

A smiling man with a beard and short brown hair, wearing a dark blue blazer over a white shirt. He has his arms crossed and is looking directly at the camera. The background is a blurred office setting with another person visible in the distance.

BEST PRACTICES FOR MARKETPLACE ENGAGEMENT

WebEngage

Marketplaces are a very atypical business, often referred to as a classic chicken-and-egg-problem!

Why?

You need to onboard one side of the marketplace to commit before the other, convincing them that there's enough traction from the other side.

A typical example is online food ordering services,

*“People won’t come to your platform if you can’t
promise them a variety of cuisines while for
restaurants to go through the arduous process
of onboarding and going digital, they need to
feel the pulse of demand first.”*



Region-wise examples of Marketplace Businesses



Alibaba, Flipkart, JD,
Ola, Lazada

Amazon, Uber, Etsy,
Airbnb, eBay

Souq, Careem, Noon,
Talabat, Mumzworld

Mercado Libre, B2W
Digital, Linio, Loggi,
QuintoAndar

Delivery Hero, BlaB-
laCar, Bol, HelloFresh,
Zalando

WHY MARKETPLACES WORK SO WELL?



Ever wondered what's all the fuss about marketplaces, such that

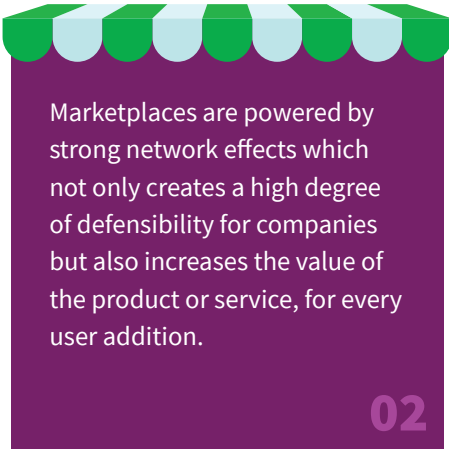
- Out of the world's top 10 startups (by valuation), 40% follow the marketplace model.
- At its prime, Uber was valued at over \$80 billion. And,
- The world's largest publicly-listed company (by revenues) - Walmart, is a marketplace.

Here are the 4 primary reasons,



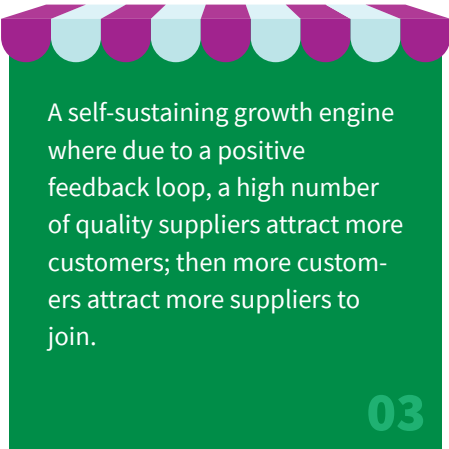
Marketplaces are low capital intensive businesses due to zero inventory costs.

01



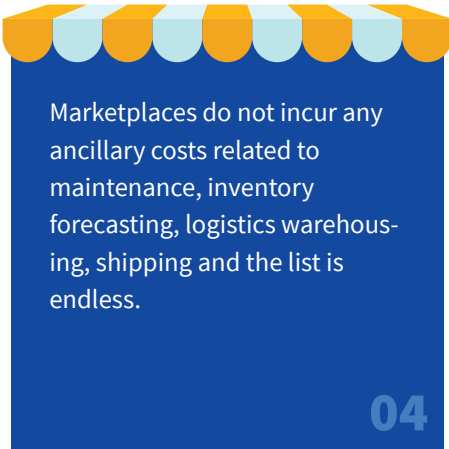
Marketplaces are powered by strong network effects which not only creates a high degree of defensibility for companies but also increases the value of the product or service, for every user addition.

02



A self-sustaining growth engine where due to a positive feedback loop, a high number of quality suppliers attract more customers; then more customers attract more suppliers to join.

03



Marketplaces do not incur any ancillary costs related to maintenance, inventory forecasting, logistics warehousing, shipping and the list is endless.

04

Remember the network effects bit we talked about earlier?

While that indeed is a great advantage for marketplaces, there's a flip side to it as well, where a self-driven network effects model is devilishly difficult to establish.

Why?

It's quite simple.

“If you onboard too many sellers but don’t have comparative demand, the sellers will start listing themselves on other platforms, leaving you with a smaller inventory while more demand but lesser supply and hence, lesser variety will mean users not sticking.”



“At TaskRabbit, we scaled before we had product market fit. We should have focused on fill rate (% of tasks posted that were complete). It was well under 100%, and people who didn’t get matched never came back. The company instead skewed too far into top-line growth, should have focused on this much earlier before scaling.”

— Brian Rothenberg,
Ex - Marketing Head @ TaskRabbit



SOLUTION

ENGAGEMENT

What's needed to solve this chicken and egg problem is **“User Engagement”** - both on the buyer and the supplier side - to help you power your network effects, ensuring optimum supply always to avoid any unmet demand.

THE KEY AREAS WE'LL BE TALKING ABOUT..

To make it easier for you to understand how you can use Engagement to drive User Retention, we've divided the actionables under three categories where the first two caters to the buyer (demand) side and the 3rd one caters to the seller (supply) side,

- Engagement as a **Growth Hack**
- Engagement as a **Scaling Mechanism**
- Engagement as a **Seller Enablement Tool**

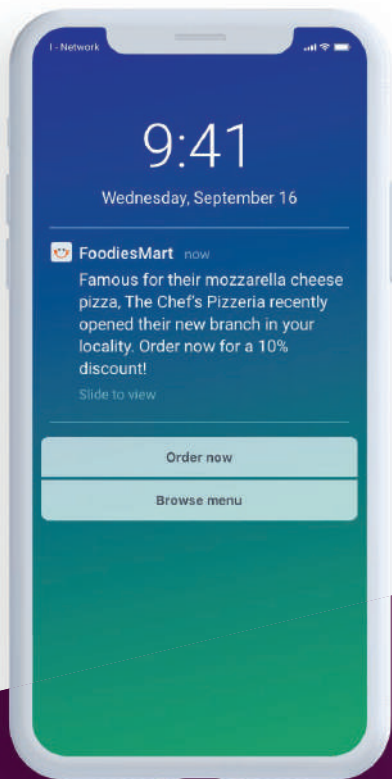
ENGAGEMENT AS A GROWTH HACK

Here's how you can employ User Engagement
to growth hack enhanced conversions and
increased revenues



CROSS-COMMUNICATION

Make sure that your buyers constantly discover new sellers with their offerings and your sellers continuously get amazed at the number of users you're acquiring and the number of requests they're making.



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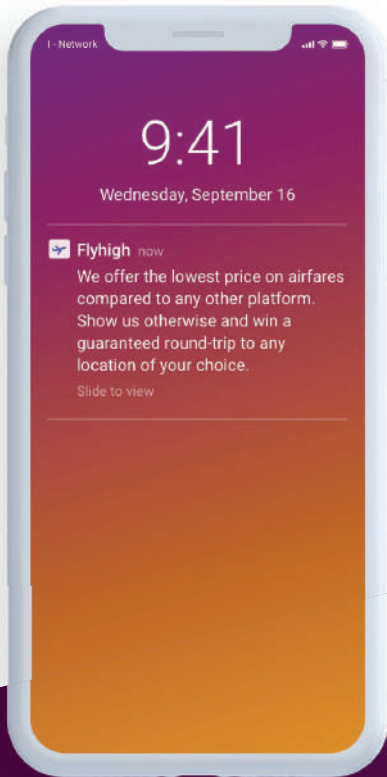
“We ultimately discovered that enough restaurants in a market would mean enough value for the diner to use OpenTable. A rule of thumb was that if we could get 50-100 restaurants in a city, we had enough for a consumer to land on the site, and get a meaningful enough consideration set to not be disappointed.”



Mike Xenakis,
Ex-MD @ OpenTable

POSITIVELY CHANGING THE INDUSTRY ECONOMICS

If you're changing the economics (and not just powering easy and fast discovery) of an



industry on both the seller and the buyer side - making more profits for sellers and helping buyers save more bucks; then this needs to be communicated to both the sides of users, who then will root for you to win and will themselves become your brand advocates.

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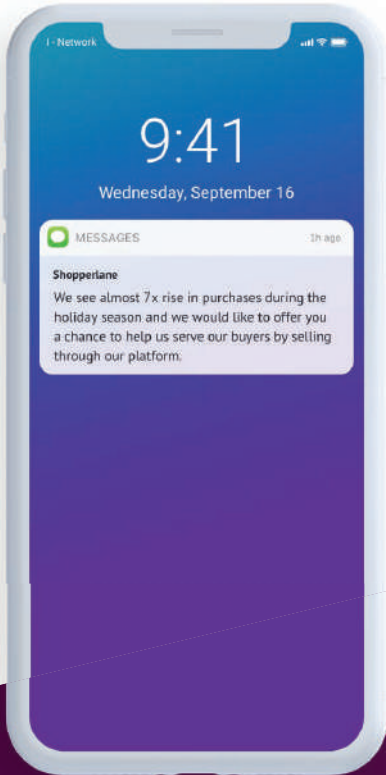
“We used money to solve the problem. We’d guarantee you \$40/hour to drive. All you had to do was maintain an acceptance rate of 70% and keep your app running. You could decline riders up to a point, but you don’t get paid for doing nothing.”



Andrew Chen,
Ex - Growth Head @ Uber

MARKET EXPANSION

Some marketplaces, by virtue of the industry they operate in and their business model, expand the size of the market (TAM). Use this as an advantage to create more supply for your marketplace.



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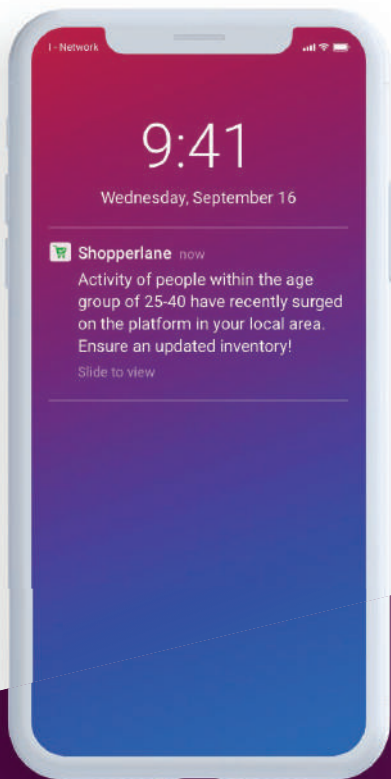
“In the early days there was a huge focus on sellers. The marketplace needed sellers and their listings to build enough supply to attract buyers. Also, the sellers were also the buyers early on. Supply directly created demand. They were literally all the same people.”



Nickey Skarstad,
Ex - Principal Engineer @ Etsy

DOUBLING DOWN ON HOTSPOTS

As you start scaling, there will be many matches and transactions between buyers and sellers. But not all matches are created equal. Identify where things are clicking on both the supply and demand side.



This could be in certain geographies, audience segments, price points, and user behavior.

After identifying, double down on these hot spots to spark retention using engagement as a tool. Will not only help you in lowering your CAC but also recuperating it sooner.

“

“To track supply and demand, we would watch the marketplace health stats like quotes per loan request, loan requests per user, competitiveness of rates, and contact rates by market/area. If we were low in a given area, we would work hard to build supply in those areas or turn down demand.”



Nate Moch,
VP, Product Teams @ Zillow

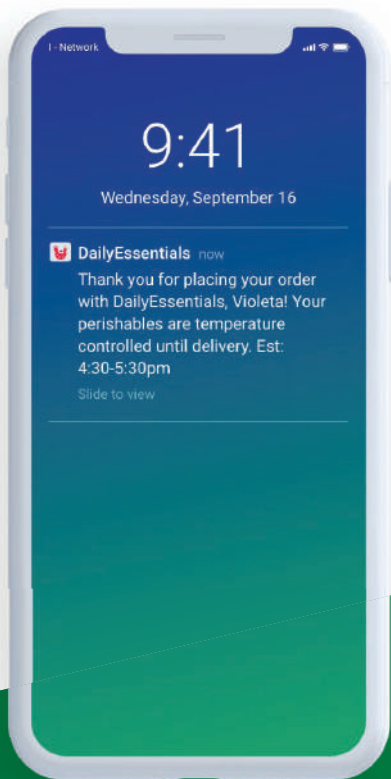


ENGAGEMENT AS A SCALING MECHANISM

Here's how you can employ User Engagement to scale
up and ultimately, expand your business

LEVERAGING VALUE PROP FOR ACQUISITIONS

Great marketplaces do not simply aggregate a market; they enhance it.



They leverage the connective tissue to offer the consumer a user experience that simply was not possible before the arrival of this new intermediary.

As such, you need to always emphasize why what you're currently offering is better than the earlier way of accomplishing the same thing.

“

“We would absolutely go out of our way to make sure customers are happy. For instance, we would often redeliver a whole order at our cost in order to save dinner for a customer who received an item they couldn't use or didn't receive a key item in a recipe.”

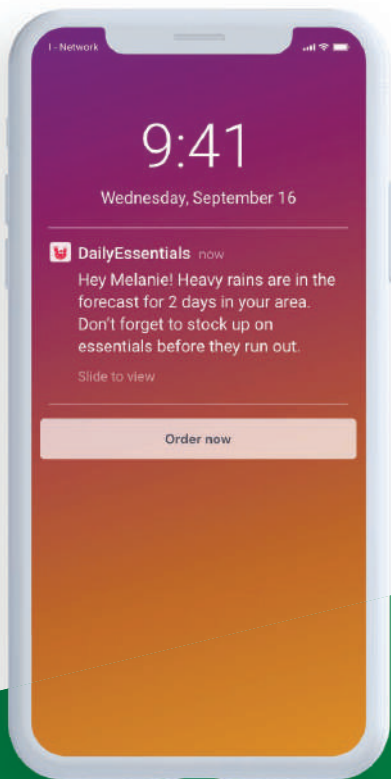


Max Mullen,
Co-founder @ Instacart

SERVICE. THEN MARKETPLACE.

Higher frequency for marketplaces is always a great thing but what's the objective behind the frequency - the need for a service or the need to seek a marketplace? Rather than focusing on monetary transactions on your platform or the frequency

of it, emphasizing on creating the need to avail the service will automatically get your users flocking to your platform.



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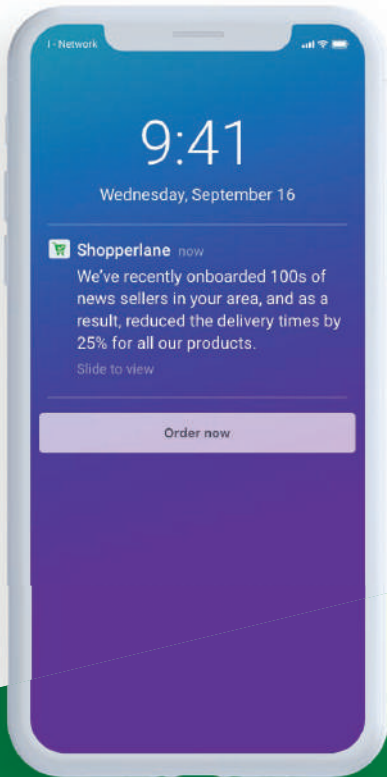
“Find your core use-case, and gain traction there. For Eventbrite, this was tech mixers and conferences. As you got invites from events, you started to see the name Eventbrite over and over and it became a thing. We focused on this, based on seeing where most early traction was.”



Brian Rothenberg,
Ex- Marketing Head @ TaskRabbit

THE GOOD OL' NETWORK EFFECTS

You onboard new sellers / customers not to compensate for your churn but to grow. Which is why it's first important to engage and retain the levels of your supply as well as demand.



As this helps you grow big, you can spend more on your infrastructure, reduce the search and delivery times as well as increase the profit margins of your sellers. This would automatically lead to more seller sign-ups and as a result of more variety, would then lead to more customers, offsetting your acquisition costs on both the sides.

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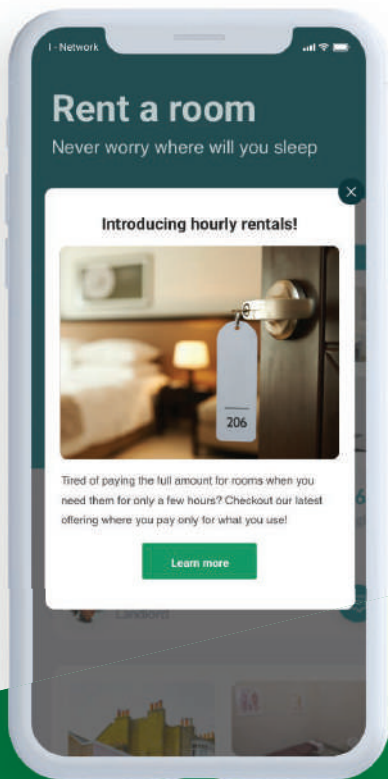
“An early growth driver was a loop that was created by sellers who were making handmade items buying the supplies, to make those handmade items, from other sellers. This self-sustaining ecosystem created nice network effects and powered buyer growth early on, before more organic buyer growth happened over time.”



Nickey Skarstad,
Ex - Director, PM @ Etsy

UNIQUE INVENTORY

The power of creating unique inventory can be massive to scale your marketplace. Before Airbnb the concept of “home leasing” was unheard of which was a unique inventory. Or like Zomato Gold concept, which was again a unique inventory offering.



Tapping unique inventory is a great way to engage your users (as it's an unheard-of concept) and ultimately, to scale your marketplace. Since there's no avenue for this unique inventory yet, onboarding sellers will also be easier and more often than not, they'll also bring their own buyers along with themselves.

“

“We waited too long to expand into dog walking, and into other services for the marketplace. Nearly everyone who needs a sitter also needs a dog walker. It's exactly the same demand base. It was an obvious opportunity, with better economics.”



David Rosenthal,
Founding team @ Rover

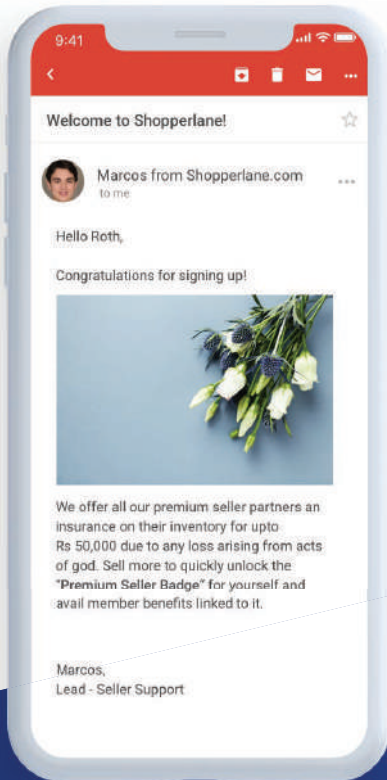
ENGAGEMENT AS A SELLER ENABLEMENT TOOL

Here's how you can employ User Engagement to enable your sellers to sell more and thereby, strengthen your supply side

SELLER SPECIFIC ECOSYSTEM TO SERVE POWER SELLERS

Exclusive seller-focused add-on products and services. These are incredibly effective

ways to differentiate the selling experience on your marketplace from other sites, and lock sellers into your site.



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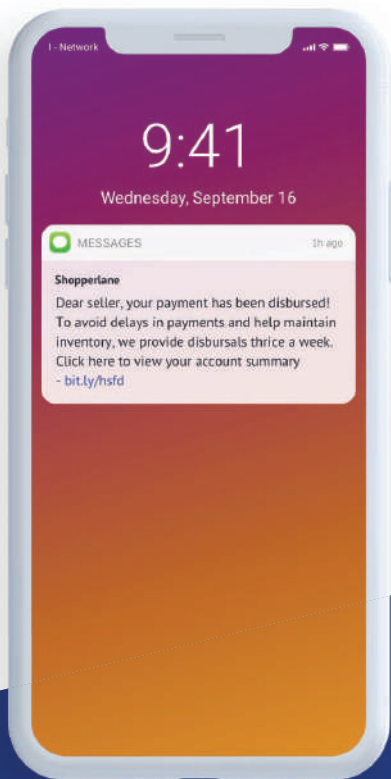
“We took every excuse restaurants had for not using GrubHub, and removed it as an obstacle. Fast forward to a couple of years later — you only pay when you receive orders, there are no hidden fees, you can cancel any time. We got to a place where there was zero downside to sign up and give it a try.”



Casey Winters,
Ex- Growth @ GrubHub

VALUING THE [INSTANT] PAYMENT

The potential take rate, when a monetary transaction happens online (in a market



place) is much higher than when transactions happen offline. In the former's case, the marketplace pays the supplier their portion of the revenue after automatically deducting the fees, instead of sending a bill at a later date.

For sellers, it's much easier to tolerate fees rather than delays in payment which need to be always communicated to them, as a benefit of their stay on the platform, preventing them to indulge in off-the-platform transactions.

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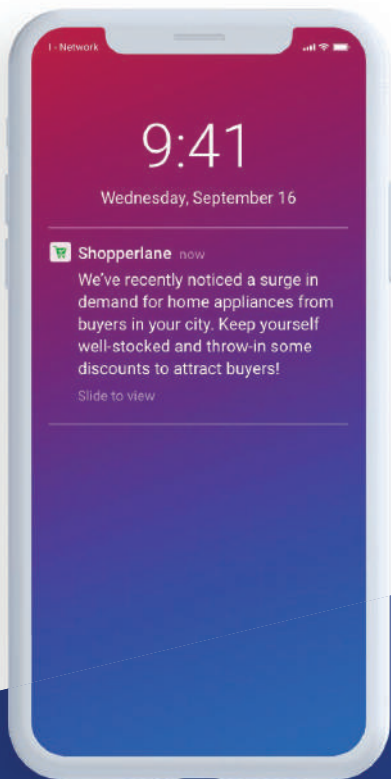
“Mike Pao, GM of Uber in Boston, was having trouble getting supply to show up at 3am when people were leaving bars. So he sent an email to all of the drivers in Boston: We will manually double your payments if you drive at night, ignore your receipts. It worked.”



Andrew Chen,
Ex - Growth Head @ Uber

PROVIDING SELLERS WITH USER DATA [TO HELP THEM SELL MORE]

“Data is the new oil” is no fluke! And while it’s massively important for you to collect



and be able to make sense of all your user data, imagine the kind of propellant it could be for your sellers.

By sharing easy and comprehensible user behavior data with your sellers, you’d not only help them match their inventory as per their users’ preferences but would also help your buyers to never compromise on what they need.

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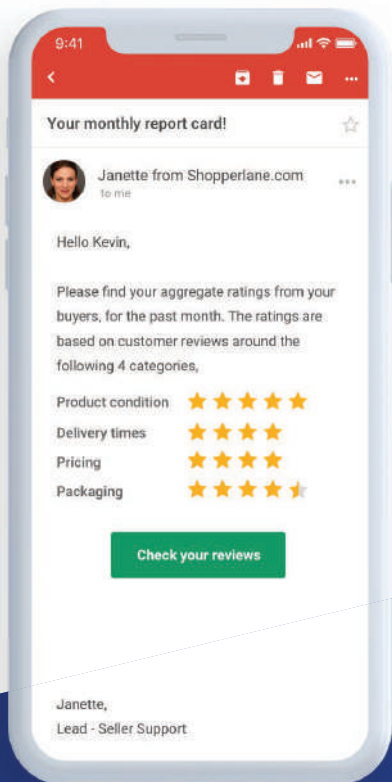
“Through direct sales, we picked and chose different supply types and built the right mix of homes. The local teams were accountable for their market and could themselves decide which supply to acquire, e.g. in which neighbourhood, what size of the listing, and price points.”



Georg Bauser,
Ex - Director, Business Operations @ Airbnb

NET PROMOTER SCORE (NPS)

Just like the user preference and behaviour data, you should also share NPS survey results with your sellers. What this will ultimately help them in understanding are the areas where they're lagging in providing a great customer experience and ideas on



ways they can plug these gaps. Something as small as answering the user queries on the product pages could incentivise a buyer towards a purchase.

“

“Given that someone already has an audience and has potential to succeed on Patreon, them using Patreon as a patron first [and discovering Patreon this way] is naturally the best advertisement. Seeing a creator you admire using Patreon successfully is 99% of what convinces a creator to sign-up.”



Tal Raviv,
Ex- Product Manager @ Patreon

METRICS TO LOOK OUT FOR MARKETPLACES

Overall

- Gross Merchandise Value (GMV)
- Average Order Value (AOV)

Seller/ Supplier side metrics

Supplier Growth Rate

Supplier CAC

% of suppliers active 1 month/
1 year after signing up

Revenue generated by the top
20% suppliers

Buyer/ Demand side metrics

Buyer Growth Rate

Average order growth per buyer

Buyer CAC

Concentration: Revenue generated
by the top 20% buyers

FINAL THOUGHTS..

Marketplaces could be a tough nut to crack!

Apart from creating a balance between maintaining supply and driving demand, there are other important factors that could result in a make-or-break situation for your marketplace, such as, size of the market, efficacy of your network effects, trying to grow horizontally, focusing on short-term bets, not leveraging data to grow, not a clear idea of the right growth metrics - in short, no shortage of reasons.

But with the right strategy, to power every stage of your funnel - Acquisition, Engagement, Retention & Conversion, your marketplace growth shouldn't seem daunting at all.

And we at WebEngage, will ensure that you not only have the right tool but you're also laced with the right strategies to execute your engagement and retention plans!

CREATE ENGAGING CUSTOMER EXPERIENCES THAT MATTER

Get in touch for a personalized demo of the WebEngage marketing automation dashboard.

Schedule my free demo



WebEngage is a full-stack marketing cloud which gives a 360° view of your users & your marketing efforts (& everything else in between). Loaded with cross platform & cross channel analytics, the suite makes it possible to drive user engagement & retention with data driven, personalized campaigns through multiple channels, including the revolutionary Journey Designer.

Thousands of online consumer businesses use WebEngage everyday to improve their user engagement and retention. Why are you still hesitant?

TALK TO US TODAY



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