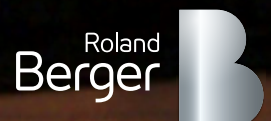




The sun rises

The role and opportunities
of B2B marketplaces in a post-Covid world



Introduction

In line with the trends and developments we identified in our previous studies, *The spring of B2B marketplaces (2017)*, *B2B marketplaces are blossoming (2018)*, and *The summer of B2B marketplaces (2020)*, B2B marketplaces have kept growing.

While the Covid-19 pandemic has disrupted businesses and customer habits across the globe, the various restrictions and behavioral changes it has entailed have fueled the use of marketplaces across the board. They have played a key role to help businesses weather the storm and provide them the products and services they need to continue their activities during the pandemic.

While the growth of B2B marketplaces has thus accelerated, they also face added pressure from B2C marketplaces, as customers' expectations have also risen. No less than 50% B2B buyers and users now prefer making work-related purchases on B2C websites since the start of the pandemic¹.

Increasingly threatened by leading generalist marketplaces, B2B players have turned to diversifying their products and developing vertical services on highly controlled and specialized markets to protect themselves. This specialist approach shows clear success potential today and in the post-Covid era, as B2B marketplaces are expected to continue to grow at a strong rate.



¹Sources: expert interviews, press, Mirakl, Roland Berger

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Section 1

The relevance of B2B marketplaces in a post Covid-world

1 / The acceleration of marketplace usage

These past few years have seen the rise of B2B marketplaces globally, and their development keeps clearly accelerating. This trend is especially dynamic in Asia, but B2B marketplaces have also steadily grown in Europe and the US, though they remain less mature than the B2C segment.

In Europe, leading international generalist marketplaces (mostly Amazon and Alibaba) have become serious rivals for incumbent European players. The disruptions brought about by the Covid-19 pandemic have contributed to the accelerating rise of B2B marketplaces. B2C marketplaces in particular have enjoyed the sharp digital acceleration brought about by the pandemic, growing 81% year-over-year in the last quarter of 2020, double the rate of e-commerce growth¹.

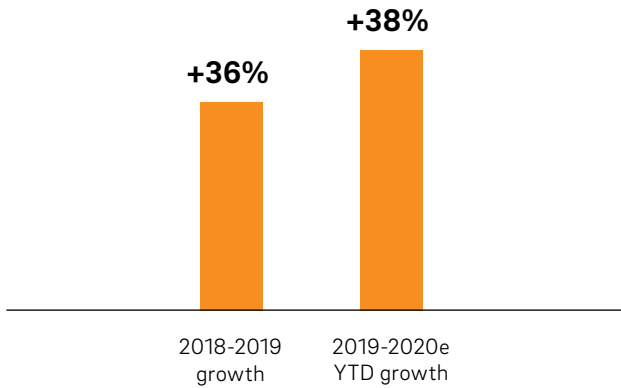
Due to the various lockdowns, social distancing and restriction measures, the pandemic has bolstered online marketplaces across the board, as B2B customers have had to turn to e-commerce to maintain their operations. B2B marketplaces may also help ease issues related to supply chain and business continuity that have been highlighted by the pandemic. By gaining access to a wide array of vendors, their users may decrease their dependence on a small group of suppliers.

"In 2020, we have accelerated our marketplace activity by developing our network of vendors in France and abroad, accompanying our customers in their online conversion – including by offline means (through telephone hotlines in particular) –, and, finally, extending our product portfolio to include adjacent high-frequency products."

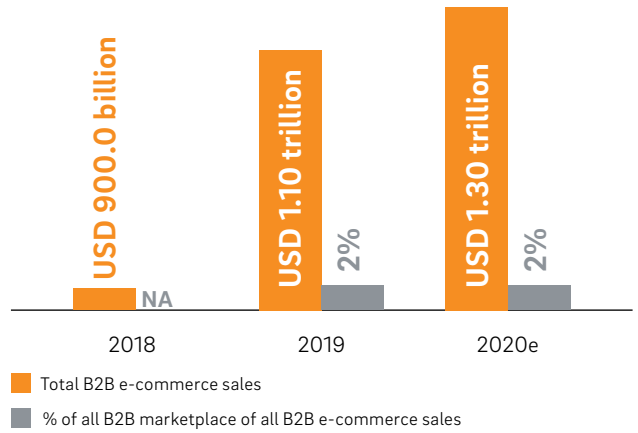
**Vincent Belhandouz,
President, Aniel**

¹ Source: Mirakl, Enterprise Marketplace Index, March 2021

B2B marketplace volume [%]

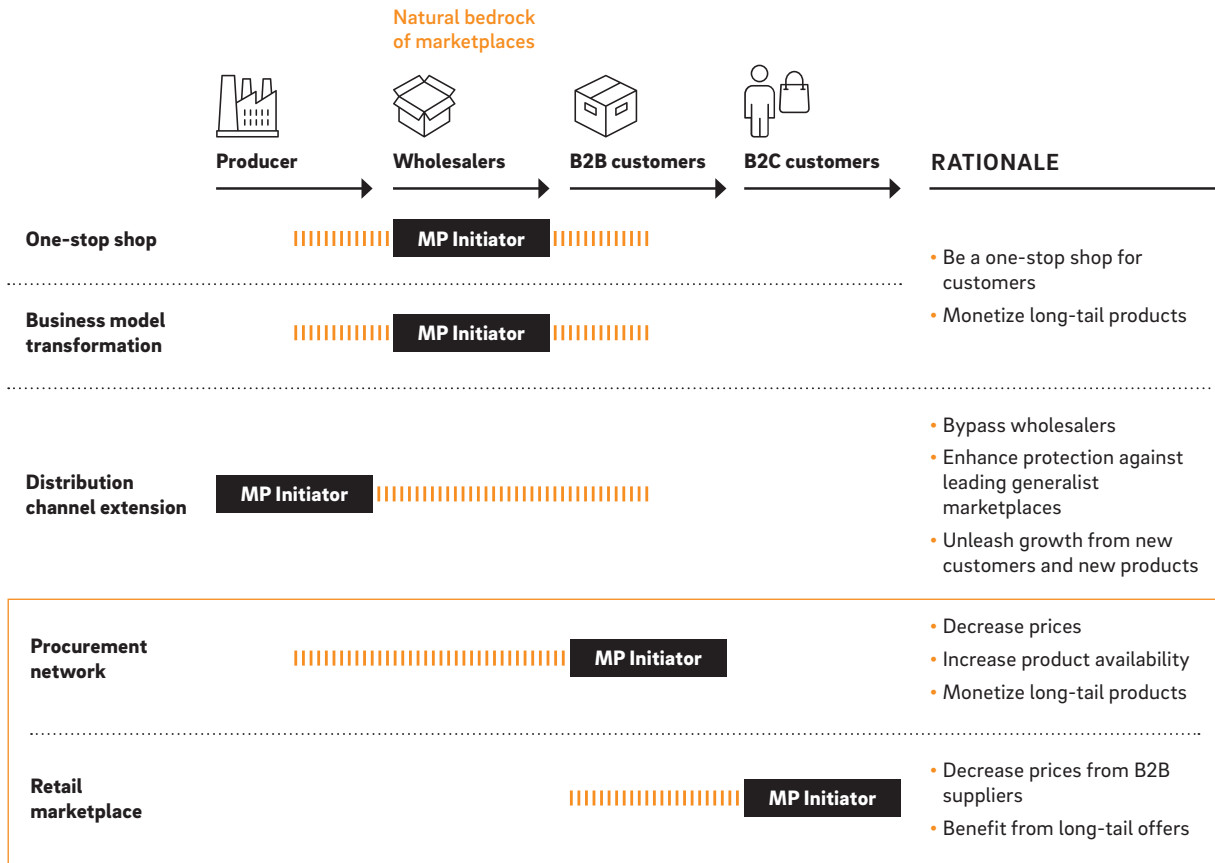


Market of B2B marketplace over B2B e-commerce sales [%]



Sources: DC 360, US Department of Commerce, The 2020 US B2B e-commerce Market Report, The 2020 B2B Distributor 300, Roland Berger

Overview of marketplace rationale per initiator



Source: Roland Berger

||| Scope of marketplace

□ Recent trends among B2B marketplaces

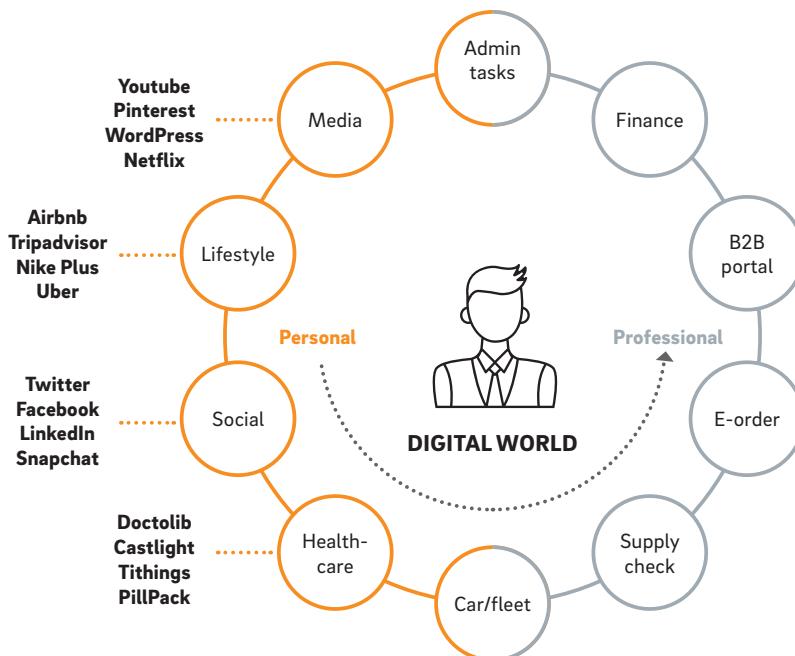
2 / Rising expectations in the age of Covid-19

Customer expectations regarding e-commerce – including marketplaces – have risen as well, a development the Covid-19 crisis has also reinforced. This is driven by B2C first and foremost, where a simple, easily accessible digital process and an overall customer journey have been long identified as key competitive features for online marketplaces. B2C marketplaces have placed a strong emphasis on the services they offer to attract and retain their clients, such as day-of delivery, payment methods and installments. This has clear repercussions for B2B marketplaces, which often remain difficult to navigate, lack inclusivity in the absence of key products, vendors or customers and may have complicated ordering and delivery processes. As a result, B2B customers have turned to B2C marketplaces to meet their needs.

This growing, overall emphasis on seamless customers journeys also has consequences for fully offline B2B models, as B2B customers become less inclined to go through difficult or fragmented processes, wherein they might have to call different vendors in succession to obtain a quote and order a part for instance.

Despite operational difficulties B2B marketplaces may encounter compared to their B2C counterparts, such as offering highly complex, technical and specialized products, 80% of B2B buyers now expect similar convenient purchasing experience as offered by B2C website³. As a consequence, B2B marketplaces have had to accelerate their response to rising expectations.

Digital personal and professional services



Source: Roland Berger

3 / The key role of omnichannel models

B2B marketplaces have also benefited from the rise of omnichannel models. While these models had already been a developing trend these past few years, the Covid-19 crisis has, again, sharply accelerated their growth. Indeed, it has spurred a marked increase in the use of click & collect processes, which allow for products to be ordered online and collected offline, through home delivery or delivery at a designated site such as, dealerships or third-party sites.

For B2B customers, this has helped reduce the oft-frontal opposition between online and offline services that is tied to the traditionally lagging and fragmented digital transformation of the entire market. The reticence of certain B2B customers to use digital services of any kind has impeded the growth of B2B marketplaces these past few years. To adapt to Covid-related restrictions, these customers may have had to rely on e-commerce and omnichannel processes out of necessity. More O2O

(online to offline) customer journeys have emerged as well, where customers use digital platforms to enhance their offline experience. Formerly reluctant, hard to convince B2B professionals may thereby grow more inclined to use B2B marketplaces, especially those relying on omnichannel, which may ease the transition between fully offline to partly online. From an operator perspective, the omnichannel model allows a 360 degrees vision of the client’s purchasing behavior both online and offline. It also represents an opportunity for retailers to enjoy in-store purchases from clients as they retrieve the goods they bought online. Identical processes exist for B2C omnichannel models.

Specific omnichannel models vary depending on the industry. In the automotive industry for example, "Buy & Fit" processes enable customers to buy or book parts or services online and sign up for home delivery or pick-up delivery – at a trusted dealership, for instance – and then run tests on site.

Example of automotive

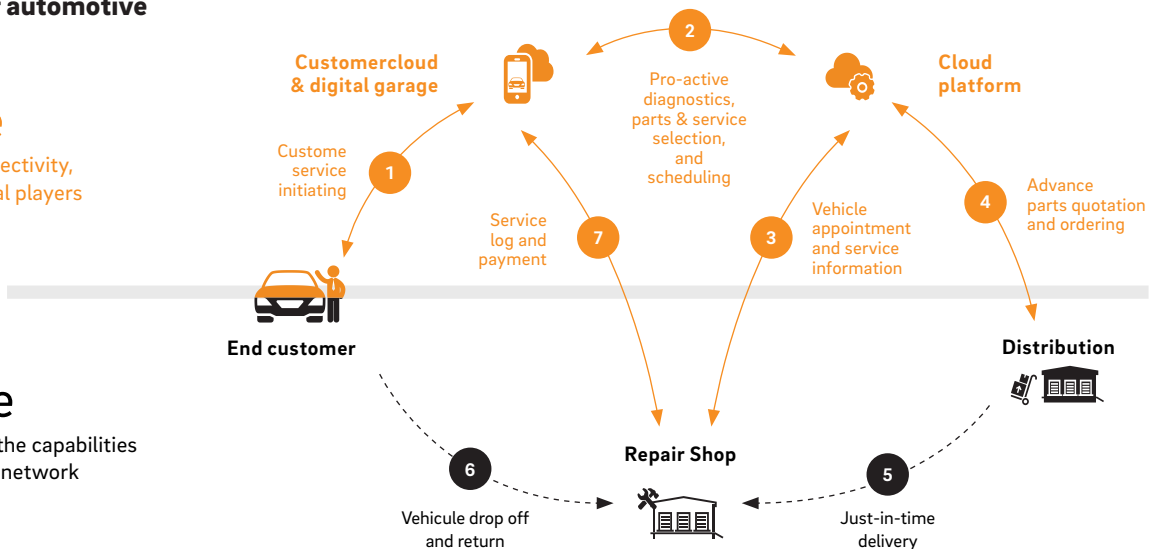
Online

Driven by connectivity, data, and digital players



Offline

Dominated by the capabilities of the physical network

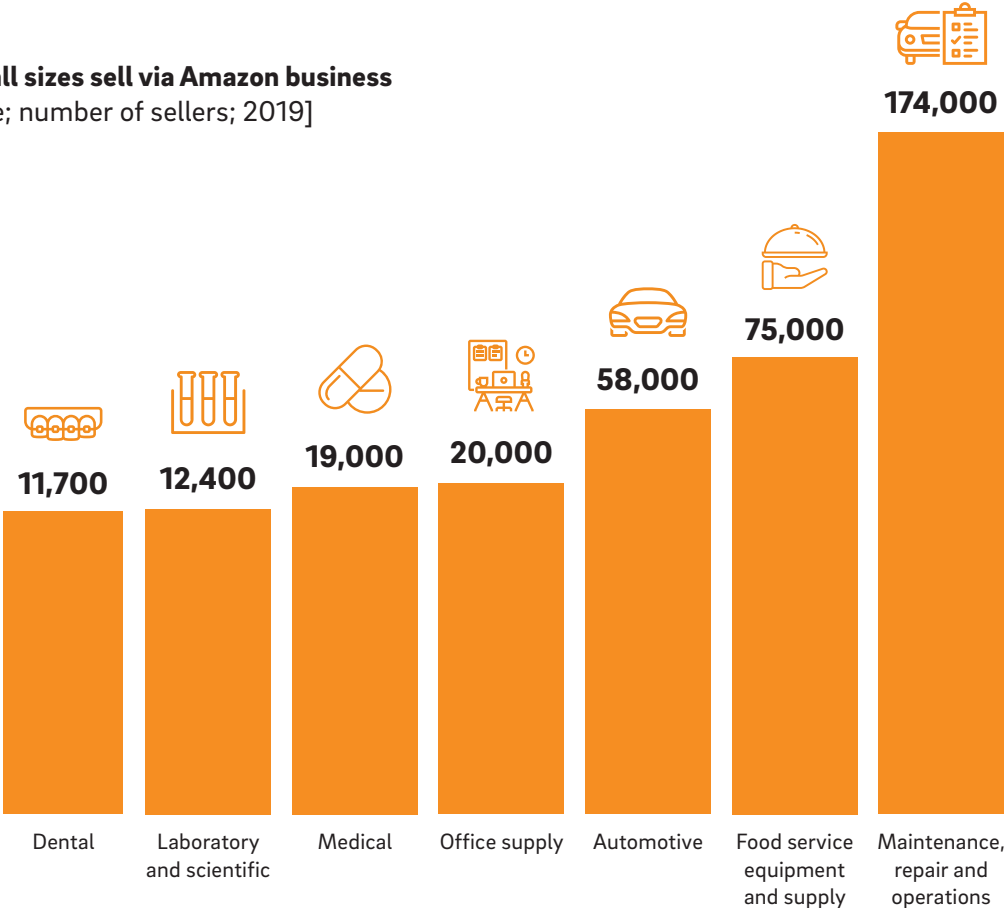


Source: Roland Berger

4 / An uneven growth across industries

B2B marketplaces have reached heterogenous maturity across industries. Within B2B, there is still a clear predominance of MRO, food equipment and automotive marketplaces. B2B marketplaces will thus continue to grow strongly albeit evenly, with automotive marketplaces leading the way in particular.

Sellers of all sizes sell via Amazon business
[worldwide; number of sellers; 2019]



Sources: Applico, Roland Berger

Despite these differences, 5 key factors determine the success of B2B marketplaces across the board:

1.

Providing an extensive product range through a wide range of vendors. In the beginning, marketplace may focus first on select iconic products but, as they become popular, they should expand their product range to include rare, regional or customized products to meet the expectations of their customers;

2.

Providing key services for both customers (such as product finding and comparison, ordering) and vendors (such as vendor automated onboarding, Know your customer (KYC) solutions, white label invoicing, reconciliation, dunning, marketing solutions, suppliers onboarding, logistics services...) in order to match standard B2B practices;

3.

Providing an efficient online payment and invoicing system on their platform to ensure clear and accurate quotes, verify the solvency of their customers, defining precise payment deadlines, anticipating returns and credit notes policy, and adopting payment terms that are adapted to B2B;

4.









Ensuring visibility on stocks and logistics through an accurate knowledge of stock availability and stock planning, to organize production and offer reliable and timely delivery to their B2B clients. To do so, the editor of the marketplace should be connected with the Enterprise Resource Planning (ERP);

5.

Relying on a dedicated organization through efficient vendor management, a reliable product owner agile development team and digital marketing to increase online traffic. In particular, the marketing and communication strategy should be fully integrated in the marketplace's business plan.

"Our B2B marketplace has helped us build an assortment of 6 million products in only 4 years. We now need to take this digitized sourcing model to our larger customer accounts who are still used to offline transactions."

Some sectors have additional characteristics

Sector	Automotive & Transport	Consumer Goods	Food	Healthcare & Pharma
Marketplace maturity	Fairly advanced 	Fairly advanced 	Relatively low, but rapidly growing 	Relatively low, but rapidly growing 
Marketplace growth	Expected to be strong 	Expected to be strong 	Expected to be strong 	Expected to be strong 
Main drivers	<ul style="list-style-type: none"> • The natural aging of the vehicle fleet (increasing need for replacement parts) • The powerful upswing of pure-play e-merchants formerly specialized in B2C offers but diversifying with B2B propositions in tires and automotive equipment • Reinforcement of e-commerce strategies by auto centers and tire makers who are now developing offers targeting professionals 	<ul style="list-style-type: none"> • Importance of online trade shows for faster brand discovery for consumers • The need to adapt to varied and sometimes rapidly changing local tastes/trend by offering broad choices from a variety of vendors 	<ul style="list-style-type: none"> • The increasing number of hotels, restaurants and catering companies placing orders online • The rising number of food wholesalers in e-commerce 	<ul style="list-style-type: none"> • The need for rapid repeat purchases • The disruption of particularly complex value chains caused by Covid-19, underscoring the necessity of having access to a wide array of vendors • A strong and rapidly growing market for medical supplies, pharmaceutical products, due to an aging population
Examples of specialist MPs	<ul style="list-style-type: none"> • Allautowares • Gasgoo • WorldAutoSource 	<ul style="list-style-type: none"> • DHGate • FGM Vendors • Joor 	<ul style="list-style-type: none"> • Haywheel • CaterNation • Biolinked 	<ul style="list-style-type: none"> • Medtruck • Galen Supply • Hystrix Medical • Zageno • Medinas • Trxade • Pharma Flair

Section 2

Two distinct strategies for B2B marketplaces: digital generalist natives and incumbent B2B players

1 / The B2B rise of leading generalist marketplaces and its limits

Using their B2C assets to attract B2B clients, leading generalist marketplaces such as Amazon or Alibaba have increased their pressure on B2B specialists. Drawing from their B2C development strategy and existing tools, they have thus placed a strong emphasis on branding and online user experience to attract and retain customers, data analytics to improve their products and services, pricing algorithms, and technical prowess to offer unrivaled logistics efficiency and services. Amazon, for instance, has identified Artificial Intelligence (AI) as a key growth pillar and competitive edge through virtual assistants (Alexa) and deep learning tools via AWS (AI as a service).

In line with their original B2C model, these digital natives have first developed a horizontal marketplace model for their B2B customers, starting out with a core offer of products. They have invested in a wide range of sometimes unrelated sectors. For example, Amazon has accelerated its growth through acquisitions with no less than 26 purchases in the past three years, with Whole Foods being the company's largest purchase for 13.7 USD bn in 2017. It has been recently adding healthcare and financial services as additional strategic targets.

Generalist marketplaces are now also developing vertically integrated marketplaces by moving into the world of services, including assets-sharing. Through new packages of services, they aim to provide for both a comprehensive and seamless customer journey. These services tend to be unspecialized and undifferentiated however, as generalist marketplaces lack the tools and expertise to adapt them to each client.

Leading generalist marketplaces still face significant limits on the B2B market. As non-specialists, their search engine architecture, catalog and identification system are less deep and more prone to errors than those of specialist marketplaces. They are also less able to adapt their customer journey and services to specific clients, as they lack the specialized knowledge required to offer adequate onboarding, KYC, credit management or dunning tools. Finally, they may encounter important technical or legal barriers to entry on some complex, highly controlled, tightly regulated markets.

2 / A path of development for B2B sector specialists

The inability of generalist marketplaces to offer specialized services such as KYC, trade finance, reconciliation, customer services and the presence of protected markets represent a clear strategic interest for B2B sector specialists to develop their own marketplaces. Against this backdrop, B2B incumbent players have increasingly pushed back against leading generalist marketplaces through their own B2B marketplaces, using an increasingly vertical approach on top of the more traditional horizontal approach.

To fend off back against the leading B2C players encroaching on their markets, B2B players have also first tended to use a horizontal strategy. B2B incumbents tend to benefit from an ecosystem of players in their respective industries, as they can rely on a trustful network of selected vendors and enjoy the trust of end-users (B2B or B2B2C). On their own marketplace, they are thus able to go beyond mere intermediation services to provide relevant, targeted B2B services. They have the expertise to develop an e-catalog of parts that is built from product specifications, which is paramount for the complex variety, range and types of parts for preventing ordering and delivering errors. Their keen understanding of the specific characteristics of their industry allows them to finely tailor their offering to the needs and priorities of professionals of their field, from providing highly precise documentation and search functions to finding and delivering highly specific parts. The generalist abilities of B2C marketplaces that fueled their success on the B2B market is also their limit, at least as far as a professional clientele is concerned.

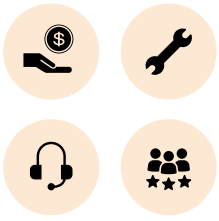
Specialist marketplaces thus have great potential for growth, both for the products and the services they are able to offer. B2B incumbent players also enjoy key assets however to also develop vertically, compared to their generalist rivals. They have the expertise to offer both

specialized associated services as well as "convenient" services that are becoming more and more important for end-users such as training, credit services, or remote customer support. In certain time-sensitive sectors, they can mobilize their physical network to provide needed services or parts in a matter of hours. This is especially crucial for maintenance and repair operations (MRO) in the automotive or air transportation sectors for instance. This path of development thus represents a key opportunity for B2B specialists against their generalist counterparts by offering diversified specialized product and services on difficult-to-access markets.

"The Covid-crisis has reinforced the need to build trusted marketplace solutions for our customers to cover a wide range of products but also services which set themselves apart from traditional generalist platforms. Our solution is at the heart of the ecosystem and leverages our product, logistics and technology strengths."

**Alexander Ketelaar,
Managing Director and Co-founder, Maykers**

Vertically integrated marketplaces



Development towards services
Specialized services tailored to the industry... up to assets-sharing



Threat of the digital-natives generalist marketplaces



Defensive & offensive move, increasing scale & clients stickiness vs. Amazon-likes

Marketplace initiation

Horizontal marketplaces



Enrichment of new products
Rare (long, tail), regional, customized products

3 / To be successful, a marketplace must overcome several obstacles

Significant strategic, implementation and running issues must be addressed as well for a B2B marketplace to be successfully launched.

1.

Strategic hurdles: defining the right end-customer segment and the relevant products and services, selecting the vendors, harnessing the necessary B2B or B2C experience through the right partners to launch the marketplace and establish a clear implementation roadmap;

2.




Implementation hurdles: developing the capacity to carry out the on-boarding of vendors through a comprehensive screening, selection, insertion, watch, and monitoring process, attracting end-customers, ensuring smooth technical implementation – including a clear, precise and well-sorted e-catalog of products with a reliable search engine – and setting out a progressive extension and standardization of products and services to reduce acquisition costs and churn;

3.

Day-to-day operational hurdles: maintaining adequate pricing, ensuring the reliability of the supply chain and logistics services, providing efficient payment and e-invoicing tools, maintaining client satisfaction, develop new services matching B2C innovations, regarding payment tools for instance, and analyze customer data to improve both product offering and customer experience.

Provided a B2B marketplace can overcome these obstacles however, it has bright days ahead.

Several Strategic, Implementation and Run hurdles must be addressed when launching a marketplace

Strategic hurdles 	Implementation hurdles 	Run hurdles 
<ul style="list-style-type: none"> • Define right "sweet spot" for the marketplace <ul style="list-style-type: none"> • End-customers segment with deep understanding of related pain points • Relevant products • Relevant services • Selection of vendors • Necessary (B2B or B2C) expertise to launch • Clear implementation roadmap 	<ul style="list-style-type: none"> • Massive on-boarding of vendors: screening, selection, insertion, watch and monitoring • Hunt of end-customers • Technical implementation (incl. precise e-catalog of products, with reliable search engine) • Progressive extensions: <ul style="list-style-type: none"> • to products... • ...then to services to be standardized • also to reduce acquisition costs & churn 	<ul style="list-style-type: none"> • Pricing excellence • Supply chain and logistics services • Payment and e-invoicing • Client satisfaction • Further development of services • Customer data analytics to improve product offering, customer experience and promotional activities

Conclusion

B2B marketplaces, already on the rise before the pandemic, now enjoy new opportunities of development, as formerly reticent professional customers increasingly turn to e-commerce. B2B specialist players in particular have the means to successfully compete against or ward off leading generalist marketplaces on specialized, protected markets, by integrating vertical services and diversifying their product offering.

Not all industries are equal however: some are still lagging behind regarding the penetration of marketplaces.

As certain sectors are expected to keep leading the way for B2B marketplaces, such as the automotive or food industries, the gap may continue to widen.

Although the growth of B2B marketplaces is expected to keep accelerating in the next few years, hurdles remain. Once these hurdles are overcome, marketplaces can thrive.

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