2016 the company was able to onboard 40k sellers and register 150k buyers by the end of 2017. The latest launch of Amazon Business was in France, in February of 2018.

B2B players in Europe have an ambiguous opinion concerning Amazon so far. On the one hand, they obviously fear Amazon entering their market and quickly gaining

Alibaba and Amazon have created a new paradigm: B2B e-commerce moves from "bricks and mortar" to "click and mortar".

traction, especially with small and mid-sized customers. But they also believe the complexity of their segments will shield them from being easily taken over, and that instead it is the others who will be the victims. While it is true that long-term expertise and additional services, such as physical interactions through sales reps and stores, add value to a B2B relationship, the question is rather how long this will prevail with the increasing digitalization of the entire business.

Alibaba and Amazon have created a new paradigm: B2B e-commerce moves from "bricks and mortar" to "click and mortar", traditional B2B actors must adapt their offer to challenge these players.

Chapter 2:

One Marketplace – four different models

B2B Marketplaces adapt to new demands from professionals.

In the previous study "The Spring of B2B Marketplaces" published last year, four different business models were identified: "Long-tail growth", "Defensive/ Offensive one-stop shop", "Distribution channel extension" and "Business model transformation". One year down the road, there is further momentum in the market and new business strategies have emerged. → [E](#)

Two business models are moving closer together: "Long-tail growth" and "Defensive/ Offensive one-stop shop" are merging to become "One-stop shop". This business model still can be approached from two angles: to add new categories or deepen an existing one. However, the ultimate goal is always to create a one-stop shop solution for clients, where their needs are fully satisfied and customers do not need to go elsewhere.

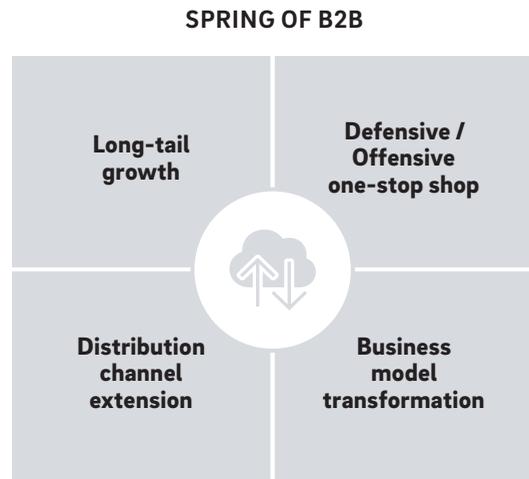
One new business model is also appearing: "Procurement networks," a closed marketplace environment designed to take advantage of pre-negotiated prices on the platform. Two different initiators can open up this marketplace: one is a purchasing organization offering this service to its members; the other is corporates that want to provide this centralized service to the purchasing departments of its different subsidiaries. Looking at where the marketplace initiator is located within the different strategies, the evidence shows that marketplaces are currently set up along the entire value chain. Being a distributor-focused model, marketplaces offer opportunities for producers and B2B customers alike. → [E](#)

ONE-STOP SHOP, THE NEXT STEP OF E-SHOPS

The "One-stop shop" is the most commonly seen business model in B2B marketplaces as it extends the range of distributors' e-commerce activities, moving from an e-shop to a marketplace model. Broadening the offer on the platform was done initially by adding long-tail products to the current category (horizontal growth). But we are now seeing the portfolio expansion increasingly happening through a vertical approach and adding adjacent

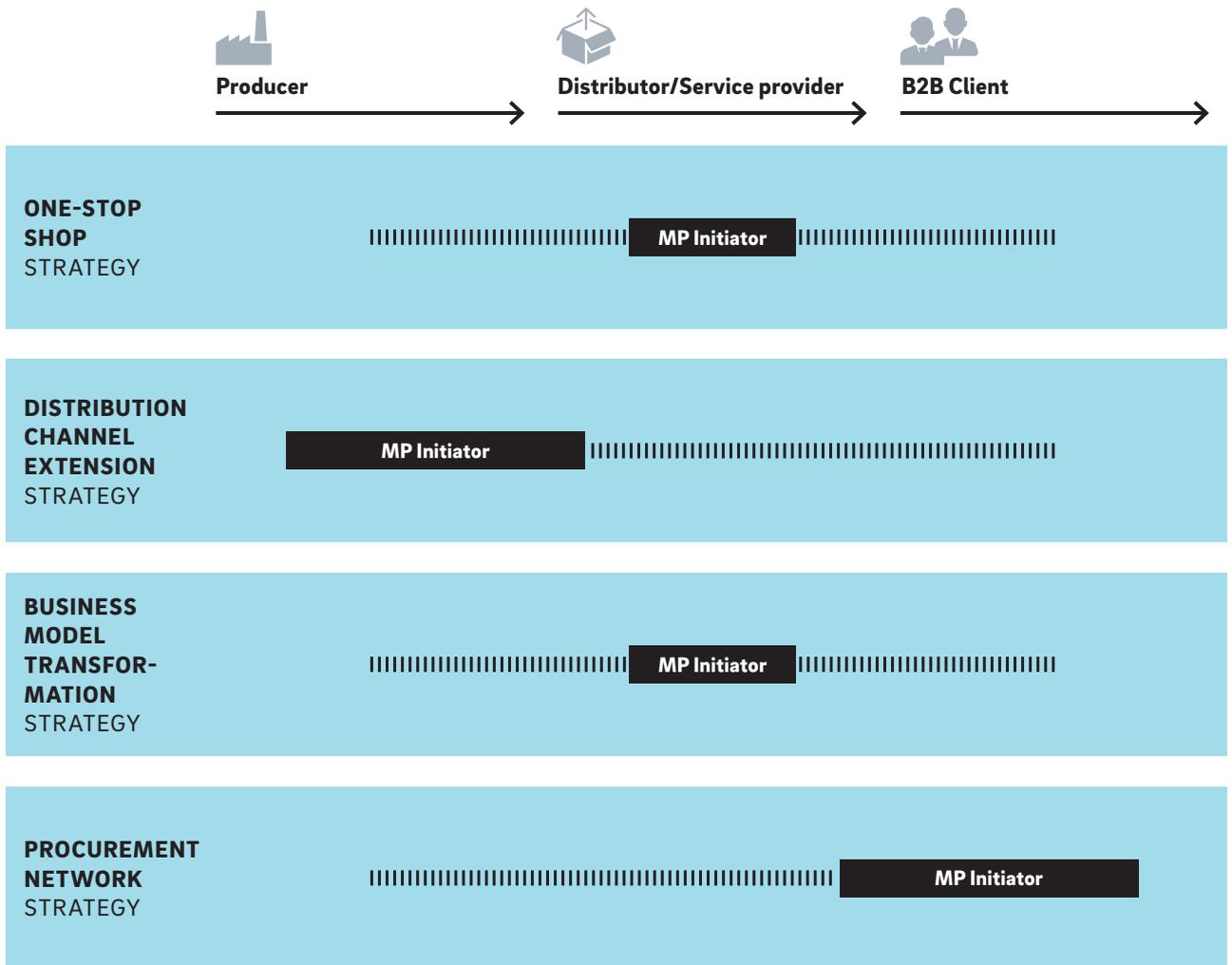
E: New strategies are emerging as B2B marketplaces blossom.

We have seen one merger, and one new strategy has come on the scene.



Source: Roland Berger

F: Marketplaces can be initiated by all actors along the value chain.
Producers and customers also steer marketplaces.



categories. Both trends aim to bolster loyalty with existing customers and attract new ones to the platform.

The mix of wholesale and marketplace platforms allows a marketplace owner to analyze thoroughly the sales performance of each product and thus optimize margins and stock risk, depending on the sales model he chooses for each product. If a private label brand is well-managed, those products also benefit from experience gleaned from data analytics.

Furthermore, the model becomes very agile and product portfolios can quickly be updated on the marketplace; this is particularly good for entering new countries and adapting product catalogs to national preferences. In general, these marketplaces generate fees by asking for a monthly subscription fee, a transaction fee on sales carried out via the platform, and a marketing fee for promoting items.

The next step for this business model is to enrich it with additional services (insurance, payment service, etc.) and eventually integrate smart technologies that will offer product recommendations for buyers. → [G](#)

A NEW DISTRIBUTION VECTOR TO BOOST SALES

B2B Marketplaces offer a new distribution vector to suppliers in addition to existing ones, without creating channel conflicts. For example, a producer with a fragmented distributor network and a strong brand can integrate its distributors onto a platform for them to sell their products. Or, a service provider offers producers the possibility to have a digital marketplace alongside a physical one. In both cases, the marketplace initiator adds this channel as a service to its distributors and in return benefits from a closer access to end customers and a better overview of product inventories.

This closed model promises to increase the loyalty of distributors and eventually integrate new ones if the platform traffic is strong. Because it is seen as a service, commonly only a monthly fee is charged.

Interview with Vincent Belhandouz

CEO of Aniel

(Distributor of auto parts to body shops)

Why did you choose to develop a marketplace?

Our sector is currently renewing itself due to all the digital changes we are facing. Choosing the one-stop approach was what my customers needed the most. I want to be THE one-stop shop for body shops.

What was the biggest challenge to overcome?

My biggest challenge has been to manage the full range of my sellers within the user experience (UX) that my clients are used to. It also required a pedagogical approach to explain to suppliers the added value of our marketplace and thus justify the commission.

The future of B2B marketplaces is...

In my opinion, in the coming years, marketplaces will specialize to meet very specific customer needs.

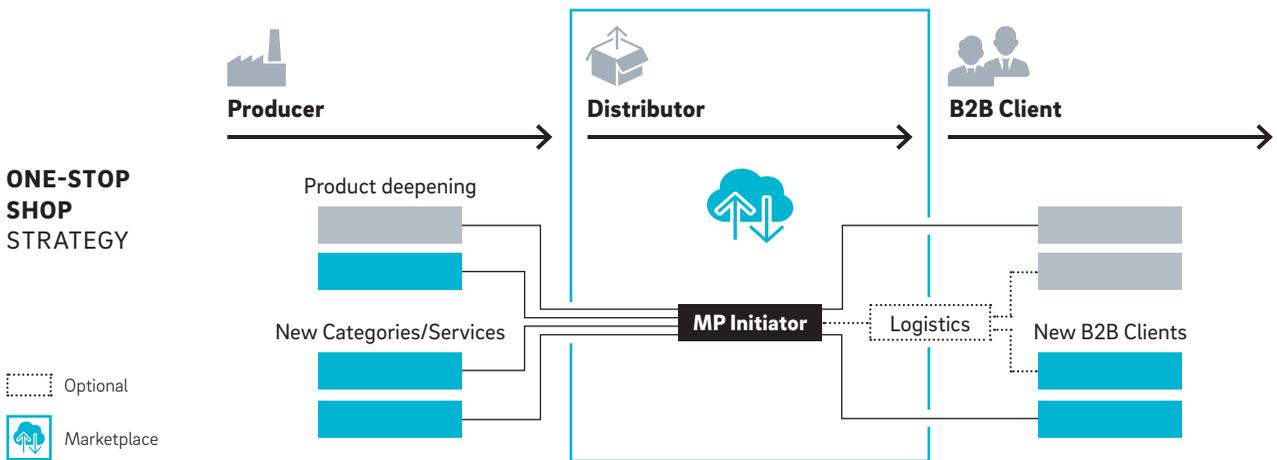
In years to come, this type of B2B marketplace will be able to advise sellers on how to improve their business, thanks to an overview of the entire platform's sales performance. → [H](#)

BUSINESS MODEL TRANSFORMATION FLUIDIFIES TRANSACTIONS

Business model transformation marketplaces are models that start from a green field and match demand and supply in unstructured markets. They initially appeared in the B2C service industry (such as Airbnb or Uber) and are now entering the B2B market with, for example,

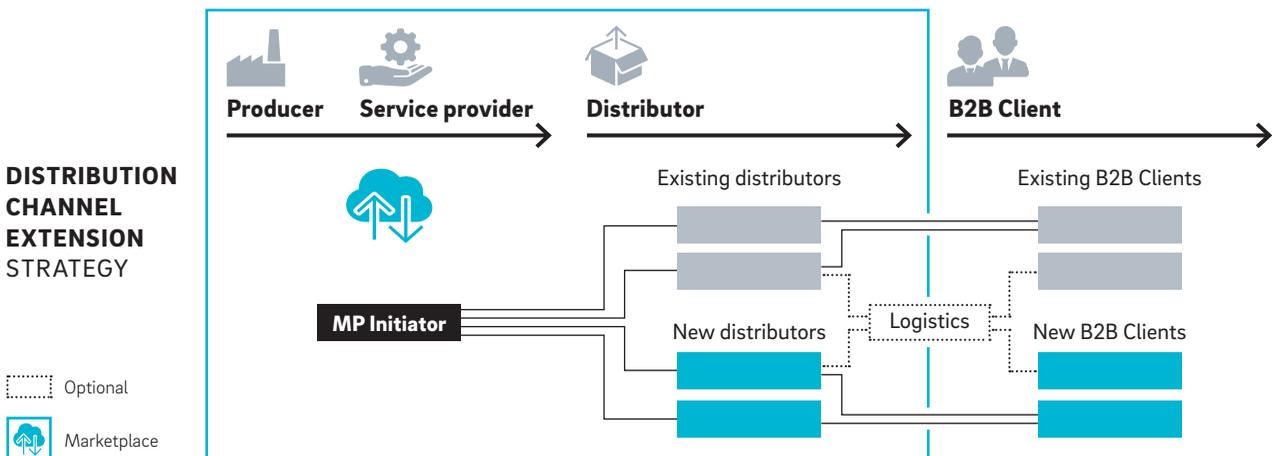
G: One-stop shop aims to grow businesses by expanding product and service offerings vertically and horizontally.

Increase customer loyalty and thus create barriers to entry for competitors.



H: Distribution channel extensions add new sales vehicle without jeopardizing existing ones.

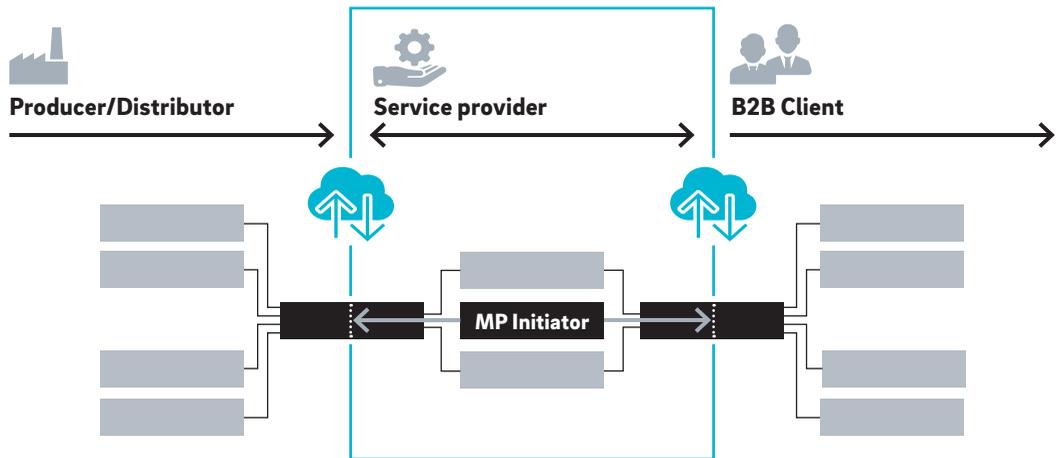
Loyalize existing customers and attract new ones by offering a new ordering platform



I: Business model transformation marketplaces facilitate match supply and demand in an unstructured market.

Service providers were pioneers, but merchandise sellers are joining in.

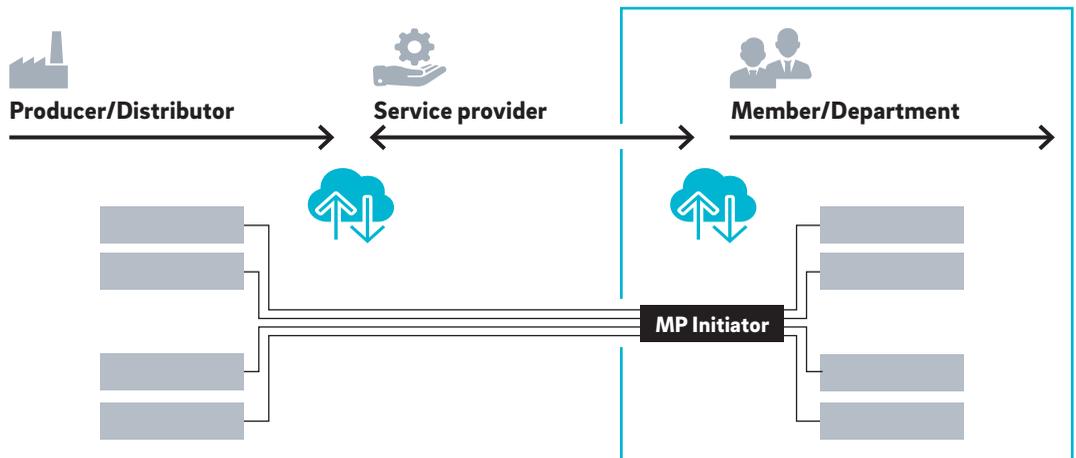
BUSINESS MODEL TRANSFORMATION STRATEGY



J: Procurement networks provide members with access to a price-attractive offer.

It is a service to members of a purchasing group or procurement departments.

PROCUREMENT NETWORK STRATEGY



Interview with Gaël Seguillon

Marketplace Director, Première Vision

(Organizer of trade fairs for fashion industry suppliers)

Why did you choose to develop a marketplace?

Our operations are threatened by the deep transformation that the fashion industry is going through: retail is being digitalized, fashion collections fragmented, new brands constantly launched and now there are lots of competitors for fashion trade shows around the world.

We can strengthen our assets and create synergies with our existing business by adding a new digital activity that positions itself all year long in the center of the fashion network. Our marketplace model will drive the transformation of the industry, create new business opportunities for our customers and allow us to become the leader in creative materials for the fashion industry.

What was the biggest challenge to overcome?

The biggest challenges for us is the "onboarding" of our clients, the digitization of the sales catalog, the need for high quality images and precise descriptions of the products on offer, and having precisely defined search criteria, so that buyers find exactly what they are looking for.

Additionally, for us it was a challenge to find the right payment system provider. We must be able to process online purchases from around the world and provide payment service specificities for each country (credit insurances, payments with terms etc.)

The future of B2B marketplaces is...?

Bright and Promising!

asset sharing models or freelance placements. We are also seeing a slow application to products.

The value of this business model is that it creates transparency for both parties and eliminates eventual middle-man structures. Like oil in an engine, this model fluidifies transactions and allows markets to function smoothly. Both revenue models of transaction fees or subscription models are common.

In the set-up phase, marketplace initiators need to create brand awareness and be quick off the mark to generate a critical mass of both supply and demand. It is a chicken-and-egg challenge as, without supply, demand will be reluctant to sign up for the marketplace and vice versa. Once overcome, demand and supply positions can be easily matched on the marketplace and offer adapted quickly.

The agility of this business model has a major downside, however. Future transactions could be carried out outside the platform once the match-making process has been completed. That is why adding services is crucial for this business model so as to improve the stickiness of the platform.

Otherwise, it could be very interesting for this model to launch closed marketplaces for key accounts and provide them with pre-negotiated prices and more individual offers, similar to the procurement network model. →!

PROCUREMENT NETWORKS OFFER ATTRACTIVE PRICING AS WELL AS A SELECTIVE PRODUCT PORTFOLIO

Initially, marketplaces were created to broaden the product offer, to give customers as much choice as possible. The following marketplace strategy is doing the inverse, concentrating the offer so that a marketplace initiator can negotiate prices on items sold on its platform. This strategy also implies that it is a closed business: only members, like subsidiaries or members of a purchasing group, have access.

Interview with Thierry Maillet ph.D

Co-Founder & COO of Ooshot

(Marketplace for booking photographers)

Why did you choose to develop a marketplace?

In our industry, the advertising industry, the traditional business model of a photographer's agent could no longer compete with digital offerings from image banks, for example. That obliged us to reinvent ourselves to stay relevant and therefore we opened up a new marketplace.

What was the biggest challenge to overcome?

To convince clients that the marketplace is the best organizational approach for them in terms of pricing, quality, speed and efficiency.

The future of B2B marketplaces is...?

Our future looks bright if we:

1. Respect our suppliers by guaranteeing fair pricing; do not overload them with work; and are able to integrate new talents and new technologies.
2. Understand and answer clients' needs by being able to homogenize the work output level; make a single offer with various suppliers worldwide; adapt our platform to customers' individual requirements; and provide a mobile friendly interface.
3. Integrate new technologies such as blockchain and AI to facilitate and increase the usage of our marketplace

So far, there are two marketplace initiators. On the one hand, large corporates that have many different subsidiaries and must deal with the complication of each procurement department working independently and supplying its subsidiary with required products. Adding an overarching layer, like a marketplace, allows corporates to streamline and homogenize the offering for its subsidiaries, gain control over the procurement portfolio and transaction process and digitalize its own development while realizing significant cost benefits.

Since this marketplace is an in-house platform, it does not involve payment by either party. Instead, it is financed by savings generated by the corporate from rationalizing its operations.

On the other hand, purchasing groups offer this marketplace model as a service to its members. They thus benefit from attractive offers and can purchase them directly. This is not necessarily the case for "one-stop shops" if prices are not transparent and still have to be negotiated prior to purchase. The marketplace is a strategic service for the marketplace initiator, as it provides an overview of all the transactions carried out by its members and ensures that they charge the correct fee. Furthermore, value-adding payment services are also key, as they increase the probability that all transactions will be carried out through the platform.

These marketplaces commonly earn revenue by charging a transaction fee to the seller and a monthly service fee to the buyer that may also depend on transaction volumes.

In the future, procurement networks could evolve and complement the existing offer by adding an open marketplaces model. This additional marketplace would not have the advantage of pre-negotiating prices, but due to increased competition with the closed marketplace could still ensure attractive pricing offers and a broad product portfolio that can be updated promptly. → J

Interview with Pau Monserrat

Purchasing Processes & Administration Director of Coperama
(Procurement platform for the hotel sector)

Why did you choose to develop a marketplace?

Since Coperama was born in 2010 as a kind of offline marketplace, the decision to develop an online marketplace platform seemed natural. Marketplace technologies allow us to extend services provided to our customers and thus increase sales for us, as we can now handle larger transaction volumes. The marketplace model is a very scalable model that allowed us to grow quickly with low risk in existing and new markets, since we could easily adapt our offer to new customer needs, especially in long tail products, while retaining full control of our operations.

What was the biggest challenge to overcome?

The main challenge was to convince our members to use the marketplace and not do business as usual, offline. Since B2B technologies are advancing and user interfaces are adapting to B2C experiences, it becomes increasingly easy to convince customers to use our platform.

The future of B2B marketplaces is...?

Huge, if marketplace operators can offer specific value-added services to sellers and clients, otherwise they will disappear. Decreasing technological costs and operational hurdles will reduce barriers to entry for other marketplace players, and if you are not able to differentiate yourself, your marketplace will become irrelevant. We believe that security of transactions, easy system integration, a specialized offer and individual content will allow us to remain a successful niche marketplace for our industry.

**In the future,
procurement networks
could evolve and
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model.**



Chapter 3:

Turning B2B Marketplace strategies into reality

How B2B Marketplaces can grow further.

Having defined a suitable marketplace strategy, companies now need to be aware of challenges that lie ahead when developing this business model. Roland Berger, Mirakl and Webhelp Payment Services have identified five of them and propose a strategy to overcome these obstacles. In an outlook, this study examines how e-procurement and marketplaces can coexist and give birth to a new model.

THE FIVE MARKETPLACES' CHALLENGES

The following 5 challenges concern most marketplaces, regardless of their strategy. They include technology, payments, change management, new competences and the digital maturity of sellers.

1. TECHNOLOGY DEVELOPMENT

Clearly, setting up the technology for a marketplace will have lots of risks, but the following five are the most common. First, the marketplace technology needs to be seamlessly integrated into existing business systems, regarding front office design and the back-office structure. A special emphasis should also be placed on the ease of seller integration into the platform, otherwise it can present a significant obstacle for creating supply. Secondly, the platform design should integrate purchasing experiences from the B2C world, which is much more advanced in successfully managing the user experience. Thirdly, the search function with filters and selection criteria must get full attention, products described consistently and their keywords managed competently. Fourthly, B2B marketplaces must not lose sight of legal aspects and how documentation processes must be structured to comply with legal requirements. And crucially, there must be great clarity on the purchasing process and how strong the degree of price transparency will be on the marketplace.

Setting up a marketplace does not come easy, especially when adding it as an additional sales channel to the existing network. Business model transformation strategies start with a green field, hence they are less concerned with issues related to integrating a marketplace.

2. PAYMENT SERVICES

Payments are not always of prime concern when developing a marketplace, but this common thinking must be challenged. It is a central and crucial component, involving customer experience as well as compliance with national and international legal and financial requirements, and even special accreditation of financial institutions.

Contrary to B2C marketplaces, the value of an average purchasing basket can be extremely high and repeat sales are frequent. Furthermore, a variety of very distinct payment methods exist in each country in the B2B world. Adding further to the complexity, individual prices exist per article and each seller has different payment terms that are asynchronous; the gap between purchase and payment is usually several weeks. All of this should be nevertheless seamlessly integrated into a marketplace to ensure a smooth online transaction process.

Furthermore, invoice management is also an important topic for marketplaces. Despite different sellers and different legal requirements, buyers want to receive fewer and more homogeneous invoices.

3. CHANGE MANAGEMENT

Marketplaces need to rethink their view of the retail business, and it will require a lot of conviction to move forward with this business model. Marketplace managers must not only have the support of senior management; the entire company needs to be convinced of the usefulness of this new strategy, as all departments will be affected by the changeover. Change management efforts should focus especially on the sales team (internal) and sales agents (external), as they are often the most reluctant to embrace this digital channel, seeing it as competition for their own jobs.

4. NEW COMPETENCES REQUIRED

Launching a marketplace can rarely be done with existing teams and existing competences, as job descriptions change significantly. Marketplace managers are now onboarding sellers - a totally different competence compared to selecting and negotiating products in the wholesale business. Further new job profiles that are required include data analytics proficiency or online marketing.

5. DIGITAL MATURITY OF SELLERS

Even now, the concept of marketplaces is not known to all market players. It is therefore necessary to evangelize this solution among the relevant sellers, especially in its implications for more market transparency, and to convince them to adopt the approach.

However, this will only succeed if they are willing to put some resources into that sales channel. Management of operations such as overseeing the offer on a marketplace, fulfilling orders and answering customer questions must be thorough. In addition, a suitable technology infrastructure must be in place, and it cannot just run in parallel to their existing business.

Five keys to success

Faced with all these challenges, we prescribe five main solutions:

1. DEFINE A CLEAR MARKETPLACE STRATEGY

Every successful business model starts with a clear strategy. In this case it is imperative to identify the right market segment to operate in by analyzing it holistically (size, dynamics, competitors, barriers for entry, customer requirements etc.). Given the newness of the topic, there is little literature to provide guidance, so marketplace initiators can also learn from the success of other marketplaces and apply this knowledge to their strategy.

2. TEST AND LEARN QUICKLY

In view of current market dynamics, players have to move quickly in setting up a marketplace to secure their territory. Hence the need for an agile development approach with regular testing of milestones and improving technology in a subsequent phase using the experiences they have learned. Furthermore, rather than creating a perfect platform, it is preferable to launch a first viable product that will continuously be updated. In order to make things easier for marketplace initiators when they are setting their technology in place, it is better to make minor modifications themselves, rather than always relying on the service provider.

3. DEVELOP A CLIENT-CENTRIC SOLUTION

Customers are always at the heart of every business, and marketplaces are not an exception. Therefore, before defining their technological requirements, marketplace managers should explore the expectations of future customers of the marketplace and integrate them. At the same time, they should allow them to test the enhanced technology to get direct feedback on their experiences using the platform.

4. ENSURE ENOUGH RESOURCES FOR AT LEAST 2 YEARS

To stand out in the market, marketplaces need a strong digital brand and a dedicated team behind with new competences, requiring financial and people resources. As the return on investment is not immediate and often takes 1-2 years, senior management must be patient, have conviction in the business model and be willing to support the marketplace over the medium-term.

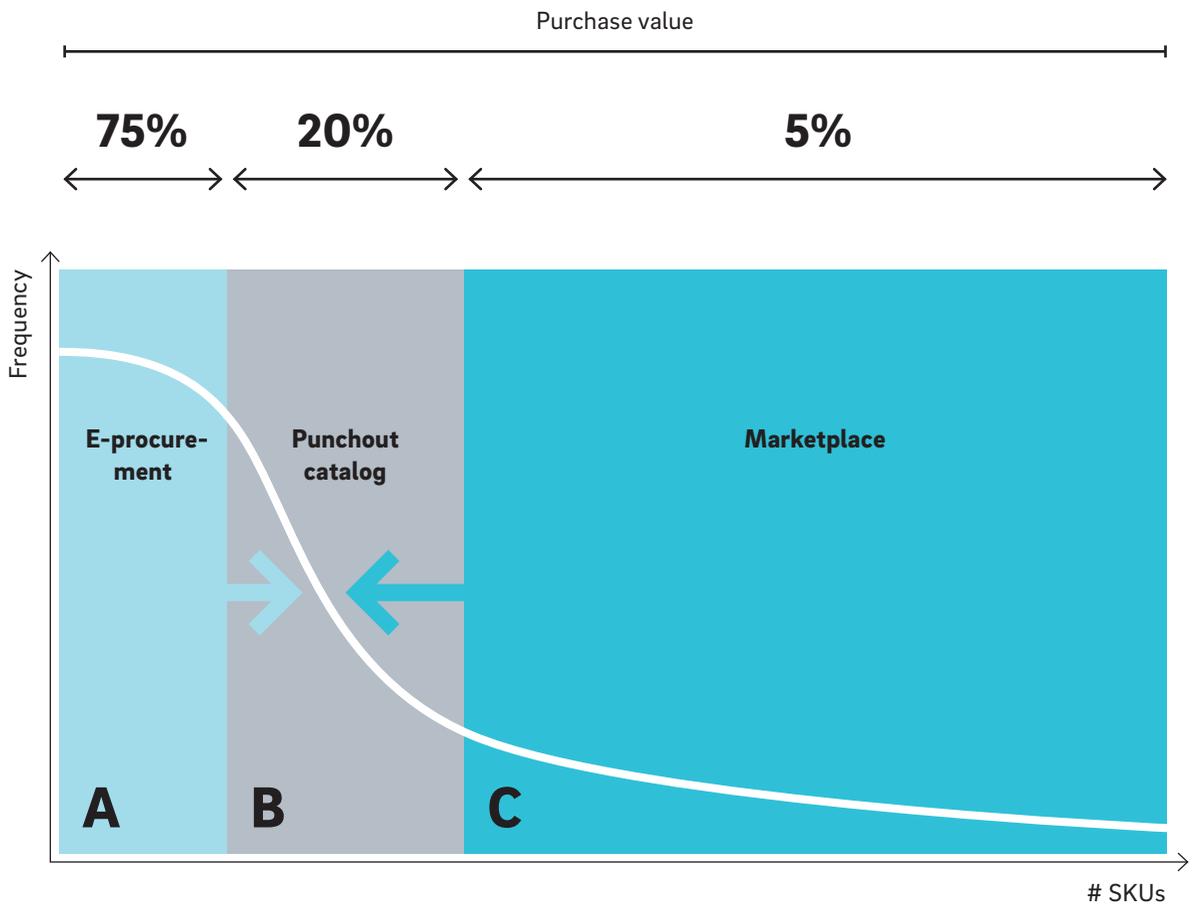
5. TAKE CARE OF THE SUPPLY SIDE

Supply is essential for a marketplace, being one of the two pillars of the business model. Having already mentioned that the digital maturity of many sellers is not that advanced in every category, marketplace initiators need to assist sellers in onboarding onto the platform. This can extend to providing a dedicated contact within the onboarding team to support the entire onboarding process, offering services such as helping to integrate a product catalogue that is in sync with the marketplace's needs, or even offering full logistical services.

K: Recurring items are purchased via the e-procurement system.

For segments B and C, purchases are made via e-procurement punchout catalog and marketplaces.

E-PROCUREMENT SUITABILITY



OUTLOOK: E-PROCUREMENT AND MARKETPLACES BECOME ALLIES

B2B buyers tend to use three different types of systems to source the products they need to purchase: e-procurement, e-procurement punchout catalogs and marketplaces. Today, these different systems coexist, but will they move closer together in the future?

E-procurement systems (A) represent the large majority of B2B purchases. Typically, recurring products with large volumes or strategic raw materials will be handled through this system. As a result, the catalog has few references but ensures the vast majority of the supply at an attractive price.

The advantages of this system are clear and can largely be summarized by "control". Pre-negotiated prices for products and defined purchase flows (who buys what and who gives approval) ensure control of the procurement process, while the system integration of suppliers into procurement systems eases internal financial controlling. At the same time, legacy tools have been improved over a long time span and can manage nowadays complex processes.

The E-procurement punchout catalog (B) sits astride e-procurement and marketplaces and still accounts for a significant amount of transaction volume. It is a web-based catalog that connects to e-procurement systems, but without a system integration and full order management process (e.g. payment management is not always involved in punchout solutions). In other words, it is a standard e-commerce website that can communicate directly with one's own procurement system. As websites are continuously up to date with their product portfolio, buyers do not need to update their own e-procurement systems and can easily access innovations.

The remaining transaction volume is carried out on **marketplaces (C)**, typically non-strategic long-tail products with low volume and low frequency, accounting for lots of SKUs but spread heterogeneously across various categories. This system goes one step further compared to the punchout catalog, as it offers an even broader selection of products (in breadth and depth), is only loosely integrated and provides B2B buyers with a user-friendly interface to order products. → [K](#)

Although each system has its advantages, it is nevertheless inefficient for B2B buyers to manage different ones simultaneously. Analyzing the characteristics of each system, it becomes apparent that e-procurement and marketplaces will move closer together, at the expense of punchout catalogs. Some integration of marketplaces into e-procurement systems has been observed already, taking the best of both worlds. Procurement network strategies are the early winners from this market trend, as they already operate in a closed environment with pre-negotiated prices. In the long-term we see both systems coming together, where marketplaces will merge more with e-procurement systems.

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WE WELCOME YOUR QUESTIONS, COMMENTS AND SUGGESTIONS

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