



# The Rise of the Global Market Places

How to compete and prosper in the world of Amazon, Alibaba and other platforms

Photo: iStockphoto.com

Research Partners:



Industry Partners:



# Table of Contents

- The Rise of the Global Market Places
- The Critical Success Factors of Global Market Places
- How Global Market Places impact Retail
- Strategies towards Global Market Places

# The global market places are a retail reality

How to compete and prosper in a market place world is the key question

Global market places are definitely on the rise and they are here to stay. Their impact on retailers and brands cannot be ignored anymore. Companies such as Amazon and Alibaba have grown into global e-commerce giants. Moreover, they have created their own ecosystem in which they can take care of all services, including payments and logistics, during the customers' purchasing stages.

The purpose of this study is to help companies define their strategy for successful competing, and growing, in a world where online market places are a dominant new force. In total, the online survey was completed by 274 retailers and retail consultants, while around 30 CEOs of leading companies worldwide provided their views in more in-depth interviews.

We hope this report will help you define your role in the retail landscape of 2020.



A stylized blue ink signature of Prof. Jorij Abraham.

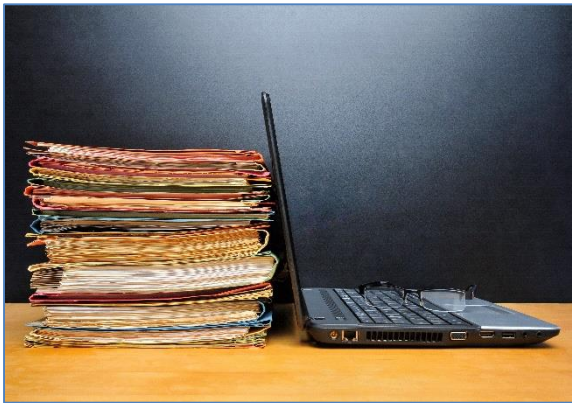
Prof. Jorij Abraham  
TIO University of Applied Sciences  
Managing Director Ecommerce Foundation



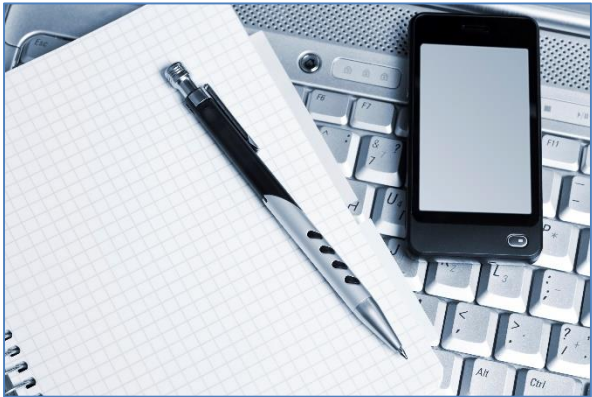
A stylized blue ink signature of Prof. Kitty Koelemeijer.

Prof. Kitty Koelemeijer  
Full Professor of Marketing & Retailing  
Nyenrode Business University

# About the study



450+ articles, case studies, ...  
desk research



30+ in-depth interviews  
with CEO's worldwide



250+ questionnaires completed by  
retailers and retail consultants

Photos: iStockphoto.com

# Insights of our partners



We notice that there is unanimous respect among retailers and brands regarding the data-driven and customer-centric engagement strategy that these marketplaces typically have.

It is clear that the rise of the global marketplaces was inevitable in this increasingly interconnected and inter-dependent global economy that we all are a part of. So retailers and brands should focus on how to leverage the rise of marketplaces for the benefit of their business.

This study will provide brands and retailers with a bird's eye view of the current and potential future impact of global market places and can be an important input into their strategy for leveraging global market places for their businesses.

**Vijayanta Gupta**

Head of Product & Industry Marketing and Industry Strategy EMEA, Adobe



Amazon's success has made retailers and brands revisit their digital strategy. The need for speed, creativity and understanding the customer have climbed to new heights with the digital transformation. If you are able to create a data-ready mindset, your company will be able to succeed. Uber is the world largest taxi company without any vehicles, Airbnb is the biggest accommodation provider but does not own any real estate. These examples show that information is the most important asset.

Becoming a data-ready enterprise has the highest priority now. The relationships between data have great potential. Being able to predict the next logical action of a consumer or business partner will be key.

**Ben Rund**

Sr. Director Product Marketing, Information Quality Solutions, Informatica Corp.



# Insights of our partners



The impact of market places is huge. For example, Alibaba has created the most lucrative online shopping holiday, “Singles’ Day”. On November 11, 2014, Alibaba recorded over \$9 billion in sales in 24 hours, surpassing Black Friday and Cyber Monday combined.

Global marketplaces have an imminent effect on the business of retailers and offer several advantages, such as them being able to sell internationally, without a physical presence or localizing their own website.

However, selling solely on global marketplaces would be a mistake, especially in Europe and Latin America, as there are many smaller, local, vertical marketplaces that are very attractive for targeted audiences.

**Nenad Cetkovic**

Chief Operating Officer  
Lengow



Naturally, market places have both advantages and disadvantages. Still, I believe they will positively drive retail towards innovative thinking and acting.

Global market places provide a perfect starting point for selling your products abroad. In addition, they can help you to find out whether there is a market for your brand before you have to invest in your own online shop. However, this will not happen automatically. For instance, publishing your products on global market places can only be successful if the content is up to date in all languages.

When selling your products through market places is a success, your next step could be setting up a multilingual online shop.

**Paul Buying**

Managing Partner/CTO  
LiveWords





# We would like to thank all participating experts for their insights and time

Organization	Name	Position
3Suisses	Aad Boon	Chief Marketing Officer
Ahold	Adriaan Thierry	Executive Vice President
BAS Group	Steven Bakker	Former CEO
Beate Ushe	Serge van der Hooft	CEO
Bivolino	Michel Byvoet	CEO
Bol.com	Daniel Ropers	CEO
Bol.com	Michel Schaeffer	Chief Marketing
Bugaboo	Mieke Veldhuis	Chief Sales Officer
ChannelAdvisor	Scot Wingo	CEO
Coop	Brian Andersen	Director Coop.dk
eBay	Olivier van Duijn	General Manager Benelux
Google	Pim van der Feltz	CEO Google Benelux

# We would like to thank all participating experts for their insights and time

Organization	Name	Position
Heureka	Tomáš Braverman	Managing Director
Husqvarna Group	Wilko Klaassen	Global Online Director
Internet Retailing	Ian Jindal	Chief Editor
Mabe	Oscar Perez Diaz	E-Business Manager
Maxeda Group	Roy van Keulen	Group Customer Director
Mei.com / Glamour Sales	Thibault Villet	CEO
NORA	Paul Greenberg	Executive Chairman
Philips	Gertin Schraa	Global Lead eCommerce
Salesupply	Henning Heesen	Global Sales Director
Staples	Faisal Masud	Chief Digital Officer
Sundio Group	Joost Romeijn	CEO
Vente-Privée	Xavier Court	CEO
Webpower	Jacco Bouw	CEO



# The Rise of the Global Market Places

“Retailers have to expand globally. The world is really becoming flat”

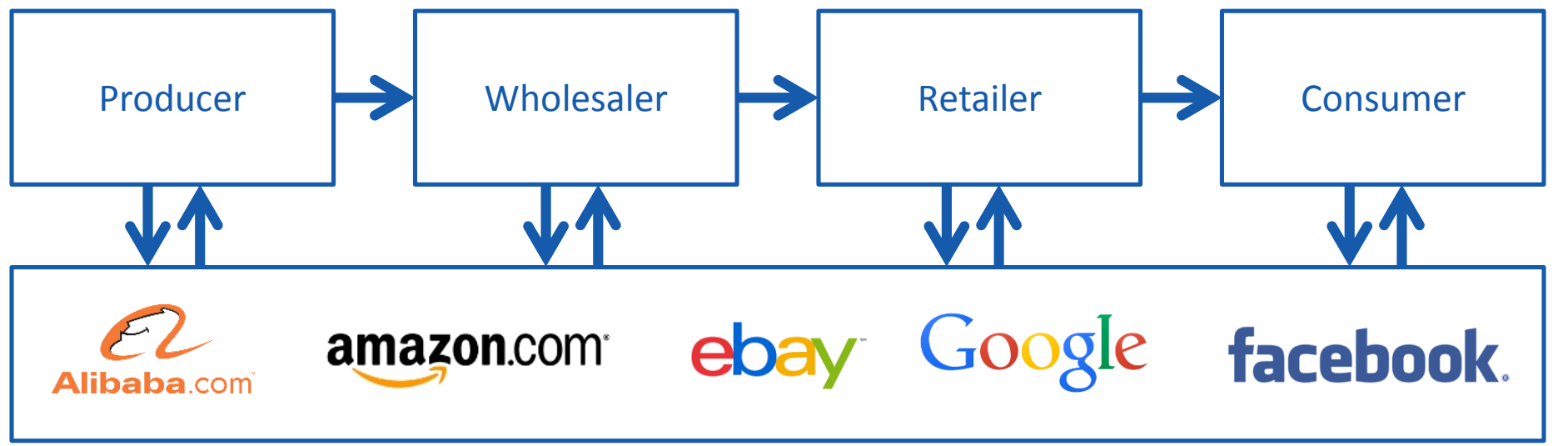
Paul Greenberg, NORA (Australian E-Commerce Association)

Photo by NBphotostream (Creative Commons, <https://flic.kr/p/5UEMRX>)



LIVEWORDS

Market places can be defined as online platforms on which companies (and consumers) sell goods and/or services



# In most countries one or two retailers/market places dominate the online market

Market share “owned” by the one, two or three top players in that specific country

	Players	Share		Players	Share
Arg	CDMarket, Movistar	5%	Jap	Rakuten Ichiba, Amazon JP	40%
Aus	eBay, Coles, Woolworths	34%	Es	Amazon Spain, eBay Spain	20%
Bra	B2W Digital, Cnova	36%	Net	Ahold/Bol.com, Wehkamp	20%
Can	Amazon CA, Costco CA	9%	Pol	Allegro Market Place	50%
Chi	Alibaba, Jingdong Mall	80%	Rus	Ulmart, Wildberries	10%
Den	CDON, Coop	17%	S.Kor	Lotte Shopping, Emart	9%
Fra	Groupe Casino, Vente-Privee	20%	Swz	Digitec, Amazon DE	14%
Ger	Amazon DE, Otto	55%	UK	Amazon UK, Argos	28%
Ind	Flipkart, Snapdeal	25%	USA	Amazon, Apple	28%

**“The e-commerce market in Denmark is still fragmented. No party “owns” more than about 2%. However, I think Amazon will win about 1% market share each year, up to a 10 to 15% in 2025. The country’s two largest retail conglomerates will also have a comparable online market share.”**

Brian Andersen  
Sales Director



**“In the Netherlands, 11% of all SME business is carried out via eBay’s local market place, Marktplaats.nl. Marktplaats.nl helps SMEs to sell online without investing into an online shop. Internationally large retailers like Toys”R”Us and Tesco are using the eBay platform.”**

Olivier van Duijn  
General Manager Benelux



**“85% of business in China is driven by market places. It’s a good thing for the consumers but for the brands as well. In China, it is obvious a company must be active with market places to exist. It’s a no brainer.”**

Thibault Villet  
CEO

魅力惠 MEI.COM



# On a continental level the same trends is occurring

Often only 10 players own 50% of the online market of goods

	United States52%	Europe37%	Asia86%	South America51%
1	Amazon.com	Amazon.com	Alibaba Group (China)	B2W Digital (Brazil)
2	Apple	Otto (Germany)	Rakuten (Japan)	Nova Pontocom (Brazil)
3	Staples	Staples	Jingdong Mall (Japan)	SACI Falabella (Chile)
4	Walmart	Home Retail Group (UK)	Amazon.com	Walmart Latin America
5	Sears Holdings	Tesco (UK)	Suning Commerce (China)	Netshoes (Brazil)
6	Liberty Interactive	Apple	Jia.com (China)	Máquina de Vendas (Brazil)
7	Netflix	CDiscount.com (France)	eBay	Dell
8	Macy's	Tengelmann.com (Germany)	51Buy.com (China)	Amazon.com
9	Office Depot	Shop Direct Group (UK)	HappiGo (China)	Magazine Luiza (Brazil)
10	Dell	Sainsburys (UK)	Vamcl (China)	Saraiva e Siciliano (Brazil)

Source: UNCTAD analysis of data from Internetretailer.com, 2013 - 2014



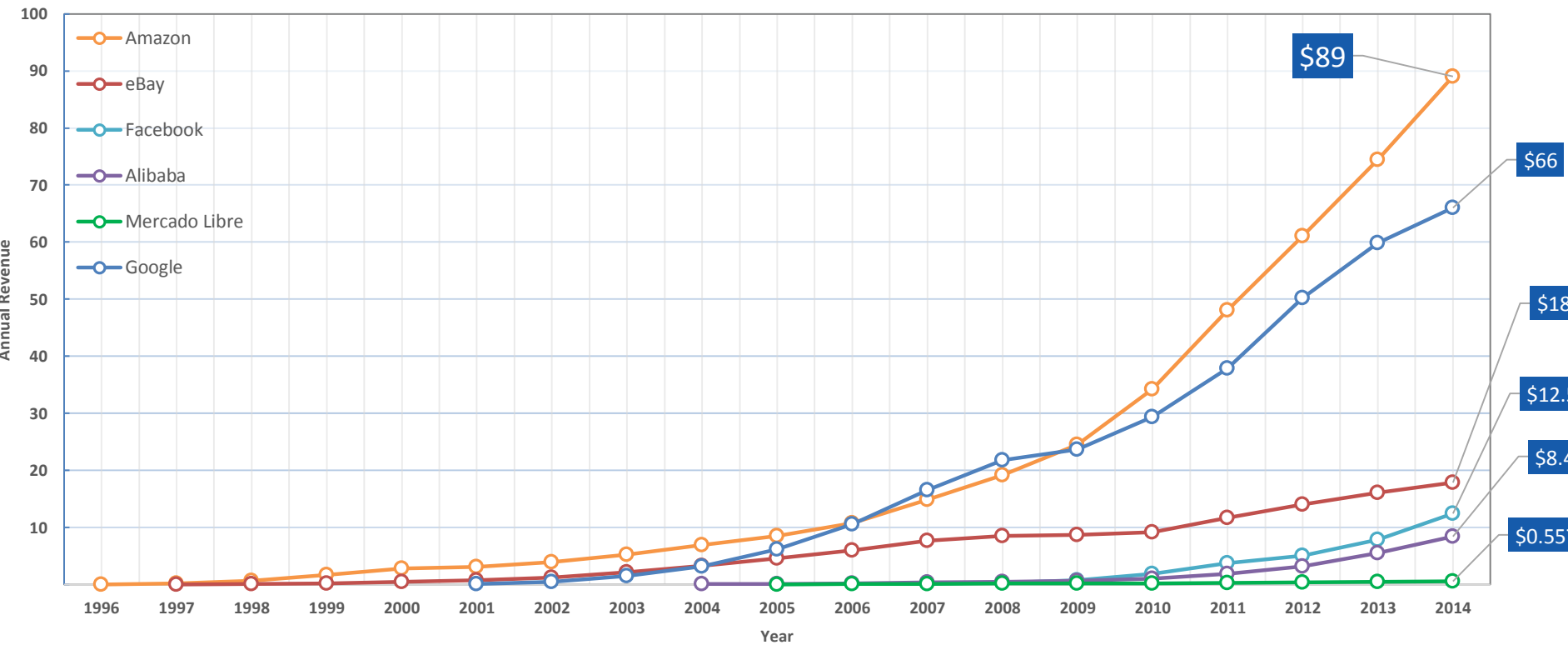
**“Amazon and eBay together account for 41% of all e-commerce-related traffic in Europe. They are setting the standards for the top 500 (and all the other) retailers in Europe. Amazon delivers nearly anything the next day (or the same day) at the lowest price. As a retailer you are always compared to them even if you do not sell on their platforms.”**

Ian Jindal  
Chief Editor Internet Retailing



# The revenue growth of global market places is impressive

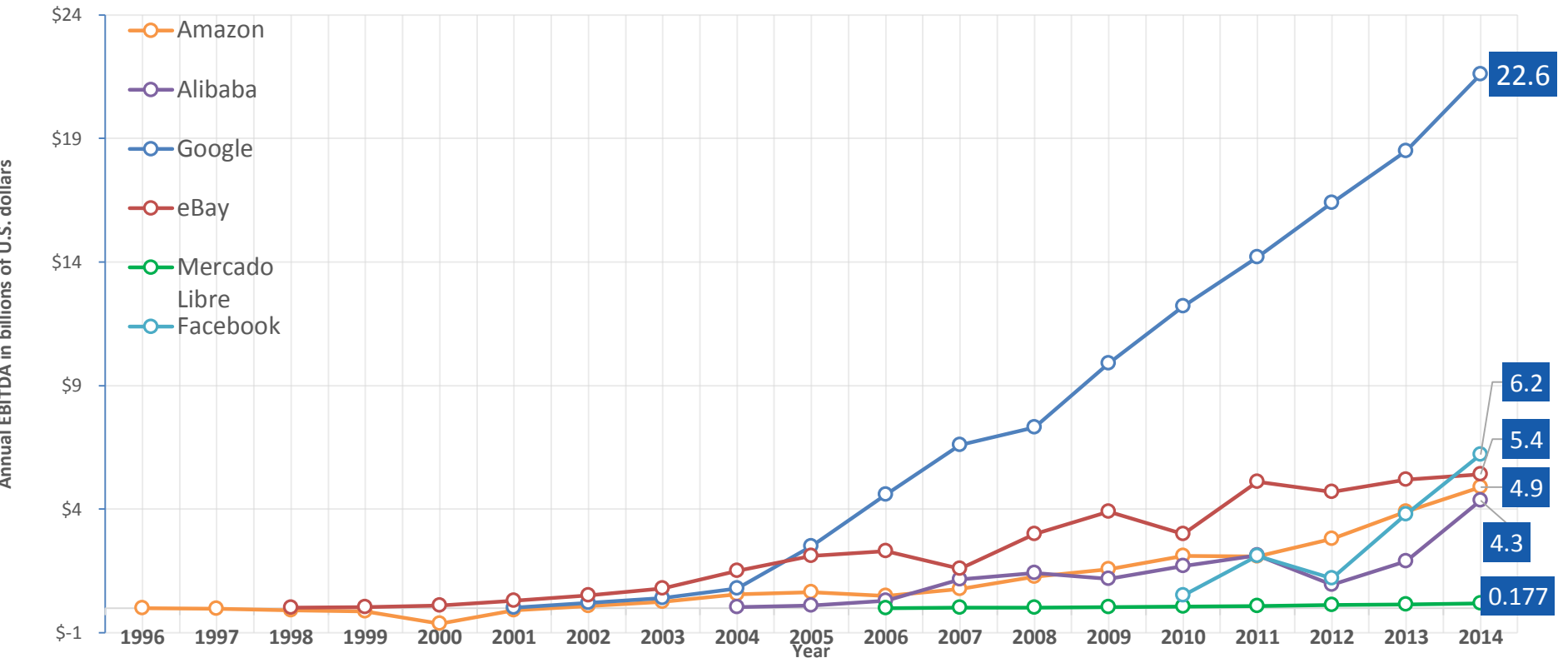
Annual revenue in billions of U.S. dollars



Source: Annual reports

# And they are able to make a profit....

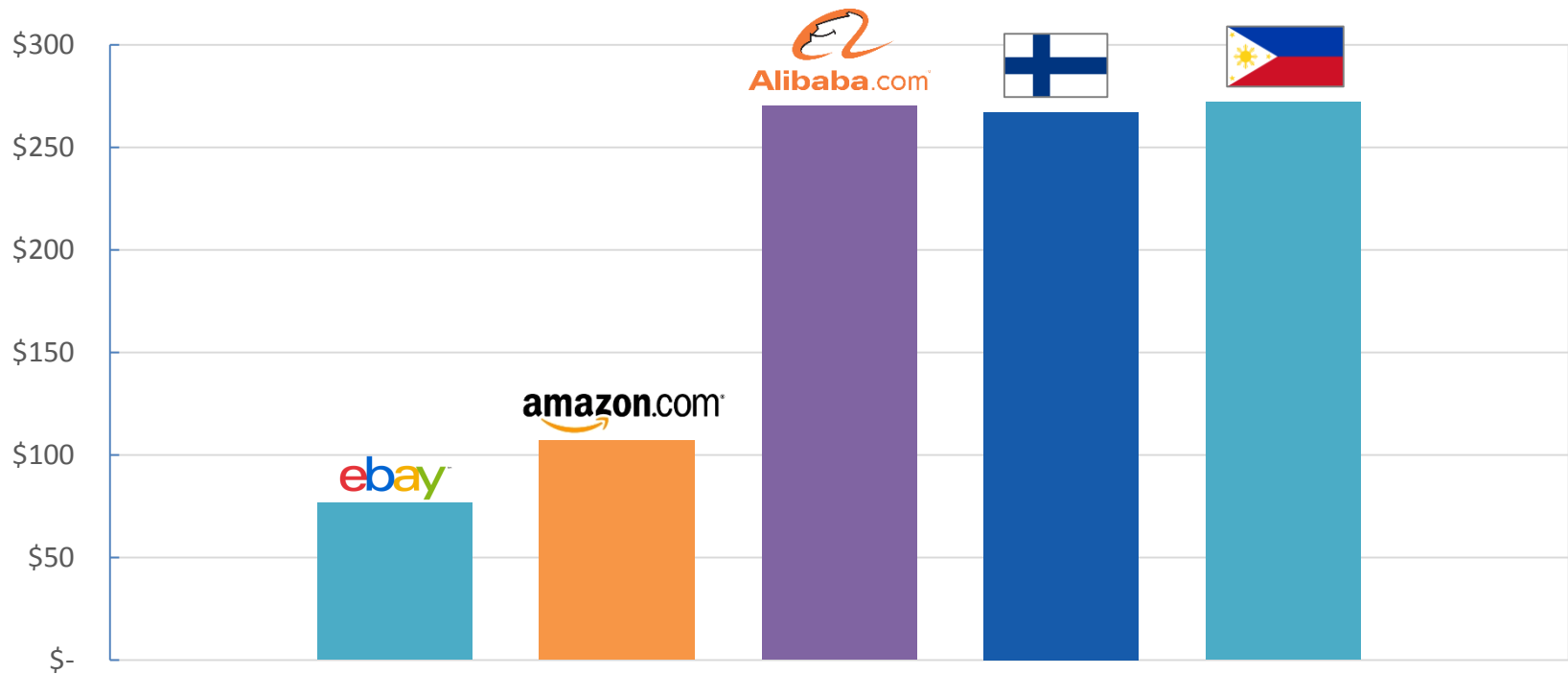
Annual EBITDA in billions of U.S. dollars



Source: Annual reports

# The GMV on the platforms equals that of the GDP of Finland and the Philippines

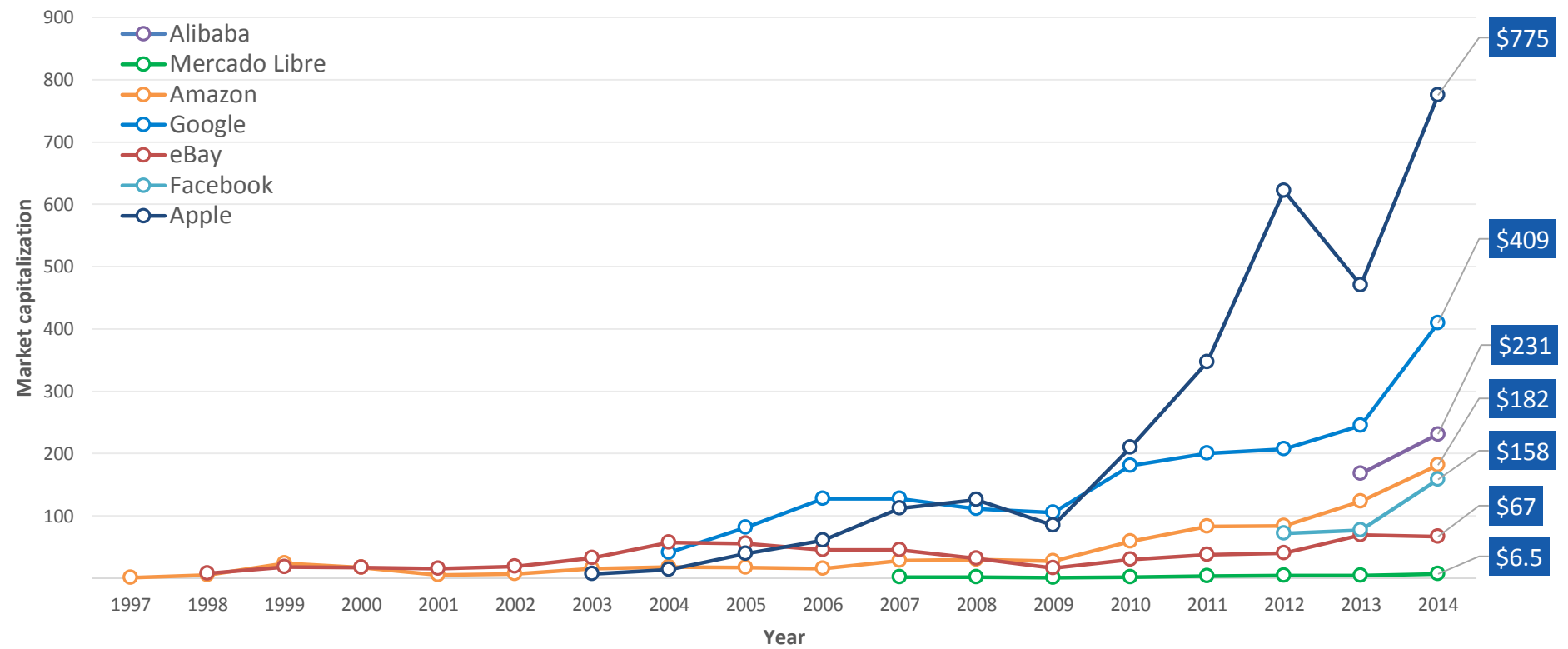
The Gross Merchandise Volume of Alibaba, Amazon and eBay in 2013, in billions of U.S. dollars



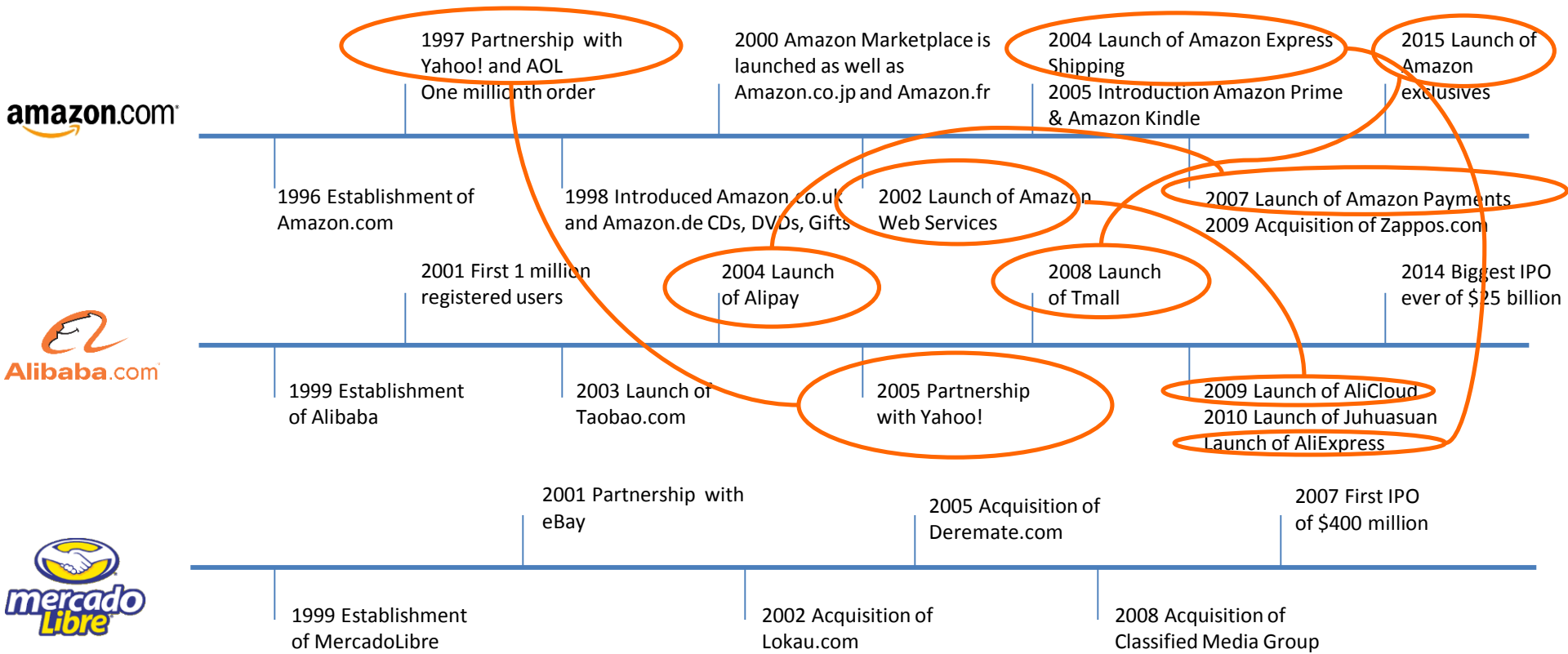
Source: [en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_GDP\\_%28nominal%29](http://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28nominal%29)

# The stakeholders seem to reward their vision

Market capitalization in billions of U.S. dollars

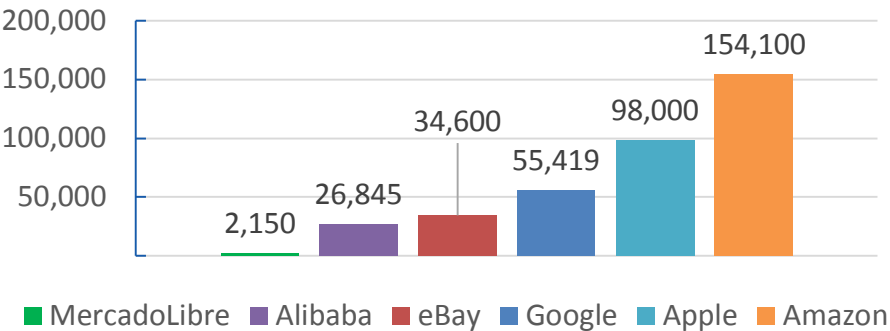


# The developments of several of these global market places walk in parallel

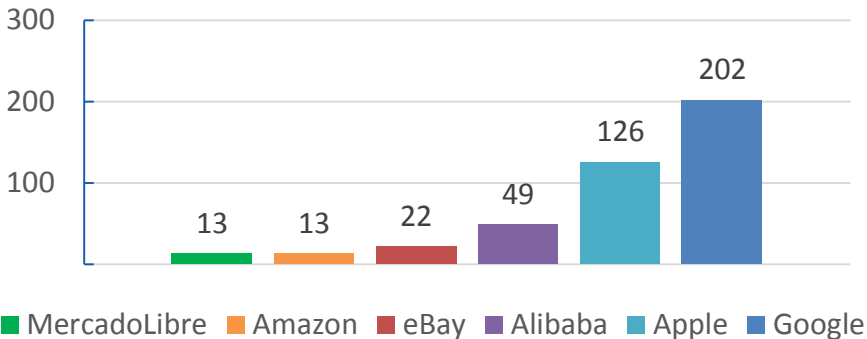


# Their growth is impressive on other fronts as well...

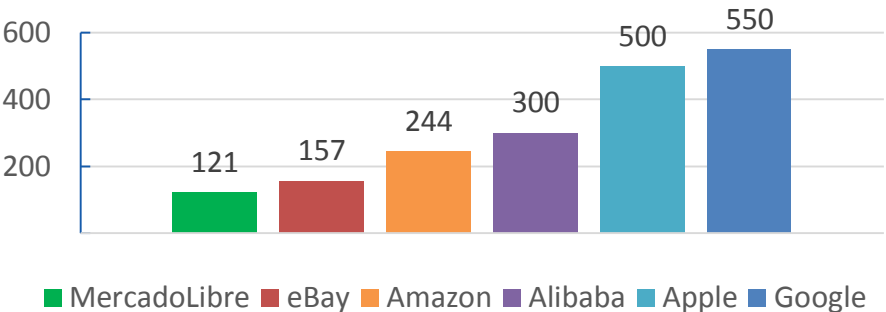
Number of employees



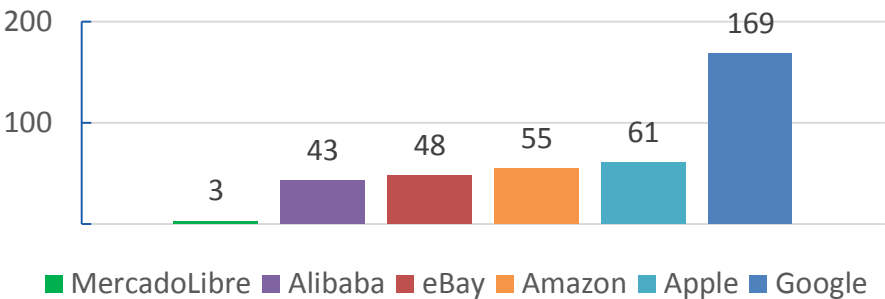
National sites



Customer accounts (mln)



Number of acquisitions



Source: Press releases, annual reports, etc.



# Where are the market places going? Some expectations...

*"Amazon's sales is expected to grow to \$150 billion in 2020" Morgan Stanley*

Google Inc. Races Apple To \$1 Trillion Valuation, International Business Times

*"There wasn't really a natural buyer for eBay. Now there's a heavily capitalized, cash rich, fast-growing company with ambitions of getting into the West that could easily, easily buy it"*

Gil Luria, analyst, Wedbush Securities

<http://moneymorning.com/2014/09/30/will-alibaba-buy-ebay-once-paypal-is-gone/>

*"Amazon will make a brick-and mortar acquisition in the next 12 months. Top contenders: RadioShack, U.S. Postal Service, a gas station chain"*

Prof. Scott Galloway, CEO L2

<http://www.l2inc.com/the-four-horsemen-amazonapplefacebook-google-who-winsloses/2015/blog>



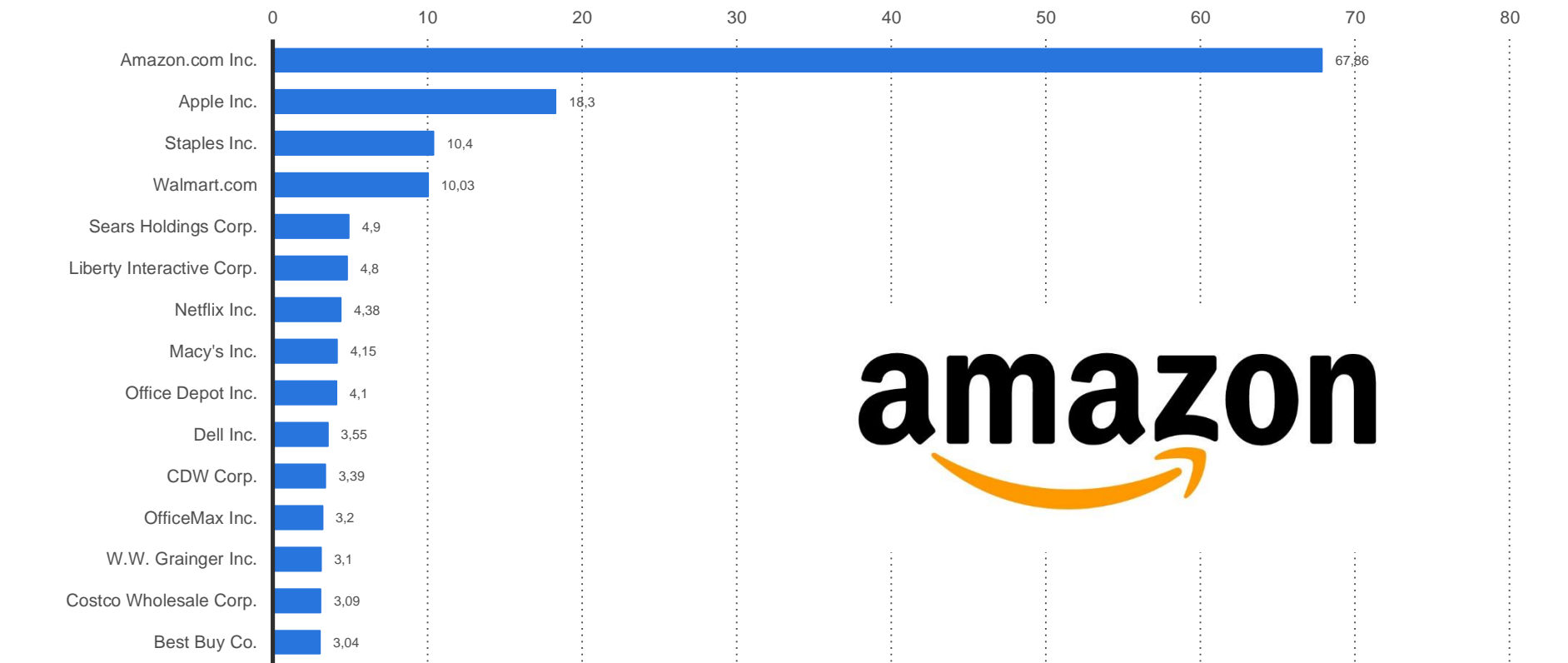
# The critical success factors of market places

Assortment, Convenience, Price & Inventiveness

Source: iStockphoto.com

# We will take Amazon as example as it is the most well-documented market place

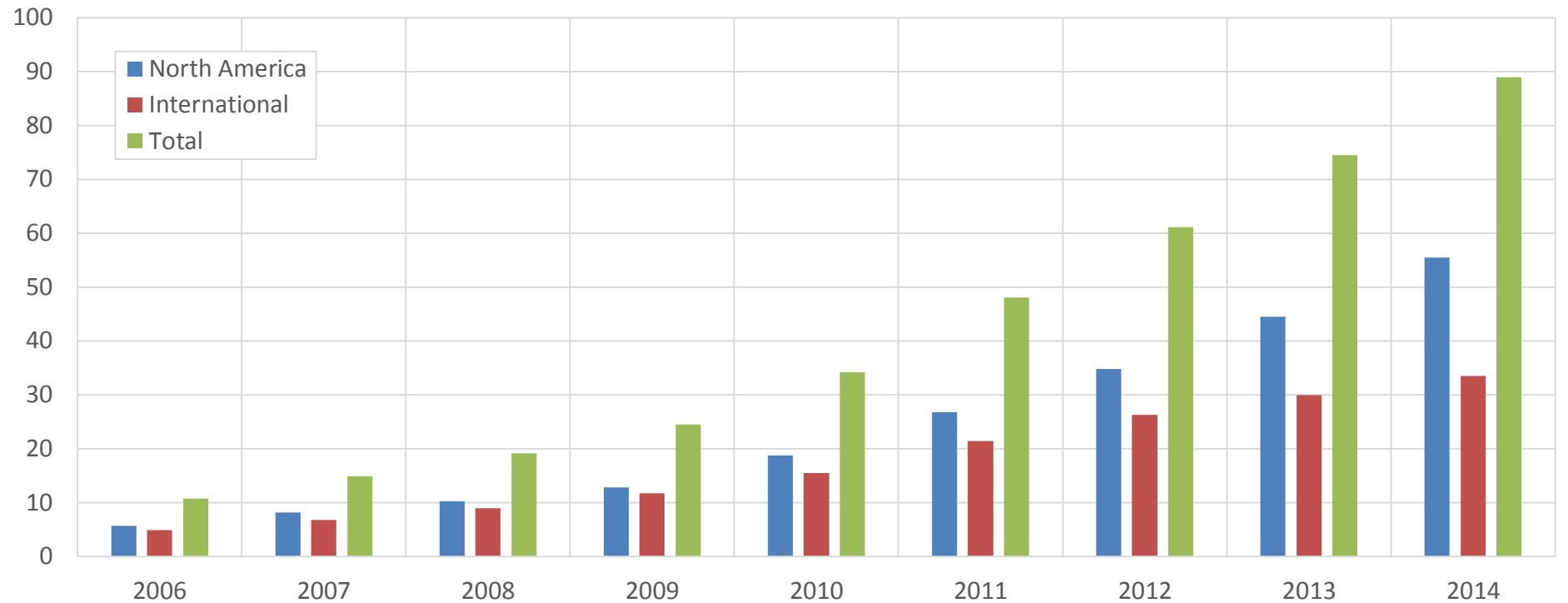
In its home market, Amazon is bigger than the number 2 to 12 online retailers combined



Source, Statista, Leading e-retailers in the United States in 2013, ranked by e-commerce sales (in billions of U.S. dollars), 2015

# Amazon has been able to grow both nationally and internationally...

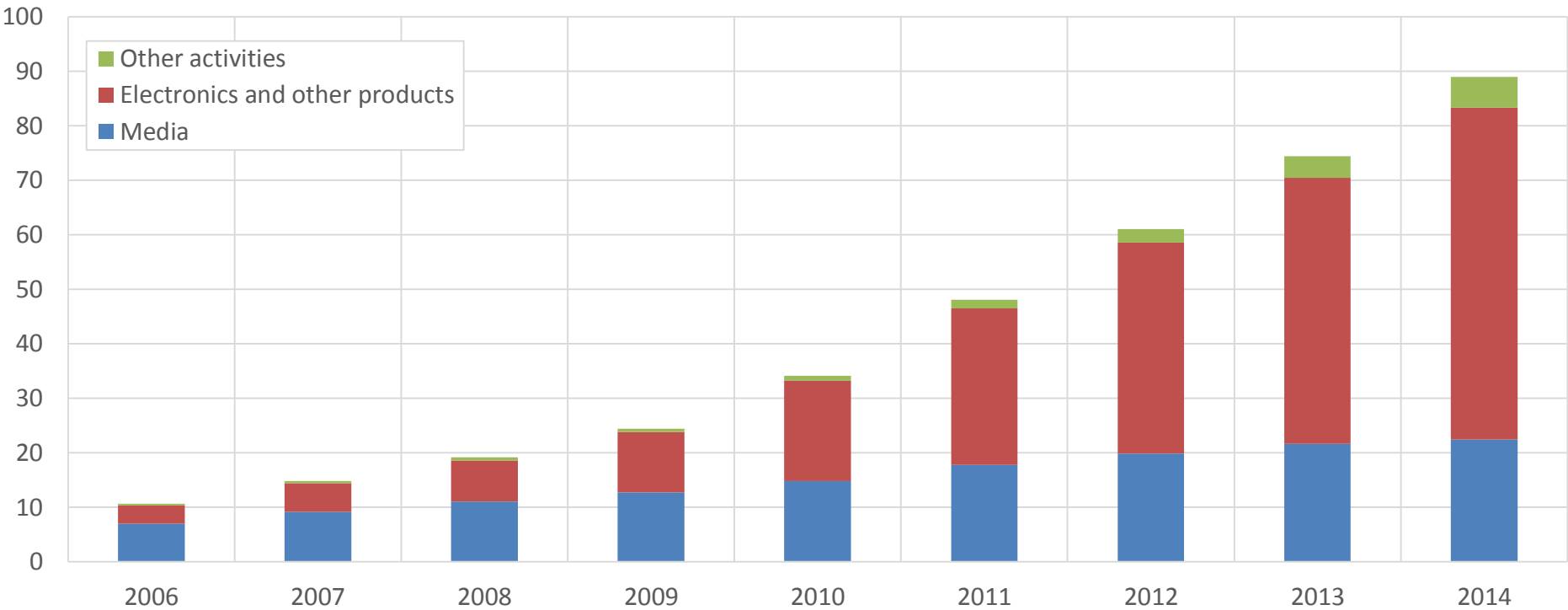
Net revenue of Amazon from 2006 to 2014, by region (in billion of U.S. dollars)



Source: Statista, 2015

# ...and has been able to grow strongly in new product categories and services

Global net revenue of Amazon.com from 2006 to 2014, by department (in billions of U.S. dollars)



Source: Statista, 2015

# The basis for Amazon's success: Jeff Bezos' flywheel

Which is to a large extent comparable with Walton's Productivity Loop (Walmart)







# Unlimited Assortment

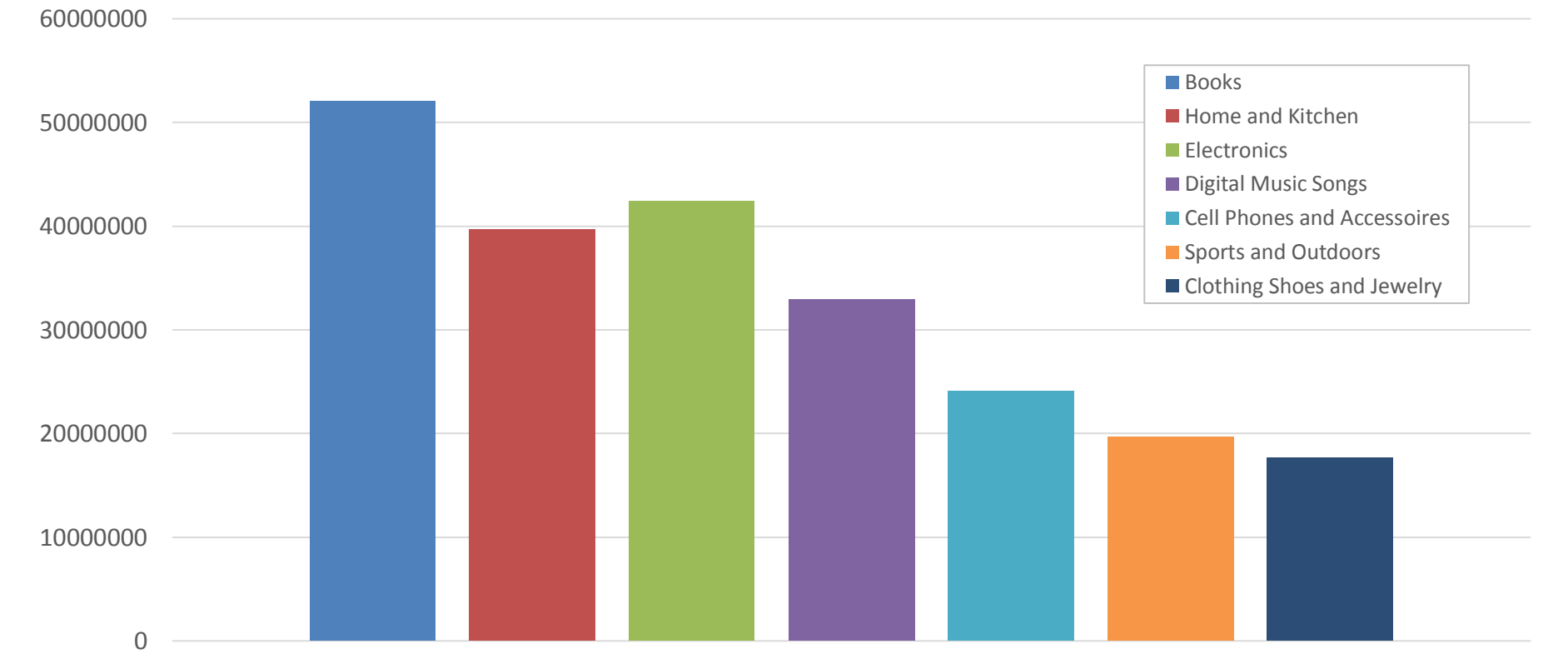
“Our vision is to be Earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online” Jeff Bezos

Photo by Scott Lewis (Creative Commons, <https://flic.kr/p/qNty5k>)



# Amazon truly tries to offer the 'Earth's biggest selection'

With 17 main categories, 124 subcategories and 320 million SKUs in the USA alone

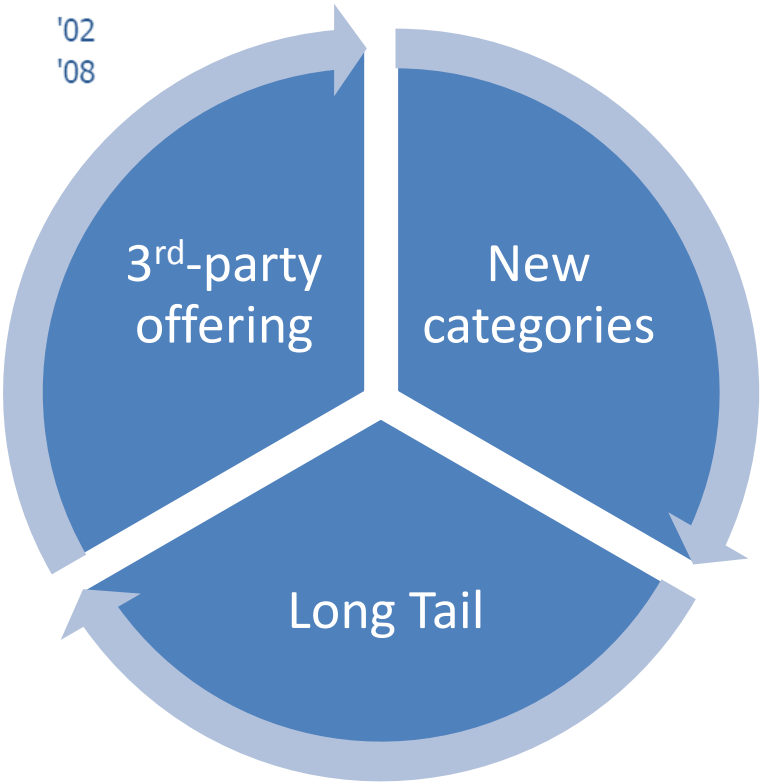


Source: [learn.scrapehero.com/chart-count-of-products-in-amazon-us-for-major-categories, 2015](http://learn.scrapehero.com/chart-count-of-products-in-amazon-us-for-major-categories, 2015)

# Amazon's assortment strategy has been unlimited from the beginning

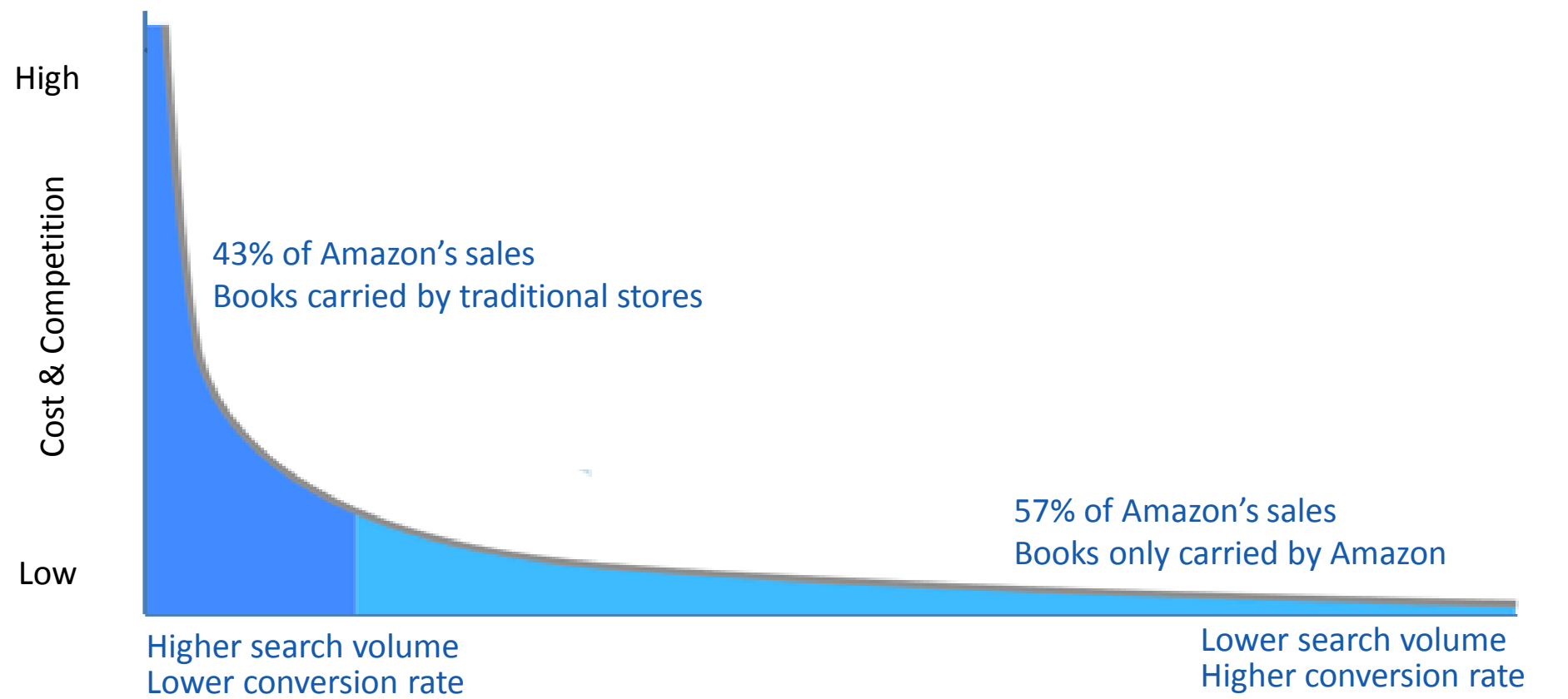
The expansion follows a category per category, country by country growth path

Product Categories	US	UK	Germany	France	Japan	China	Canada
Physical Media	'95	'98	'98	'00	'00	'04	'02
Electronics	'99	'01	'01	'05	'03	'04	'08
Toys	'99	'01	'04	'07	'04	'04	
Baby	'99	'07	'07	'07	'07	'06	
Tools & Hardware	'99	'04	'04				
Home & Garden	'00	'04	'04	'07	'03		
Apparel & Accessories	'02	'08	'08		'07		
Sports & Outdoors	'03	'07	'06		'05	'06	
Jewelry & Watches	'03	'07	'07	'07	'07	'06	
Health & Personal Care	'03	'08	'07		'06	'06	
Beauty	'04	'08	'08		'08	'06	
Shoes	'05	'07	'07		'07		
Dry Goods	'06						
Auto Parts & Accessories	'06		'08			'09	
Digital Media	'07	'08	'09				
Office Supplies	'08	'09	'09	'09			
Fabric	'08						
Motorcycle & ATV Parts & Accessories	'08						




# Amazon has been one of the first players to adapt the long tail strategy


You know as a consumer you can always find it at Amazon




# Which sometimes results in interesting products being offered...




by [ThinkGeek](#)  
★★★★☆ (219 customer reviews)



by [Images SI](#)  
Uranium Ore  
★★★★☆ 842 | 802 reviews • | 66 answered questions



by [Life/Form](#)  
Infant Circumcision Trainer, White  
★★★★☆ 62 (29 customer reviews)



by [AutoExec](#)  
AutoExec Wheelmate Steering Wheel Attachable Work Surface Tray  
★★★★☆ 1,145 | 1,122 reviews • | 35 answered questions  
List Price: \$26.60  
Price: **\$25.39** Prime  
You Save: \$1.11 (4%)  
**Note:** This item may be available at a lower price from other sellers that are not eligible for Amazon Prime.  
**In Stock.**  
Ships from and sold by Amazon.com.  
**Want it tomorrow, May 22?** Order within **59 mins** and choose **One-Day Shipping** at checkout. [Details](#)  
• Designed to be used in a vehicle's steering wheel (when turned upside down), this work surface is an ergonomic work solution for tablets or writing  
• Increase efficiency and comfortability by creating a forward working solution that is ergonomic and simple to use  
• Manufactured with a durable powder coated wood material, it is lightweight and smooth, making it comfortable to write on  
• Intended to mount on the steering wheel in seconds and can be stowed between the seats, creating a quick and safe solution for the mobile worker  
• Developed for the mobile worker on the road needing support for their tablet or a great place to write  
➤ See more product details  
11 new from \$18.47

<http://www.pixable.com/article/11-weirdest-things-sold-amazon-helpful-reviews>

**“You can self-service register on Amazon tonight and in the U.S. reach over 100 million customers and more than 240 million customers globally.”**

Peter Faricy  
VP of marketplace

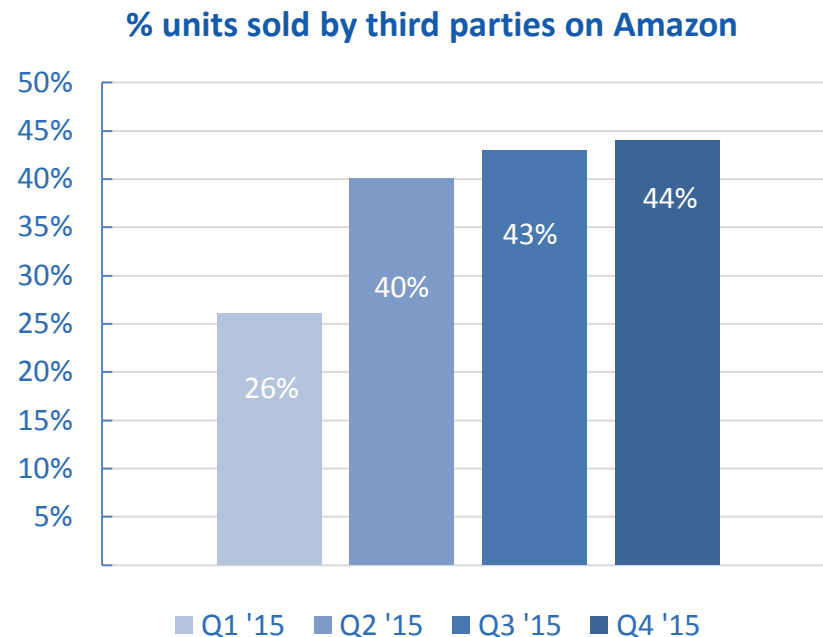


Source [www.wired.com/2014/06/inside-amazon-warehouse/](http://www.wired.com/2014/06/inside-amazon-warehouse/)

# The attractiveness of Amazon's Third-Party Seller program is strong

It has enabled Amazon to learn what products it should sell itself without taking (inventory) risks

- More than 2 million companies sell via Amazon
- From more than 100 countries
- An estimated 40% of all units sold
- Amazon collects around 15% commission
- 65% also use Amazon Fulfilment



Sources: <http://techcrunch.com/2015/01/05/amazon-third-party-sellers-2014/>, 2015  
[www.forbes.com/sites/retailwire/2014/10/30/is-amazon-undercutting-third-party-sellers-using-their-own-data/](http://www.forbes.com/sites/retailwire/2014/10/30/is-amazon-undercutting-third-party-sellers-using-their-own-data/), 2015  
<http://www.statista.com/statistics/259782/third-party-seller-share-of-amazon-platform/>, 2015

# Amazon started its private label (Pinzon) in 2005, followed by Amazon Basics in 2009

It now expands to consumables with Amazon Elements (diapers, baby wipes)

Pinzon by Amazon



Amazon Basics



Source: Amazon.com



# Amazon is continuously entering new markets

Such as Travel



[All Deals](#) [Destinations](#) [For Businesses](#) [Blog](#) [Help](#)

Hello, Jorij

Your Account

Your Orders

Hit the road: Book local getaways

See all destinations



# Amazon is continuously entering new markets

## Such as Services



Try Prime

Amazon Home Services

Q

Get up to 80% Back When You Sell Us Your Books

Shop by Department

Jorij's Amazon.com Today's Deals Gift Cards Sell Help

Hello, Jorij Your Account Try Prime Wish List 6 Cart

- Home Services
- Home
- Yard & Outdoors
- Automotive
- Computers & Electronics
- Lessons & Classes

A photograph of a white ceramic vase filled with vibrant red roses, sitting next to two white ceramic jars with lids on a white surface. The background is a light blue brick wall.

amazon home services

Treat Yourself

Get \$15 off every hour of House Cleaning you book

> [Learn more](#)

Near ZIP: 98101 Update

**amazon**exclusives Program Application [» Learn more](#)

[> Learn more](#)

Sort By:



~~\$89.95~~ **\$19.95**  Prime

★★★★★ (2,535)



\$69.99  Prime



\$95.31

★★★★★ (25)



★★★★★ (12)



~~\$50.00~~ **\$19.99**  **Prime**  
★★★★★ (1)



\$95.31

★★★★★ (2)



~~\$995.00~~ **\$699.00**  Prime

★★★★★ (337)



★★★★★ (9)

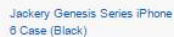


~~\$89.05~~ **\$19.95** Prime



\$69.99

★★★★★ (5)



~~\$59.00~~ **\$19.99**  Prime

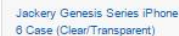
★★★★★ (1)



**\$22.00**



★★★★★ (3)



~~\$50.00~~ **\$19.99** ✓  
★★★★★ (1)



# The main question: Will market places be able to lure brands?

# Sotheby's

[Events Calendar](#) | [The Auction House](#) | [About Live Auctions](#)

NEW YORK TIME  
CITY HIGHLIGHTS

SEE EVENT DETAILS

# Tip: Keep an eye on Amazon's category & job listing...

Unlimited Instant Videos

Amazon Instant Video

Prime Instant Video

Shop Instant Video

Video Shorts

Your Watchlist

Your Video Library

Watch Anywhere

Digital & Prime Music

Prime Music

Digital Music Store

New Releases

Deals

Your Music Library

Listen Anywhere

Appstore for Android

Apps

Games

Free App of the Day

Amazon Coins

Download Amazon Appstore

Amazon Apps

Your Apps and Devices

Amazon Cloud Drive

About Cloud Drive

Download the Free Apps

Unlimited Photo Storage

Plans and Pricing

Sign In

Kindle E-readers & Books

Kindle

Kindle Paperwhite

Kindle Voyage

Accessories

Kindle Books

Newsstand

Kindle Unlimited

Free Kindle Reading Apps

Kindle Cloud Reader

Manage Your Content and Devices

Fire Tablets

Fire HD 6

Fire HD 7

Fire HD Kids Edition

Kindle Fire HDX

Fire HDX 8.9

Accessories

Fire TV

Amazon Fire TV

Fire TV Stick

Amazon Fire Game

Prime Instant Video

Amazon Instant Video

Games for Fire TV

Amazon Cloud Drive

Fire Phone

Amazon Fire Phone

Amazon Fire Phone Accessories

Digital Music

Amazon Cloud Drive

Amazon Instant Video

Books & Audible

Books

Kindle Books

Children's Books

Textbooks

Magazines

Sell Us Your Books

Audible Membership

Audible Audiobooks

Whispersync for Voice

Movies, Music & Games

Movies & TV

Blu-ray

Amazon Instant Video

CDs & Vinyl

MP3 Downloads

Musical Instruments

Video Games

Digital Games

Entertainment Collections

Trade In Movies, Music & Games

Electronics & Computers

TV & Video

Home Audio & Theater

Camera, Photo & Video

Cell Phones & Accessories

Video Games

Portable Audio & Accessories

Car Electronics & GPS

Musical Instruments

Electronics Accessories

Wearable Technology

Laptops & Tablets

Home, Garden & Tools

Home

Sports & Outdoors

Athletic Clothing

amazon.jobs

Help

Careers

Main Menu

Search Amazon Jobs

Go

Working at Amazon

Find Careers By...

Job Category

Team

Location

Advanced Search

Amazon Channel

Amazon Citizenship

Help

Home

Find Careers by ...

Find Careers by Location

Find Careers by Location

Amazon is growing fast. With corporate offices, development centers, fulfillment centers, and customer service centers around the world, it's possible that we have open positions in locations that you didn't even know about!

Find Locations

Reset all

Locations

Reset

Search locations

Add Locations +

Job Categories

Reset

Search categories

Add Categories +

Google

7948 jobs in 137 locations recommended

My Job History

# Ultimate convenience

“Start at the customer and move backwards” Jeff Bezos

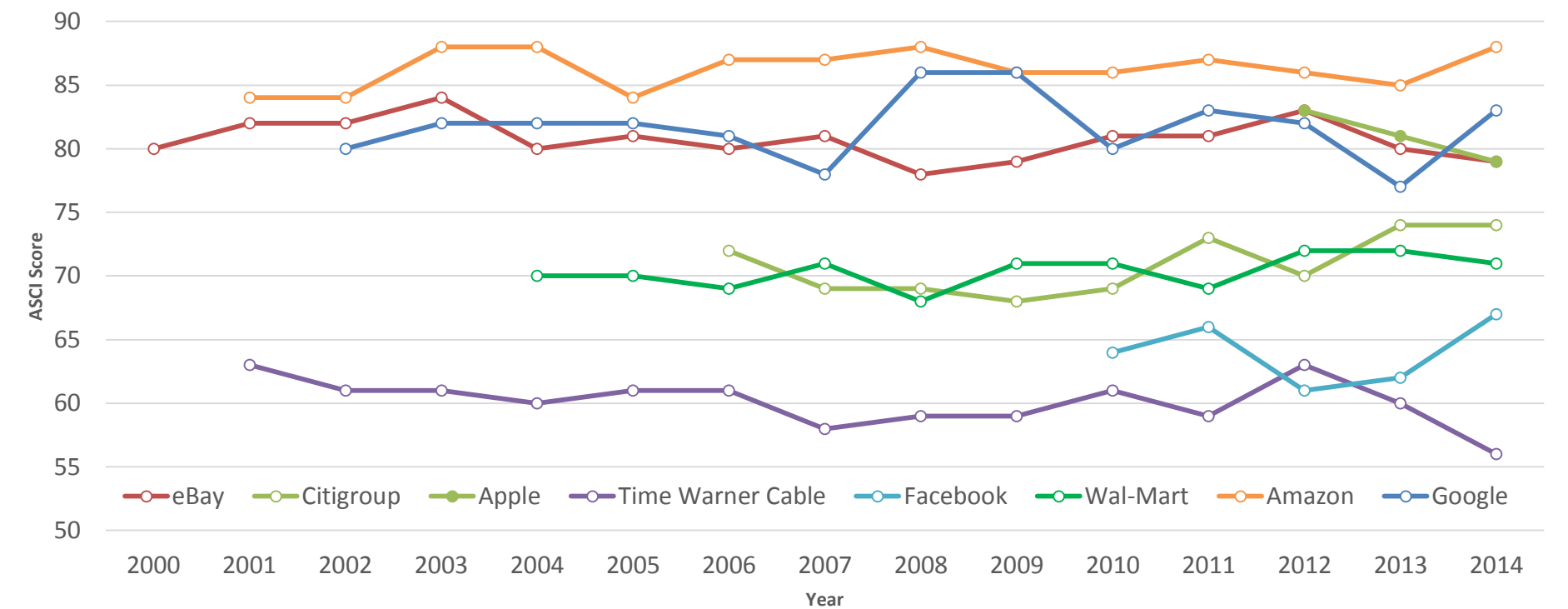


Photo: iStockphoto.com

# Jeff Bezos' maniacal focus on customers forms the basis of Amazon's success

Amazon's customer service ranked No 1 in 2009 and 2011 in the American Customer Satisfaction Index

## American Customer Satisfaction Index



Sources: Statista, U.S. customer satisfaction with Amazon.com from 2000 to 2014 (index score), 2015  
[http://www.theacsi.org/index.php?option=com\\_content&view=article&id=150&Itemid=215](http://www.theacsi.org/index.php?option=com_content&view=article&id=150&Itemid=215), 2015

**“Allegro is the leading market place in Poland. To meet customer expectations we have set-up the ‘Allegro standard’ which means retailers have score to above 4.9 on a scale of 5.0 on several key customer satisfaction criteria, like a 24 hour delivery time, low shipping costs and customer service availability. Only if they meet this standard they are an Allegro preferred seller.”**

Grzegorz Wojcik  
Head of Corporate Relations

**allegro**



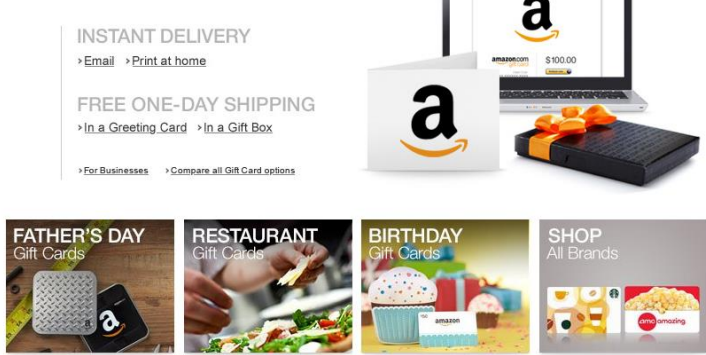


# Amazon has focused on creating a seamless user experience from the start

Year	Innovation
1995	Customer reviews
1997	Recommendations & bundles
1997	1-Click Ordering
2000	Sell second-hand books
2001	Look inside the book
2001	Where's my stuff
2002	Free Super Saver Shipping
2003	Search inside the book
	Amazon Gift Cards
2005	Amazon Wedding/ Gift Experience
2007	Amazon Payments
2009	Amazon Textbooks Trade-In Program
2010	Universal Wish List

Sources: <http://www.amazon.com/gift-cards> and <https://payments.amazon.com/home>

## AMAZON GIFT CARDS



amazonpayments Customers Merchants

A better buying experience

Grow your sales with Login and Pay with Amazon

Even despite significant resistance from the industry

The New York Times

Business Day  
Technology

WORLD

U.S.

N.Y. / REGION

BUSINESS

TECHNOLOGY

SCIENCE

HEALTH

SPORTS

OPINION

# Online Sales of Used Books Draw Protest

By DAVID D. KIRKPATRICK  
Published: April 10, 2002

Authors are rebelling against new efforts by Amazon.com to spur sales of used books, a practice that has become a major source of revenue for Amazon but pays nothing to writers or publishers.

The Authors Guild, a trade group for writers, yesterday sent an e-mail message to its 8,200 members, advising them to stop helping Amazon sell books by linking to it from their own Web sites, citing Amazon's "notorious used-book service."

"Amazon's practice does damage to the publishing industry,

 FACEBOOK

 TWITTER

 GOOGLE+

 EMAIL

 SHARE

 PRINT

 SINGLE PAGE

 REPRINTS

# For the last decade, Amazon has set the standard in delivery

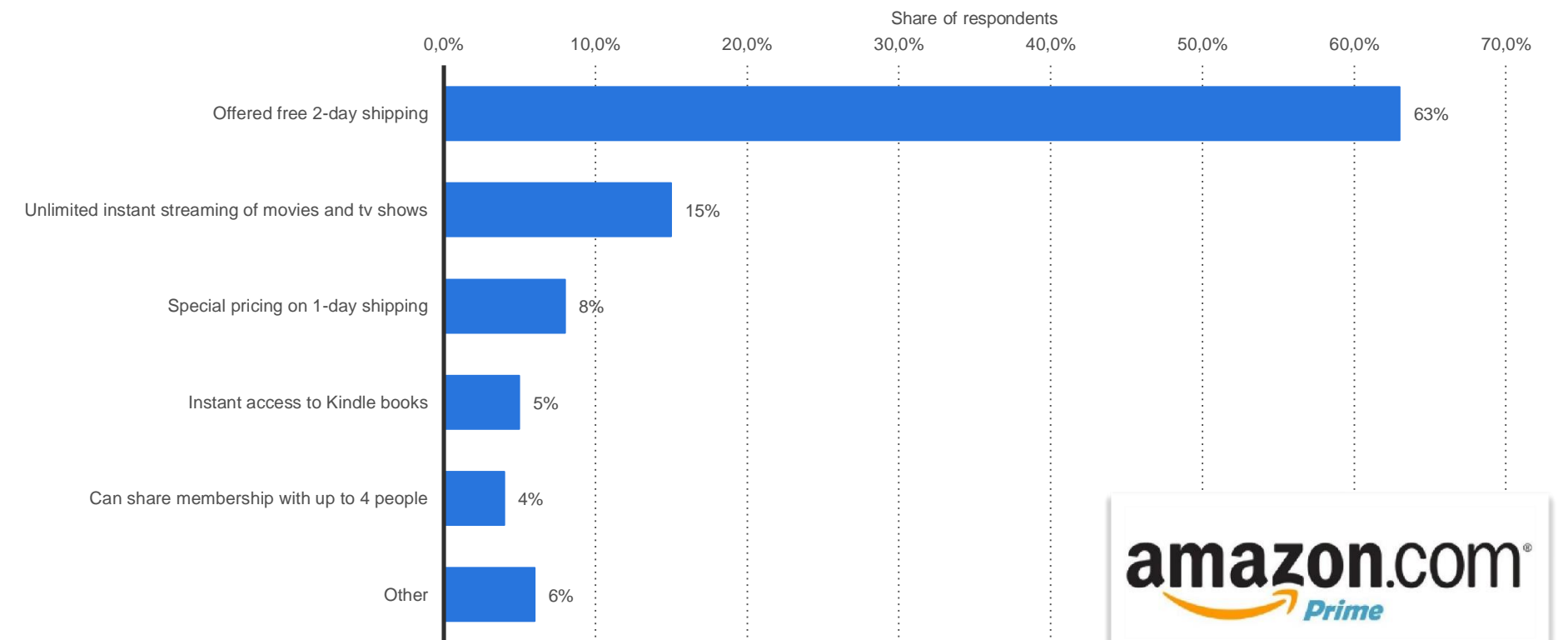
Its key philosophy is to make returning products easier than ordering them



Photos: <http://www.dreamstime.com/stock-photo-express-delivery-shipment-cardboard-box-shipping-image16544510iStockphoto.com> and Creative Commons (Locker: <https://flic.kr/p/gHXdwR>)

# Amazon Prime (\$ 99 per year) is the center of Amazon's convenience strategy

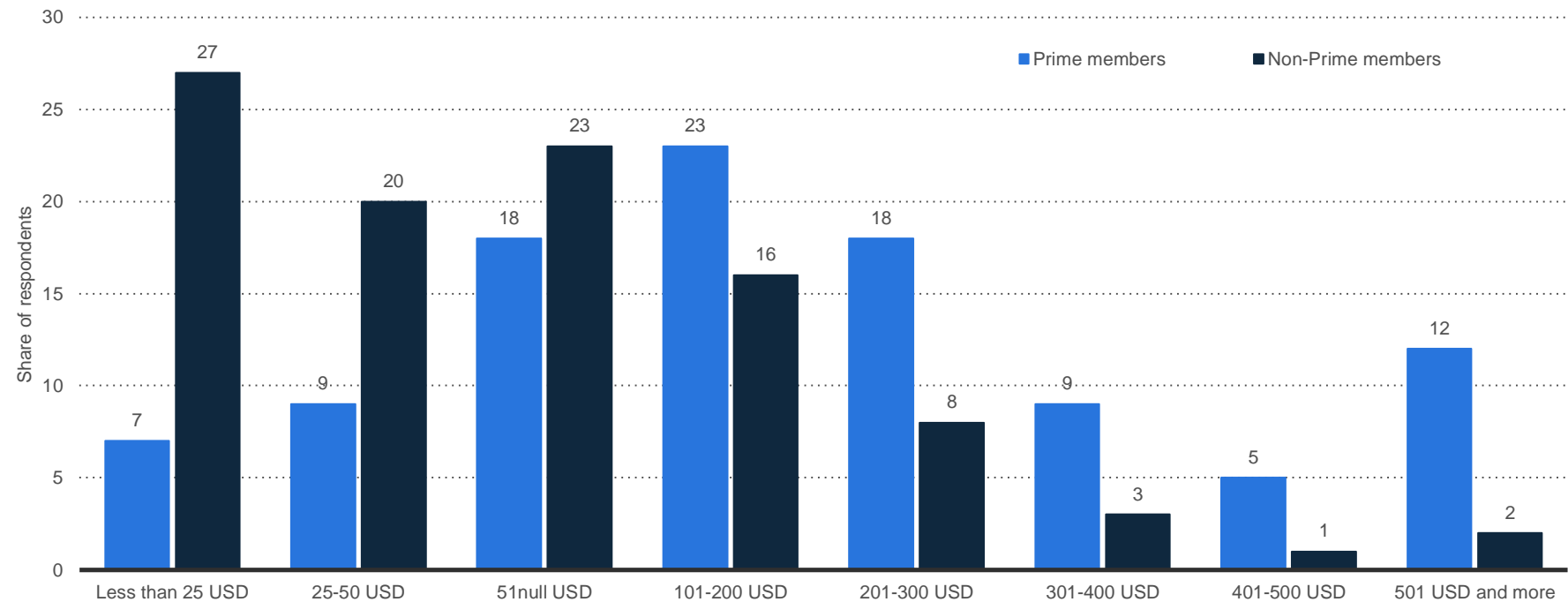
## Most popular reasons for users in the United States to join Amazon Prime



Source: Statista: Most popular reasons for users in the United States to join Amazon Prime as of April 2014, 2015  
<http://time.com/money/3686039/amazon-prime-increased-spending/>

# Prime members make twice as much purchases as non-members

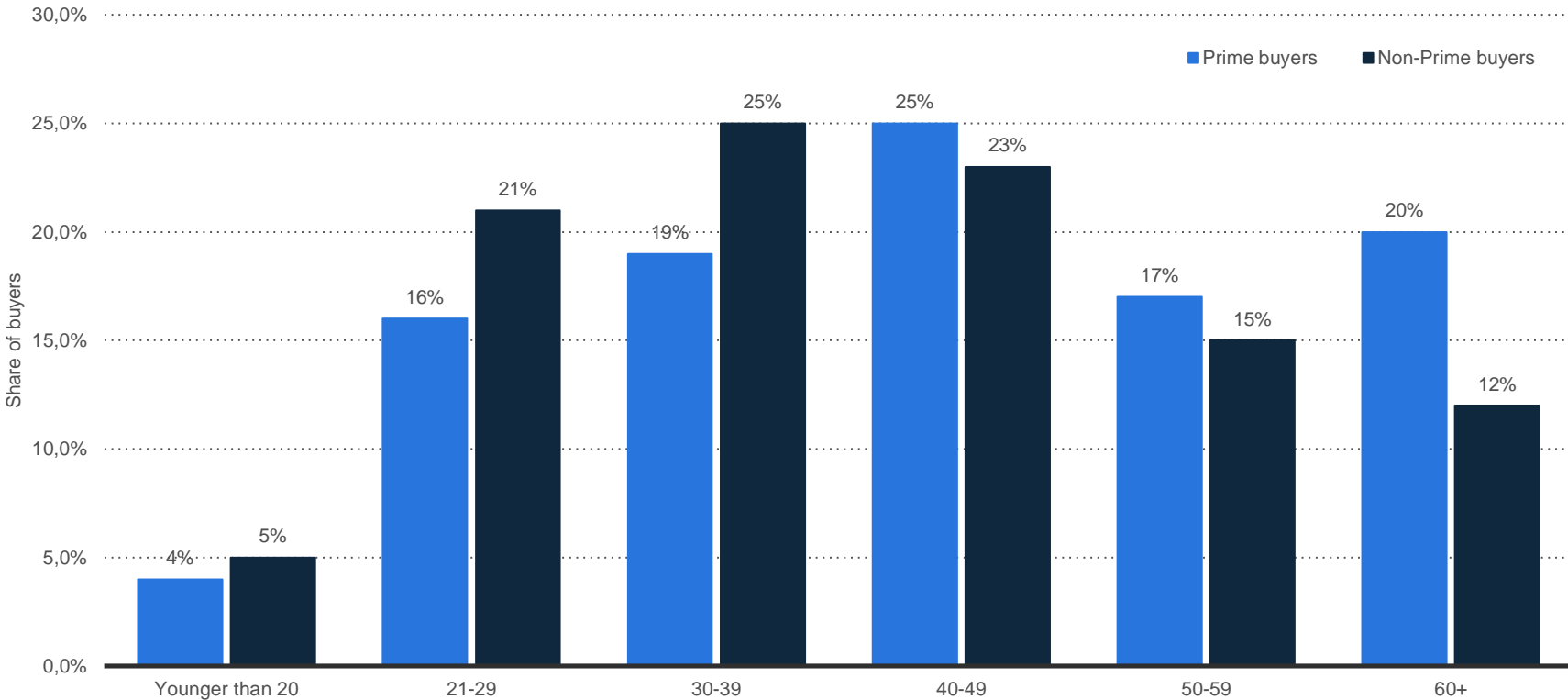
And they spend 40% more per transaction



Source: Statista: Average amount spent on Amazon according to U.S. Amazon Prime and non-Prime members as September 2014, 2015

# Amazon Prime is estimated to have 40 million members in the US

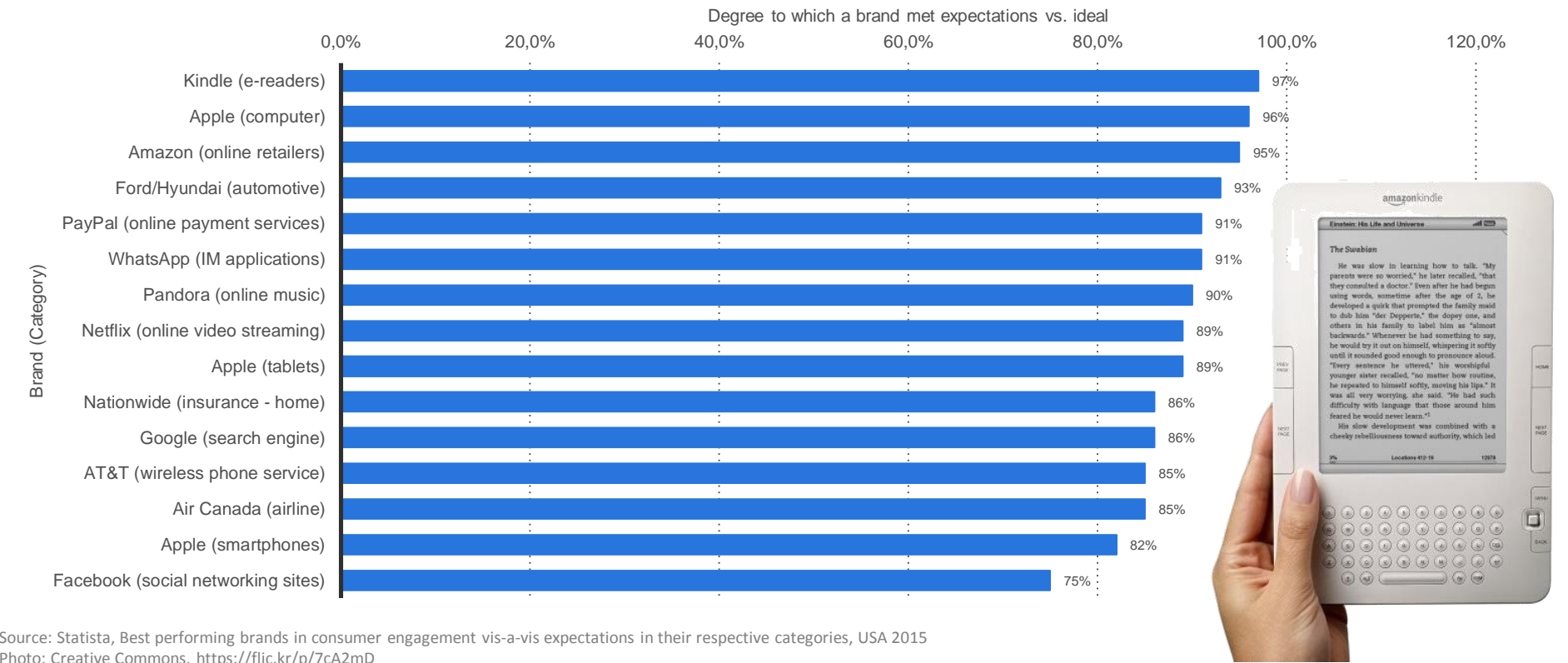
Which compares to 20% to 25% of all U.S. households. This number is expected to rise to 50% in 2020



Source: Statista: Distribution of Amazon Prime and Non-Prime buyers in the United States of 1st quarter 2014, by age, 2015

# Amazon Kindle is the best example of the ultimate seamless experience

Average Kindle owner spends \$ 1,450 at Amazon per year (average \$ 725)



Source: Statista, Best performing brands in consumer engagement vis-a-vis expectations in their respective categories, USA 2015  
Photo: Creative Commons, <https://flic.kr/p/7cA2mD>

# Amazon creates its own devices to create ultimate convenience

At the same time, it locks the customer into its ecosphere

## Amazon Kindle:

- 43 million sold till 2014
- Amazon owns 80% of the e-book market
- Amazon sold more e-books than books in 2014
- Amazon keeps 65% of the revenues



## Amazon Fire TV

- Sold 5.8 million times in 2014
- Nearly as much as Google's Chromecast



## Amazon Fire Phone

- 35,000 sold in the first month
- Apple probably sells 35,000 per hour

Sources photos: Creative Commons (<https://flic.kr/p/mHWcxj>, <http://tinyurl.com/pe2zspq> and <https://flic.kr/p/azbM6o>  
<http://www.forbes.com/sites/greatspeculations/2014/04/02/estimating-kindle-e-book-sales-for-amazon/>



# The next battle will be fought in the consumer's home...

As it becomes part of the customer journey at home

## Amazon Dash



January 2014  
Creates grocery lists  
Voice control/barcode scanner

## Amazon Echo



November 2014  
Personal assistant  
Answers any question

## Amazon Dash Button



March 2015  
Resupply button  
One-click ordering

Photos: [http://en.wikipedia.org/wiki/Amazon\\_Echo](http://en.wikipedia.org/wiki/Amazon_Echo)

...or may not even be visible at all

Amazon Dash Replenishment Service lets machines order refills automatically



<https://www.amazon.com/oc/dash-replenishment-service>

# (Nearly) the Lowest Price

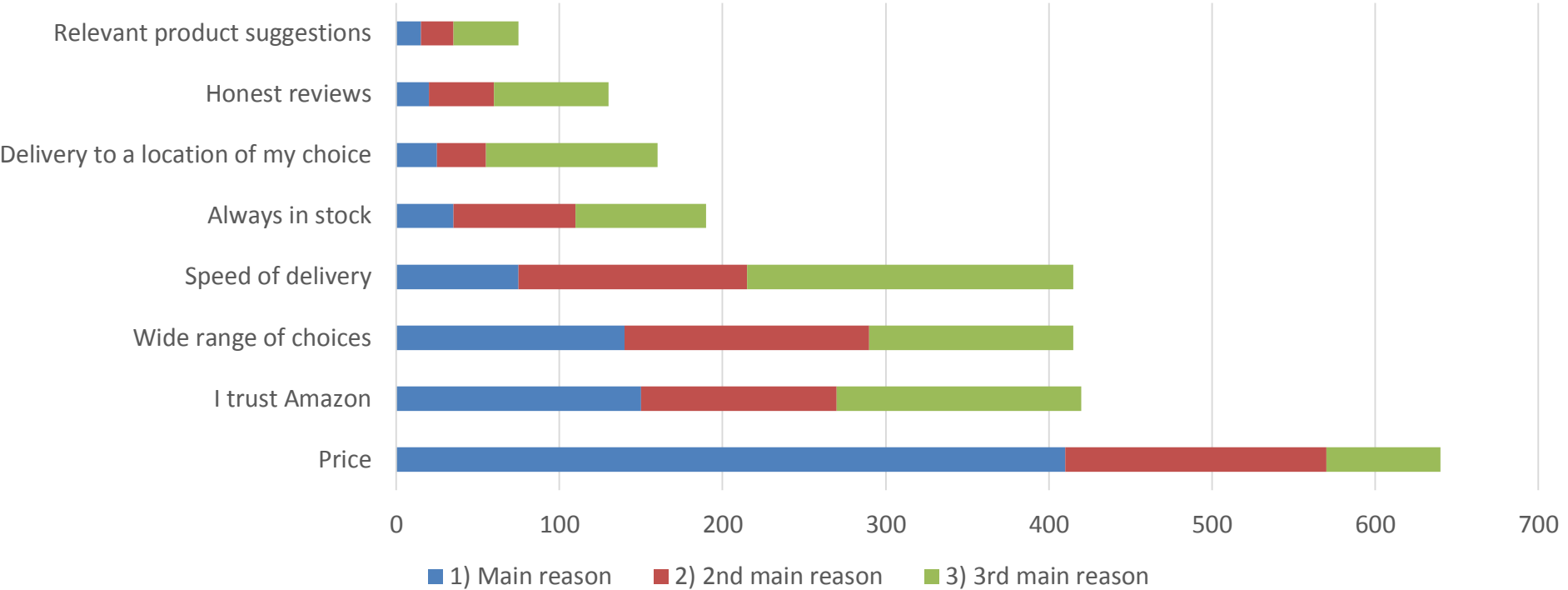
I can't imagine that ten years from now customers are going to say: "I really love to Amazon, but I wish their prices were a little higher" Jeff Bezos



Photo: iStockPhoto.com

# The low prices are one of the main reasons why people shop at Amazon

But other elements play a role as well, such as trust, wide range of choices and speed of delivery



Source: N = 900, UK. [www.uk.cpm-int.com/userfiles/file/Amazon%20Project\\_Everything%20to%20Everyone\\_White%20Paper.pdf](http://www.uk.cpm-int.com/userfiles/file/Amazon%20Project_Everything%20to%20Everyone_White%20Paper.pdf)

# Amazon never says it is the cheapest, but it makes sure it belongs to the cheapest

According to a price comparison study, Amazon on average was 11% cheaper than 24 other American retailers

Retailer	Amazon v retail store, %	Amazon v website, %	Cheaper on Amazon, %	
			Without extra sales state taxes	With extra sales state taxes
GNC	-24.1	-32.7	79	67
Kohl's	-22.9	-28.5	77	65
Bed Bath & Beyond	-18.6	-26.5	87	71
PetSmart	-17.4	-26.8	54	52
Vitamin Shoppe	-14.2	-26.0	65	55
Best Buy	-11.7	-14.2	87	78
Target	-10.9	-18.1	53	44
Walmart	-5.4	-13.2	57	50
Costco	3.6	-1.0	18	13

Source: [www.economist.com/node/21530980](http://www.economist.com/node/21530980)

# Amazon is notorious for lowering their prices to beat the competition

In the “Diaper war” Amazon is said to have lost \$ 100 million in 3 months



Source: [www.businessinsider.com/amazon-diapers-price-war-2010-11?IR=T](http://www.businessinsider.com/amazon-diapers-price-war-2010-11?IR=T)

# Amazon supports price comparison by typing, scanning, snapping and saying

Across nearly all mobile devices



## The Amazon App

Shop millions of products wherever you go

Plus get product details, read reviews, scan barcodes to check prices instantly, and complete a secure purchase right from your mobile phone or tablet



iPhone & Apple Watch

➤ [Learn more & download](#)



iPad & iPad mini

➤ [Learn more & download](#)



Android  
Android Phone

➤ [Learn more & download](#)



Android Tablets

➤ [Learn more & download](#)



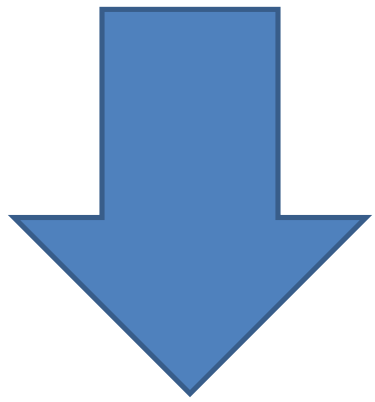
Windows Phone

➤ [Learn more & download](#)

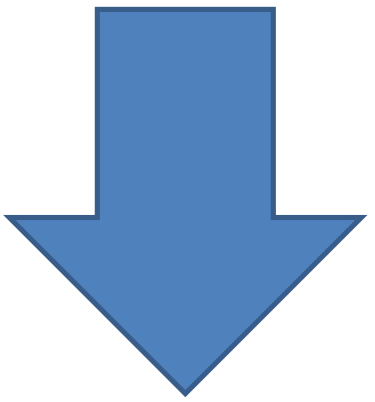
Source: [www.amazon.com/gp/help/customer/display.html?nodeId=200777320](http://www.amazon.com/gp/help/customer/display.html?nodeId=200777320)

# Amazon's pricing strategy is based on three elements

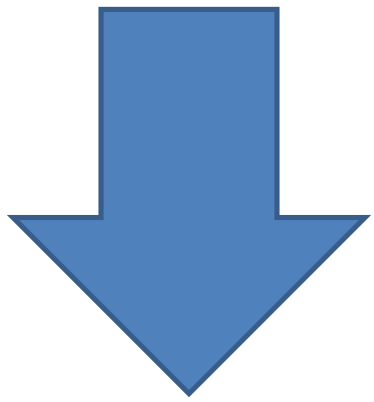
Efficiency



Dynamic Pricing



Scale/Traffic





# Amazon has always been focused on keeping costs low

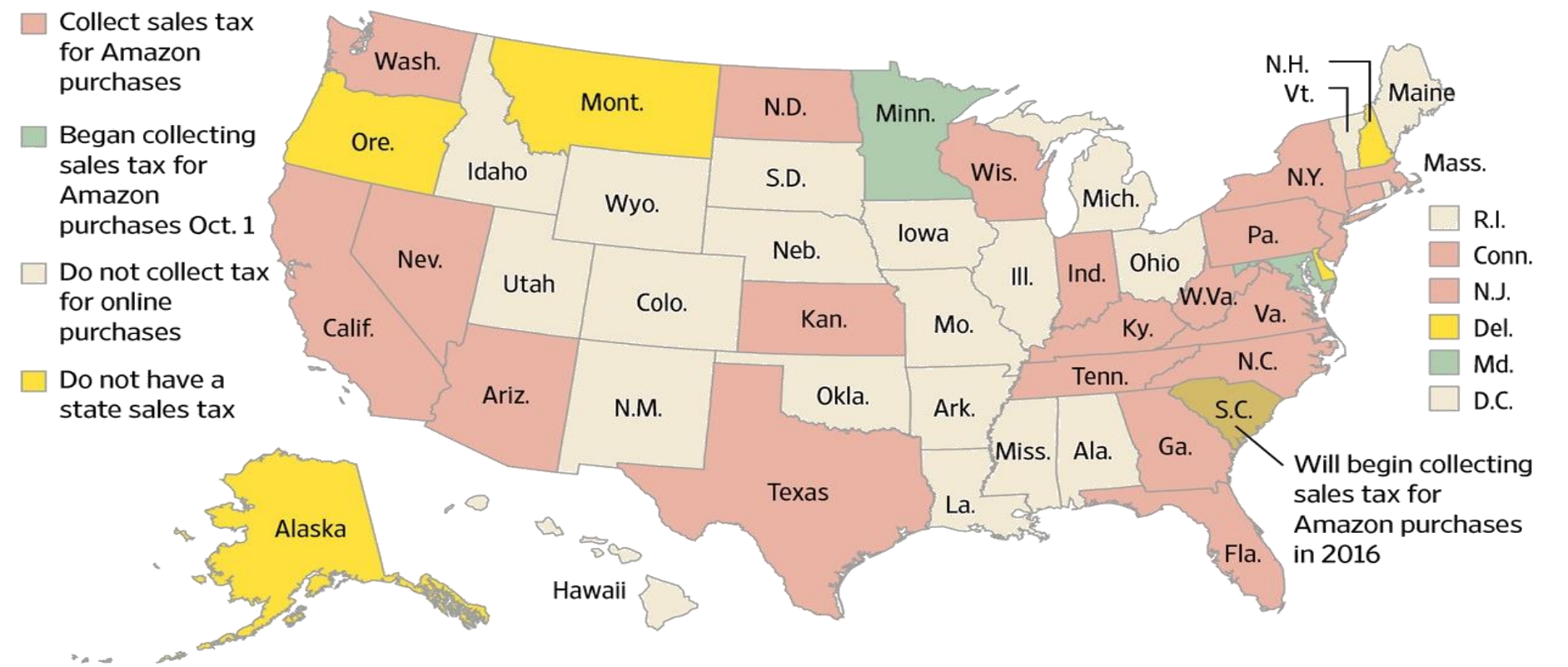
Starting with using doors as office desks



Source: [www.woodworkcity.com/wordpress/wp-content/uploads/2012/11/door-desk-bezos.jpg](http://www.woodworkcity.com/wordpress/wp-content/uploads/2012/11/door-desk-bezos.jpg)

# Jeff Bezos founded Amazon in Seattle (Washington) with a low population and VAT

The USA does not have a federal Value Added Tax (VAT) giving Amazon a price advantage of 4 – 10%



[www.wsj.com/articles/states-that-make-amazon-pay-sales-taxes-1412185657](http://www.wsj.com/articles/states-that-make-amazon-pay-sales-taxes-1412185657)

“If any of these new tax collection schemes were adopted, Amazon would be compelled to end its advertising relationships with well over 10,000 California-based participants in the Amazon’s Associates Program”

Paul Misener,  
VP Global Public Policy



Source: [en.wikipedia.org/wiki/Amazon\\_tax](https://en.wikipedia.org/wiki/Amazon_tax)

**Amazon also avoided VAT internationally in the past, but may become a VAT advocate**  
As the company's physical presence increases, eBay and Alibaba profit more from the absence of local VAT

 <b>STARBUCKS®</b>		
■ <b>Domicile: UK</b>	■ <b>Domicile: Ireland</b>	■ <b>Domicile: Luxembourg</b>
■ <b>UK turnover: £398m</b>	■ <b>UK turnover: £2.6bn</b>	■ <b>UK turnover: £3.3bn</b>
■ <b>UK corporation tax paid: None</b>	■ <b>UK corporation tax paid: £6million</b>	■ <b>UK corporation tax paid: None</b>
■ <b>Year: 2011</b>	■ <b>Year: 2011</b>	■ <b>Year: 2010</b>

Source: [www.dailymail.co.uk/news/article-2231828/Immoral-tax-avoiders-Amazon-Starbucks-Google-lashed-MPs-elaborate-schemes.html](http://www.dailymail.co.uk/news/article-2231828/Immoral-tax-avoiders-Amazon-Starbucks-Google-lashed-MPs-elaborate-schemes.html)

# From the start, Amazon has used every trick in the book to get more traffic

By creating traffic Amazon was able to lower its cost per order

- Introduced affiliate marketing
- Made traffic deals with Yahoo! & Google
- Used acquisitions to accelerate reach
- SEM: spends \$ 157 million annually
- SEO: Has about 190 million index pages
- Supports nearly any device to sell more
- Expands internationally quickly

Amazon's affiliate commissions

Number of Products Shipped/Downloaded in a Given Month**	Volume-Based Advertising Fee Rates for General Products
1-6	4.00%
7-30	6.00%
31-110	6.50%
111-320	7.00%
321-630	7.50%
631-1570	8.00%
1571-3130	8.25%
3131+	8.50%

Source: [adage.com/article/digital/amazon-tops-list-google-s-25-biggest-search-advertisers/294922/affiliate-program.amazon.com/gp/associates/join/compensation.html](https://adage.com/article/digital/amazon-tops-list-google-s-25-biggest-search-advertisers/294922/affiliate-program.amazon.com/gp/associates/join/compensation.html)



# Amazon more or less controls the American book market

Amazon made \$ 5.25 billion in books in 2014, which represents 7% of its total revenue

- **41%:** Amazon's market share of all new books sold in the USA.
- **60%:** Amazon's discount received from publishers (including contribution to "marketing development fund").
- **65%:** Amazon's e-books market share, 30% of all book sales (Apple: 25%, Barnes & Noble: 10%).
- **30%:** Amazon's commission per e-book.
- **50%:** decrease in number of independent bookstores over the last 20 years (which started with the rise of big-box stores like Borders and Barnes & Noble).
- **14 employees** are needed by Amazon to sell \$ 10 million in books (47 by brick & mortar retailers)

Source: [www.forbes.com/sites/jeffbercovici/2014/02/13/amazon-vs-book-publishers-by-the-numbers/](http://www.forbes.com/sites/jeffbercovici/2014/02/13/amazon-vs-book-publishers-by-the-numbers/)  
Photo: Istockphoto.com

“Amazon should approach these small publishers  
the way a cheetah would pursue a sick gazelle.”

Jeff Bezos  
CEO Amazon



Source: [www.amiba.net/resources/all-about-amazon/quotes](http://www.amiba.net/resources/all-about-amazon/quotes)

Until now, Amazon has acted as a monopsonist, continuously lowering its prices  
However, it is already compared with Standard Oil in the 1910s, AT&T in the 1940s, and IBM in the 1950s/60s

NEW REPUBLIC

POLITICS | CULTURE | MAGAZINE

The Latest Books Economics Climate Paid Leave

Sign In

SUBSCRIBE NOW

Search...



TECH

OCTOBER 9, 2014

# Amazon Must Be Stopped

It's too big. It's cannibalizing the economy. It's time for a radical plan.

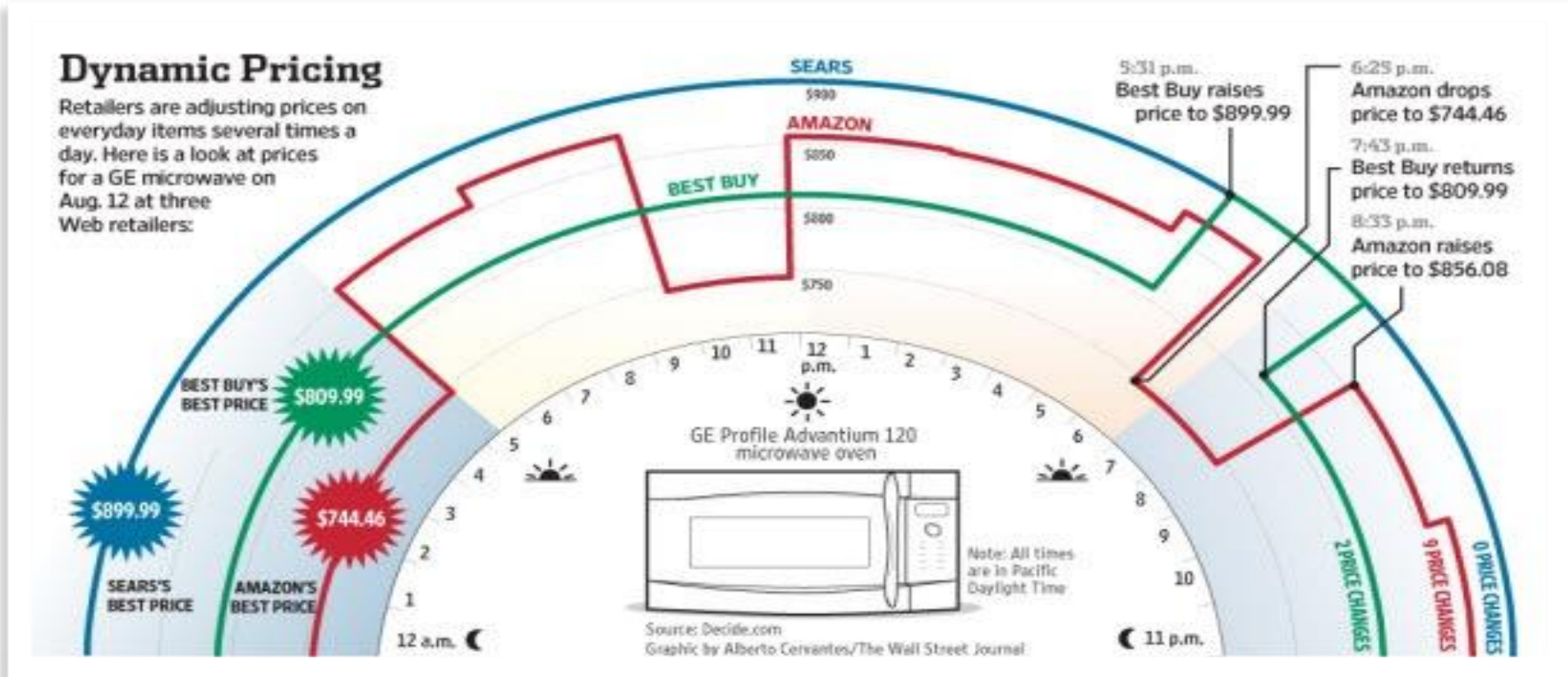
Photo: Illustration by Robert Davidson

Source: [www.newrepublic.com/article/119769/amazons-monopoly-must-be-broken-radical-plan-tech-giant](http://www.newrepublic.com/article/119769/amazons-monopoly-must-be-broken-radical-plan-tech-giant)



# Amazon further optimized the price experience with dynamic pricing

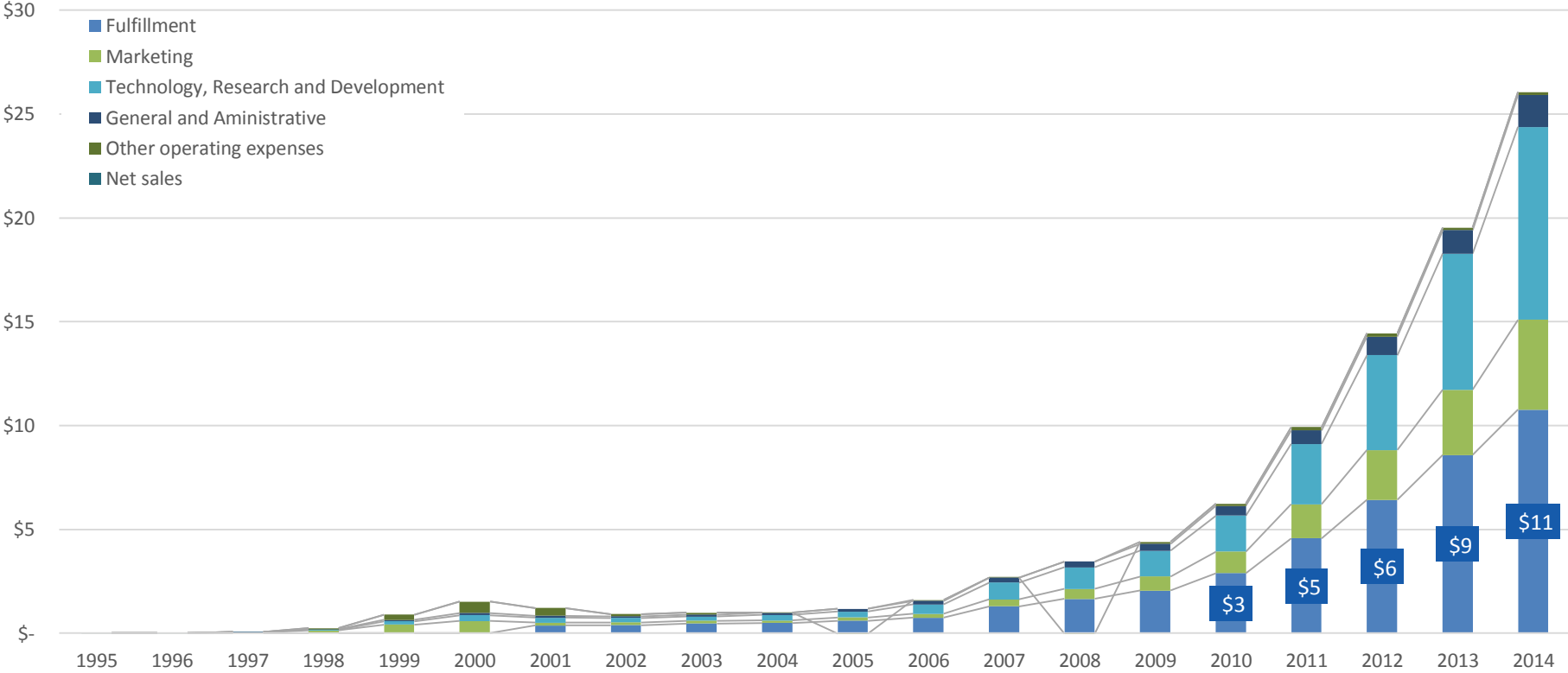
It adapts 2.5 million prices a day. By comparison: Walmart changes product prices (only) 50,000 times a day.



Source: [www.aei.org/publication/dynamic-pricing-amazon-and-delta-airlines/](http://www.aei.org/publication/dynamic-pricing-amazon-and-delta-airlines/)  
Source: [www.wsj.com/articles/SB10000872396390444914904577617333130724846](http://www.wsj.com/articles/SB10000872396390444914904577617333130724846)

# As Amazon revenues are growing, so are its costs

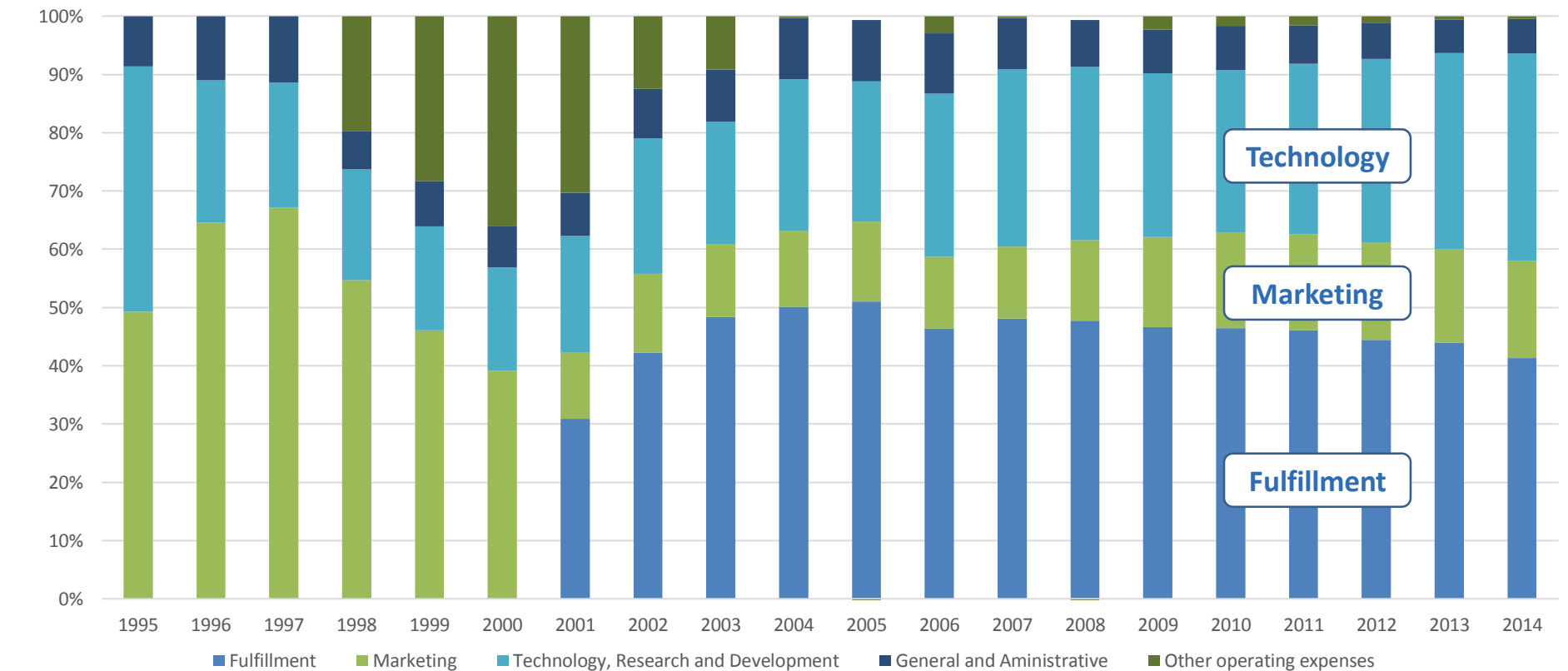
Operating expenses excluding costs of sales in billions of U.S. dollars



Source: [phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual](http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual),

# Amazon's key cost drivers are technology and fulfilment

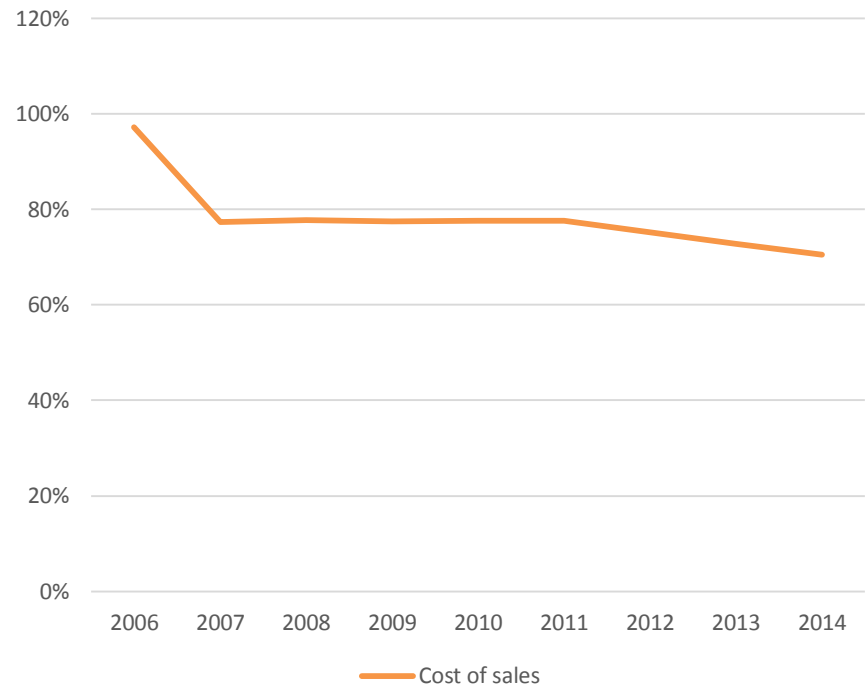
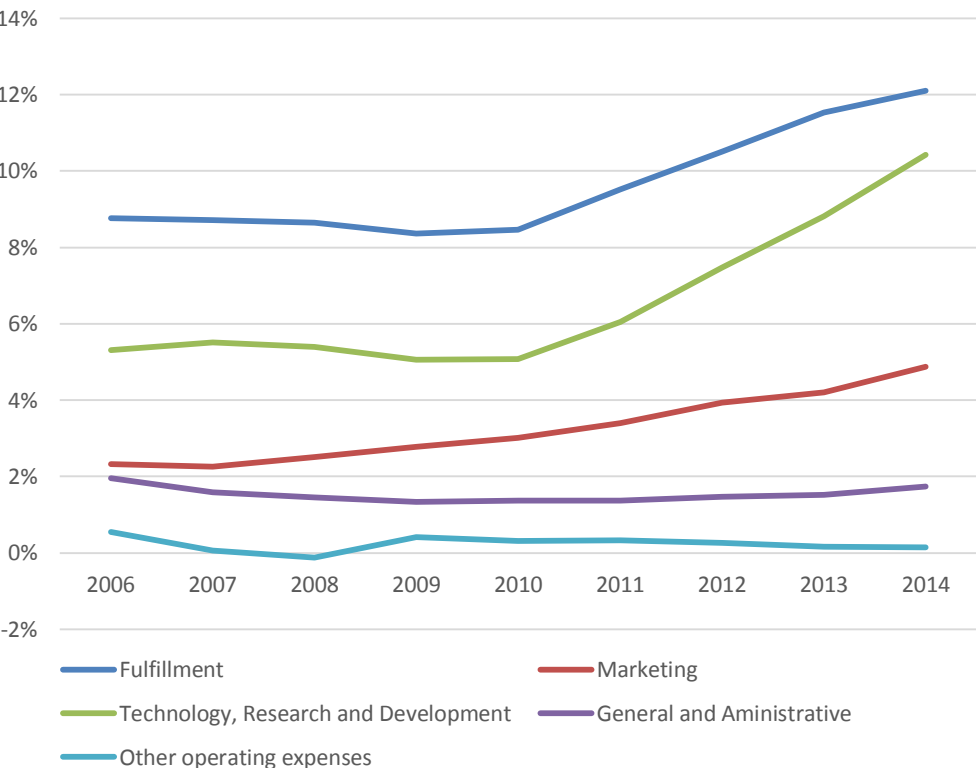
Amazon spent twice as much on Technology (\$ 9.2 billion) than on marketing (\$ 4.3 billion) in 2014



<http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual>

# IT and Fulfilment costs rise, but cost of sales dropped below 80% of revenues

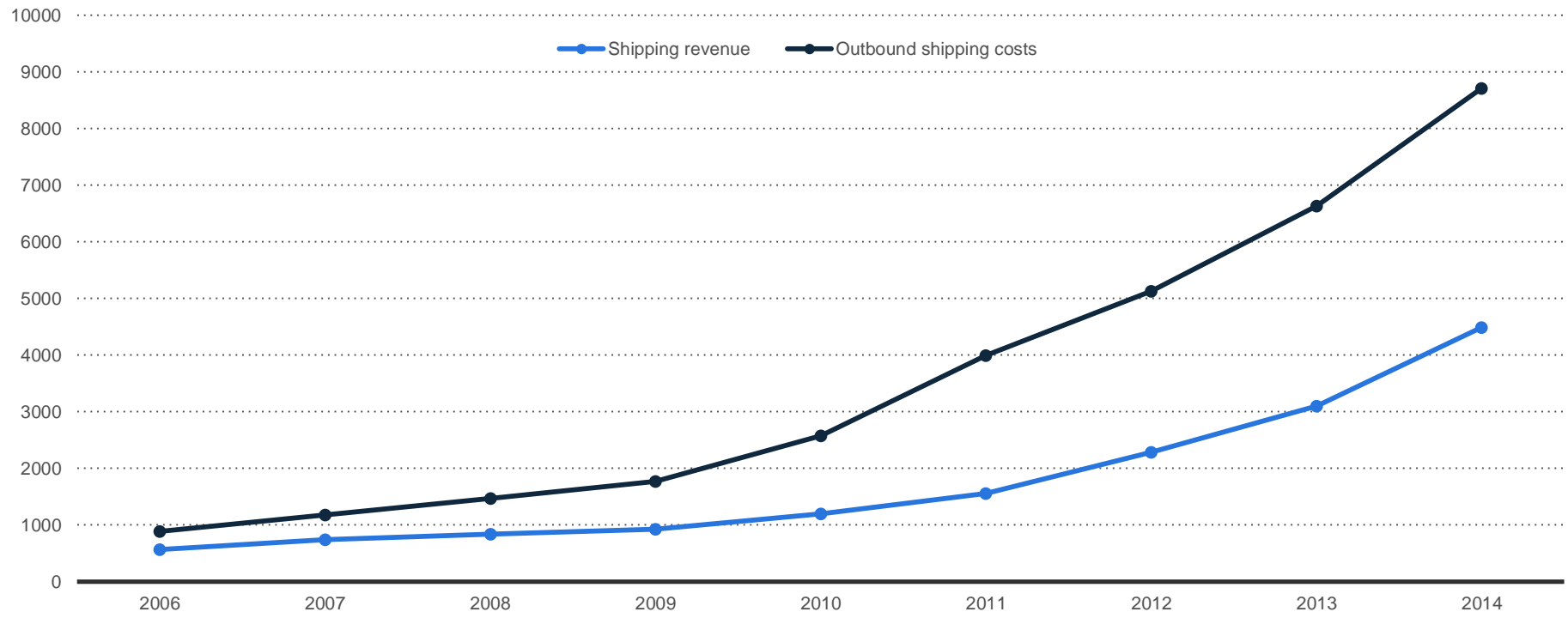
As a result, Amazon is much more in control of its costs than in 2000



Source: [phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual](http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual),

# Amazon is able to still earn shipping revenues as well

Shipping activity in millions of U.S. dollars



Source: Statista, 2015

# One of Amazon's key competitive advantages is its supply chain operations

108 fulfilment centers worldwide, approximately 7 million m<sup>2</sup>



[http://en.wikipedia.org/wiki/Amazon.com#Fulfillment\\_and\\_warehousing](http://en.wikipedia.org/wiki/Amazon.com#Fulfillment_and_warehousing) & Photo: <http://en.wikipedia.org/wiki/Zappos>



# Amazon sets the standard in supply chain efficiency

Already in 2000, 70% of Amazon's software development concerned its distribution centers

- Its 'cookie cutter' approach halved construction times of warehouses
- Products are stored randomly where they fit, maximizing space usage
- Software chooses the cheapest origin for each order in real time
- The same software re-optimizes, based on additional customer orders
- Fast-moving items are stored in all FCs, slow sellers only in a few FCs
- Products are stocked up to the roof lowering m2 costs
- All workers have handheld scanners
- Amazon acquired Kiva to further automate its FC with robots
- After the acquisition it upped its use of robots from 100 to 10,000.
- It continuously analyses fulfilment costs to further optimize its processes
- Already moves inventory before products are ordered (predictive analysis)
- Negotiates with suppliers to improve picking & packing (better packaging)



<http://www.eulogisticshub.com/blog/2014/07/what-is-the-maximum-size-of-an-efficient-ecommerce-warehouse/>

<http://www.wired.com/2014/06/inside-amazon-warehouse/>

[http://en.wikipedia.org/wiki/Amazon.com#Fulfillment\\_and\\_warehousing](http://en.wikipedia.org/wiki/Amazon.com#Fulfillment_and_warehousing)

<http://www.bbc.com/news/business-25034598>

Photo: <https://flic.kr/p/pYhSEd>



**“We are machines, we are robots, we plug our scanner in,  
we're holding it, but we might as well be plugging it into ourselves.”**

Adam Litter  
Undercover Reporter  
temporary picked at Amazon

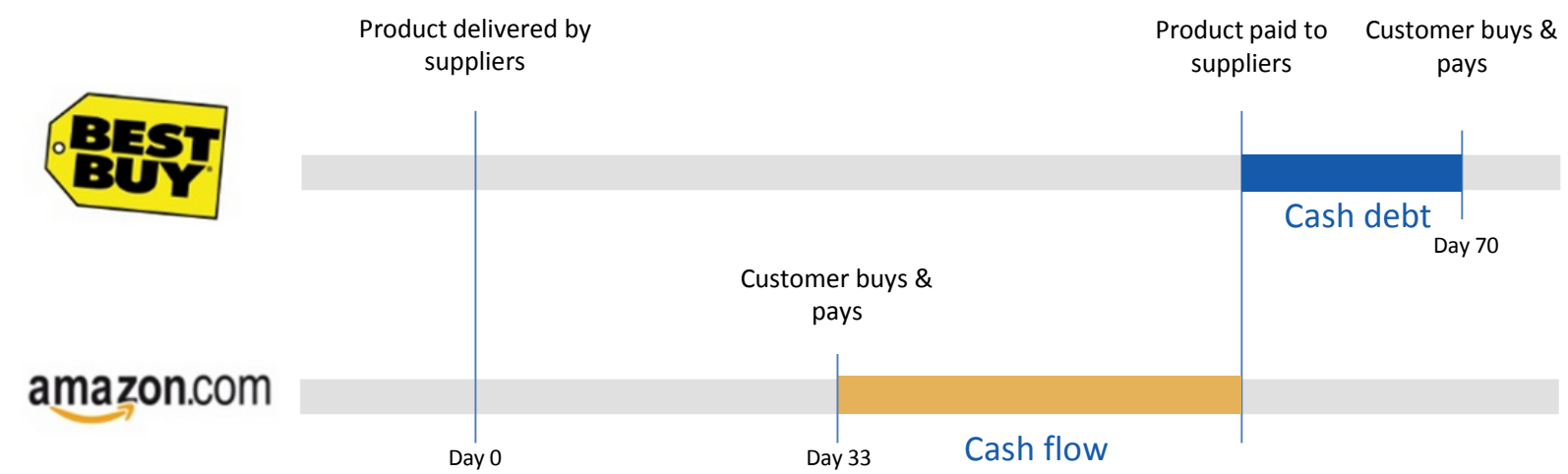
Source: [www.bbc.com/news/business-25034598](http://www.bbc.com/news/business-25034598)



LIVE WORDS

# Amazon is able to turn inventory around 20 times a year (retail standard: 15)

On average a product stays on the shelf 70 days at Best Buy and 33 days at Amazon



<http://www.slideshare.net/G1aryan/amazoncom-history-facts-n-lots-more>  
<https://www.fidelityworldwideinvestment.com/middle-east/news-insight/21-century-themes/investing-in-smart-logistics.page>

**“Web logistics has increased its efficiency with a factor 20 in the last 10 years.  
Amazon is by far the best at this game, with order pick costs of € 0.10 – 0.20 per order line.”**

Walther Ploos van Amstel  
Professor Web Logistics



**Hogeschool van Amsterdam**  
Amsterdam University of Applied Sciences



**“The real hurdle for Albert Heijn is the concept of nullifying the delivery costs for the customer. If another company realizes this before Ahold does, we need to respond by offering the same to the customer anyway.”**

Adriaan Thierry  
E-VP Marketing, Formats & E-Commerce



# Amazon has a strong history in “selling” its infrastructure to create more scale

In 2013 Amazon generated \$750 million from worldwide advertising, estimates were \$ 1 billion in 2014

Starting by hosting online shops



Now sourcing infrastructure



Source: [adage.com/article/digital/amazon-tops-list-google-s-25-biggest-search-advertisers/294922/](https://adage.com/article/digital/amazon-tops-list-google-s-25-biggest-search-advertisers/294922/)

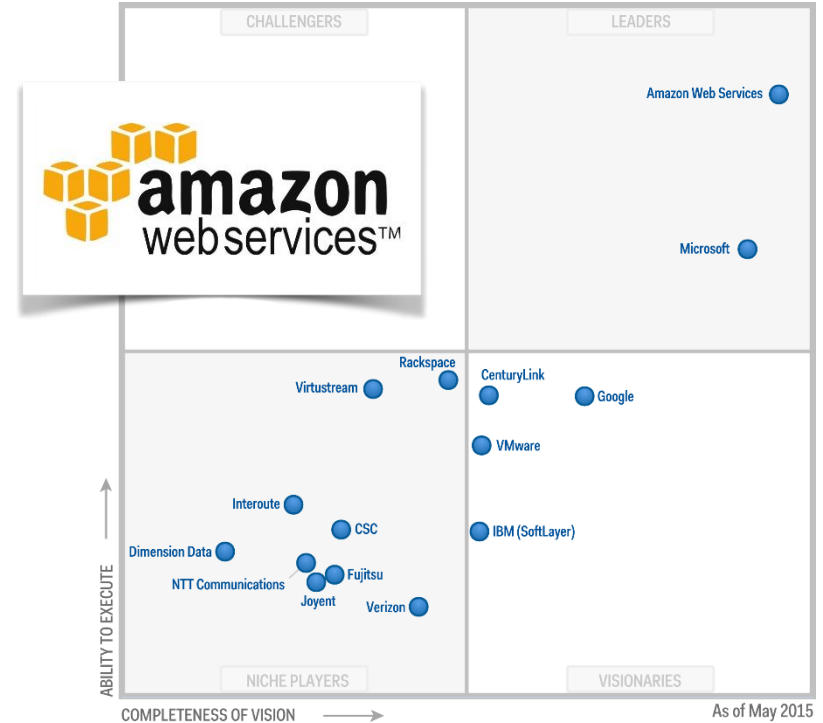
# Amazon's Web Service revenues are estimated to be \$ 5 billion, up 49% from 2014

AWS has won a \$600 million CIA contract from IBM and is leading Gartner's Magic Quadrant for the 4<sup>th</sup> year

**Services:** Store, Compute, Database, Analytics, Networking, 150+ software applications

## 1 million AWS customers:

- Web: Etsy, Flipboard, Yelp, Foursquare, Zynga
- Software: Acquia, Adobe, Alexa, Citrix, Intuit, Qlik
- Travel: Airbnb, Expedia, Conde Nast, Hotelogix, IATA
- News: Financial Times, The Guardian, Newsweek
- Media: Netflix, Dropbox, Pinintrest, Spotify
- Finance: Aon, DowJones, Edmunds, Nasdaq
- Retail: Ice.com, Lightinthebox
- Brands: Lamborghini, Nike, Philips, Sonos, Unilever



Source: Bloomberg Businessweek, 2014 , [www.geekwire.com/2014/amazon-web-services-passes-milestone-1m-customers/](http://www.geekwire.com/2014/amazon-web-services-passes-milestone-1m-customers/)  
[aws.amazon.com/solutions/case-studies/all/](http://aws.amazon.com/solutions/case-studies/all/), [venturebeat.com/2015/04/23/amazon-web-services-is-now-a-5b-business/](http://venturebeat.com/2015/04/23/amazon-web-services-is-now-a-5b-business/)  
[aws.amazon.com/resources/gartner-2015-mq-learn-more/?trkCampaign=global\\_2015\\_ar\\_gartner\\_mq&trk=ha\\_ar\\_gartner\\_mq\\_1041](http://aws.amazon.com/resources/gartner-2015-mq-learn-more/?trkCampaign=global_2015_ar_gartner_mq&trk=ha_ar_gartner_mq_1041)

# However Amazon may benefit the most from its Third-Party Seller program

- Customer benefits:
  - Fosters price transparency and lower prices
  - Expands the long tail assortment
- Commission on every product sold
- Against a higher margin:
  - No inventory risks
  - No fulfilment costs
  - No service costs
- Spreading of infrastructural costs across more orders
- More customer data
- More (free) product data
- Higher share of customer wallet
- Increased market insights

**amazon** global selling

Category	Commission
3D Printed Products	12%
Amazon Device Accessories	45%
Automotive & Power Sports	12%
Baby Products (excluding Baby Apparel)	15%
Beauty, Luggage & Travel Accessories, Shoes, Handbags & Glasses	15%
Books, Music, Music Instruments, Video, DVD	15%
Consumer Electronics, Camera, Photo & Cell Phones	8%
Clothing & Accessories, Outdoor, Sports	15%
Health & Personal Care (including Personal Care Appliances)	15%
Home & Garden (including Pet Supplies), Kitchen	15%
Independent Design	25%
Industrial & Scientific (incl. Food Service, Janitorial & Sanitation)	12%
Jewelry	20%
Major Appliances	8-15%
Office Products	15%
Personal Computers	6%
Software & Computer, Toys & (Video) Games	15%
Tools & Home Improvement	12 - 15%
Video Game Consoles	8%
Everything Else	15%

Source: [www.amazon.com/gp/help/customer/display.html?nodeId=1161240](http://www.amazon.com/gp/help/customer/display.html?nodeId=1161240)



# Amazon Fresh's goal is to create an affordable same-day delivery infrastructure

It allows Amazon to build a day-to-day relationship with its (Prime) customer base

amazonfresh

Already an AmazonFresh customer? [Sign in.](#)

Shop

All

Search AmazonFresh

Go


amazonfresh

CUSTOMER STORIES

"I find that we are eating far, far more fruits and vegetables and far, far less packaged goods."

- Brandon, Southern California Customer

LEARN MORE >




shop


BESTSELLERS >



shop


RECIPES >



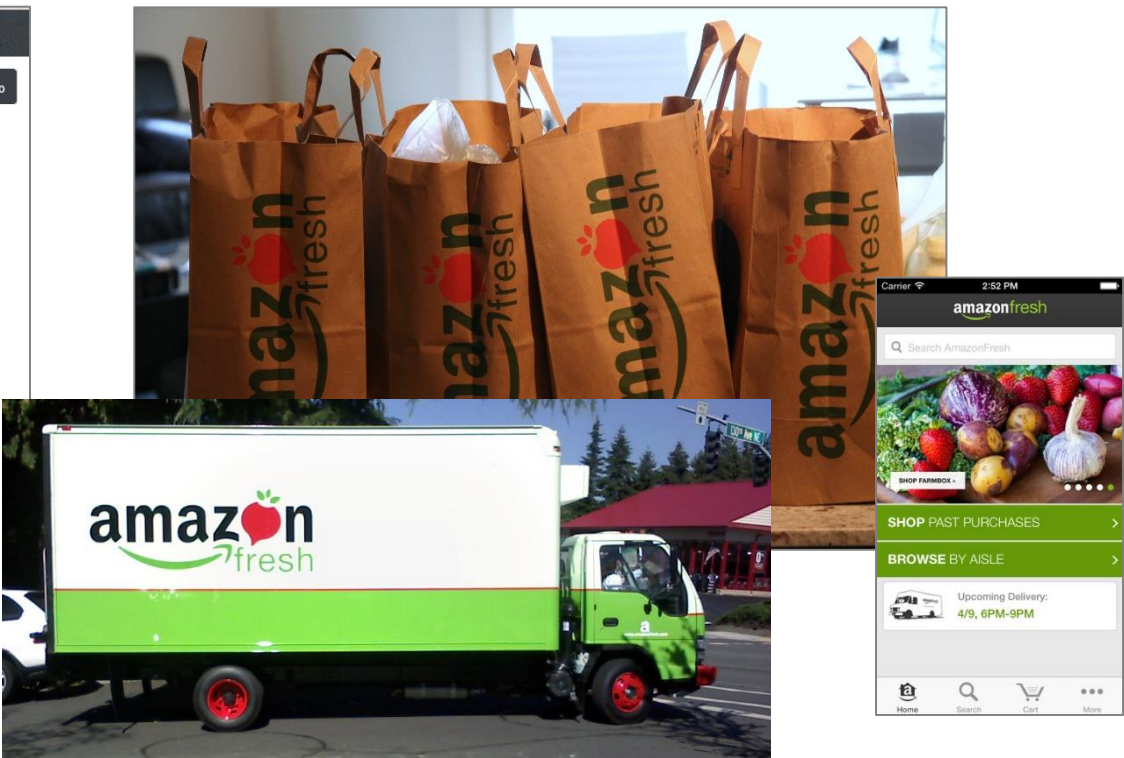


Local Shops & Restaurants

NEIGHBORHOOD  
SHOPS & RESTAURANTS >



Shop any time, anywhere with our mobile apps. Shop our complete grocery and selected Amazon.com aisles, choose home delivery times, view past purchases and place your order quickly and easily. Enjoy convenient



Source: [flic.kr/p/4Gyv6K](https://flic.kr/p/4Gyv6K) & [flic.kr/p/2GL1zd](https://flic.kr/p/2GL1zd)

# Amazon starts with free shipping on small goods, no minimum order

Amazon Prime users still benefit with free same day delivery

**“Customers love that even if it's a \$5 item, shipping is free for everybody, Prime member or not. Customers love it and sellers love it.”**

Neil Ackerman  
Senior Manager at Amazon



Source: [www.mercurynews.com/business/ci\\_28236642/amazon-debuts-free-shipping-small-goods-no-minimum](http://www.mercurynews.com/business/ci_28236642/amazon-debuts-free-shipping-small-goods-no-minimum)

A photograph of Jeff Bezos, founder of Amazon, leaning against a large, riveted metal structure, possibly an aircraft fuselage. He is wearing a light blue button-down shirt and dark trousers, smiling at the camera.

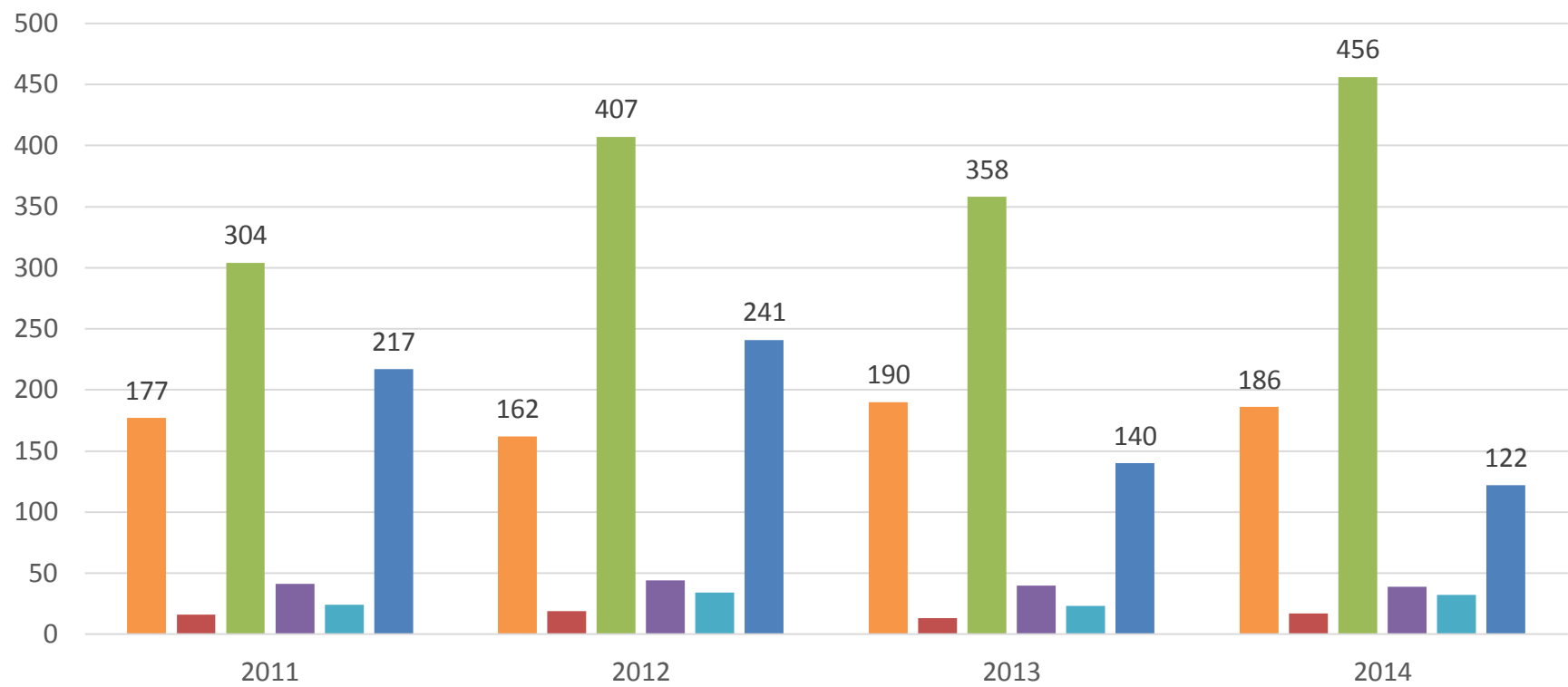
# Inventiveness

"We've had three big ideas at Amazon that we've stuck with for 18 years, and they're the reason we're successful: Put the customer first. Invent. And be patient." Jeff Bezos

Source: [www.linkedin.com/pulse/20141203085723-1920776-what-leaders-can-learn-from-amazon-s-leadership-principles](https://www.linkedin.com/pulse/20141203085723-1920776-what-leaders-can-learn-from-amazon-s-leadership-principles)  
[www.brainyquote.com/quotes/authors/j/jeff\\_bezos.html](http://www.brainyquote.com/quotes/authors/j/jeff_bezos.html)

# Experts wonder: “How can Amazon with 150,000+ employees remain innovative?”

Number of press releases sent per year



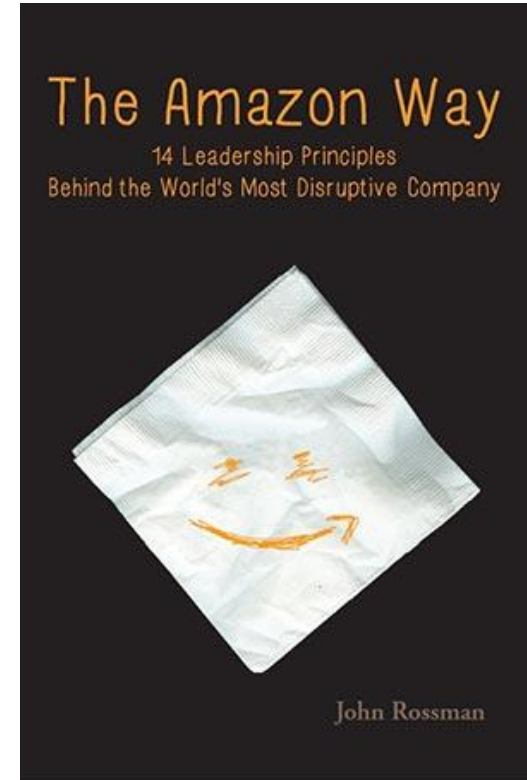
Sources: <https://blog.kissmetrics.com/lessons-from-jeff-bezos/> <http://www.forbes.com/sites/georgeanders/2012/04/04/inside-amazon/2>

Amazon Google Walmart Apple Samsung Microsoft

# Like many other companies, Amazon has leadership & corporate principles

The big difference seems to be that they are actually applying them...

1. Customer Obsession
2. Ownership
3. Invent and Simplify
4. Are Right, A Lot
5. Hire and Develop the Best
6. Insist on the Highest Standards
7. Think Big
8. Bias for Action
9. Frugality
10. Vocally Self Critical
11. Earn Trust of Others
12. Dive Deep
13. Have Backbone; Disagree and Commit
14. Deliver Results




Source: [www.amazon.com/Values-Careers-Homepage/b?node=239365011](http://www.amazon.com/Values-Careers-Homepage/b?node=239365011)



# Amazon can be amazing for some people, horrible for others

Amazon scores a 3.4 out of 5 on Glassdoor (comparable with American Airlines & Footlocker)





**Amazon.com**  
www.amazon.com

Eng

5.0k  
Reviews

12k  
Salaries

6.3k  
Interviews

10k  
Jobs


Follow

+ Add Re

Amazon.com Reviews


4517 reviews filtered by Any Location Any Job Title Full-Time Part-Time

Rating Trends

3.4  4,517 Reviews

63% Recommend to a friend

81% Approve of CEO



Jeff Bezos  
2,858 Ratings

Pros

"You can definitely **learn a lot** in short spam in Amazon as they make you work a lot" (in 118 reviews)

"Density of talent: Some really **smart people** spoiling their careers here" (in 352 reviews)

"**Fast-paced**, autonomous environment that allows you to work in casual attire" (in 171 reviews)

"Very easy to take holidays with almost no notice; good **work-life balance**" (in 59 reviews)

"Great **place to learn** about many aspects of the business" (in 50 reviews)

Cons

"Company is not at all sorry to screw people's **work-life balance** for itself to excel" (in 636 reviews)


"There is literally **no work life** balance inside this company" (in 145 reviews)


"The frontiership of c 2000 is long over but some of the **long hours** are not" (in 217 reviews)


"Poor direction from **senior management** who couldn't decide what they wanted" (in 70 reviews)


"The Operations team **upper management** doesn't respect anyone in the support staff" (in 70 reviews)


Source: [www.glassdoor.nl/Reviews/Amazon-com-Reviews-E6036.htm](http://www.glassdoor.nl/Reviews/Amazon-com-Reviews-E6036.htm)


 Ecommerce FOUNDATION


 NYENRODE BUSINESS UNIVERSITEIT


 ECOMMERCE EUROPE


 ecommercefacts

 GLOBAL E-COMMERCE SUMMIT

 Adobe

 informatica

 Lengow

 LIVE WORDS



# How Global Market Places Impact Retail

“End users benefit from the rise of market places. Whether market places are good for producers and retailers is yet to be seen.” Wilko Klaassen

Photo: iStockphoto



**“End users benefit from the rise of market places, as they have access to a much broader offering of products and providers, which often compete with each other on these market places. However, the true long-term added value of some market places for producers and retailers is yet to be seen.”**

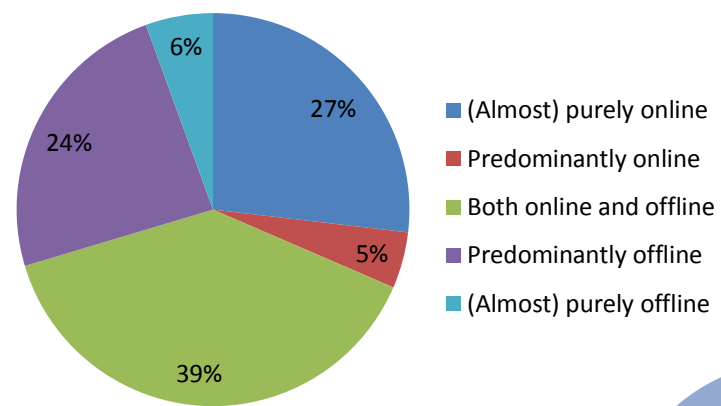
Wilko Klaassen  
Global Online Director



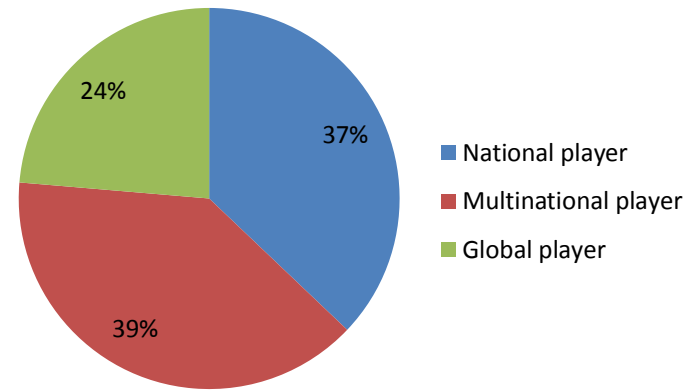
# In total 274 respondents participated in the study

Of these, 231 are Retailers and 43 are Retail Consultants

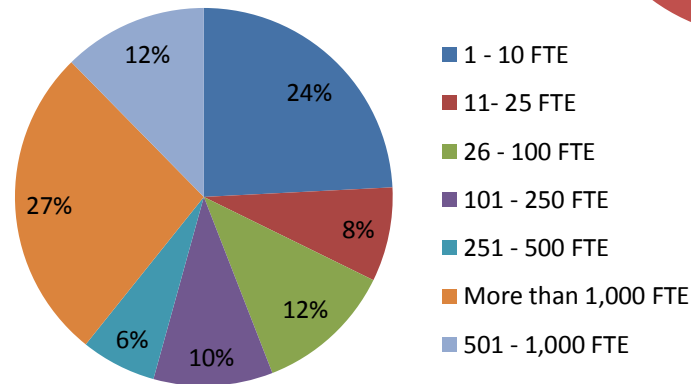
## Through which channels do you sell?



## Do you consider yourself a

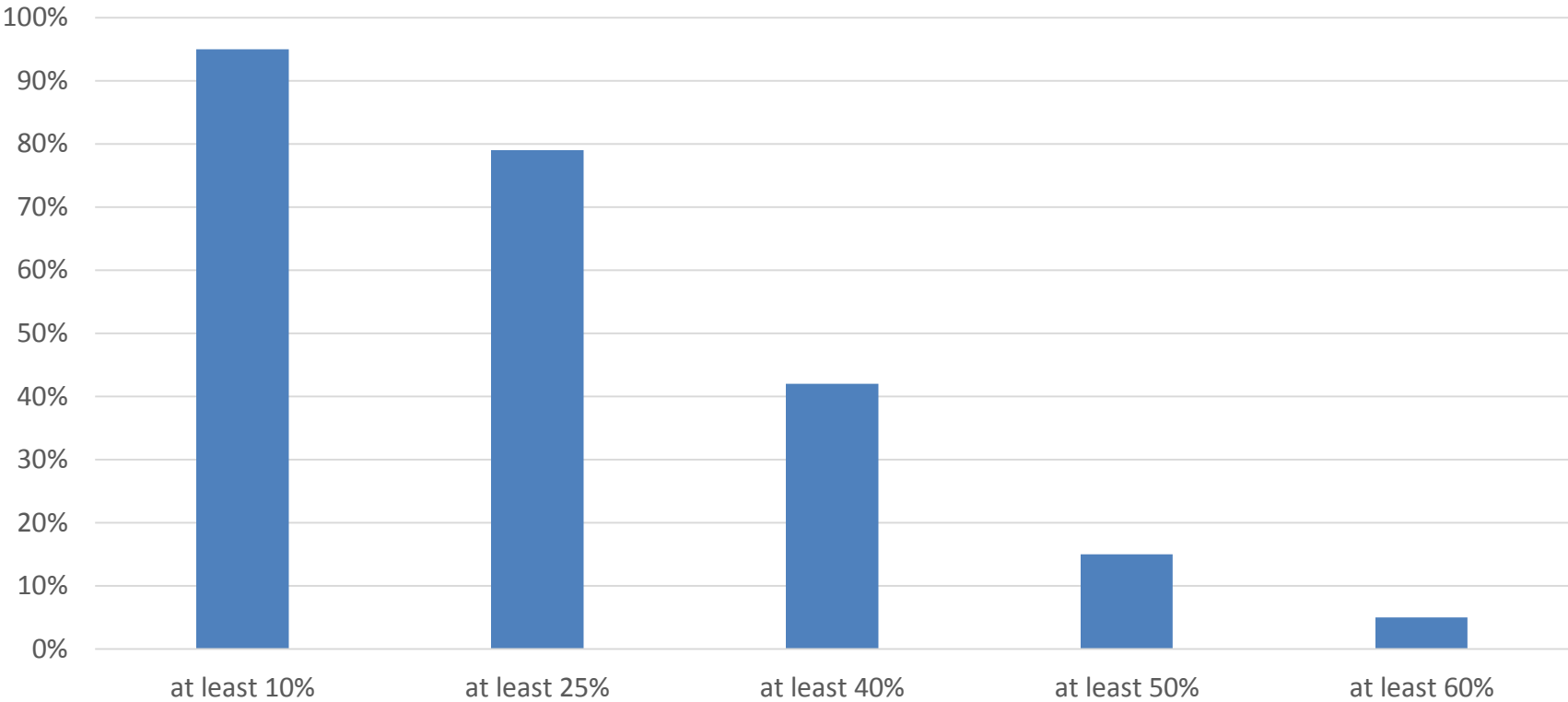


## Company Size



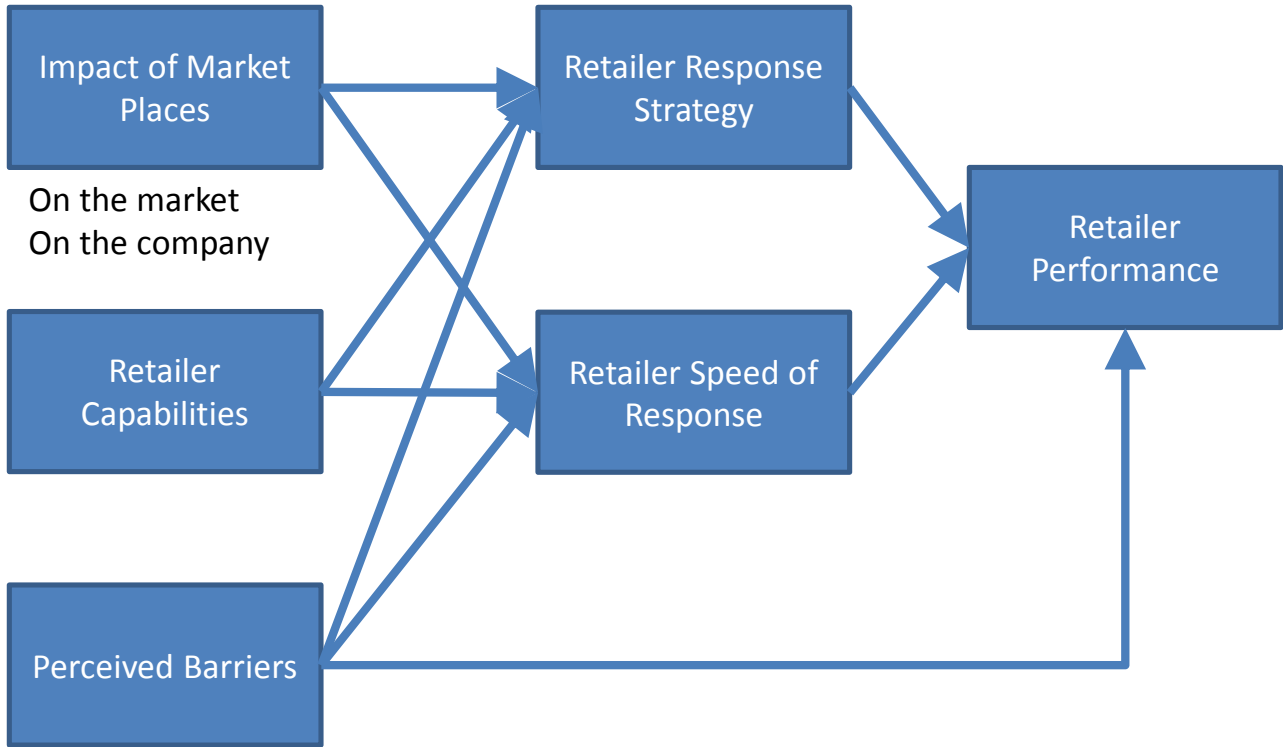
# Retailers estimate global market places will own 40% of the global online retail market in 2020

What do you expect the market share of market places to be in global online consumer sales in 2020?



Source: commons.wikimedia.org/wiki/File:Wokkersmundo.jpg

# What we asked 250+ retailers and retail consultants



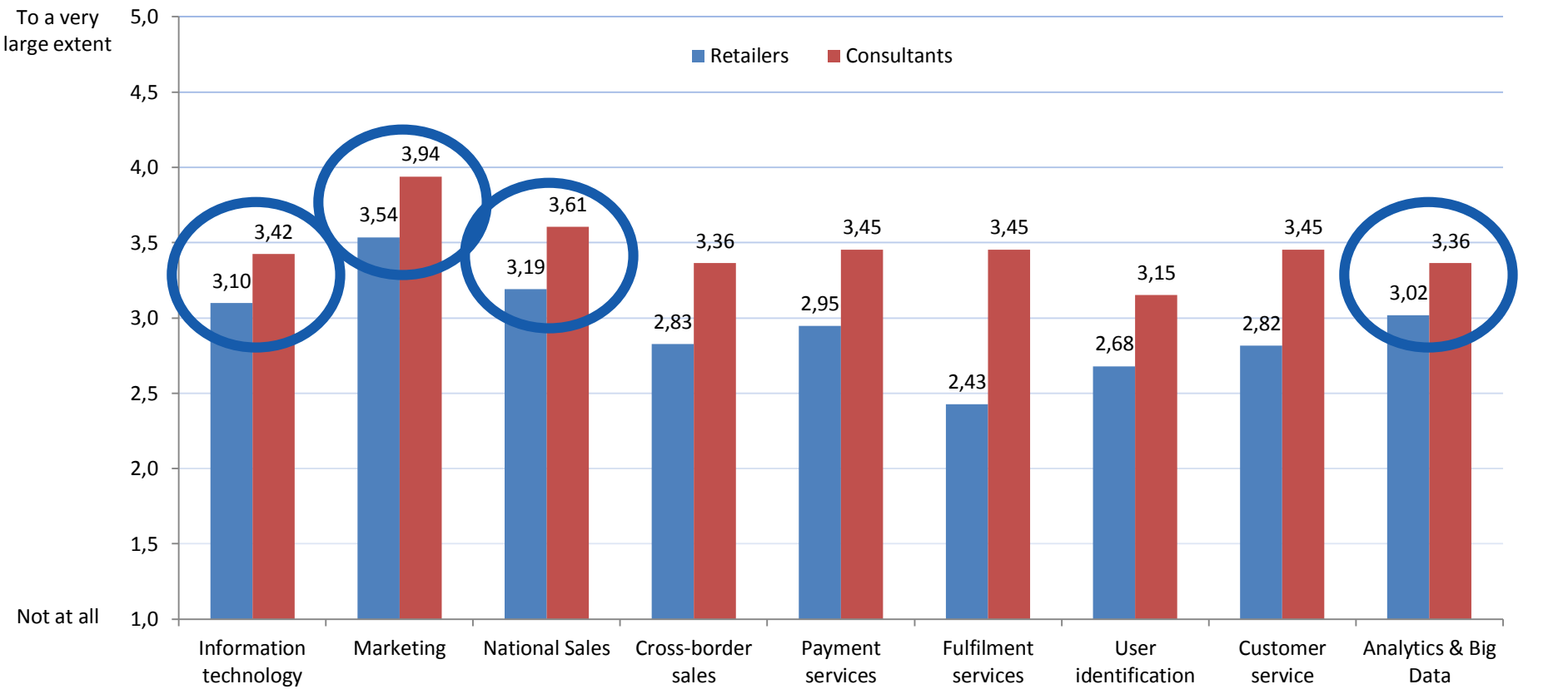
**“The travel sector has market places as well, such as Booking.com and AirBNB. Once a market place is established it is extremely hard to attack that position.”**

Joost Romeijn  
CEO



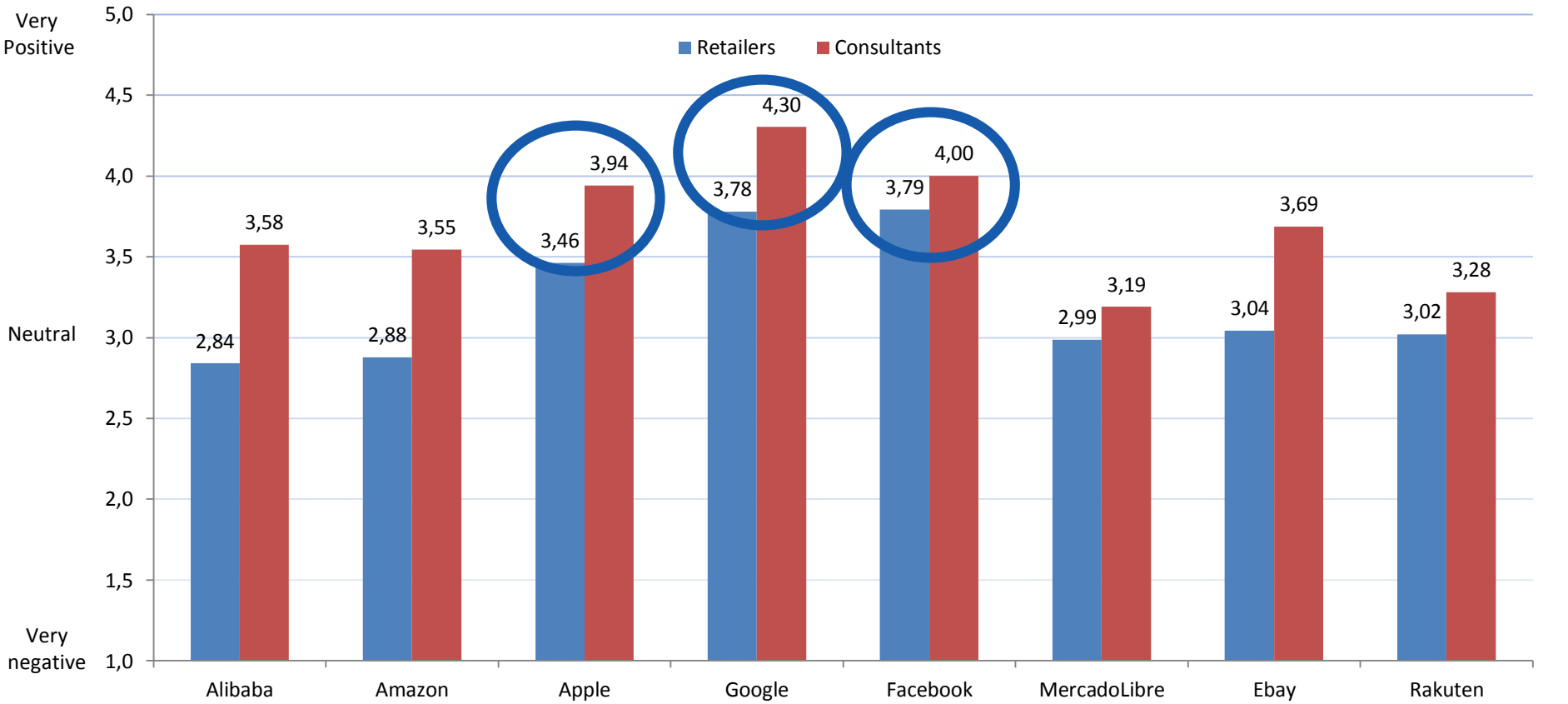
# Retailers use market places primarily for marketing, sales, IT and analytics & big data

To what extent do retailers use market place services to support their operations?



# Apple, Google & Facebook have a positive impact, Alibaba & Amazon a slightly negative one

Please rate the impact of the following market places on your industry?





**“Market places have allowed us to reach new customer segments as well as enter new markets. They have also increased price transparency, and in the end our performance improved.”**

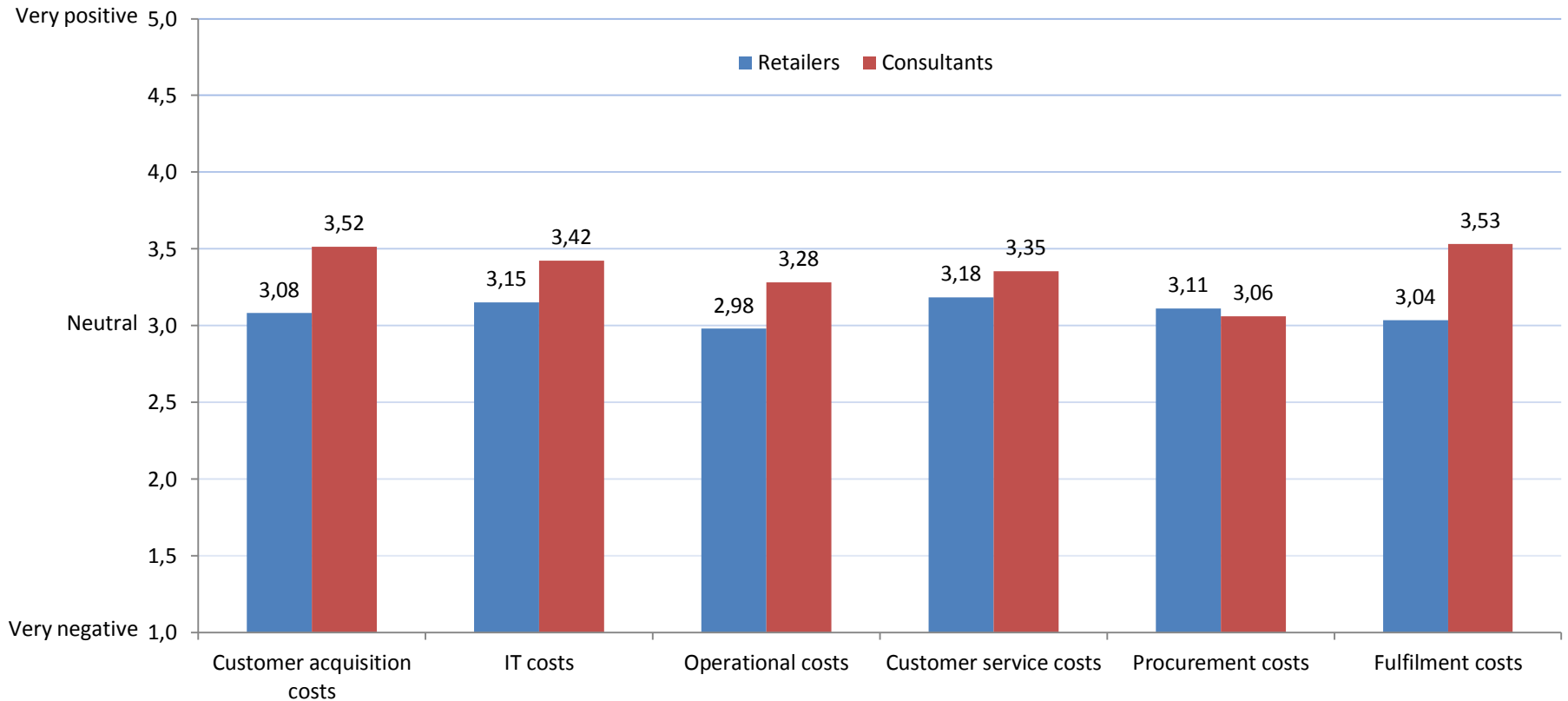
Serge van Hooft  
CEO Beate Ushe



Beate ♥ Ushe

# It is unclear how market places will actually impact retail costs, retailers seem positive

## To what extent will market places lower retail costs towards 2020?



The next step will be the emergence of automated fulfillment centers for e-commerce within the food industry. The change [...] will probably come from an already existing player [...]. However, it could also come from new entrants to the food industry, probably from China or a company like Amazon Fresh.

Adriaan Thierry  
E-VP Marketing, Formats & E-Commerce



**“You should always be where customers are.  
If these are market places, retailers should be there.  
The cost of selling on market places is far lower than operating a proprietary online shop.”**

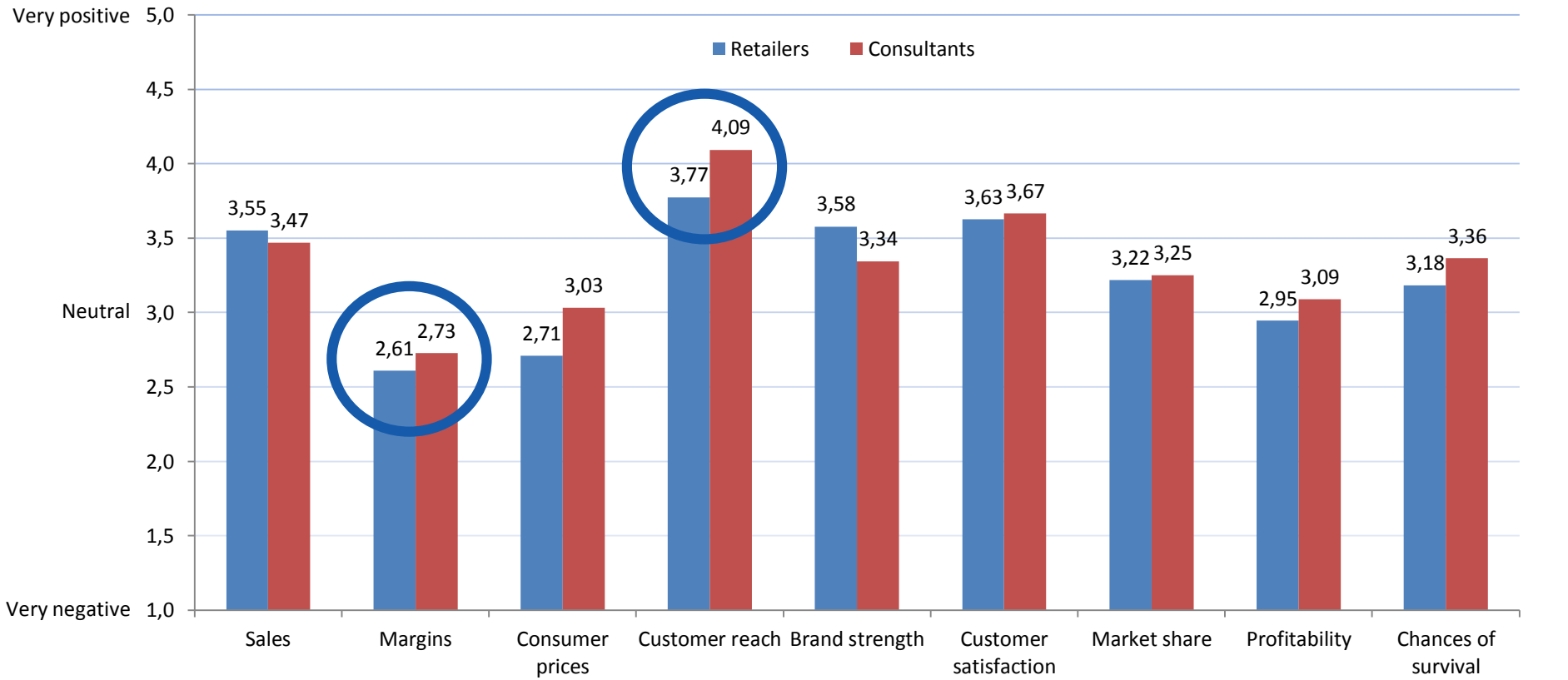
Grzegorz Wojcik  
Head of Corporate Relations

**allegro**



# Market places will help reach and service more customers, but at the costs of margin

## To what extent will market places improve retail performance towards 2020?



**“Today, most market places offer too little value for a premium brand. They offer reach and efficiency, but do not offer a platform where you can create an experience that fit brands like Bugaboo. Our consumers are brand advocates; they shop the brand and will search and find it, also when not offered on market places.”**

Mieke Veldhuis  
Chief Sales Officer



**“The quality of the market places differ strongly across the globe. At some market places, you do have a challenge with counterfeits. On others you do not know who is selling your products and whether they can deliver the (after)sales service and support you like to see with your brands.”**

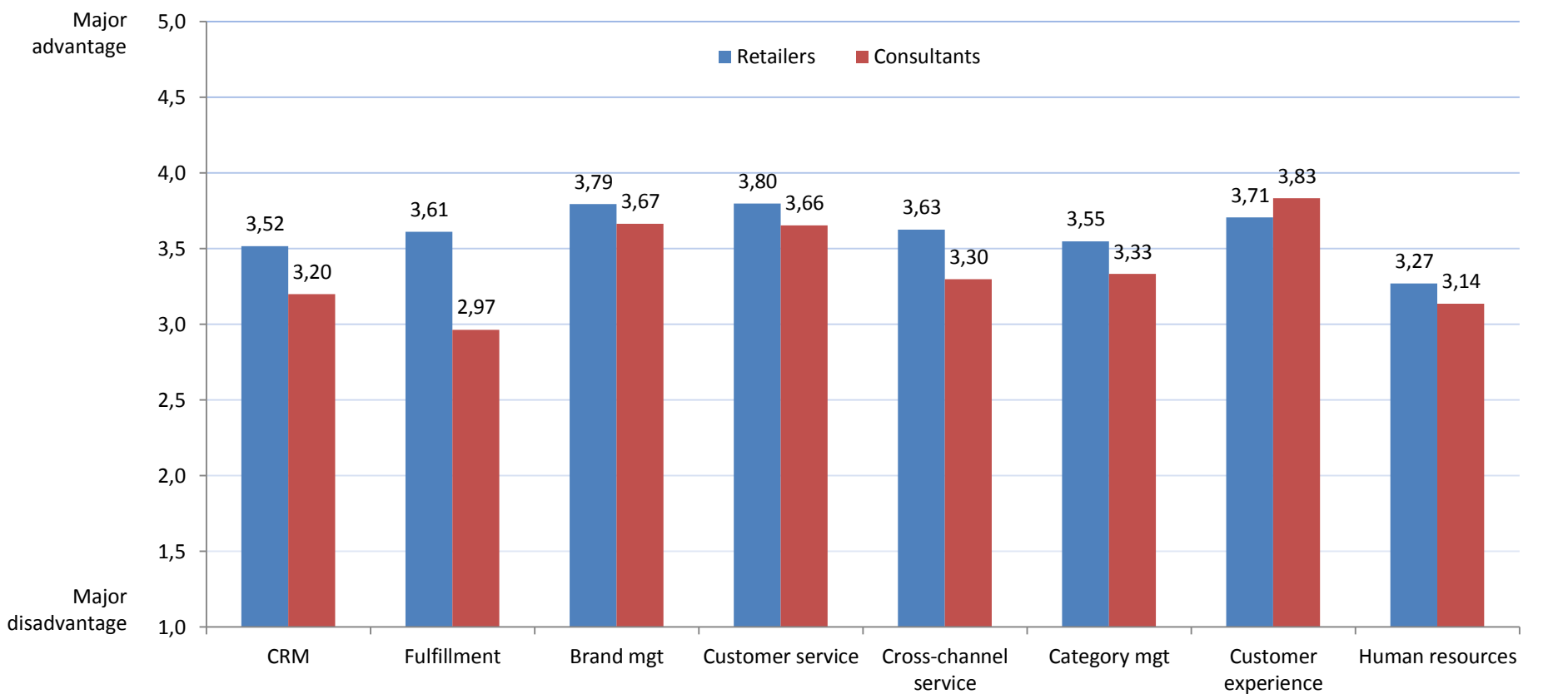
Wilko Klaassen  
Global Online Director





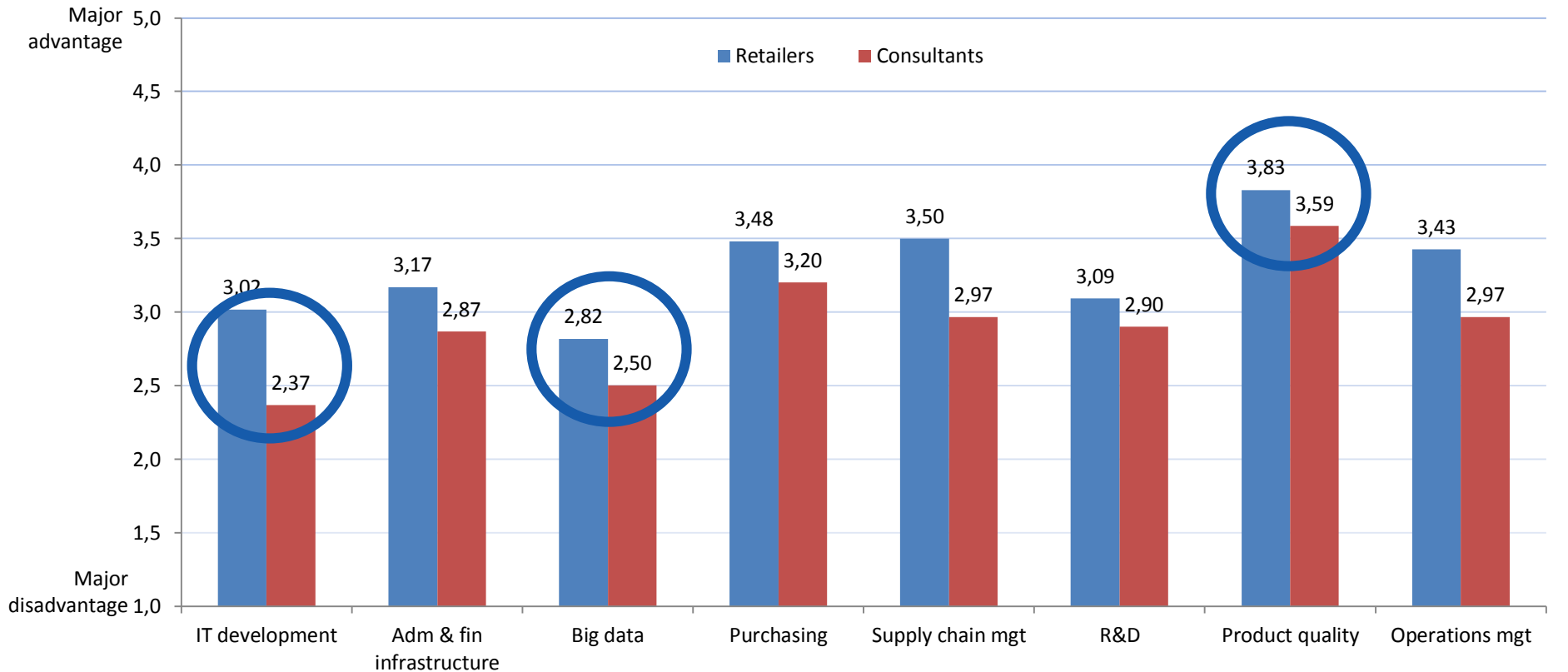
# Retailers consider themselves slightly better at customer-facing processes

To what extent do retailers have a competitive advantage or disadvantage compared to market places?



# Regarding IT & Big Data, retailers are at a disadvantage compared to market places

To what extent do retailers have a competitive (dis)advantage compared to market places?



# Retail consultants see retailers as much less innovative than retailers see themselves

## To what extent do retailers innovate?



In my view most European retailers are not ready for the new retail era.  
With the exception of Zalando, they have all started too late and they are not thinking global.

Jacco Bouw  
CEO & Founder



# Retail primarily focuses on small adaptations

## How do retailers improve their operations?

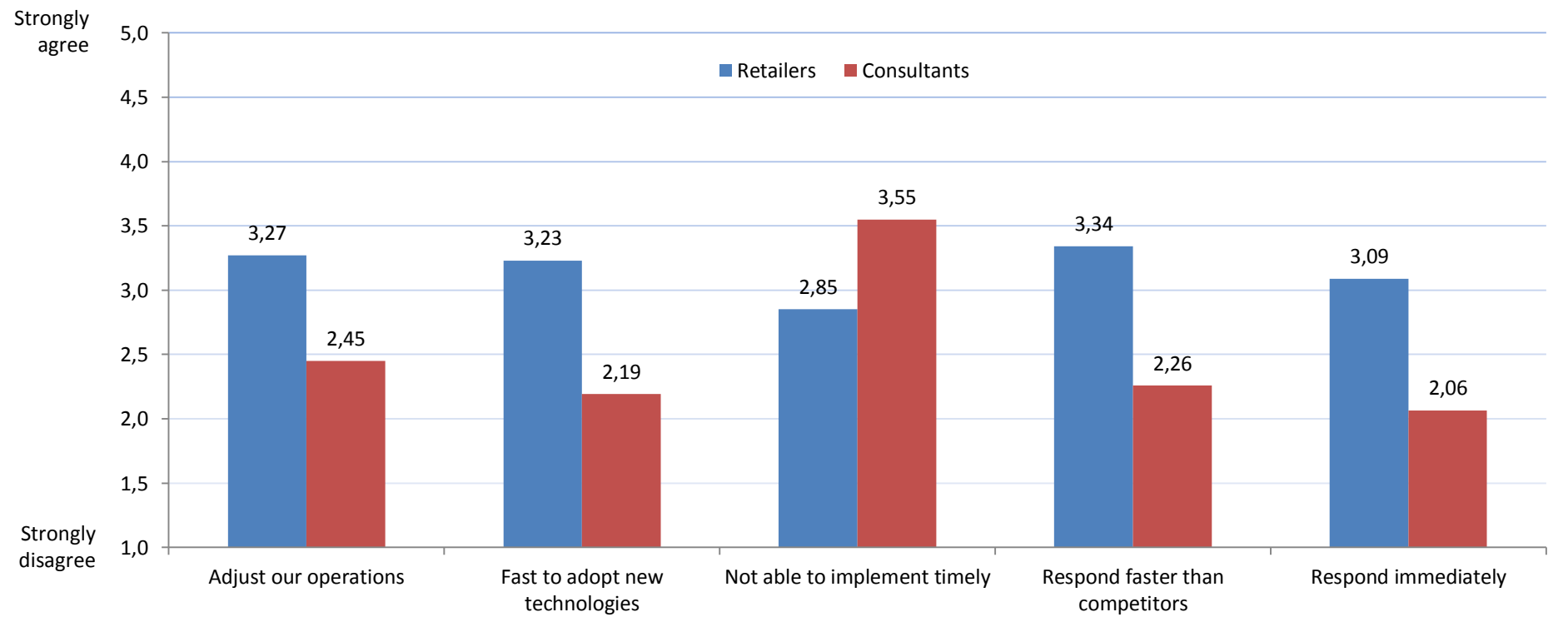


**“Our biggest challenge is responding quickly to these changes. We still have contact with our customers nearly every day and can make a difference, but our legacy and culture is intervening with really responding to these changing market developments in a fast and strong way.”**

Marketing Director  
International Supermarket Chain

# Consultants view retailers as not being able to respond timely

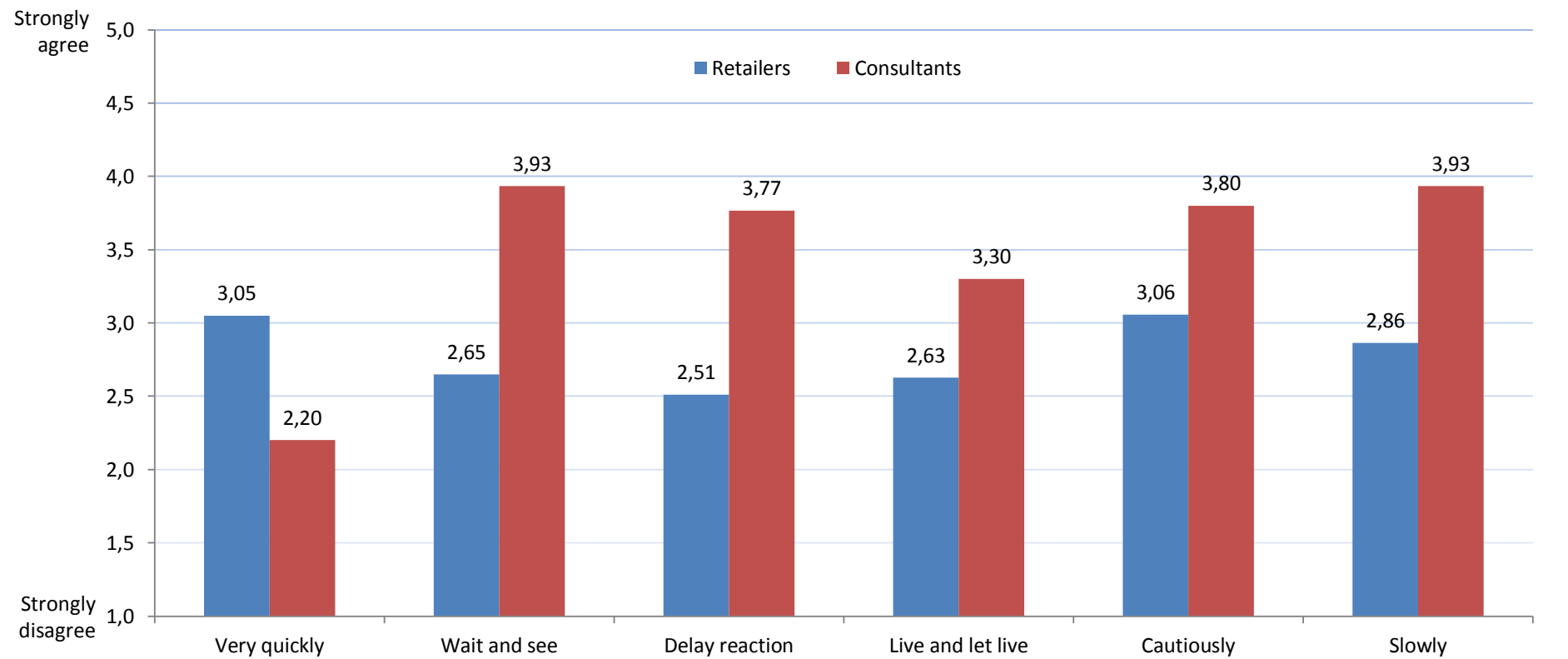
## How fast do retailers respond to disruptions?





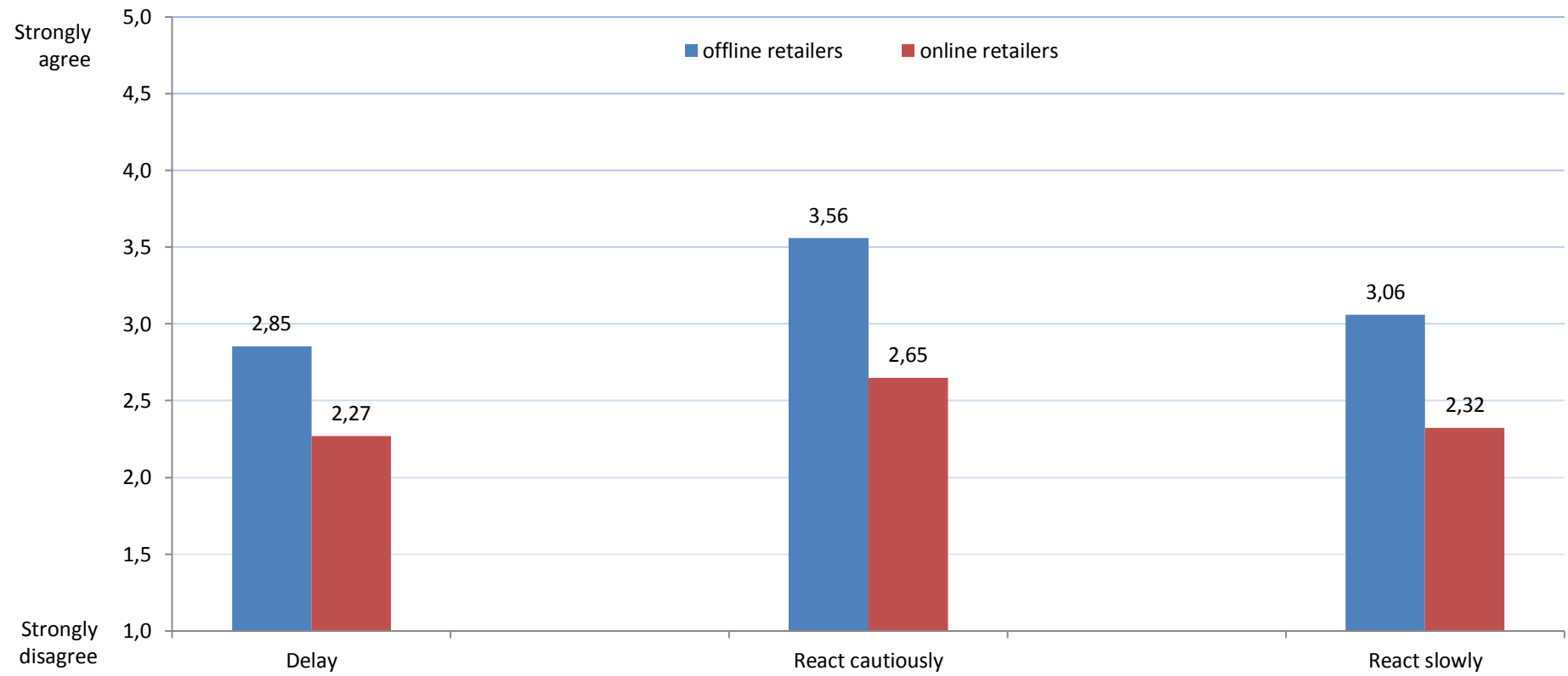
# When retailers respond, consultants view them as slow & cautious

How quickly have retailers responded to the rise of market places?



# Online retailers view themselves as responding faster than offline retailers

How quickly have retailers responded to the rise of market places? Online versus Offline.



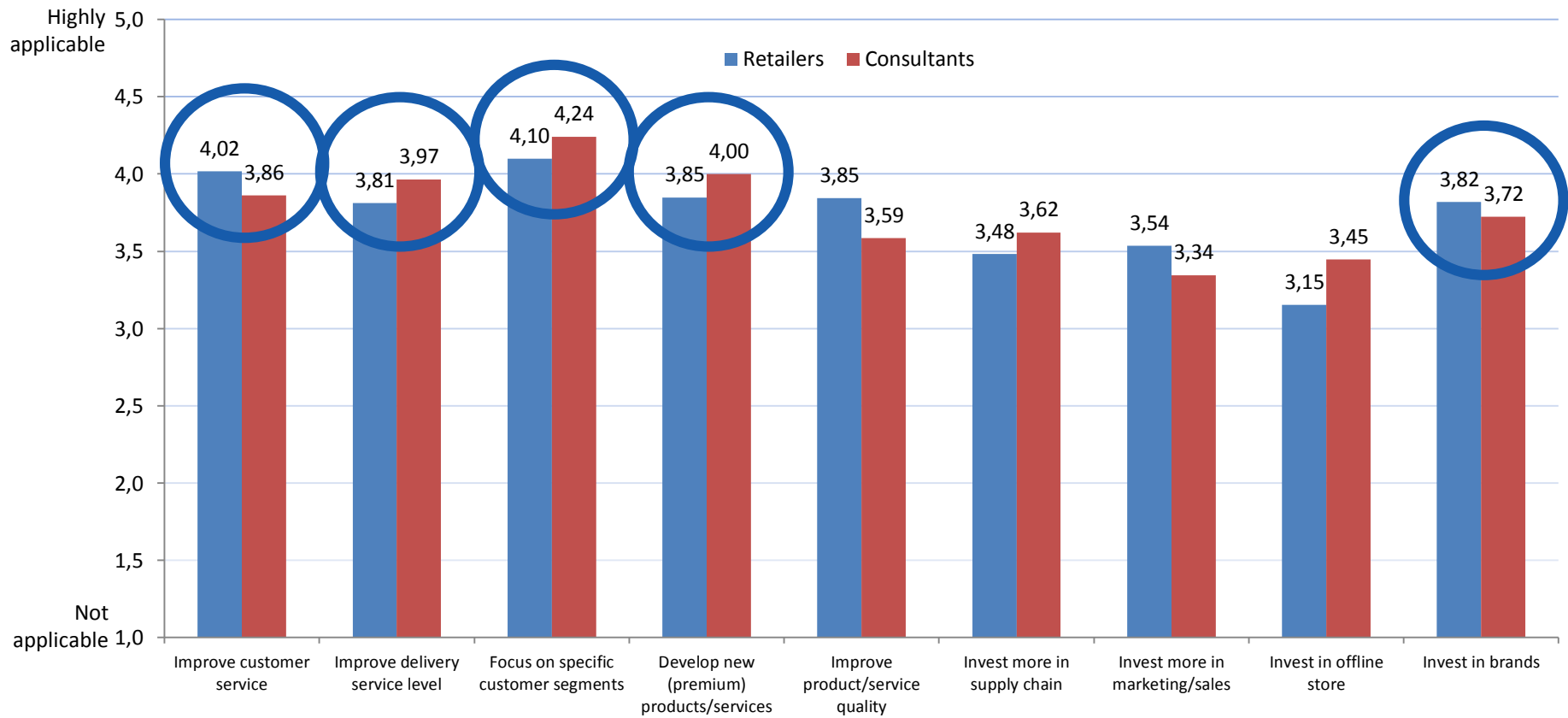
**“Companies need to reposition themselves with regard to logistics, marketing and the customer process in general. You must have the courage to go through with your initial idea and to keep trying. The ability to experiment is crucial in today’s market, where the consumer wants something different than what he wanted the day before.”**

Pim van der Feltz  
CEO Google Benelux



# Retailers focus on specific customer segments with premium products and services

Which strategies are most suitable in response to the rise of the global market places?



**Manufacturers are increasingly creating connected products with more service, using consumer-owned data. Monetization of these solutions & services, e.g. subscription-based, towards consumers will increasingly be owned by the manufacturer. We need to focus on consumer demand and bring our future propositions through their preferred channel of choice, either through retail and/or direct.”**

Gertin Schraa  
Director Global Lead E-commerce

**PHILIPS**



**“A lot of traditional retailers react to e-commerce by copying the market leaders, while the underlying economics make it unlikely that they will be able to compete in the long run. Instead, they should focus on what makes them unique and partner in the online space.”**

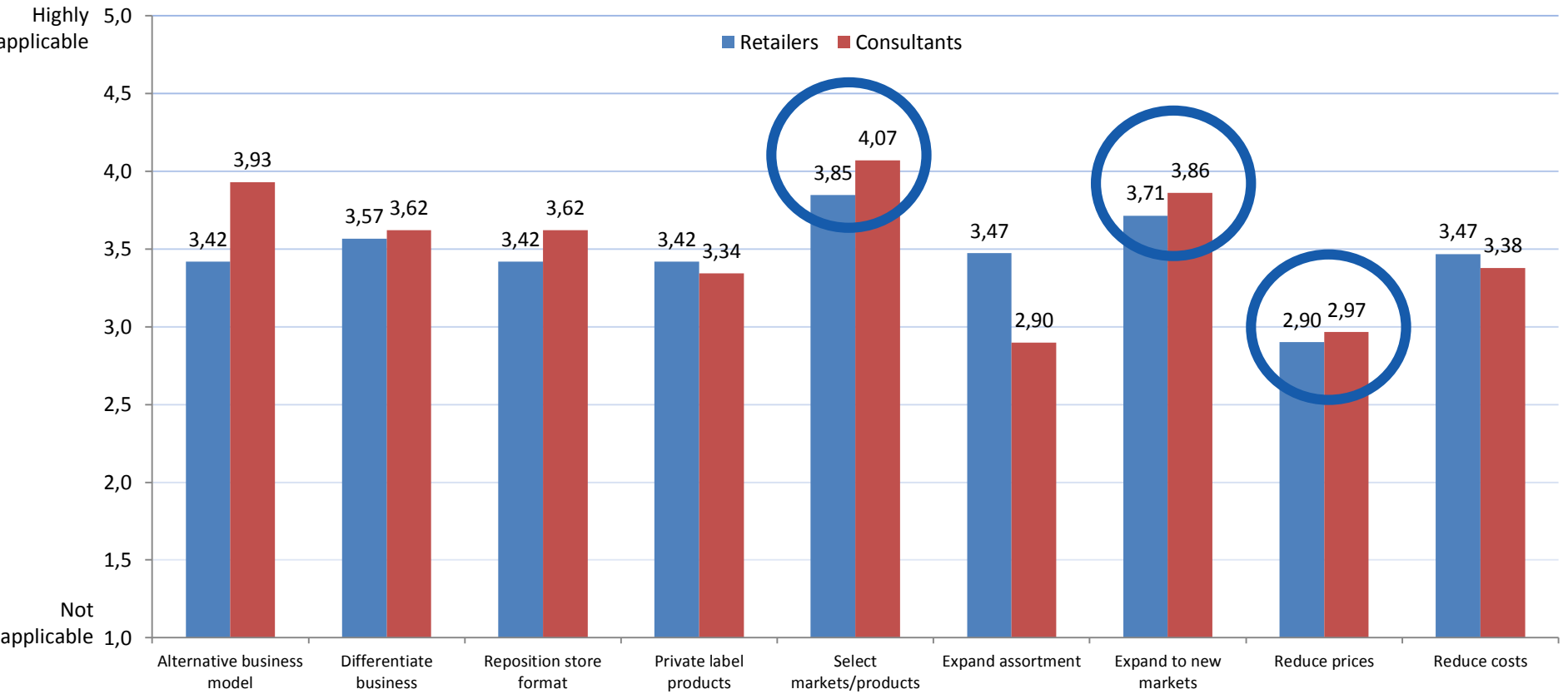
Daniel Ropers  
CEO

**bol.com** 



# Retailers are expanding towards new markets or focus on specific markets/products

Which strategies are most suitable in response to the rise of the global market places?





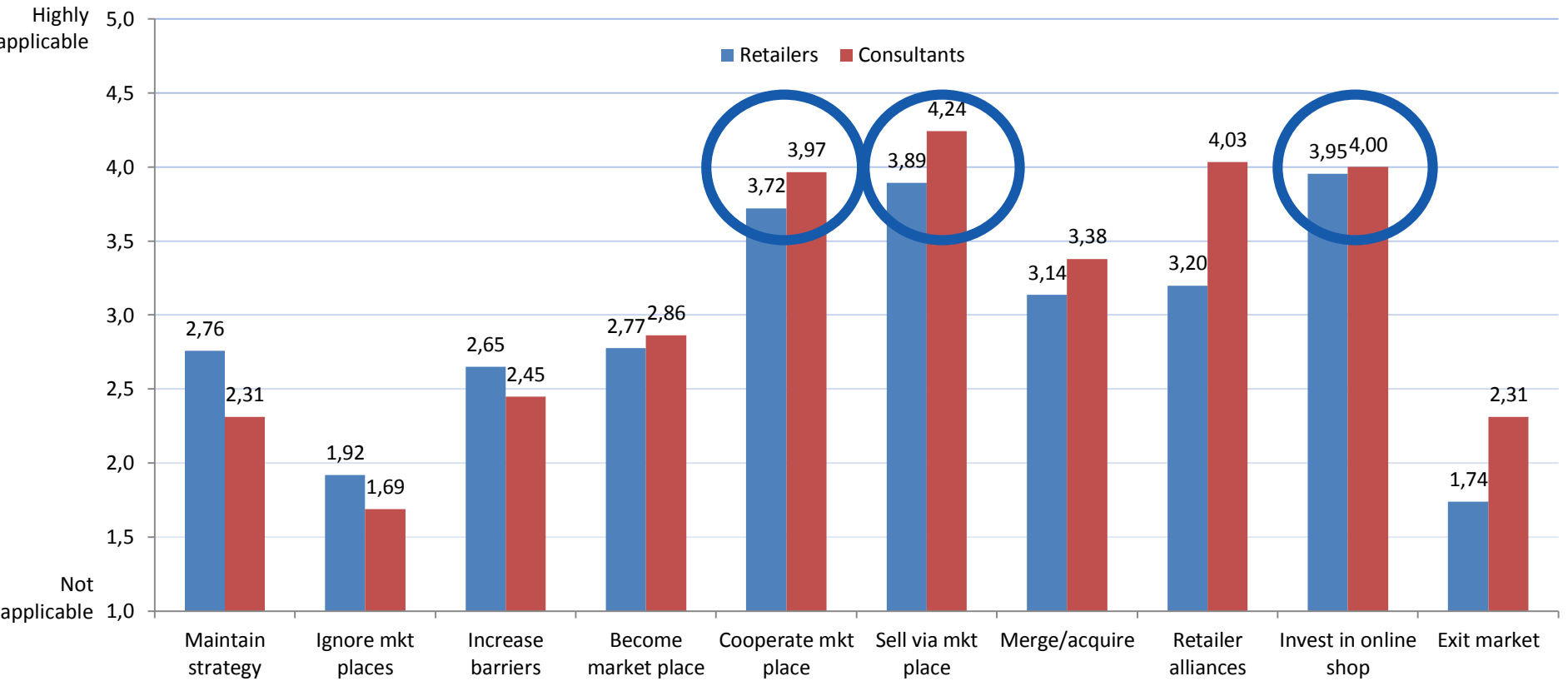
**“Market places will become one of the main online sales channels for fashion. However, in the custom fashion industry their impact will remain modest as their technology platforms and supply chain processes are not equipped to support custom work.”**

Michel Byvoet  
CEO Bivolino



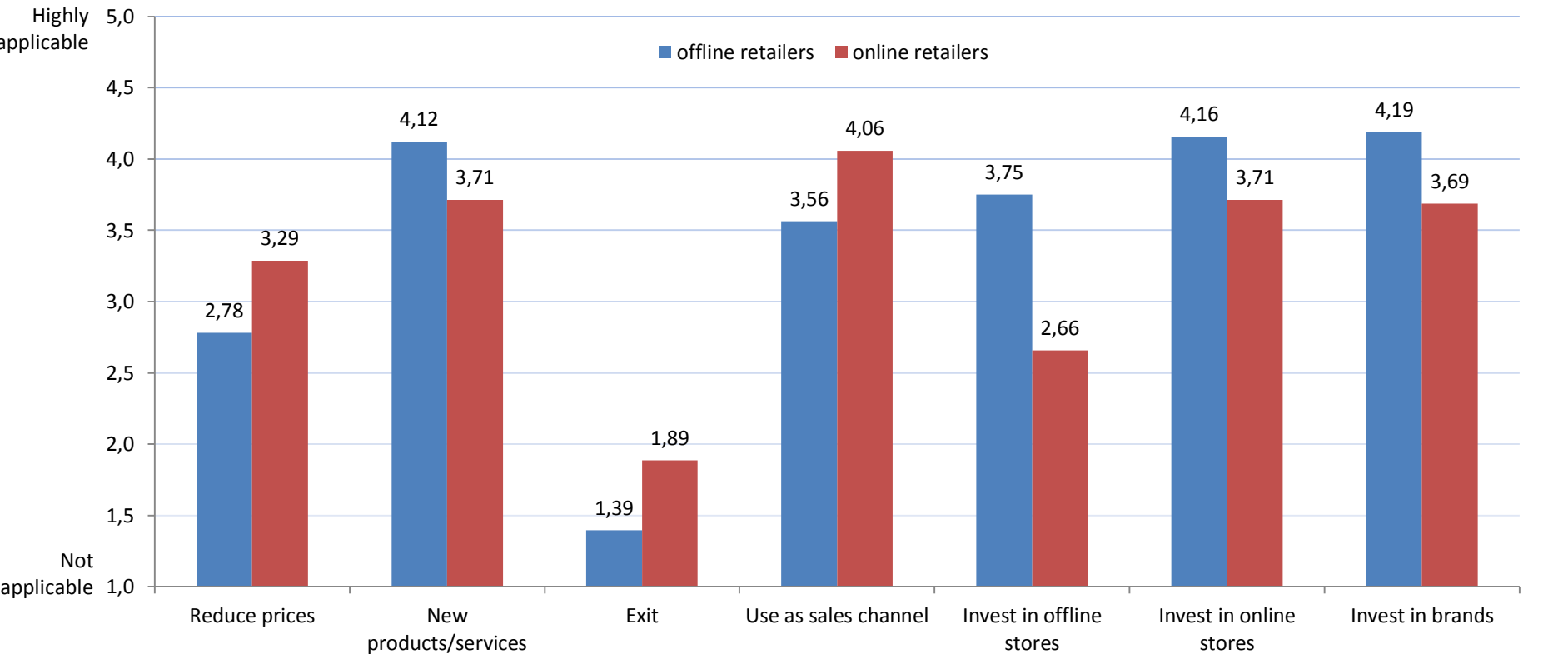
# Retailers clearly choose to sell on/work with market places and invest in online

Which strategies are most suitable in response to the rise of the global market places?



# Offline retailers invest more in new products/services & brands than online retailers

Which strategies are most suitable in response to the rise of the global market places? Online vs. Offline



**“In my opinion, retailers can distinguish themselves from market places by focusing on ‘less is more’. Retailers can add value by curating products, helping the customer select the right product. Etsy and Nordstrom are good examples of new retailers.”**

Faisal Masud  
Chief Digital Officer



**“I see brick-and-mortar retailers investing in omnichannel solutions: connecting all devices, online/offline recognition of customers and in-store pick-up points. And trying to reduce costs by rationalizing the number/size of stores and reducing staff costs. Staff, however, is the Human Touch that differentiates these retailers from the pure players.**

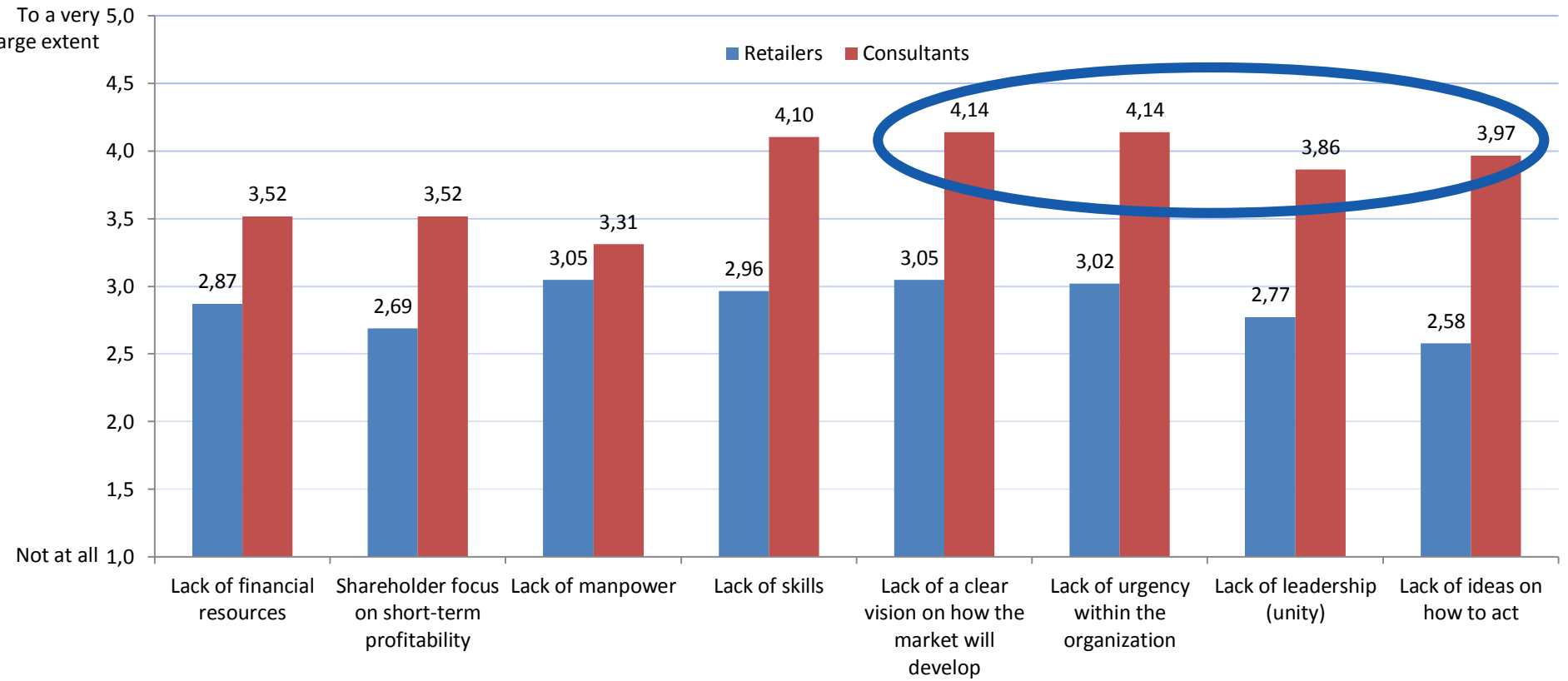
Aad Boon  
CMO 3SI Commerce (at 3SI Group)

**3/SUISSES**



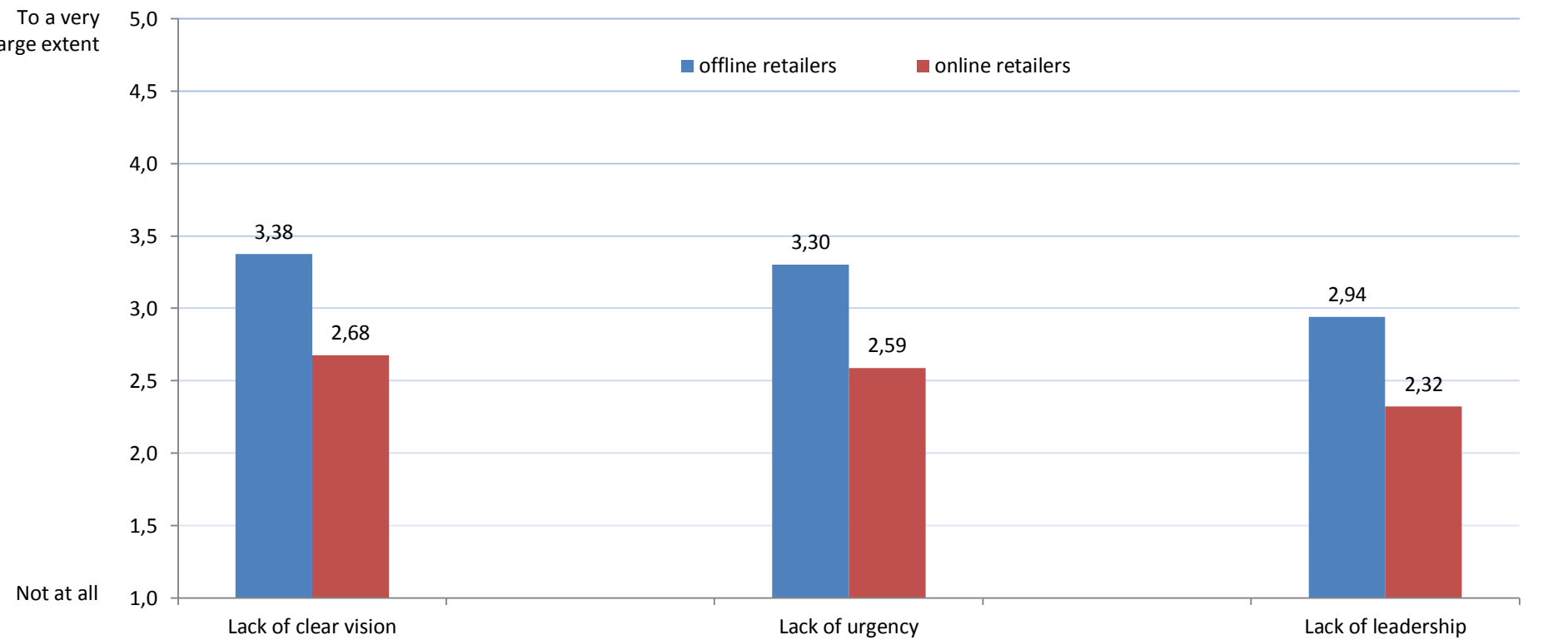
# Retailers see many barriers while consultants witness a lack of skills and general leadership

## Which barriers do retailers face towards dealing with market places?



# Online retailers see less leadership related barriers than offline retailers

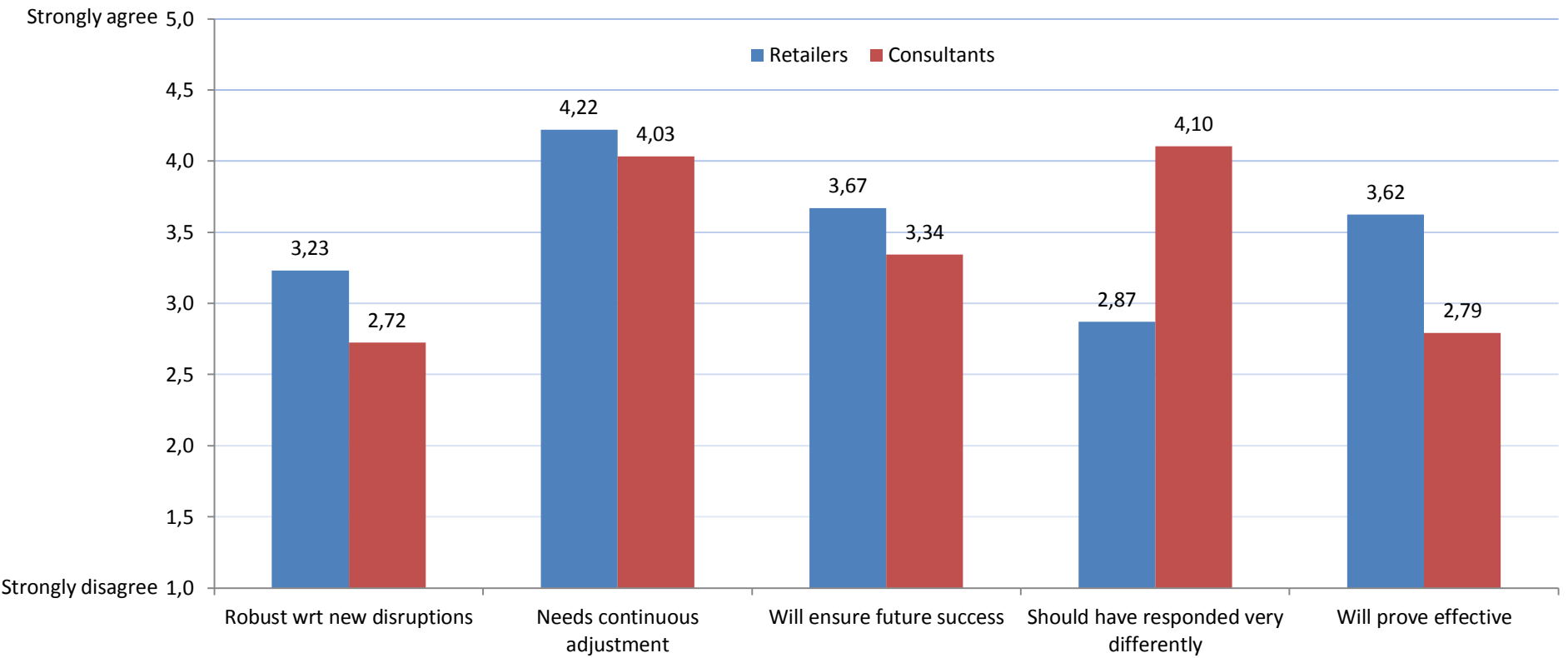
Which barriers do retailers face towards dealing with market places? Online versus offline retailers.





# Retailers and consultants agree that continuous adjustment of the strategy is key

To what extent do retailers consider their chosen strategy suitable?



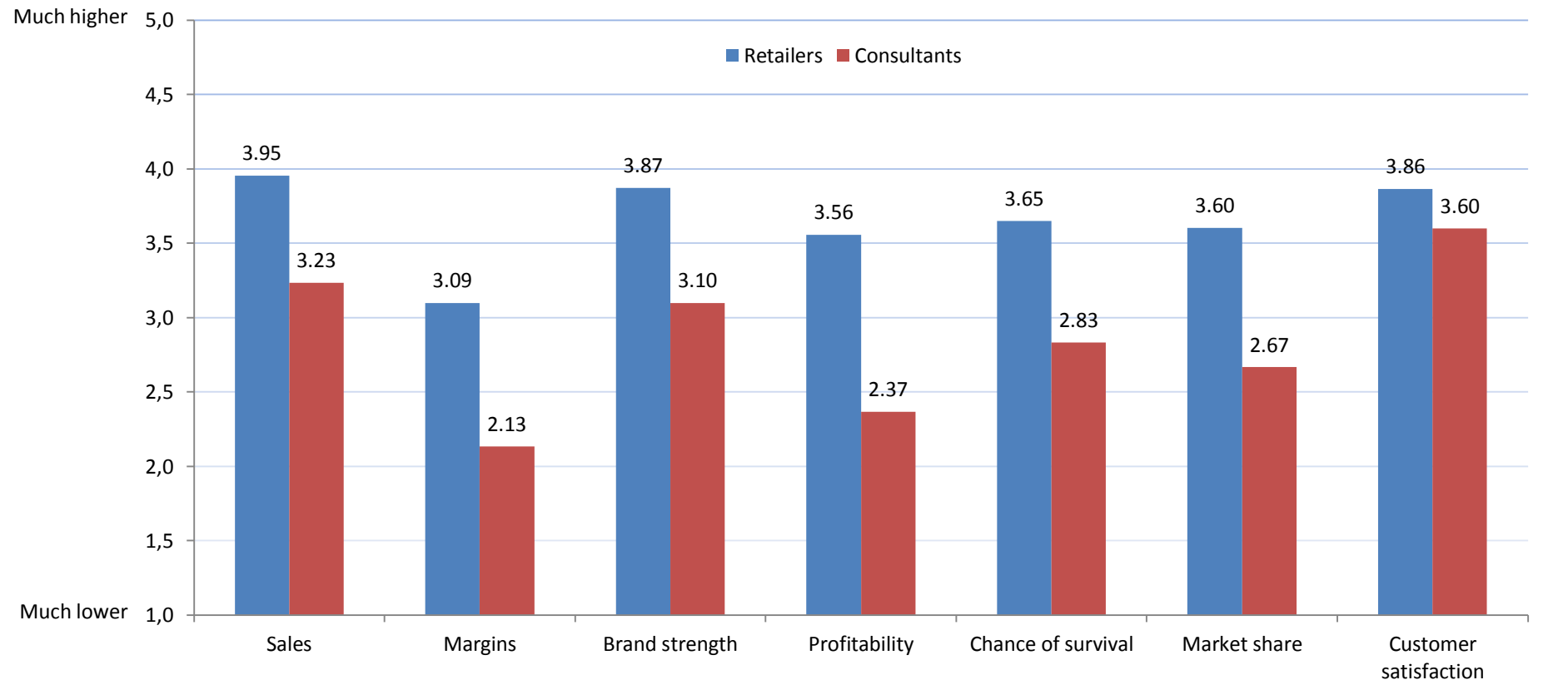
**“Looking forward, we will focus on continuous improvement of our service to our customers. Examples of this include integrating all our existing and new digital services behind one customer login and creating a unified real-time inventory overview across all channels.”**

Faisal Masud  
Chief Digital Officer



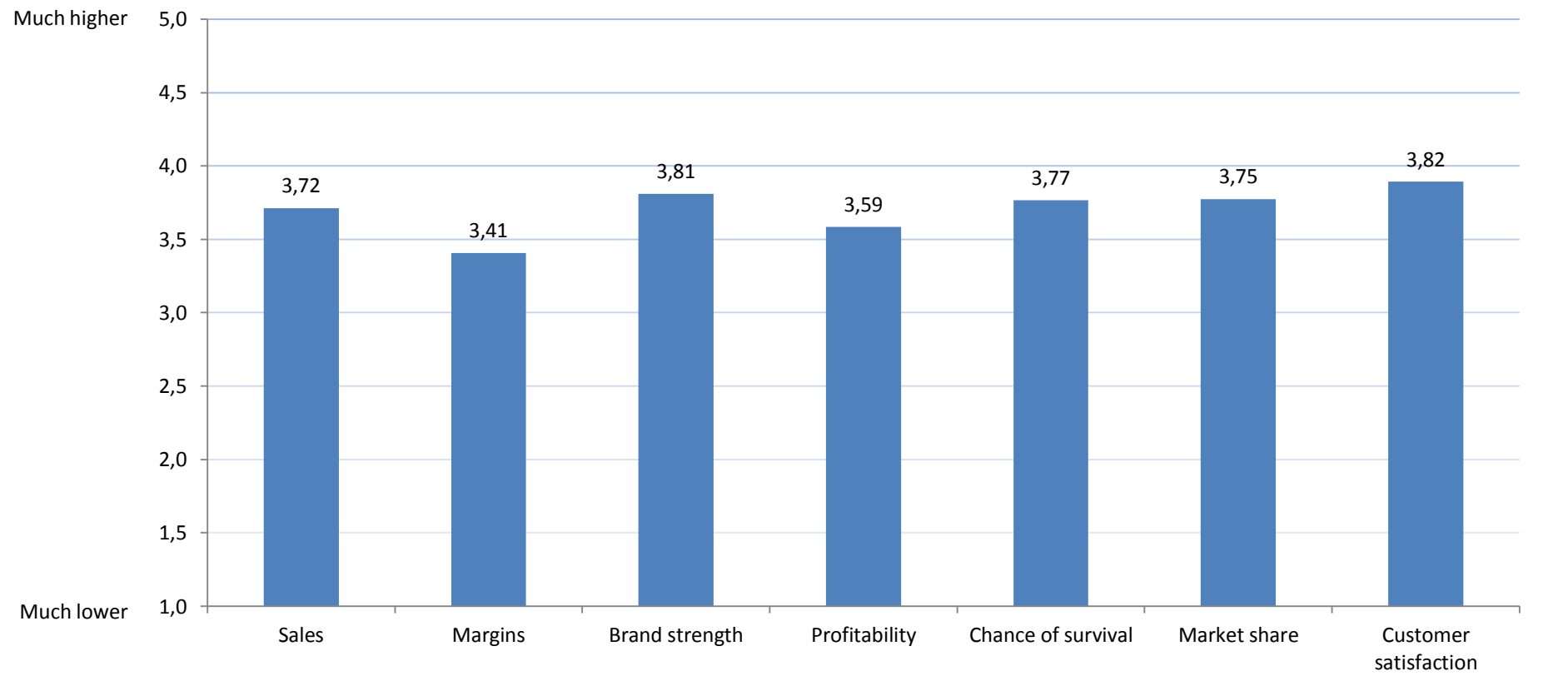
# Consultants expect trouble ahead, but retailers are positive about the future

## How do you estimate your performance in 2020 compared to now?



# Retailers expect to outperform their competitors, especially in customer satisfaction

How do you expect to perform relative to competitors in 2020?

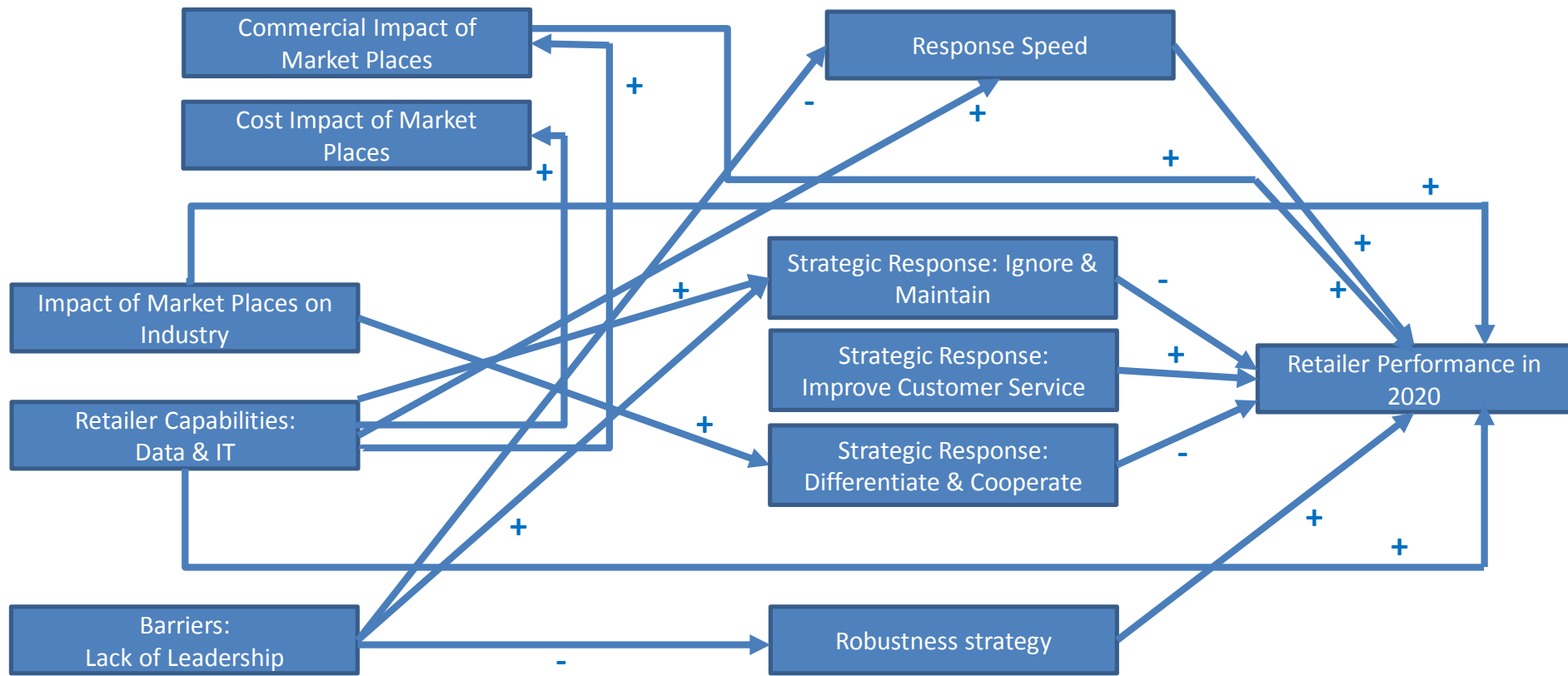


# Conclusions: Retailers overestimate their competences facing global market places

Retailers estimate market places to own 40% of the online retail market but they also expect to grow

- Retailers consider themselves **on par or better** at **customer-facing processes**
- Only in **IT** development and **big data** they see **market places** as slightly **better**
- Market places allow retailers to reach **more customers** but at the **cost of margin**
- Key **strategies chosen** in response to market places are:
  - Use market places to **sell (internationally)**
  - **Focus** on specific customer segments, markets and products
  - Develop new **premium products/services** and invest in own **brand(s)**
  - **Improvement of customer service & delivery**
- Retailers expect to grow, especially due to their customer service performance
- A **lack of leadership** and skills seem to hinder a quick and strong reaction

# Based on a path analysis additional conclusions can be drawn



# Leadership and Data & IT capabilities are key determinants of future performance

Based on a path analysis of the survey data

- Positive commercial impact of market places drives future retailer performance
- Leadership improves retailer response speed and strategic robustness
- Retailers strong in Data and IT capabilities also see themselves as:
  - Benefitting more from market places
  - Responding faster
  - And in lesser need of strategic change
- Improvement of customer service is expected to lead to better performance in 2020
- Retailers consider differentiation and cooperation as not leading to better performance
- Maintaining the existing strategy is not a viable option

A photograph of Jeff Bezos in a white tank top, juggling three red tomatoes against a clear blue sky. The tomatoes are in motion, with one at the top and two lower down. A semi-transparent blue banner is overlaid on the image, containing the title and quote.

# Strategies towards Global Market Places

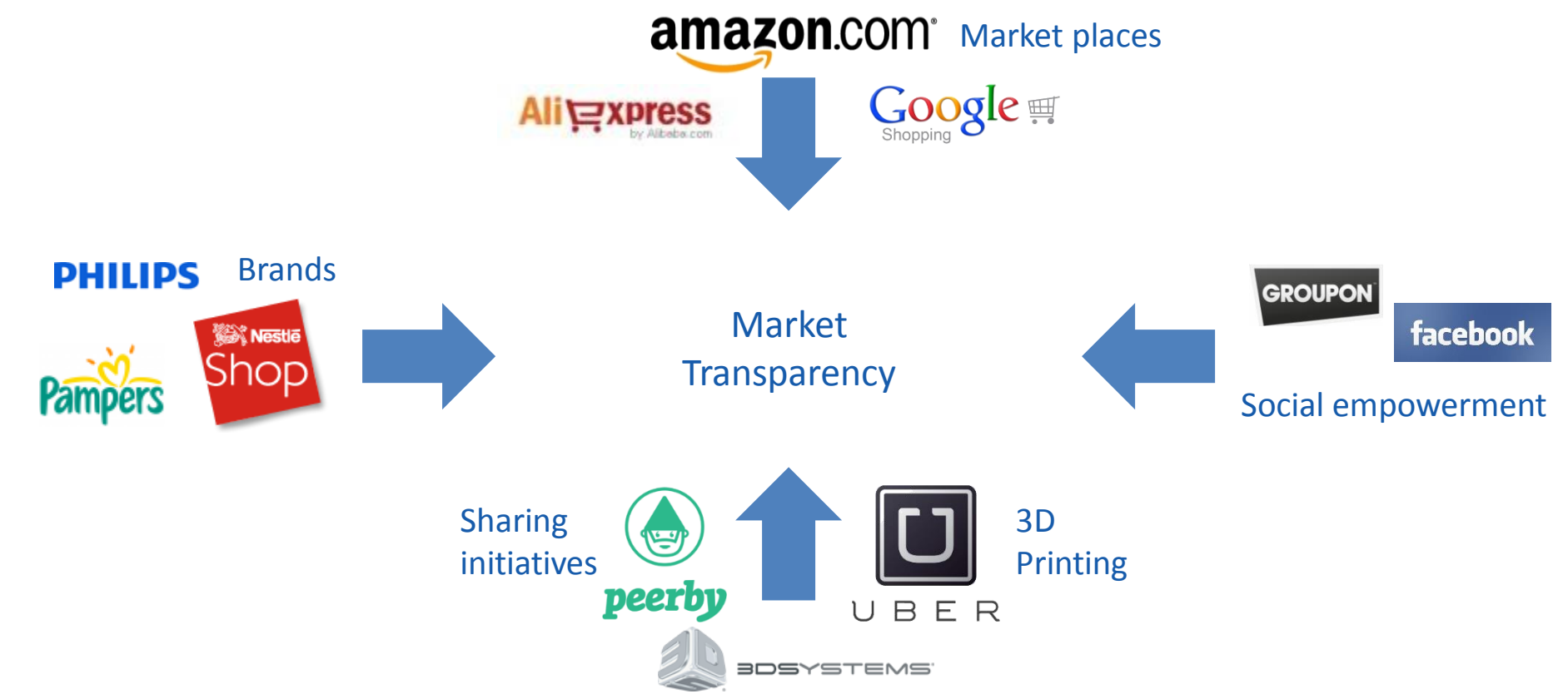
“If you're competitor-focused, you have to wait until there is a competitor doing something. Being customer-focused allows you to be more pioneering.” Jeff Bezos

Source: [www.businessinsider.com/jeff-bezos-inspiring-business-quotes-2013-10?op=1#ixzz3bbk5Y3Ef](http://www.businessinsider.com/jeff-bezos-inspiring-business-quotes-2013-10?op=1#ixzz3bbk5Y3Ef)  
Photo: [en.wikipedia.org/wiki/Juggling#/media/File:Juggle.jpeg](http://en.wikipedia.org/wiki/Juggling#/media/File:Juggle.jpeg)



# The global market places are not the only concern of retailers

Retailers are faced with increasing market transparency, more powerful consumers, direct sellers & new tech



**“The future belongs to the brands. Not to Amazon or Zalando.”**

Xavier Court  
Co-Founder



**“Consumers increasingly buy directly from manufacturers; not to get a lower price but as they expect a larger portfolio and better content, advice and service.”**

Gertin Schraa  
Director Global Lead E-commerce

**PHILIPS**



**Mabe is a B2B/B2C company, but we are developing a strategy to become a so-called B2B2C company to reinforce the channel and become more competitive. We have developed a delivery model and are busy with exploiting our CRM database to go to market faster and more efficiently.**

Oscar Perez Diaz  
E-Business Manager

**mabe**



**“In the long term, I expect that the sharing economy could have a bigger impact on the DIY tool industry than the market places.”**

Roy van Keulen  
Group Director Brand & Digital



**“When companies are engaged in online retail, buying their products from China while these have become available for the entire world, they will start to realize that they should have invested in their own product development to increase their value instead.”**

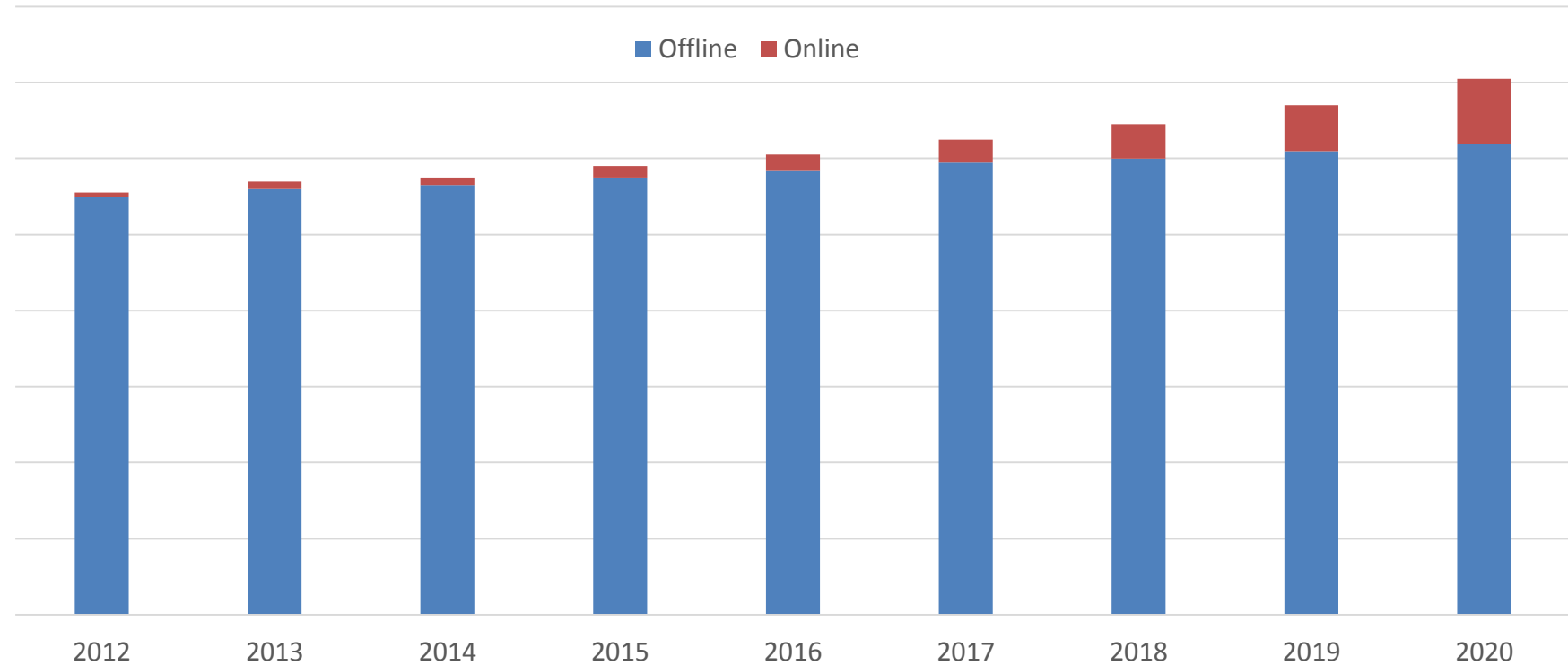
Daniel Ropers  
CEO

**bol.com** 



# Best practice retailers are able to offset their offline turnover with online

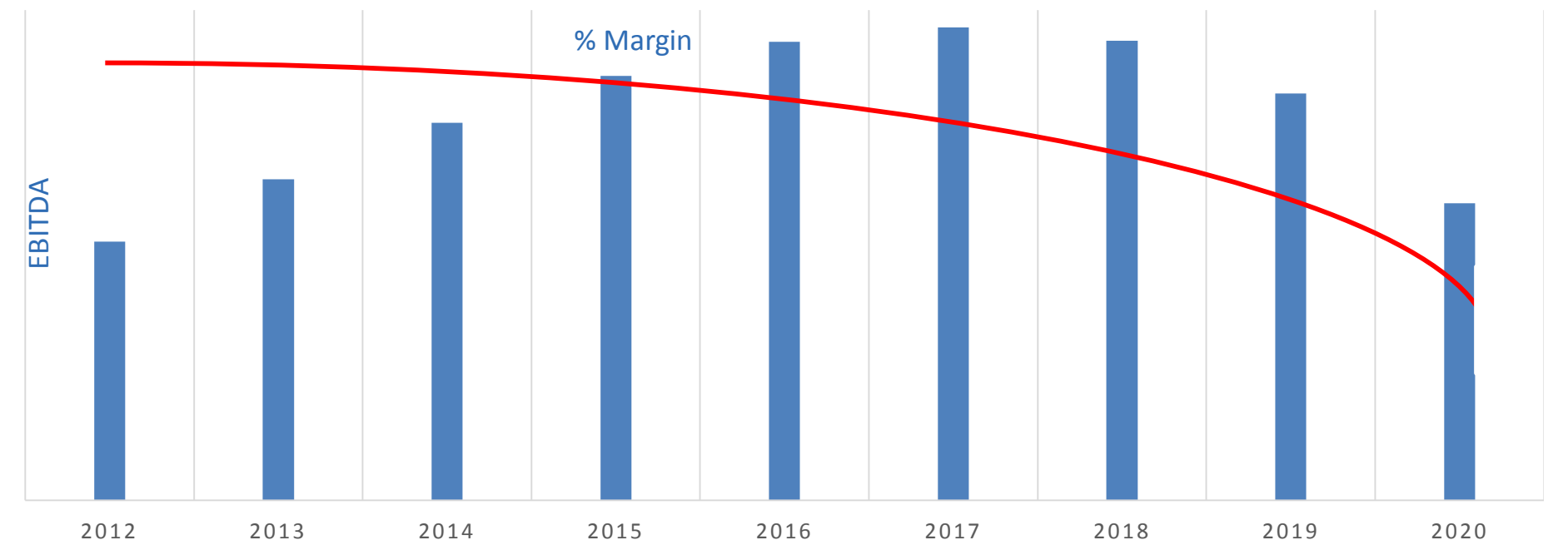
However, actual total growth is limited



Source: Cap Gemini

# Online has very different financial dynamics than offline

As the share of online sales is increasing, EBITDA is dropping



Source: Cap Gemini



**“Travel agencies are in a tough spot. The physical channel is just too expensive to sell travel. The added value of advice is nice, but the attractiveness for the consumer to buy directly in order to get a lower price is just too high.”**

Joost Romeijn  
CEO



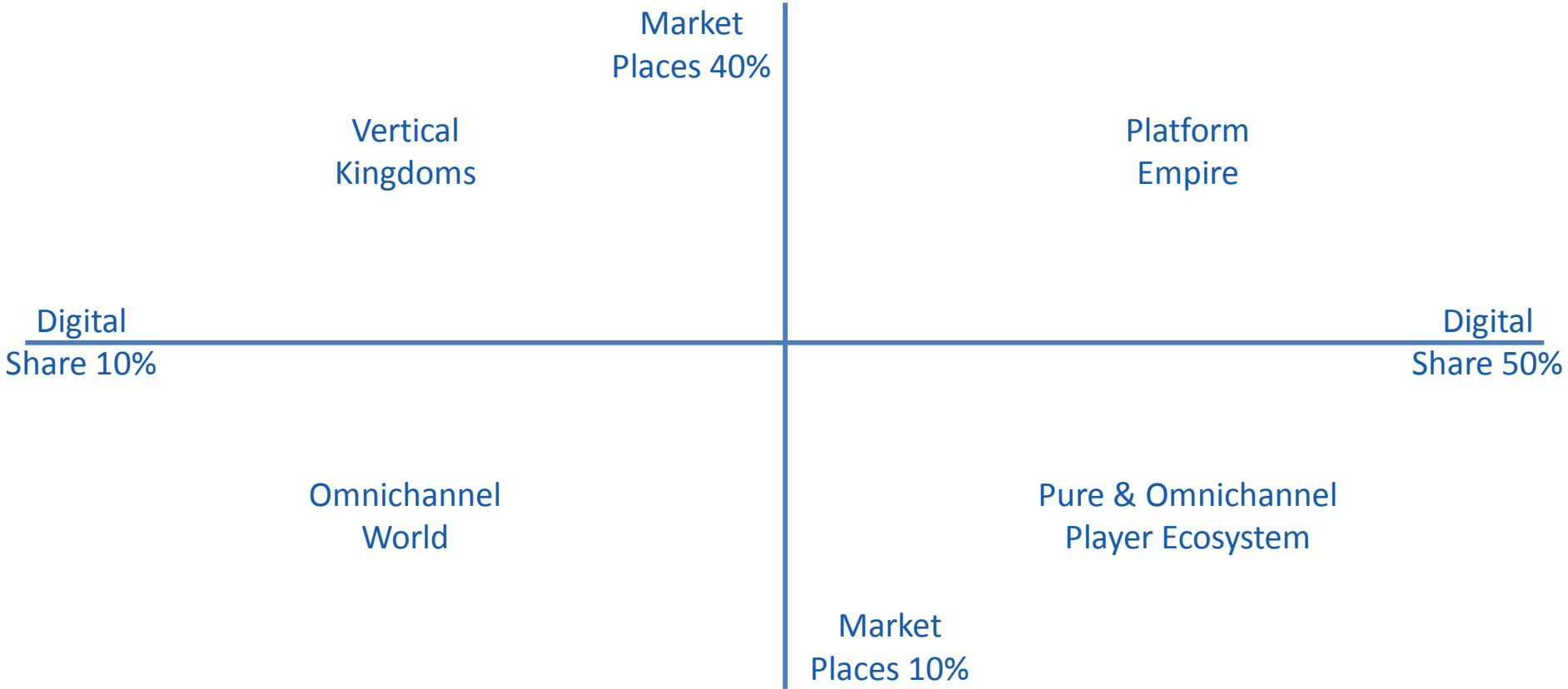
**“Selling on these market places is for most an interesting strategy. However it is never a good strategy to depend on others for your success. You have to distinguish your products, service and operational capabilities from them if you want to coexist with them. If you do not, you do not have the right to exist anyway.”**

Ian Jindal  
Chief Editor Internet Retailing



# Retail may look very different in 10 to 20 years

A scenario where market places rule is not unlikely



# In the Market Place Empire, Brands & Retailers still exist

But retailers may have lost up to 70% of their traditional market



# The new retail landscape requires new retail business models



**“The traditional generic retailer model will slowly dwindle away and make way for specialists.  
Scale is essential for generic retailers. Creating scale takes time and deep pockets.  
Still, I also expect a few large retailers to develop market places of their own in specific  
verticals like car parts and DIY.”**

Olivier van Duijn  
General Manager Benelux



**“My expectations are that there will be more specialized stores in the future and that these stores will also be more specialized in terms of their proposition.”**

Pim van der Feltz  
CEO Google Benelux



**“Traditional retailers cannot offer the same prices and delivery speed as online players. Online international specialists like Zalando, however, can survive next to market places. These generalists lack the product category knowledge needed to succeed.”**

Tomáš Braverman  
Managing Director





# Our advice: Use the power of market places to learn, gain scale, go cross-border

There is no point in not being where the customer is



Source: [en.wikipedia.org/wiki/Mahane\\_Yehuda\\_Market](https://en.wikipedia.org/wiki/Mahane_Yehuda_Market)

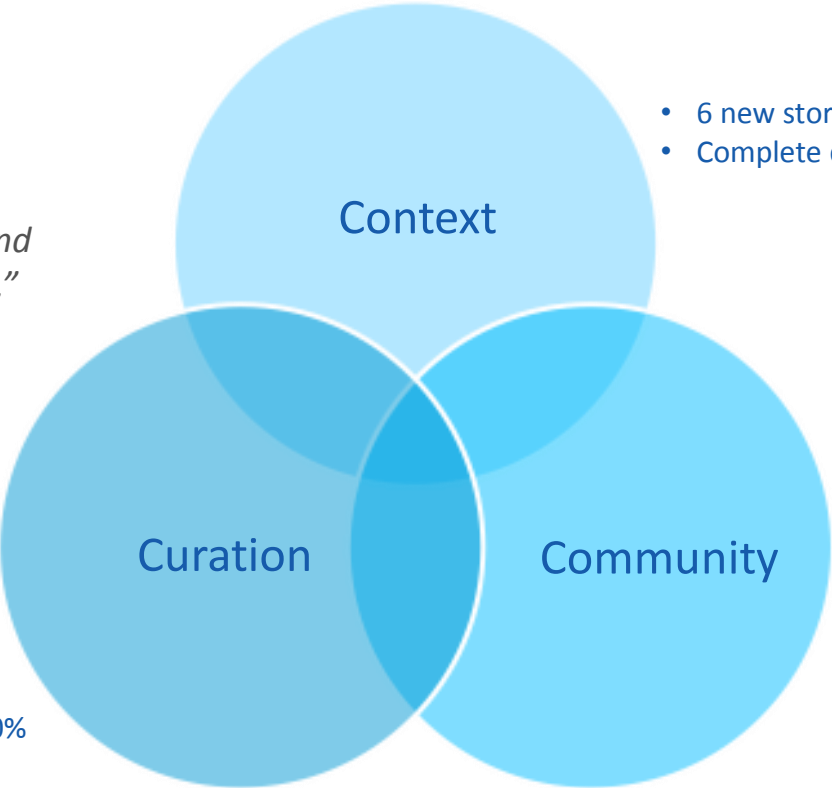
**“Many retailers think they cannot afford to pay 15% rates to market places. They look at their Profit and Loss statement and notice they have a gross profit of 17%. This is the wrong way to look at it. Market places are sales and marketing. Most retailers have an allocation of more than 15% for sales & marketing.”**

Scott Wingo  
Executive Chairman & Founder



# Our advice: Migrate towards the vertical and/or specialist retailer model

Unless you have the resources and skills to become a generic retailer or market maker



- 6 new stores p/y in the USA
- Complete digital revamp (web, mobile, app, in-store)

- Store staff is selected and groomed to be outdoor experts.
- Expansion private label > 20%

- REI440project.com: 4,000 photo's/week
- Training: 300,000 people p/y (biking, hiking, climbing, etc.)

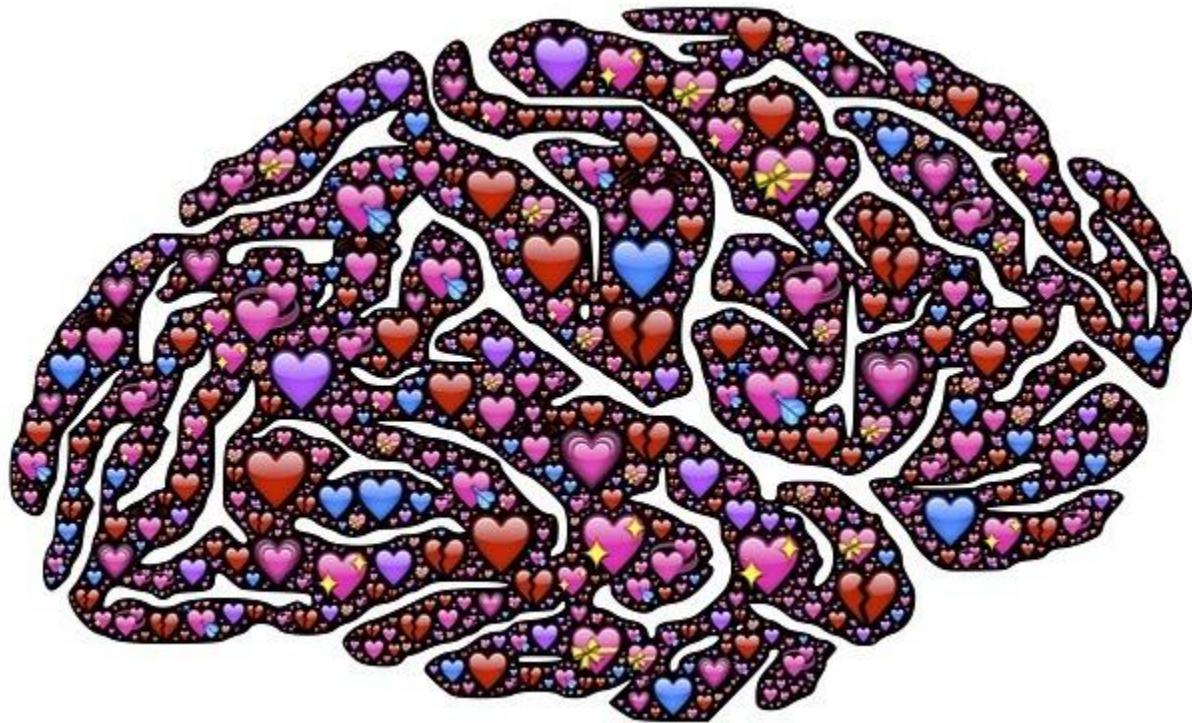
**“At Maxeda, we want to inspire and support people to make more themselves. Repairing or creating yourself is very rewarding and we want to facilitate this with the right products and services. That is something market places cannot offer. Their focus is on price and access, which leaves three dimensions of the Crawford model wide open to compete on.”**

Roy van Keulen  
Group Customer Director





# Our advice: Build a Brand with a Heart



Source: [pixabay.com/nl/hersenen-harten-liefde-emoji-619060/](https://pixabay.com/nl/hersenen-harten-liefde-emoji-619060/)

**“Retailers can distinguish themselves by being able to also have a physical relationship. Pure players are typically smart brain companies. Retailers can also offer a heart. They will have to start however internally by building an emotional relationship with their employees and other stakeholders before they can build up a real relationship with their customers.”**

Paul Greenberg  
Executive Chairman of NORA



# It is still day one on the Internet – Jeff Bezos

There is still time to change...



# Colophon: The Research Team



**Prof. Jorij Abraham**  
Managing Director  
Ecommerce Foundation



**Prof. Dr. Kitty Koelemeijer**  
Full Prof. of Marketing &  
Retailing Nyenrode University



**Richard van Welie**  
Chief Editor  
Ecommerce Foundation



**Edvin Iriskic**  
Junior Researcher  
Ecommerce Foundation



# About the Ecommerce Foundation

The Ecommerce Foundation is an **independent non-profit organization**, initiated by worldwide national e-commerce associations and online and omnichannel selling companies from industries such as retail, travel & finance.

## Our Mission

Our mission is to **facilitate the development of practical knowledge**, insights and learnings for which individual institutions, associations and B2C selling companies do not have the (financial) resources and/or capabilities.

By combining collective goals and efforts, the Ecommerce Foundation is able to realize research, reports, benchmarks and studies that could not have been realized on an individual basis.

## Our Services

The Foundation is developing and offering several research services, such as the **National Ecommerce Reports** and the **Ecommerce Benchmark**.

Ecommerce Foundation  
Raadhuisstraat 22  
1016 DE AMSTERDAM  
The Netherlands  
Phone: +31 (0)20 261 28 30  
Email: [info@ecommercefoundation.org](mailto:info@ecommercefoundation.org)



Ecommerce  
FOUNDATION

# National Ecommerce Reports

Every year, the Ecommerce Foundation **publishes 10 e-commerce reports** in collaboration with Ecommerce Europe. These reports comprises 2 general reports covering Europe and the world, as well as 8 more detailed regional reports.

All these reports contain facts, figures and trends with regard to e-commerce in the specific regions and its countries, as well as other relevant information, such as Dos and Don'ts regarding doing business in a country and expert interviews. As a result, these reports provide useful insight into e-commerce markets and contain valuable information for companies that want to start cross-border trading in one of these regions or countries.

For more information about our National Ecommerce Reports and for downloading the online versions, please refer to [www.ecommercefoundation.org](http://www.ecommercefoundation.org). Here you can also order the full reports.



# The Ecommerce Benchmark

The Ecommerce Benchmark is a free service allowing companies to compare their e-commerce activities, based on 21 Key Performance Indicators, with those of competitors in an anonymous and save way.

The Ecommerce Benchmark gives answers to questions like: In what areas do I perform better than my competitors? Or even more interesting: in what areas do my competitors outperform my organization?

With just a few mouse clicks you will get answers to these questions and receive professional advice on how to improve your e-commerce business.

Do you want to receive more information or want to know immediately how you score against your competitors?

[www.ecommercebenchmark.org](http://www.ecommercebenchmark.org)

- ✓ Improve your e-commerce achievements
- ✓ Free of charge, with no obligations
- ✓ Anonymous
- ✓ Suitable for all e-commerce companies



## The 21 Online KPI



<b>Orientation</b>	Bounce Rate (%)	Average CPC Max CPS
<b>Selection</b>	Product clickers (%) Abandonment Basket Rate	Total IT Costs / Turnover (%) Tot. Product Content Cost/Turnover (%)
<b>Transaction</b>	Conversion Ratio (%) Average # of items	PSP Costs / Turnover (%)
<b>Delivery</b>	Order completeness (%) Total Return Percentage (%)	Average Delivery Cost / Package Average Return Cost / Package
<b>Customer Care</b>	Repeat Buyers (%) Net Promotor Score	Customer Service Costs / Turnover %
<b>Financial &amp; Organizational</b>	Online Turnover Growth Y/Y (%) Turnover/FTE	Online Turnover / Total Turnover (%) EBITDA Margin (%)

# About Our Partners



Ecommerce Europe is the association representing 25,000+ companies selling goods and/or services online to consumers in Europe. Its mission is to stimulate cross-border e-commerce through lobbying for better or desired policy, by offering a European platform bringing the European e-commerce sector and other stakeholders together, and by providing in-depth research data about European markets.



E-commercefacts.com is the first European network for cross-border e-commerce. It is an up-to-date news and business platform for all professionals working in the e-commerce sector. Our goal is to keep users up to date with sector-related economic, political or social news and developments – as well as offering them an accessible and informal platform.



Launched seven years ago, the Global E-Commerce Summit is the leading international event that focuses on the most important trends and developments in global e-commerce, cross-border trading and omnichannel retail. Three days with inspiring key notes, market insights, business strategies, useful business cases, networking possibilities and the European E-commerce Award ceremony.

# About our sponsors



Adobe is changing the world through digital experiences. For more than two decades, Adobe has been at the heart of making engaging experiences happen, and we fuel the content creation and delivery ecosystem in a way no other technology company can.

Whether it is a smartphone or tablet app, a game, a video, a digital magazine, a website, or an online experience, chances are that it was touched by Adobe technology. Our tools and services enable our customers to create groundbreaking digital content, deploy it across media and devices, and then continually measure and optimize it based on user data. By providing complete solutions that combine digital media creation with data-driven marketing, we help businesses improve their communications, strengthen their brands, and ultimately achieve greater business success.

Adobe's business is focused on the opportunities in two key growth markets – Digital Media and Digital Marketing.



Informatica Corporation (Nasdaq:INFA) is the world's number one independent provider of data integration software. Organizations around the world rely on Informatica to realize their information potential and drive top business imperatives.

Informatica MDM helps organizations to deliver business value with complete and accurate views of business-critical master data – data about customers, products, suppliers and locations – as well as a “360° view” of all relationships among this master data. With this Informatica helps organizations to achieve a total customer relationship delivering a Omnichannel 360 customer experience.

# About our sponsors



Lengow is the leading technology solution provider for e-commerce and feed management. It enables online retailers to optimize their visibility and profitability on all online marketing channels including marketplaces, comparison shopping engines, affiliate platforms, retargeting, sponsored links and social media.

From one single and user-friendly interface, Lengow allows all merchants and brands to distribute and centrally manage the content of their product catalogue on more than 1800 online channels worldwide (such as eBay, Amazon, Google Shopping, Rakuten, Criteo, Yandex.Market and Facebook). By adapting and tailoring product ads to the requirements of each channel, Lengow enables retailers to improve their performance and increase their turnover and conversion rate up to 40%. Currently, more than 3600 merchants in more than 40 countries use Lengow to optimize their cross-border sales.



LIVEWORDS

LiveWords is a cloud-based platform that automates and provides full control over the cyclic translation process, while retaining ownership and the freedom to switch and optimize the sourcing of translated content. This instantly delivers a much faster time-to-market, higher quality of translated content and substantial cost reductions.

LiveWords is the result of over 5 years, 50,000 hours and € 3 million investment in development, cooperating intensively with leading online retailers. Tens of well-known brands like Suitsupply, Bugaboo, O'Neill, Blackboard and fonQ rely on LiveWords daily to efficiently manage their translations.

LiveWords seamlessly integrates with leading e-commerce, PIM and CMS platforms like Demandware, Hybris, inRiver PIM, StiboSystems, Sitecore, etc.. For custom platforms LiveWords offers a flexible API. Implementation typically takes one to four weeks.

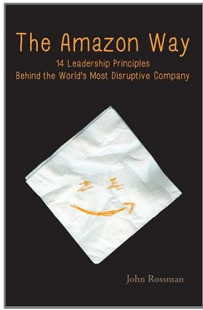
# Recommended readings



The Everything Store  
Brad Stone



Stephane Distinguin, FABERNOVEL  
Amazon.com, the hidden empire



The Amazon Way  
John Rossman



Amazon's Retail Revolution  
Business Boomers  
BBC Full documentary 2014



Source: [www.youtube.com/watch?v=6UhrIEUjtwI](https://www.youtube.com/watch?v=6UhrIEUjtwI)  
[www.slideshare.net/faberNovel/amazoncom-the-hidden-empire](https://www.slideshare.net/faberNovel/amazoncom-the-hidden-empire)



# Disclaimer and Intellectual Property Statement

## Disclaimer

All information has been carefully compiled and checked and is believed to be accurate. However, no responsibility is assumed for inaccuracies. All information in this Presentation is for general information purposes only and is provided for the convenience of the user. All rights reserved.

In no event shall the Ecommerce Foundation be liable for any damages relating to use of this Presentation or related to information in this Presentation. The Ecommerce Foundation makes no representations or warranties of any kind, express or implied. Damage and warranty claims arising from the use of this Presentation are excluded.

## Intellectual property rights

All intellectual property rights of the information and data used in this Presentation are owned or licensed by the authors as represented by the Ecommerce Foundation. All contents contained in this Presentation (texts, trademarks, illustrations, photos, graphics, files, arrangements and other things) are protected by copyright laws and other protective laws, and may not be reproduced, republished, distributed, transmitted, displayed, broadcast or otherwise exploited in any manner without the express prior written permission of the Ecommerce Foundation. The Ecommerce Foundation owns the copyright and other rights of the composition of this Presentation.

The Ecommerce Foundation has done its utmost to settle the intellectual property rights of all information used in this Presentation, including but not limited to texts, trademarks, illustrations, photos, graphics, files, and arrangements. Anyone who nonetheless is owner of intellectual property rights of material used in this Presentation, please contact the Ecommerce Foundation so that the material can be removed or a suitable arrangement can be made.

## Use

This Presentation is for personal and non-commercial use only, without altering or removing any trademark, copyright or other notice from the content. It is prohibited to reproduce, adapt or distribute this information without prior written permission of the Ecommerce Foundation.

If you have any specific questions related to this Presentation, please contact us.

### Contact information:

Ecommerce Foundation  
Raadhuisstraat 22  
1016 DE AMSTERDAM  
The Netherlands

Phone: +31 (0)20 261 28 30

[info@ecommercefoundation.org](mailto:info@ecommercefoundation.org)