



Marketplace Guide KPI



Build Tomorrow's Amazon of Your Industry Today - and do it Right!

Important KPIs When Planning a Marketplace and how
to Define Them

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Chapter 01

State of Affairs in 2020

Marketplaces have long been playing an important role in B2C e-commerce, with e-commerce marketplaces dominating the top rankings worldwide. The topic of marketplaces is also making its way into B2B commerce – mostly in niche areas so far. One example of this is Sourceability – this merchant of electronic components has set itself the specific goal of becoming the Amazon of its industry. Even today, the size of the offered product range is almost identical to the Amazon product portfolio. (More about this: [here](#))

So, marketplaces are no longer a trend – it is a change away from the online shop towards a platform ecosystem. This is confirmed by meaningful studies: according to Statista, more than 50% of total online sales of German merchants and manufacturers in 2019 were generated via marketplaces, a number that is steadily increasing.¹

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More than 57 percent of the most successful online shops sell their products not only via their own website, but also via online marketplaces such as Amazon, eBay or Real.”

- Lars Hofacker, Handelsforschungsinstitut EHI in Cologne.²

The undisputed number one in the marketplace ranking is Amazon, which is used by 47 percent of merchants as an additional sales channel, followed by eBay in second place with 37 percent.³

It comes as no surprise that some marketplace initiators are ready to develop similar models. It has long been a question of **HOW**, rather than **IF**. And since we don't like to beat around the bush, along with a team of experts from our partner **minubo**, we would like to give you some specific recommendations for the **HOW** and uncover some KPIs that are essential for the operation and optimization of a marketplace.

1. <https://de.statista.com/statistik/daten/studie/1060181/umfrage/anteil-des-gesamten-online-umsatzes-ueber-online-marktplaetze-in-deutschland/>

2. <https://www.internetworld.de/e-commerce/online-marktplatz/marktplatzfieber-im-online-handel-2425207.html>

3. <https://www.internetworld.de/e-commerce/online-marktplatz/marktplatzfieber-im-online-handel-2425207.html>



Chapter 02

Who Potentially Benefits From a Marketplace?

Merchants

Amazon, eBay and co. prove that a marketplace model makes sense for merchants. The advantages for the connected merchants are obvious: They save on expensive technical resources and can rely on an already existing and functioning infrastructure.

The advantages for the platform initiator are even more lucrative. On the one hand, having an own marketplace constitutes a revenue stream that eliminates commodity risk and capital commitment because only products from other merchants and manufacturers are sold via the platform. A different approach would be a brand building a marketplace where its own product range is complemented and expanded by other merchants. In both models, the risk is more likely to be on the side of the connected merchants than with the platform owner.

On the other hand, the transfer of know-how and customers to their own sales is valuable due to the performance of the merchants and increases growth opportunities.

User engagement can also be drawn to the platform by existing customer groups from the very start. Customers who already trust a merchant or brand will be more willing to purchase products from these suppliers via a marketplace.

- Revenue through marketplace fees
- Advertising (see comment below)

The condition for the aspects mentioned above is transparent reporting on the partner and merchant side. This enables the marketplace operator to identify reasons for low sales figures or high return rates, for example, and to identify optimization potential. This is the only way to increase sales and increase customer loyalty – win/win for both sides.

B2B merchants and manufacturers

Amazon's market dominance as an 'all-round marketplace' cannot be denied for the B2B sector, either. Keeping up with the constant development, new services, and patents seem impossible for new platforms.

On the other hand, Amazon's extensive product range also demands major compromises on the user experience. The quality of product presentations by individual merchants is not consistent; many products are not adequately described; Amazon's customer reviews often provide more information about the product than the product description. These aspects can be decisive for a purchase, especially in the B2B sector.

This is precisely where B2B providers can play out their advantages. In terms of product and industry knowledge, they are far superior to Amazon. Products and services can be offered in a more user-friendly way. Requirements: price, payment options, and order processing must keep pace with the Amazon UX.

Special interest platforms, in particular, can focus on very differentiated target groups. B2C and B2B customers are increasingly demanding 'everything from a single source' – marketplaces perfectly meet this relatively new requirement. Merchants and manufacturers who offer not only a standard range but also niche products, custom-made designs, and services can position themselves as pioneers in their industry with their own platform. The marketplace operator offers merchants a platform with already stored products and content that can be expanded as required. The merchants have the advantage of launching their online shop with little effort and are integrated as trading partners.

Another advantage for both sides: Trade partners and merchants can not only sell products via the platform but also place advertisements, thus increasing sales. This can take place through sponsored listings or display banners, for example. These advertising expenses, for their part, can provide the marketplace operator with an additional revenue stream.



Chapter 03

Which KPIs are Essential for Planning?

A uniform definition of generic KPIs must be step zero in planning because comparable data is clearly the precondition for maximum transparency and standardized communication between all parties involved.

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Key indicators are, at least in the ideal scenario, not only information but above all, a basis for decision-making. Therefore, wrong numbers (or misinterpreted numbers) easily lead to possibly wrong decisions.”⁴

- Lennard Stoevers, Co-founder & CEO minubo

4. <https://blog.minubo.com/de/the-inconvenient-truth/deine-mitarbeiter-haben-keine-definition-von-umsatz>

Which internal and external KPIs are essential for planning a marketplace?

Internal KPIs

1. Revenue

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Revenue as a term seems so harmless; it acts as if it were the simplest key figure in the world. But the opposite is true: there is no key figure that is trickier to define than this one. It is the key figure that is actually 20 key figures.”

- Lennard Stoever, Co-founder & CEO minubo

The challenge in many companies: every department has established its own definition of revenue. This can lead to miscommunication, different interpretations of results, and wrong decisions.

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Comparing apples and oranges has never made sense in any context, and this also applies here. If marketing compares its monthly ‘revenue’ with the controlling ‘revenue’ of the last month and is happy about the supposedly positive development, nobody really has a reason to celebrate.”

- Lennard Stoever, Co-founder & CEO minubo

Even if it seems pointless to define the term even before the first cent is ever turned over, you are on the safe side if this is done in advance in a precise and binding manner. This is because by the time the parties involved realize that apples are being compared to oranges, it is usually too late, and there is a far more complex problem: the time-consuming and nerve-racking process of calculating the different revenue streams and the underlying definitions. Unfortunately, this is the reality in many companies. Situations like this cost a lot of time and are highly inefficient.⁵

5. <https://blog.minubo.com/de/the-inconvenient-truth/deine-mitarbeiter-haben-keine-definition-von-umsatz>

Therefore, the goal and precondition for company success are the focus on a cross-departmental, uniform definition, and understanding of the term 'revenue.'

More on this: [here](#).

2. Sales

Sales are a fundamental success factor for a marketplace. Channels must be made profitable for all sides of the platform. It must be more attractive to sell and buy on the marketplace than via direct channels for both merchants and customers. Therefore, the framework within which the merchant can sell its goods on the marketplace must be precisely defined in advance.

3. Reach

The most important tool to control and increase reach itself is ownership of customer access. This includes both specific authorizations and data transparency on the merchant's side as well as a binding CI. These are decisive factors for a high reach. Extensive customer data allows more detailed segmentation for higher marketing efficiency and more accurate retargeting.

A binding CI and guidelines for the merchants are important because they strengthen the public image: if customers recognize the platform based on certain characteristics of the CI, this increases trust and thus also the willingness to make a repeat purchase and recommend the marketplace to others.

4. Customer satisfaction

Customer satisfaction is a relatively 'soft' KPI, whose comparative values cannot be viewed in a purely analytical and number-based manner.

The KPI for customer satisfaction can be, for example, the creation of a consistent shopping and fulfillment experience within a defined period, but also strong performance and high page loading speed. Making this a testable factor allows knowing exactly how the customer really thinks, optimizing customer focus, and generating a growing customer base.

5. Product range (extra wide vs. special interest)

The focus must be on the following question: do I want to design the range of products in my marketplace to be rather wide, or do I want to cater to special interest groups? The answer to this question depends on the platform's target group, but especially B2B marketplaces that only target one industry should not offer a range of products that is too wide; instead, they should focus on depth. Quantities and number of items should be precisely defined in advance. Additional complementary services or products, such as batteries for electronic devices, should also be taken into account when designing the product range.

Criteria for selection of merchants

Strategic considerations and the answers to the following questions are essential here:

- What is the goal of my marketplace?
- How many merchants do I want to have?
- How much competition from other providers do I allow on my platform?
- What product range does a merchant offer, and does it match my selection of products?

The answers to these questions are unique – a reasonable goal may be exclusivity, for example, while other marketplaces prefer to offer a large selection of products.

The decisive factor for acquisition should be the existing portfolio of merchants. Meeting specific criteria, such as sustainability, should also be taken into account, as well as strong demand for categories offered by the merchant. A new merchant who lists products in this category can also tend to be very interesting and be prioritized.

Ratings on other existing marketplaces can also provide an initial indicator for already active merchants. These are also already familiar with the 'marketplace model' and its implementation. Also, they already have product data that allows valuable conclusions about customer behavior for your marketplace.

On the other hand, a rating for merchants can also reveal possible shortcomings: poor quality of product data, non-existent images, missing descriptions, etc.

If the services do not meet expectations, a merchant can be excluded from your platform in advance.

To keep control over your platform, a 'closed marketplace' might be useful, limiting access to the shop to merchants and partners. The advantage is that you, as the operator, stay directly in control of the entire product range. Keep the possibility to set your principles and standards obligatorily: the quality of the merchant can be verified in advance and monitored later – so that the quality is right and the image of the marketplace is not at risk.

KPIs for rating and performance of merchants

Evaluation of merchants is the foundation of a successful platform – this applies to B2B marketplaces as well as B2C sales. Differentiate between 'movers' and 'shakers' – find the movers who are willing to set processes in motion by themselves and are not afraid of innovation.

The following questions can be helpful in the evaluation of merchants:

- **Which merchant has big positive (or negative) changes (relative and absolute) compared to a reference period?** This merchant does not necessarily have to be one of the top ones. Based on its performance, trends can be identified and, if necessary, pushed further.
- **What is the cancellation rate?** It is essential to differentiate between merchant and customer cancellations. The cancellation rate from both sides provides information on whether a merchant reliably handles its processes.
- **What is the return rate?** The return rate provides information on whether the product description and product quality meet customer expectations. It is helpful to get additional feedback from customers about why they are returning a product – this can also be helpful for the manufacturer.
- **How relevant is the product range of the merchant?** Take a look at what the merchant offers and the size of their product range, then compare it to what is actually purchased and make recommendations accordingly.
- **What is the delivery performance?** Delivery performance is an indicator of reliability. Only if the information on estimated delivery time matches the actual delivery time, the merchant should continue to be listed on the platform.
- **What is the NPS?** The NPS (net promoter score) provides information about the satisfaction of the merchant's existing customers. The NPS is calculated by the response ratio to the question 'How likely is it that you recommend brand X to a friend or colleague?' The answers are measured on a scale from 0 (unlikely) to 10 (highly likely).

Merchants whose NPS is high are potentially more valuable to a marketplace because they can migrate existing customer groups to your platform.

- **What is the buyer-seller ratio?** The buyer-seller ratio indicates whether there are more buyers or sellers. Lack of traction on one side can harm the marketplace. Expected demand should match or exceed the projected supply.

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It is always important to focus on top merchants and top products to quickly make the marketplace successful. What actually makes a top merchant or product varies according to strategy and phase.”

- Lasse Klüver, VP Sales & Partner Management minubo



Chapter 04

Conclusion

The KPIs mentioned above range from precisely defined indicators such as targeted revenue to soft and less quantifiable KPIs, such as the definition of factors for customer satisfaction.

No matter what type of KPIs are concerned, selecting relevant aspects and the definition of obligatory KPIs should be the first step in planning a marketplace platform. They serve as a foundation and decision-making tool for the marketplace operator regarding product and product range selection, marketing activities, merchant selection, and the desired public image.

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Which KPIs are ‘right’ or how precisely they are defined depends on the strategy the marketplace is pursuing. If the company is in a growth phase, a top merchant can be defined, for example, by placing as many orders as possible and thus achieving a wide reach or market presence. If the marketplace pursues a profitability strategy, the marketplace revenues can put a merchant at the top of the list..”

- Lasse Klüver, VP Sales & Partner Management minubo



About minubo

Spryker's partner minubo focuses on the optimization of data insights. The Hamburg-based company is convinced that successful commerce must be data-driven and, therefore, supports every employee in the company to utilize the full potential of its data. Ultimately, this should increase results sustainably.

Minubo has years of industry experience, operational excellence, and extensive expertise from 150+ implemented business intelligence projects in retail, e-commerce, and omnichannel. With the business intelligence cloud, customers receive a complete technology stack from A to Z. In addition, minubo delivers the most important industry-proven tools for every business user in one solution and creates the foundation for KPI-driven decisions within a few days.





Spryker enables companies to create winning commerce experiences in B2B, B2C, and marketplaces. It is the most modern platform-as-a-service solution with over 800 API-based modules, cloud-enabled, enterprise-ready, and loved by developers and business users worldwide. Extend sales reach and grow revenue with a system that allows you to increase your operational efficiency and lower your total cost of ownership. Expand to new markets and business models without technical limitations. Spryker solutions have empowered 150+ companies to manage transactions in over 200 countries worldwide and is trusted by brands such as Toyota, Hilti, Lekkerland, Hero, Rose Bikes, and Prym.

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