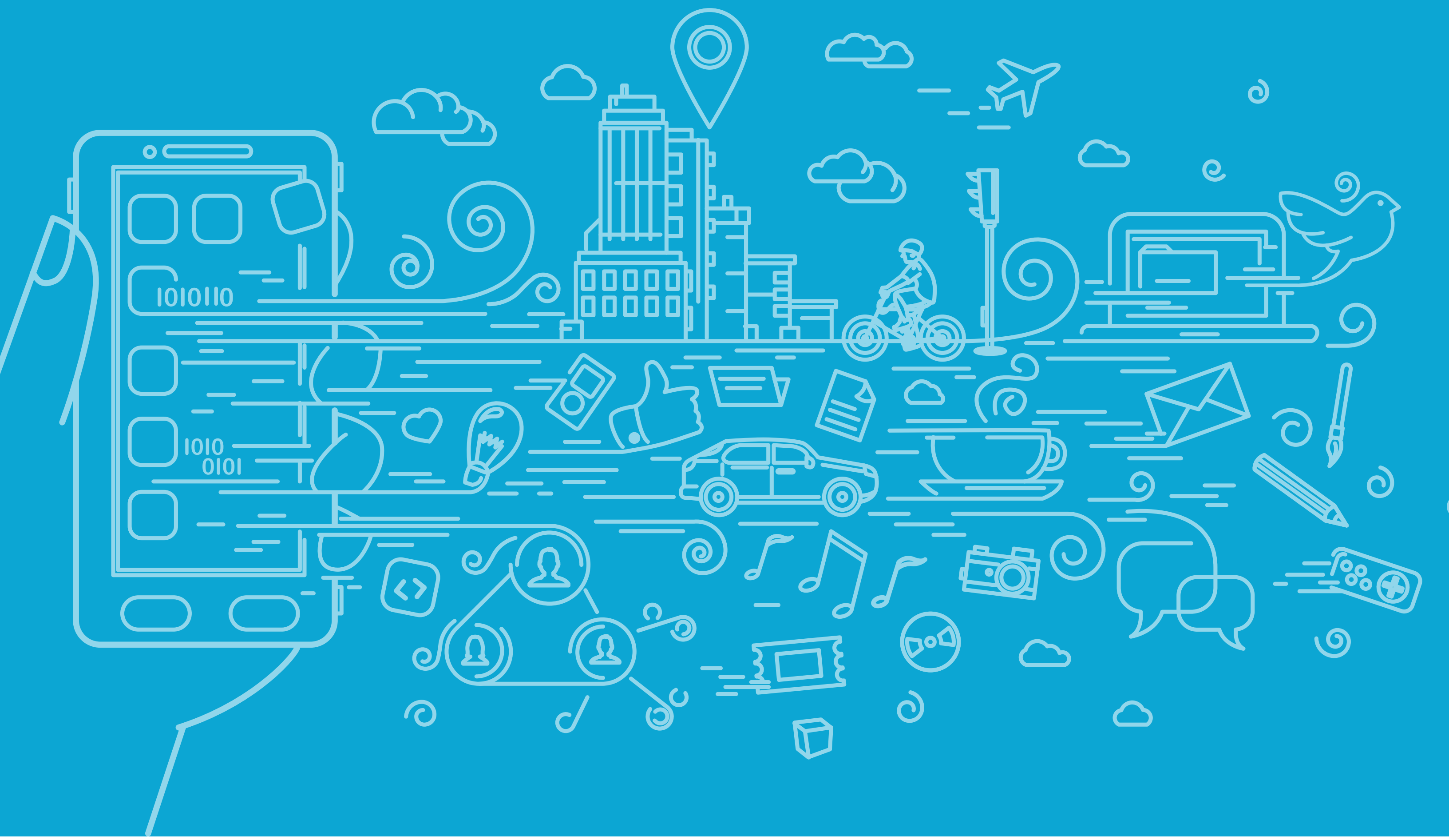
The State (and Future) of Digital Marketplaces

Brian Solis



Kahuna

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Marketplaces are having a leapfrog moment. Analysts predict[1] that marketplaces around the world will account for 40% of the global online retail market by 2020. But, the rise of digital marketplaces is an overnight success more than twenty years in the making.

Digital marketplaces are not new; they've been around since the dawn of e-commerce. But today, their potential for growth and diversity is outpacing traditional e-commerce in every respect.

During the early days of Web 1.0, in 1995, eBay launched what would become a mainstream digital marketplace movement. At the time, eBay remarkably brought together a strong gathering of sellers and buyers around an auction format for used products and specialty products. As the marketplace grew and innovative technologies with new capabilities were introduced, eBay continually enhanced the ecosystem, launching new value and growth opportunities in the process. In October 2002, eBay acquired PayPal[2] to streamline how buyers and sellers transact on the platform. Over time, eBay evolved into a dynamic marketplace beyond auctions where now, 80% of the items sold are brand new to a broad, global audience of over 170 million buyers[3].

In 2009, "the sharing economy" or the "gig economy" represented the next chapter in the advancement of digital marketplaces. Uber, Airbnb, Postmates, TaskRabbit, and the like ushered in hybrid marketplaces that combined specialized products and services across market segments.

Along the way, mobile, apps and user experiences rapidly evolved, conditioning consumers to expect convenience, choice, simplicity and even personalization round-the-clock. At the heart of this is location awareness and device integration that turns smartphones into powerful windows for instant, personal discovery and satisfaction. As a result, consumer behavior – including their preferences and expectations – changed and continue to evolve today, further disconnecting them from the notion of physical presence when it comes to purchasing decisions.

Today marketplaces are growing at an incredible pace.

In Amazon's April 2018 letter to shareholders, for example, it was reported[4] that more transactions were fulfilled directly from sellers than from Amazon's fulfillment centers for the first time. The dramatic growth of sellers listing on Amazon's Marketplace resulted in products being purchased from more than 300,000 small- and medium-sized businesses. Amazon also revealed an interesting fact about the marketplace component, which is that products sold and fulfilled by third parties are more profitable than those fulfilled by Amazon directly. Credit Suisse pegs Amazon Marketplace sales at $135 billion in FY2018, and that number could swell to $259 billion by 2020, according to *Entrepreneur* magazine. Alibaba is also a great example of this phenomena. In fact, in a recent report[5], annual active users on its China retail platforms, led by Taobao Marketplace and Tmall, increased by 37 million to reach 552 million.

Amazon isn't the only place where digital marketplaces are thriving. Traditional retailers are also recognizing the opportunity – as well as the need – to invest in marketplaces if they're going to compete against Amazon and growing modern commerce brands and specialist startups. For instance, in July 2018, Walgreens launched Find Care Now[6], a dedicated section of its website and app that connects consumers to on-demand, local service providers such as New York–Presbyterian Hospital, DermatologistOnCall and national telehealth service MDLive. The goal is to create a one-stop shop for health care.

Add to that the seemingly infinite growth potential for services marketplaces. In August 2018, for example, Uber was valued at $72 billion.[7][2] And, Airbnb's estimated valuation as of March 2018 was about $38 billion.[8][3]

Platform economy:

Tectonic force in the digital economy, the Third Wave of Globalization

Multi-sided digital frameworks

Define terms upon which participants engage each other

Expansive in nature, integrating commerce, sharing, and engagement

So, what's next?

We've now arrived at the "platform economy." Marketplaces have become platforms and as a result, they're enhancing product and service models and experiences between what sellers offer and what buyers demand. The effect is expanded business opportunities for sellers/providers and a broader array of choice and value for consumers. These businesses build on the success of early product-oriented marketplaces by evolving into non-traditional products and services.

Today, everything is in play and categories thought immune to digital disruption are in fact being disrupted. Related services are becoming more prominent – including delivery and installation services, for example – as marketplaces focus on competitive advantages and customer retention. Sellers in these marketplaces benefit from enhanced shipping and logistics services, payment processing, reporting and integrated messaging for supporting customers.

What is interesting to consider is not how the disruption is affecting existing players but how the underlying assumptions about specific business motivations and incentives is also changing.

Taking the restaurant industry as an example, in just a generation, customers have moved from using the telephone to book reservations at a restaurant to using the internet, and finally, to using mobile apps. The rapid evolution has helped restaurants increase traffic, drive sustained revenue and minimize open tables/time slots. However, marketplaces have changed the dynamic between restaurants and patrons. Food delivery marketplaces, for instance, are having a profound effect on restaurants, expanding reach and potential. Many are seeing double-digit revenue growth from people who might not seek a reservation but want food delivered to their home or office instead. Now, restaurants are realizing that their business is no longer just about driving traffic and filling reservations, but also about serving a new breed of remote, on-demand customers. Restaurant operators are rethinking their kitchens and support staff to increase capacity well beyond the number of seats they can serve in their physical locations.

Marketplaces are more than platforms for hosting sellers and attracting customers. Marketplaces as platforms are changing market dynamics and pushing sellers and service providers to rethink their mission, value propositions and overall experience.

State of Digital Marketplaces: Executive Summary

Marketplaces will only continue to expand and diversify, introducing new retail and service experiences to sellers and buyers alike. As they do, marketplaces will open doors to new breeds of sellers and service providers, broaden customer choice for more varied product and service offerings, foster healthy competition and promote continuous innovation.

With their phenomenal growth, and the promising future of marketplaces and their role in shaping the future of retail, Kahuna and Altimeter set out to capture the state of digital marketplaces. We surveyed 100 executives and managers of marketplaces across the US and across eight market segments. What we learned in this research, through a quantitative survey and third-party analysis, is that marketplaces have been underappreciated in their role in reshaping retail and are set to define next generation experiences.

The goal of this report is to provide a lens into the rising marketplace segment to guide incumbent brands and inspire emergent marketplaces as they pave the way for the future of retail, services and customer experiences.

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Key findings include:

- Marketplaces are generating significant revenue, with two-thirds generating more than $50 million annually and one-third generating $100 million or more.
- New product launches, revenue growth and customer acquisition top the list of marketplace business objectives in 2019.
- Marketplaces cite four common customer-facing challenges in pursuing growth: competitive differentiation, buyer retention, buyer acquisition and social media engagement.
- Sellers disengage from marketplaces because platforms don't provide "growth as a service."
- To attract buyers, marketplaces go directly to where their attention is focused: social media, search, email, and postcards.

The State of Digital Marketplaces as Told by Marketplaces

Kahuna and Altimeter interviewed players across leading marketplace sectors for the inaugural “state of marketplaces” report. The goal was to understand their business challenges and growth opportunities, as well as how they’re measuring cultivating success for and between sellers, service providers and buyers.

Marketplace participants were selected to represent eight prevailing categories. Most often business models included a mix of traditional retail and marketplace revenue (mixture companies).

In the development of the survey, we examined marketplace charts to understand how the industry was generally categorized. Of those, we then grouped the categories into four recurrent groups including the following:
(note: company examples are not necessarily representative of survey participants)

- Transportation
- Classifieds
- Property portals
- Consumer services

Among these groups, two-thirds of companies generated revenue through a combination of traditional retail and marketplaces. And of those companies, consumer services were mostly a mixture of the two.

Marketplaces are generating significant revenue, with a two-thirds generating more than $50 million annually and one-third generating $100 million or more.

Of those surveyed, most participants represented high revenue companies. One-third of those companies generated $100 million or more in revenue in the last fiscal year. Further, 38% earned $50 to $99 million and 25% claimed $1 to $49 million.

The sizes of the participating companies were also varied. A significant percentage employed 1,000 to 4,999 people (38%), and 18% employed 500 to 999 people. However, many respondents were from companies both much smaller and much larger.

Most marketplaces reported GMV of between $500 to $999 million.

Gross merchandise volume (GMV) is the total value of merchandise sold to customers through a marketplace. GMV is linked to the scale of the business and is considered one of the most important business metrics[9]. In our survey, many marketplaces (35%) reported GMV of $500 to $999 million. Only 12% reported over $1 billion in GMV. In addition, 25% reported GMV of $250 to $499 million and 19% reported $50 to $249 million.

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To serve as a comparison, eBay reported GMV of $88.4 billion for the full year of 2017, which was up 6%[10] from the previous year. Alibaba reported GMV of $547 billion on its China retail marketplaces in fiscal year 2017, which represented an increase of 22% above fiscal year 2016[11].

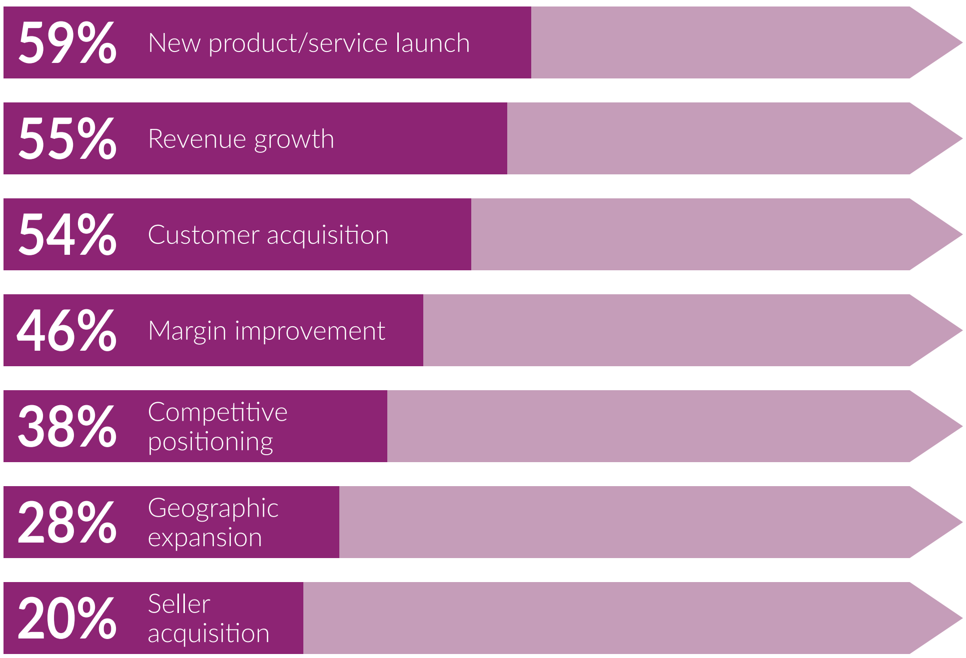
According to research by *Internet Retailer*[12], of the top 75 marketplaces, 33 reported GMV growth between 15.1% and 50% in 2017. Another 15 claimed 50.1% to 100% GMV growth and 7 reported 100%.

New product launches, revenue growth and customer acquisition top the list of marketplace business objectives in 2019.

We asked participants to list their top three business objectives for 2019 and learned that marketplaces are prioritizing new products and growth. At the same time, marketplaces face great opportunities and are, in large part, expected to drive growth and differentiation through new products and services. In general, the marketplace business objectives for 2019 that participants identified — listed below — illustrate a well-rounded approach to growth in general, focusing on increased margins, value, geographic expansion and seller acquisition.

NEW PRODUCT LAUNCHES, REVENUE GROWTH AND CUSTOMER ACQUISTION top the list of **marketplace business objective in 2019**

Marketplace business objectives for 2019



Of those marketplaces we studied, professional services marketplaces chose revenue growth as a top business objective. Most consumer services marketplaces, on the other hand, ranked new product/service launch as a top business objective.

To add a seller's perspective, we also reviewed a recent survey of 1,200 Amazon Marketplace sellers conducted by Feedvisor[13]. According to the survey, 26% of Amazon Marketplace sellers plan to expand outside of the U.S. in 2018, which highlights the importance of increasing their businesses' presence and visibility. 46% of seller participants stated that they are planning to sell through the Walmart Marketplace in addition to Amazon in 2018, a significant increase over 29% in 2017.

Top customer-facing **challenges:**

Competitive differentiation	39%
Buyer retention	32%
Buyer acquisition	29%
Effective social media campaigns	29%
Shopping cart abandonment	26%
Insufficient technology resources to scale growth	23%
Customer experience	22%
Seller acquisition	22%
Seller retention	19%
Funding/ venture capital	18%
Customer lifetime value	16%
Lack of resources	16%
Lack of expertise	9%

Marketplaces cite four common customer-facing challenges in pursuing growth: competitive differentiation, buyer retention, buyer acquisition and social media engagement.

In addition to identifying top business challenges, we also sought to understand top challenges facing marketplaces in the survey. We learned that the four top challenges marketplaces are facing are competitive differentiation (39%), buyer retention (32%), buyer acquisition (29%) and effective social media campaigns (29%). Other challenges range from one side to the other. At 26%, it's clear that shopping cart abandonment continues to plague marketplaces and retailers alike. Interestingly, technology resources to scale growth ranks 6th with 23%. Customer experience, one of the top catalysts Altimeter has identified in driving advanced digital transformation, ranks 7th among top challenges facing marketplaces at 22%. The least challenging is lack of expertise (9%).

Of our respondents, only e-commerce companies said competitive differentiation and customer experience are equally the biggest challenges. Among mixture companies, however, participants said competitive differentiation is the main challenge.

Revisiting Feedvisor's survey of Amazon Marketplace sellers, top challenges are directly tied to operations, customer experience and competition. At the top of the list (38%), sellers are concerned with competition with Amazon. Marketplace fees and negative feedback/reviews from customers ranked second and third, respectively, at 33% and 32%.

Marketplaces report digital advertising, search and social media as the top three channels for seller recruitment.

Even though seller acquisition sits at the bottom of the list of top business goals for 2019, marketplaces are still investing in recruitment. For example, the top four methods marketplaces use to recruit sellers include digital advertising (59%), search ads (36%), Facebook (32%) and email — yes, email (31%). Notably, social media peppers the list. In addition to Facebook, Instagram (25%), YouTube (18%) and promoted social content (17%) took the next three top spots.

Mixture companies that offer both traditional and e-commerce options are vastly more likely to choose advertising as a primary seller recruitment vehicle, the study found. E-commerce companies, however, selected a full range of channels. The least effective means reported were Twitter and offline ads.

Retaining sellers also takes marketing; integrated platform services offer opportunities for merchants to create standalone value.

In the world of business growth, it's often said that customer retention is as or more important than customer acquisition. And, keeping customers happy and engaged is oftentimes thought to be less expensive than attracting new customers. However, since marketplaces have two types of customers — sellers and buyers — they have double the work to retain and attract customers on both sides. And, typically, this work is done in two very different workflows and is the responsibility of entirely different teams in an organization.

Specifically, we asked participants what their top three methods were for retaining marketplace sellers. Marketing activities comprises four of the top five spots. Advertising ranks far and away the top investment with 47%. Additionally, social media/content follows with 25%, which means that marketplaces are aiming to reach sellers where they split business and personal time. Just below this and above "email campaigns" at 23% is "creating standalone value" at 24%, e.g., platform performance, enhancements and roadmaps. We expect to see that number rise over time as marketplaces will need to be more than just "commerce as a service" for sellers.

Sellers disengage from marketplaces because platforms don't provide "growth as a service"

3 main reasons sellers disengage

46% differentiation

33% insufficient sales

33% marketplace service fees

To attract buyers, marketplaces go directly to where their attention is focused:

3 most effective channels:

45% Facebook

27% search ads

31% direct mail and email campaigns

Sellers disengage from marketplaces because platforms don't provide "growth as a service."

For any marketplace to grow its value to sellers and buyers, it must enhance the value proposition to both sets continually. The number and variety of marketplaces is only expected to boom, so sellers need tools to compete and to attract customers to grow.

When we asked marketplaces the three main reasons sellers disengage, we assembled a list of what it takes for businesses to fail. That list also represents areas in which marketplaces can invest to improve seller acquisition and retention strategies.

The three main reasons for seller disengagement are insufficient competitive differentiation (46%), insufficient sales (33%) and marketplace service fees (31%). Additionally, sellers claim that marketing costs (28%) and the lack of buyers (26%) are critical business issues. It's also interesting to see that 24% of marketplaces claim sellers leave due to network leakage, where customers leave to transact directly with sellers.

To attract buyers, marketplaces go directly to where their attention is focused: social media, search and electronic and snail mail.

Customers are the heart and soul of any business. One of the biggest challenges and opportunities for every marketplace is the constant need for investment and the balancing act of attracting the right ratio of buyers and sellers. To understand where marketplaces are effectively luring customers, we asked them to list their top three buyer acquisition channels.

They said the three most effective channels are Facebook (45%), search ads (27%) and direct mail and email campaigns (both 23%).

But exploring the broader list highlights the greater breadth and complexity of engaging customers. Loyalty programs are still important in our era of modern commerce and rank fourth on our list at 21%. Tied with it is YouTube and just behind it in the fifth spot is Instagram at 18%. This list demonstrates the power of social media in attracting buyers and sellers, with three social networks ranking among the top five.

When we look at the break down of marketplaces, those that focus on e-commerce only are less likely to choose Facebook and search ads, and more likely to choose direct mail. Those in consumer services say search ads are a top buyer acquisition channel, while food and beverage services say Facebook is a top buyer acquisition channel.

Retaining and activating buyers requires marketing with social media and loyalty programs.

Like seller retention, buyer retention is also a critical part of the mix. Whereas product selection, quality, competitive prices and service are hallmarks of any solid retail business, marketing seems to be a common strategy among marketplaces for buyer and seller retention activation.

Social media and loyalty programs are the most effective means of seller and buyer retention, according to our study. For example, Instagram, Facebook, customer loyalty programs and promoted social media content take the top position at 25%. Search ads, e.g. AdWords, is second with 24%, followed by YouTube with 22%. Interestingly, snail mail once again is cited in the top five of effective channels in both acquisition and retention, coming in fourth with 19%.

The least effective is "other social media," cross-channel customer service, and in-app cross promotion.

E-commerce only companies are much more likely to choose Instagram, while mixture companies are more likely to choose promoted social content, search ads, and YouTube. For comparison, companies that focus on classifieds services say Facebook is a top method for activating buyers whereas companies that focus on consumer services say search ads are a top method for activating buyers.

Top 3 reasons buyers leave their marketplaces

53%
lack of sellers who meet their needs topped the list

49%
logistical challenges including shipping costs and fees added by sellers

39%
large geographic distances between buyers and sellers

Lack of sellers and shipping costs and fees combined with poor customer engagement and experiences drive buyers away.

Aside from product choice, marketplaces must combine the minimum threshold of product selection and competitive prices and services for buyers to remain loyal.

On many fronts, Amazon is the gold standard for logistical operations and customer experience in any retail environment. For example, Amazon Prime offers rewarding benefits that include free two-day shipping and, in eligible ZIP codes, free same-day or even two-hour delivery. Customers now hold all retailers, marketplaces included, to these standards whether they're equitable or not.

As soon as a marketplace opens, it must work with sellers to deliver competitive and value-added experiences and services to keep buyers active and loyal.

We asked participants about the top three reasons buyers leave their marketplaces. A lack of sellers who meet their needs topped the list at 53%. Following were logistical challenges including shipping costs and fees added by sellers (49%) and large geographic distances between buyers and sellers (39%).

From there, the list of reasons for buyer abandonment focused on customer experience and engagement issues. They include the following:

- **37%** Uncompetitive pricing
- **36%** Too many irrelevant emails and push messages
- **33%** Inability of merchandising and search to surface relevant products
- **30%** Lack of mobile app
- **23%** Inadequate customer service

Ahead of peak liquidity, buyer and seller-focused metrics are key indicators for marketplace health.

Marketplaces are a complex business and as such, there are many metrics to track. For example, when it comes to business performance, among the two most important metrics are GMV and Take Rate. GMV, as we discussed above, represents the total dollar value of everything sold through the marketplace in any given time frame. Take rate is a percentage of GMV the marketplace operator gets to keep in addition to fees that are specific to the item(s) being sold.

In this study, we sought to learn how marketplaces measure overall health. At the top of the list (46%), marketplaces place emphasis on tracking customer lifetime value (CLV), which reflects larger and more frequent transactions. At 23%, marketplaces are also tracking buyer and seller loyalty. Investing in loyal customers (buyers and sellers) will only drive this and CLV metrics.

Tied for the third top optimal health metric at 11% are peak liquidity and repeat customer transactions. Peak liquidity[14] is a crucial metric as it represents the ratio between buyers and sellers that maximizes transaction value. Repeat transactions (and the total value of those transactions) are also critical as they can help marketplaces track performance and prioritize investments to grow CLV and loyalty metrics.

Additionally, we found that participants from larger, general marketplaces and those focused on employment services say that CLV is the optimal health metric. Conversely, participants from smaller companies place loyalty as the most important health metric.

When we compared data across the survey, we also found some notable points around where different types of marketplaces place greater value. For example, marketplaces that care most about customer acquisition are more likely to be the largest companies. Smaller organizations, however, are more likely to care about peak liquidity. Those that care about broad distribution across the seller network are more likely to be large companies. Executives who emphasize loyalty are more likely to represent mid-range companies.

Most marketplaces claim that the concentration of sellers driving 80% of transactions ranges between 40% to 60%.

Marketplaces aim to find the sweet spot of seller and transaction concentration to ideal positions of higher profitability. Experts apply the Pareto principle, which specifies 80% of consequences come from 20% of the causes[15]. In this case, marketplaces[16] aim for 80% of total transactions generated by 20% of sellers.

In our survey, most marketplaces are much higher than that number (45%), indicating that greater diversification and cultivation could be beneficial. The second top response showed that some marketplaces are even higher, with 60% to 79% of sellers driving 80% of activity. If we take the Pareto principle as the optimal balance, then 16% of participants are reporting ideal seller/transaction activity between 20% to 39%.

Almost half of all marketplaces say that repeat customers account for upwards of three-quarters of all transactions and one-third say repeat customers are responsible for half of all transactions.

When it comes to the Pareto principle, experts also believe that the concentration of buyer activity should be the same as seller activity; 20% of buyers should drive 80% of the transactions.

While we couldn't get that specific in this study, we found that repeat customers are driving a significant percentage of all transactions. Specifically, 45% of marketplaces pin 60% to 79% of transactions to repeat customers. And, 31% say that 40% to 59% of repeat customers drive total transactions.

We also found that just **17%** of marketplaces are hitting at or near the bullseye, with total transactions generated by **20%** to **39%** of repeat customers.

Marketplaces aim to find the sweet spot of seller and transaction concentration

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The Next Phase: Marketplaces as Experiences

retailers say
86%
of consumers now expect
more product choice
even in the same category
RetailWeek

70% of
consumers believe that
a large range of product offerings
boost customer acquisition

36%
of retailers
plan to expand
in core categories

This study demonstrates that e-commerce crosses all products and services – from ride sharing to employment to food and beverage – as well as all company sizes and revenue. Marketers are focusing on revenue growth and customer acquisition as they face challenges of competitive differentiation and buyer retention. By far, these challenges are being addressed through social media channels and advertising, and through efforts to increase lifetime customer value.

E-commerce and mobile shopping are now just a way of life for a growing number of consumers. As they become more connected, consumers also become more informed and empowered. They're actively seeking solutions and exploring new possibilities beyond the brands they buy today. In its Connect report on marketplaces, *RetailWeek* learned that retailers say 86% of consumers now expect more product choice even in the same category.

What's more, 70% believe that a large range of product offerings boost customer acquisition. And, 36% of retailers plan to expand in core categories.

Indeed, marketplaces represent a promising future for retailers and customers alike. Even Amazon knows this. At the same time, service-related marketplaces are also set to multiply.

As they grow, this sets the stage for general and nuanced marketplaces to become go-to discovery hubs. Customers are already exhibiting behavior that not only complements but expands search and discovery beyond Google and YouTube. Marketplaces become discovery engines.

This opens doors to more startups to create niche and service-related marketplaces. At the same time, generalist retailers will also set out to expand beyond core models to include marketplace offerings. *RetailWeek* found that 44% of retailers already use or are in the process of implementing a marketplace model. As more and more options become available, differentiation becomes a competitive advantage. *RetailWeek* also learned that 84% believe that with the rise of generalist retailers, specialist retailers have an opportunity to create differentiation.

What's next moves marketplaces beyond hyper-localized or nuanced product and service platforms into full experience centers. While consumers may want greater choices, they also want simplicity, utility, integration and value-added experiences[17]. As a result, marketplaces will look beyond connecting buyers, sellers and service providers to unify platforms that deliver complete experiences as the product or service. This changes the value proposition as it starts by changing the problem statement.

When customers set out to find a solution for dinner, they don't set out to simply find a place or to book a reservation. They set out to eat dinner, whether that's in a restaurant or through delivery. The process by which they discover solutions for dinner are based on several things that apps, networks and marketplaces solve discreetly, not holistically, for the most part. There are many individual, disparate aspects that add up to the bigger picture, but do not portray the picture in and of themselves. These services include matching personal tastes with options, locations, reviews, menus, pictures, videos, reservations, coupons and much more.

How marketplaces develop solutions for holistic experiences becomes the next competitive advantage for them. Marketplaces become as much of a platform for experiences as the do for products and services. As the experiences become more valuable, the trust and loyalty that's earned becomes stronger. With that stronger loyalty comes a greater exchange of mutual value across the board.

Moving forward, marketplaces should consider seller and customer experiences as part of the platform. As such, they can plot their position and course in the context of a maturity curve, showing where you are and where you will be in maturity as a sell-side or buy-side marketplace.

Must-Do List:

Not all experiences are created equal and the dividing line is buy-side vs. sell-side dynamics. For marketplaces to thrive and survive going forward, they must do the following:

1. **Deliver a new experience for buyers, sellers and service providers beyond the status quo.** And do so continually as part of the business model. All marketplaces are steeped in convenience by design. They bring buyers and sellers together to find each other and transact around common areas of interest. That's where the similarities are open to innovation. The true value of a marketplace is being able to make transactions possible that normally wouldn't occur without the experiences you deliver[18].

2. **Trust is a value-added product.** Buyers and sellers want the peace of mind that a neutral party can offer help during those critical instances when something goes wrong[19]. Building for trust on the buyer side requires marketplace operators to ensure that product listings are accurate, goods/service requests are fulfilled in a timely manner, items are priced competitively, and customer service is ready to help quickly and efficiently, when needed. On the seller side, building for trust involves developing a fair and equitable dispute resolution process. Building an effective payment system also is essential so sellers are paid in a timely manner. Marketplaces must also ensure the quality of the buyers AND sellers the marketplace attracts. If sellers or buyers often raise questionable customer service complaints or engage in fraud, the community will flock to competitors.

3. **Deliver an intuitive, simple, and convenient experience.** Where and how a marketplace can enhance its users' experiences simply, intuitively and conveniently should become part of a marketplace's value proposition. Moreover, deciding which capabilities to integrate to keep customers or buyers loyal for the long haul is also key for marketplaces today.

4. **Create autonomous value to be persistent.** Autonomous value is created when marketplaces offer services that enhance the value of the platform for buyers and sellers. Examples of this include providing shipping and logistics services; sales tax processing; APIs for third party application services; and buyer protections that fit within a complete customer service offering. Autonomous value is the cornerstone of all sustainable marketplaces. As such, marketplace operators need to view it as an investment for long-term success.

5. **Deliver exceptional value and personalization to your most passionate users.** Remember the 80/20 rule. Find opportunities to deliver added value, services and engagement to your VIP buyers and sellers. CLV, Net Promoter Score (NPS) and customer satisfaction (CSAT) are all derivatives of how businesses perform at every stage of the customer experience. No one thing equates to that experience. It's the sum of everything. Deliver an exceptional customer experience at every stage; ensure that logistics, support, fraud, and dispute resolution are optimized to work strategically in support of sellers and buyers.

Methodology

In August 2018, a survey with multiple choice and free text questions was administered to 100 adults in the US. Participants included advertising, consumer engagement and marketing employees at companies with an online marketplace for products and services and 50 or more employees. Participants ranged from manager-level to the C-suite. Participants were selected from an online access panel and incentivized. As such, margin of error cannot be calculated. As with all research conducted using access panels, the results will be impacted by both sampling and non-sampling error.

About Brian Solis

Brian Solis is Principal Analyst and Futurist at Altimeter, the digital analyst group at Prophet. He studies disruptive technology and its impact on business. He is also a digital anthropologist who seeks to better understand how technology affects and shapes behaviors, norms and society. Through his research and published work, he humanizes disruptive trends to help leaders understand how technology, markets and people are evolving and how to drive innovation and growth.

In addition, Brian is an award-winning author and world-renowned keynote speaker who is consistently recognized as one of the most prominent thought leaders in digital transformation, innovation, experience design and digital humanities. Brian has authored several best-selling books including *X: The Experience When Business Meets Design*, *What's the Future of Business (WTF)*, *The End of Business as Usual* and *Engage!*

With a loyal online audience of over 700,000 people online, his work makes him a sought-after thought-leader to leading brands, celebrities such as Oprah, Shaq and Ashton Kutcher and over 1,000 startups.

About Kahuna

Kahuna creates highly personalized experiences for every buyer and every seller for the world's leading marketplaces. Kahuna is the platform of choice for meeting the needs of marketplaces, using state of the art machine-learning technology to drive personalization, product and pricing optimization, trust, and engagement. With more than 144 million engaged users, over 4 billion messages sent, and 46 billion optimized events, Kahuna is the proven solution for marketplaces of all sizes.

Headquartered in Redwood City, CA, with global locations, Kahuna investors include Sequoia Capital, Tenaya Capital, and Uncork Capital. Learn more at http://www.kahuna.com or via Twitter @Kahuna

RESOURCES

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