Top 8 eCommerce Marketplace Trends in 2018

Arcadier’s view of the top trends in online marketplaces you should know about
Marketplace Commerce is facing an evolution of change

The exponential growth of online marketplaces over the past 8 years has been no short of an unpredicted phenomena. According to Juniper Research, the growth of the marketplace economy led by sharing economy companies is set to double between 2017 and 2022, growing from US$19billion to US$40billion. Beyond well-known ecommerce marketplace brands like eBay, Amazon, Airbnb, Uber or Grubhub, we saw marketplace models disrupting just about every traditional industry. This is well-articulated by Catalyst Companies’ famous Honeycomb 3.0, (there are probably even more marketplace models which have emerged since that was written).

The growth in online marketplace businesses does not seem to be slowing down, but business models are evolving. There is also an emergence of new businesses that have arisen around marketplace platforms to solve problems faced by marketplaces or their users. This booklet is not meant to be exhaustive but articulates some of the emerging key trends that we at Arcadier have observed in the marketplace economy. But one thing is certain: the growth of marketplaces is unstoppable.

Happy Reading,

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Top 8 Trends in eCommerce Marketplaces for 2018 & Beyond

Trend #1 - Marketplaces are going hyper-local & hyper-vertical
Trend #2 - Best of both worlds – Online & offline marketplace models
Trend #3 - Disruption of traditional middleman businesses
Trend #4 - Artificial Intelligence & Machine Learning will improve trust
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Trend #7 - New peer-to-peer marketplace models will disrupt “agency-based” marketplace models
Trend #8 - B2B marketplaces will dominate
One to watch - The use of blockchain for marketplaces
About Arcadier
Marketplaces are going hyper-local & hyper-vertical
What we observed

Between 1995 and 2008, we observed the emergence of large global marketplaces which sold everything from baby milk powder to second-hand cars. These horizontal marketplaces grew quickly because of the breadth of their offerings. From 2009 onwards, the marketplace landscape changed. New marketplace players took a more industry-specific approach, for example, Airbnb is a marketplace for accommodations, Lyft is an on-demand car hiring service marketplace and Esty focuses on artisanal items. Andrew Parker from Spark Capital summarises it well with his article "The Spawn of Craigslist", that to know where the next vertical marketplace will emerge from, all you need to do is look at categories on Craigslist. We are now in the era known as vertical marketplaces.
What we think will happen

We believe that the growth of vertical marketplaces will continue, but it will be more hyper-vertical and hyper-local. These vertical marketplace types would get even narrower in its proposition and the customer groups that it will be serving. Quite often the model would not be new but a copy of a proposition of an existing major player. Take for example, Staymarta which is essentially Airbnb but for Christian-friendly accommodations, or Go-Jek which is a copy of Uber but for Indonesia only. The hyper-localisation and hyper-verticalization of major marketplace models will be successful as it enables these new providers to serve their customer bases more intimately according to their needs.
Trend #2

Best of both worlds – Online & offline marketplace models
What we observed:

Shopping malls have seen a decline in the last few years, with retail bankruptcies and store closure affecting even the biggest household names in the U.S. — J.C. Penney, RadioShack, Macy's, Payless, and Sears. Some have called this “The Great Retail Apocalypse of 2017”. In contrast, Amazon’s sales in North America alone quintupled in six years. Online retail is alive and well, thanks to new consumer shopping habits, generous return policies and the ease of mobile payments. Online and offline retail are also moving towards integration, as evident from Amazon’s acquisition of Whole Foods, the emergence of marketplaces such as ShopTheFloor that digitize sales relations and sales material to complement tradeshows and showrooms, and services such as Eunoia, which helps F&B businesses manage their online presence.
What we think will happen:

As more offline retailers try to build their presence online, online marketplaces are also seeing the importance of investing in distribution hubs and a physical retail presence to improve engagement and customer service. There is a huge opportunity for new marketplace models that combine the best of online and offline retail, engaging consumers who want to see the desired product in person but shop for it online, or customers that prefer to buy the product online and pick it up at a physical store. To complement this new trend, Arcadier's marketplace software Exzbit is designed to bring offline events like exhibitions, conventions and trade shows online.
Disruption of traditional middleman businesses
What we observed:

Online marketplaces have disrupted just about every form of traditional business by increasing access, effectively disintermediating traditional middlemen. Although the apparel and electronics categories have drawn the biggest online sales, relatively new marketplaces that deliver convenience and unique experiences are threatening established middlemen in other industries, including hospitality and transport. The latest bastions affected by online marketplaces are the farming and financial services industry. Indonesia's TaniHub is a marketplace that allows food businesses to buy directly from farmers. To support its community of farmers, it also offers TaniFund, a marketplace that connects farmers with investors. Emerging marketplaces such as Wealthinasia, DirectAsia, FWD Insurance and Smartkarma offer anything from trust services, online trading, insurance, to investment insight.
What we think will happen:

The disruption of traditional middleman businesses will continue in the coming years. The supply chain landscape is changing rapidly as online marketplaces offer more transparency and direct access to different sectors. We expect the impact online marketplaces will have in the farming and financial services sector to spread, which will change consumption habits and spur even more innovation. For traditional wholesalers, their roles will no longer be confined to purchasing and distribution — they will have to provide additional value in order to survive.
Artificial intelligence & machine learning will improve trust
What we observed:

The growth of online marketplaces is supported by an ecosystem that includes AI-based services to foster trust in the marketplace. Companies like NoFraud, CashShield and Sift Science already use such technology to detect account takeovers, content abuse, promo abuse, and payment fraud. While Uber uses AI and machine learning to create a seamless user experience, C2C second-hand goods marketplace Carousell is also turning to the technology to mitigate fraud risks and enhance the user experience after exploring the use of TensorFlow and Google’s Cloud Machine Learning engine to identify and flag potential fraud risk.
What we think will happen:

More marketplaces and marketplace ecosystem services will be using artificial intelligence and machine learning to provide accurate real-time feedback on functions that improve trust on a marketplace. For instance, CashShield uses machine learning and passive biometrics analytics capabilities to fully automate the fraud detection process. As the technology becomes more affordable and widely available, we will see online marketplaces using them as a strategic advantage. “We see machine learning [eventually] being integrated into every part of the business, including user experience and security,” says Carousell CTO and Co-founder Lucas Ngoo.
Marketplaces as a utility &
for charitable causes
What we observed:

Many traditional marketplaces were created for collective buying as a form of a utility to benefit the greater good, not merely to generate profit. For instance, Curbbed and Tradeversity offer platforms for students to buy and sell goods within their campus community. There’s also eBay’s Charity Shop where one can buy and sell gifts that support good causes, and Central Singapore Community Development Council’s Pass-It-On, a marketplace for donated items. On a national level, India and Singapore have also built online marketplaces for government procurement, with tools such as e-bidding and e-auction.
What we think will happen:

Beyond having a high valuation, online marketplaces are increasingly being used as a utility of discovery and efficiency — for governments, schools, and communities. In fact, their true value lies in their utility. With ecommerce moving towards a marketplace-based approach, let’s not discount the potential for marketplaces to do good, regardless of whether they are for environmental conservation, sharing underutilized assets, inclusive growth, or even just bringing people together.
Trend

#6

More business services around marketplaces will emerge
What we observed:

The growth of the *Sharing Economy* is booming across the world, with people more willing to participate both as buyers of services as well as sellers of these services. One of the main concerns of these sellers is day-to-day management. For example, owners of apartments being sublet on Airbnb may not have time or the energy to manage short-term tenanting, and many are spooked by *horror stories* of looting and damage. Quite often marketplaces offer insurance protection to appease potential sellers. There is also a demand for other auxiliary services that specialize in sharing economy marketplaces.
What we think will happen:

Because marketplaces themselves may not be able to provide all the relevant services to support all the needs of potential buyers and sellers or the friction they face with regard to user experience, it will spur the growth of new startups whose value proposition is to solve these issues for buyers and sellers. Good examples of such startups include Guest Ready and Pass the Keys which are essentially management service operators to help owners manage their properties on Airbnb. Guardhog is an insurance solution specifically for sharing economy users. It offers insurance cover for home rentals, storage and other services type sharing economy platforms. Rude Communications is an agency that specialises in helping sharing economy marketplace platforms on public relations management.

There’s also Deemly, a reputation and social verification tool that enables users to show their trustworthiness by combining their personal ratings and reviews from multiple sharing economy platforms.
Trend #7

New peer-to-peer marketplace models will disrupt “agency-based” marketplace models
What we observed:

Marketplaces make discovery easy for everyone. However, often as a result of regulations or traditional ways of working, the adaptation of online marketplaces had been to only augment current business practices. Examples of this can be found in the car industry — where second-hand car agents listed cars they were selling on online platforms such as SGcarmart in Singapore — and in the property industry, in which licensed property agents listed properties for sale and rent on websites like PropertyGuru or CommercialGuru.
What we think will happen:

Instead of liaising with an agent, new marketplace models are more focused on direct peer-to-peer interactions. The new marketplace model puts the need for the traditional middleman in question as it offers more transparency in pricing and information, disrupting older marketplace models. For example, Singapore’s Carro is a marketplace that allows car owners to directly list their vehicles for sale, at the same time providing related services like vehicle valuation and financing, clearly disrupting their predecessor SGcarmart. Similarly, property marketplace platforms like DirectHome and Krib allows potential buyers and tenants to deal directly with homeowners.
Trend

#8

B2B marketplaces will dominate
What we observed:

The potential of B2C eCommerce and B2B eCommerce has always been a hotly debated topic. It is easier to understand the value proposition of B2C eCommerce than that of B2B eCommerce. However, in terms of market value, B2B eCommerce far outstrips B2C eCommerce. eMarketer believes that by 2020, B2C eCommerce will be worth $4 trillion, whereas Forbes estimates that B2B eCommerce will be worth $6.7 trillion.
What we think will happen:

The introduction of B2B marketplaces like Alibaba and Global Sources has fundamentally changed the world’s perception of global trade. Businesses were able to source the best and cheapest products from around the world, thereby driving cost efficiency. Since then, we’ve seen the emergence of more of such platforms, like Amazon for Business and TradeKey. Businesses are catching on to trading online with each other and are looking for more specialised B2B marketplaces that serve their own industry or a particular purpose. Next-Gen B2B marketplaces like LeNewBlack services the fashion industry, while ePorta is a B2B marketplace for furniture, and Excess Inventory Guru focuses its efforts on excess industry equipment and raw materials.
One to watch
The use of blockchain for marketplaces

Not quite a trend yet but said to be “the next frontier for online marketplaces”, early commentators point to blockchain for uses such as P2P network of payment, fighting counterfeit goods, smart contract capabilities, individual ownership of data on identity, trusted and authenticated reviews and reputation, and decentralized hosting. Though still at its infancy, these could improve trust and transparency in online marketplaces. Early adopters of the technology include Soma — a social buying and selling platform that includes a fully-auditable trace of product history and source — and CanYa, a blockchain-powered marketplace of services.
About Arcadier

Arcadier is a fast growing technology company that provides SaaS-based DIY “off-the-shelf” ecommerce marketplace technology that would enable anyone with a marketplace idea be able to build one within minutes, no coding needed and no developers needed.

Globally acclaimed, Arcadier has won multiple awards including the Emerging Enterprise Awards 2016, the Best Innovative Start-up (Early Stage) 2016 awards, SME100 Fast Moving Companies Singapore 2016 and also the Millennial 20-20 Commerce Enabler Awards 2017.

Arcadier’s platform has users from more than 100 countries and 550 cities.

To learn more about Arcadier, please check out our website at:

www.arcadier.com