



The next wave of
Digital Marketplaces
*OC&C's second annual
Marketplaces report*

December 2023



OC&C
Strategy consultants

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Introduction



OC&C'S ANNUAL MARKETPLACES REPORT HAS CONDUCTED A MAJOR STUDY OF THE WORLD'S TOP 250 DIGITAL MARKETPLACES BY GROSS MERCHANDISE VALUE (GMV) TO UNDERSTAND HOW THEY HAVE BEEN EVOLVING AND GROWING IN A POST-PANDEMIC ERA.

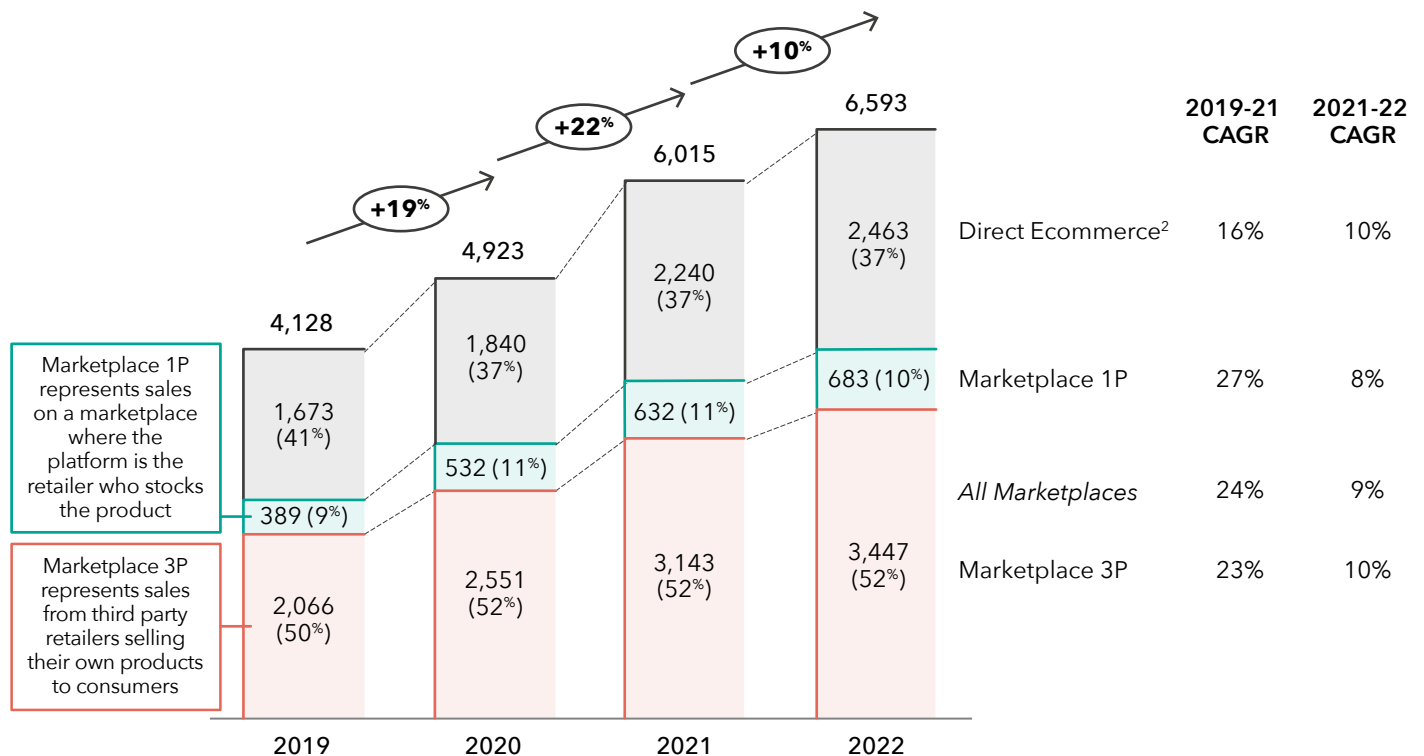
- Bottom-up study looking at the growth of the top 250 marketplaces in key categories¹ globally, from Amazon and Alibaba (representing over \$500bn each in consumer spend), to a broad set of emerging marketplaces with less than \$100m in GMV
- OC&C have assessed market size and growth at an overall level, as well as trends by vertical and geography
- The report follows on from our previous research on [marketplaces](#) and the [second-hand marketplace](#)
- Sources include digital commerce 360, ecommerce DB, global data and emarketer
- We cover consumer facing product-based categories including ticketing, travel and food delivery. We exclude auto and real estate as well as broader service based marketplaces (e.g financial services, tradespeople, education)
- For more detail on the optimisation of your online proposition, see our latest [Retail Proposition Index](#)

Key insights

1. MARKETPLACES CONTINUE TO GROW STRONGLY

- Marketplaces represent \$4.1tn in annual gross consumer spend (GMV) as of 2022 across first-party (1P) and third-party (3P) sales (\$1.7tn for Global ex. China). The vast majority of this sits in third-party sales worth \$3.4tn
- Since 2019, marketplaces have grown from \$2.4tn to \$4.1tn in spend, adding \$1.6tn in total consumer spend (\$0.7tn for Global ex. China), with spend growing in almost every category and now accounting for c.60% of eCommerce spend

TOTAL GMV IN ESTABLISHED MARKETPLACE CATEGORIES (GLOBAL INCLUDING CHINA)¹, 2019-22 (\$BN)



Consumer Spend in Selected Categories¹ (\$tr):

2019	15.9	15.6	17.6	19.6
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Online Share of Total Consumer Spend:

2019	27%	32%	33%	34%
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1. Includes Books, Food Delivery, Ticketing, Travel / Vacation, Consumer Electronics, Furniture / Homeware, Home Appliances, Clothing & Accessories, DIY / Gardening / Pets, Personal Care, Grocery and Other

2. Ecommerce direct is first hand only

Source: GlobalData, Euromonitor, eMarketer, Digital Commerce 360, Statista, ECommerceDB, PwC Media Outlook, Desk Research, OC&C analysis

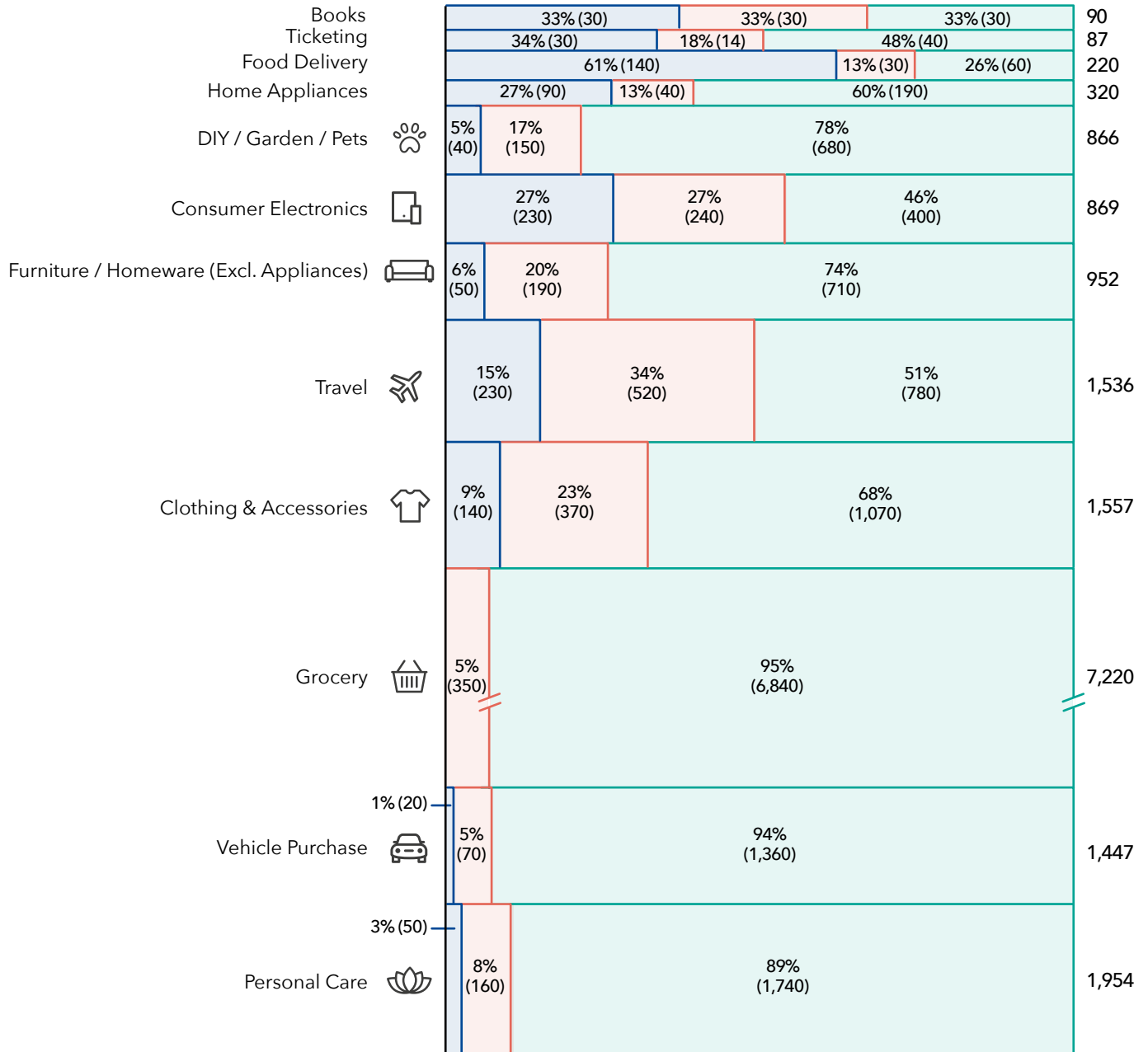
Online marketplaces make up a varied share of overall spending depending on the category - from mature categories today like consumer electronics, books and food delivery that are highly suited to the marketplace model, to clothing & accessories, personal care and grocery which have historically been less penetrated, but represent an exciting opportunity for marketplaces to continue to grow share in huge \$1tn+ markets.

TOTAL GLOBAL CONSUMER SPEND (1P AND 3P) BY CHANNEL AND SEGMENT (EXCL. CHINA), 2022 (\$BN)

Focus Categories

3P Marketplace Share: 6-8% / Online

Total Share: 17-18%



■ Online Marketplaces ■ Online (Non Marketplace) ■ Offline

Source: Euromonitor, Statista, GlobalData, ECommerceDB, Digital Commerce 360, Art Basel/ UBS, OC&C analysis

Between 2019–22, 34 marketplaces have grown to become larger than \$1bn in 3P GMV, with more than half of these vertical specialists

2. SPECIALIST MODELS ARE OUTGROWING GENERALISTS

- The generalist model – operated by the likes of Amazon – has been dominant for more than a decade; we are now seeing the rapid growth of specialist models such as vertical-focused, secondhand and hyperlocal marketplaces, particularly outside of China
- Specialist marketplaces of all forms have outgrown generalists by a factor of 1.6x in terms of 3P GMV (36%pa vs 23%pa between 2019-22, Global ex China)
- This growth has fuelled a rise of mid-sized marketplaces; since 2019, 8 marketplaces have grown to become larger than \$10bn in 3P GMV and 34 marketplaces growing to become larger than \$1bn in 3P GMV, with more than half of these vertical specialists
- This trend is most prevalent in Europe, which has the most fragmented marketplace landscape today and consumers who are highly familiar with specialist and vertical-focused models of direct retail ecommerce which are much more common than other markets
- The shape of this growth has been influenced by differences in category-level growth; though most categories saw significant growth through Covid, some have sustained strong growth post-Covid (e.g. apparel and grocery) vs those that have normalised towards pre-Covid rates (e.g. books, furniture and homewares) – growth categories in particular represent an opportunity for specialist players to expand market share as consumer demand continues to grow

3. GENERALISTS GMV GROWTH SLOWS BUT TAKE RATES GROW

- Generalist marketplaces remain dominant however (c.70% share of all 3P GMV in 2022) and despite growing GMV more slowly, have been able to grow revenues ahead of GMV through strong take-rate growth of 30-50% over the last 5 years, supported by expanding offer of value-add services

4. MARKETPLACES FACE SEVERAL RISKS AND OPPORTUNITIES

- Regional insurgents are also taking share from market leaders – often taking advantage by undercutting the high, and increasing, seller fees that the leading generalists are charging
- Some categories have seen marketplace penetration decline post-Covid; DIY/ Garden is an example where consumers have had a strong preference to return to physical retailers – a trend which could limit marketplaces' ability to grow
- GenAI is likely to have a profound impact on marketplaces; providing incumbents the opportunity to enhance the consumer experience, but also posing a potential risk of disruptors taking share or disintermediating the customer journey (e.g. in search)

Specialist *models*

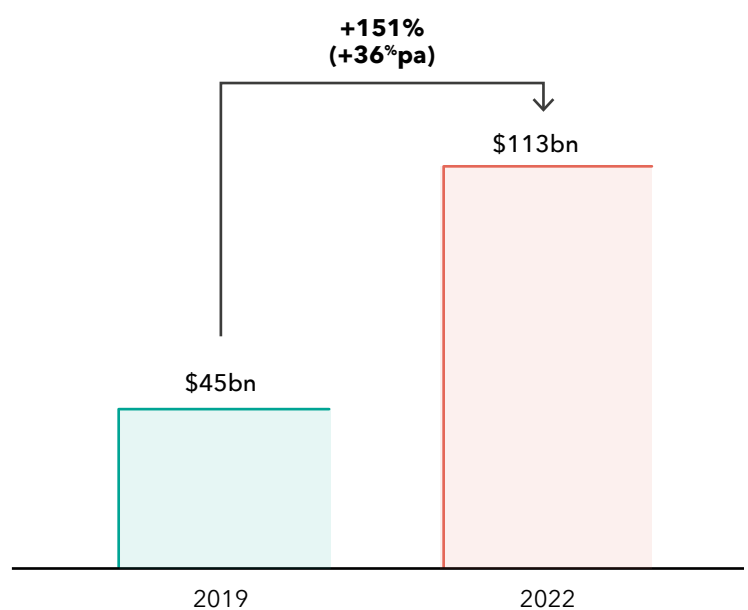
DIGITAL MARKETPLACES ARE INCREASINGLY TAKING ON MULTIPLE FORMS, MOVING BEYOND THE GENERALIST OR "AGGREGATION" MODEL THAT HAS DOMINATED TO DATE, TO SPECIALIST MODELS.

Vertical-focused, second-hand and hyper-local marketplaces, increasingly provide sellers with new avenues for growth, and to access consumer demand.

Specialist marketplaces outside China have grown rapidly (+36%pa 3P GMV growth 2019-22 compared to 23%pa for generalists), taking third party GMV from \$45bn to \$113bn and share of the total 3P GMV from 8% to 11% 2019-22.

SPECIALIST THIRD PARTY GMV GROWTH, \$BN

Global ex China, ex Food Delivery, Ticketing, Travel



% Share of Total 3P GMV, Global Ex China:	2019	2022
	8%	11%

Source: Euromonitor, Statista, GlobalData, ECommerceDB, Digital Commerce 360, Art Basel/UBS, OC&C analysis



THERE ARE 3 STAND-OUT BUSINESS MODELS EMERGING:










Vertical-focused

These marketplaces provide a more engaging browsing experience for buyers adapted to specific vertical (e.g. fashion), better curated inventory, and a more appealing 'store front' for sellers. They also offer tailored value-add services for the category (e.g. warranties for electronics, or 2-person delivery for furniture).

Vertical marketplaces (particularly in apparel and luxury goods) also unlock adoption through premium brands who would not be willing to list on generalists.

The scale of vertical specialists (5 players with >\$10bn 3P GMV) is now substantial enough for them to be able to compete with generalists in terms of international coverage and value-add services; something that was historically a differentiator for generalists is no longer the case.

EXAMPLES OF VERTICAL - FOCUSED SPECIALISTS














 Clothing & Accessories	 Electronics	 Furniture / Home / DIY
   	 	  <div data-bbox="1077 1713 1476 2116"><p>Houzz has grown successfully from a design and inspiration based site to a \$14bn GMV marketplace - acting as a site for search and discovery of home design and supported by tailored fulfilment options (e.g. 2-person) that generalists struggle to offer.</p></div>

Second-hand

Second-hand and refurbished marketplaces have also grown rapidly - these models have benefitted from a vertical focus as well, and have also transformed the buyer and seller experience through several key steps:

- Building trust through condition grading, product authentication and warranties
- Growth of C2C by simplifying the listing journey to make it easy for consumers to list
- Management of the transaction, payment and returns to maximise ease for buyers

EXAMPLES OF SECOND-HAND SPECIALISTS

 C2C Models (Apparel)	 Refurbished (Electronics)	 Auction Models
   	  <p>Refurbed has been able to grow rapidly in refurbished electronics through a combination of low fees for sellers, a high share of grade A listed inventory and easier processing of inventory for sellers than is possible on Amazon (e.g. batch inventory upload and price management).</p>	   





Hyper-local marketplaces

Hyper-local marketplaces have also been growing in categories where proximity and fast delivery is required such as grocery or food delivery, or where there are practical logistical benefits, such as furniture and homewares. A recent surge in value-add services like transaction support, has enabled rapid top line growth - grocery marketplaces in the top 250 (ex China) have grown by almost 4x between 2019 and 2022. Despite this, the economics of these marketplaces remains challenging even at scale with very few reaching consistent profitability.

EXAMPLES OF HYPER-LOCAL MARKETPLACES

 Food & Drink	 Groceries
  	     <div data-bbox="598 1836 1476 2101" style="background-color: #f4a460; padding: 10px; margin-top: 10px;"> <p>Kurly has built its rapid growth on a unique proposition of delivering fresh, high-end groceries by next morning for orders placed the night before. Its customers can order a variety of high-end and artisanal market-style produce from a broad set of sellers and it has been particularly popular with the growing South Korean middle classes.</p> </div>



Differences in category growth during and post-Covid

THE GROWTH OF THESE SPECIALISTS MODELS (AND GENERALISTS TOO) HAS BEEN HEAVILY INFLUENCED BY DIFFERENCES IN GROWTH ACROSS CATEGORIES DURING COVID AND INTO 2022.

We saw almost all categories increase marketplace penetration throughout the pandemic, but the shape of growth has differed as we came out of this in 2022:

1.

Apparel and consumer electronics - sustained marketplace penetration growth:

Consistent increase in marketplace penetration from 2019 through to 2022 despite a reversion in online penetration

2.

Grocery and personal care - rapid growth in marketplace penetration through Covid:

Rapid growth in marketplace penetration particularly in 2022 as marketplace usage becomes more widely adopted having been low pre-Covid

3.

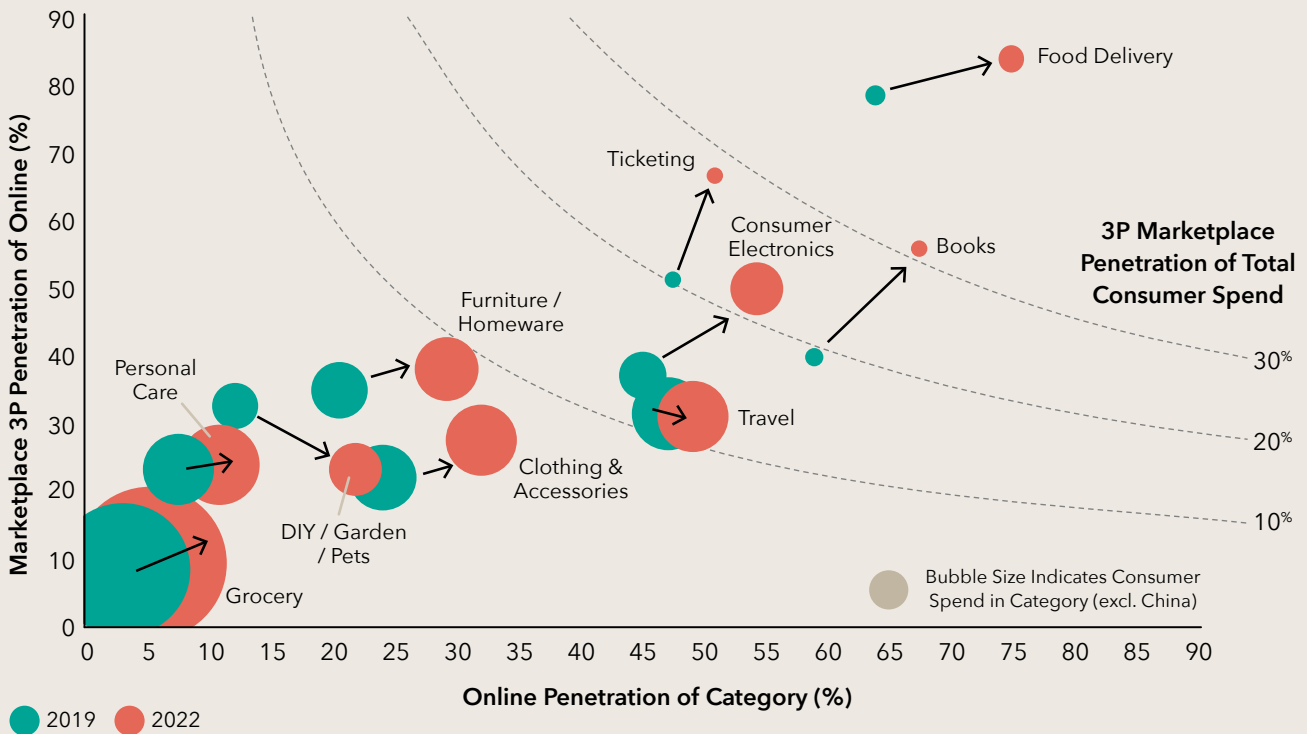
Books, furniture and homewares - growth through Covid followed by a reduction in marketplace penetration as usage normalises towards a longer-term trajectory:

Growth in penetration 2019-21, with some reversion back to pre-Covid trajectory in 2022 as physical stores re-open and trend in second-hand trading (from home clear outs etc) that peaked during 2020 and 2021 fades

For some categories, the sustained growth in marketplace penetration presents a significant opportunity for specialist models to continue to grow - by allowing them to continue to grow scale without needing to compete head-to-head with the larger generalists, as consumer demand grows and the overall "pie" expands.

MARKETPLACE PENETRATION BY CATEGORY (% OF TOTAL TRANSACTION VALUE), 2019-22

Global ex China; Fixed Exchange Rates



Source: GlobalData, Euromonitor, eMarketer, Digital Commerce 360, Statista, ECommerceDB, PwC Media Outlook, Desk Research, OC&C analysis

CAGR CHANGE IN % MARKETPLACE AND ONLINE PENETRATION

		Marketplace Penetration		Online Penetration	
		2019-21	2021-22	2019-21	2021-22
Sustained Growth in Marketplace Penetration	Clothing & Accessories	↗ +6%	↗ +8%	↗ +19%	↘ -6%
	Consumer Electronics	↗ +8%	↗ +11%	↗ +15%	↘ -9%
	Grocery	↗ 1%	↗ 10%	↗ +32%	↘ -2%
	Food Delivery	↗ 3%	↗ 0%	↗ +12%	↘ -7%
Reversion towards Pre-Covid Marketplace Penetration	Furniture / Homeware	↗ 7%	↘ -3%	↗ +20%	↘ -6%
	Books	↗ 20%	↘ -10%	↗ +6%	↗ 1%
Marketplace Penetration Declined During Covid	Personal Care	↘ -4%	↗ 10%	↗ +21%	↘ -2%
	DIY / Garden / Pets	↘ -11%	↘ -10%	↗ +37%	↘ -3%

↗ > 5% ↗ 0-5% ↘ - 0-5% ↘ < - 5%

Source: Euromonitor, Statista, GlobalData, ECommerceDB, Digital Commerce 360, Art Basel/ UBS, OC&C analysis








Generalists driving growth through *value-added services and higher take rate*

Despite generalists growing more slowly than specialists and gradually losing share of total 3P GMV (74% falling to 70% between 2019-22), generalists continue to grow revenue strongly, as they find new ways to drive take rates, primarily by improving the value-added Services (VAS) they offer.

This has led to a 30-50% increase in take rates over the last 5 years; a key driver of revenue growth for large-scale marketplaces.

For example, Amazon, Mercado Libre, Flipkart and eBay all have the scale to increasingly offer a broad range of services including payments, warehousing, fulfilment, finance, digital store fronts and analytics or reporting.

EXAMPLES OF MARKETPLACES WITH RECENT TAKE RATE INCREASES

Marketplace	Geography	Take rate increase	Drivers / Justification
	Global	Increased average take rate by 5ppts+ 2017-22 , increasing from c.15-20% to 20-25%	LFL growth of sales commission and supported by growth of "Fulfilment by Amazon" (FBA) and marketing
	Latin America	Increased average take rate by 5ppts 2018-2020 , from 12% to 17%	Justified due to investment in fulfilment infrastructure and integration with PayPal allowing access to the 'unbanked'
	India	Increased average take rate by 5ppts 2018-2020 , from c.10% to c.15%	Justified due to the launch of market trend analytics tools, faster pay out times and access to a support team
	Global	c.8-10% increase in shop subscription prices in 2023 , and increases in final value fee charges in some categories	Justified by 'recent investments and improvements in Shopfronts'
	Global	Increased seller fees from 5 to 6.5% in 2022	Justified by platform improvements and increased marketing spend

Differences in Marketplace Structures in the West vs China

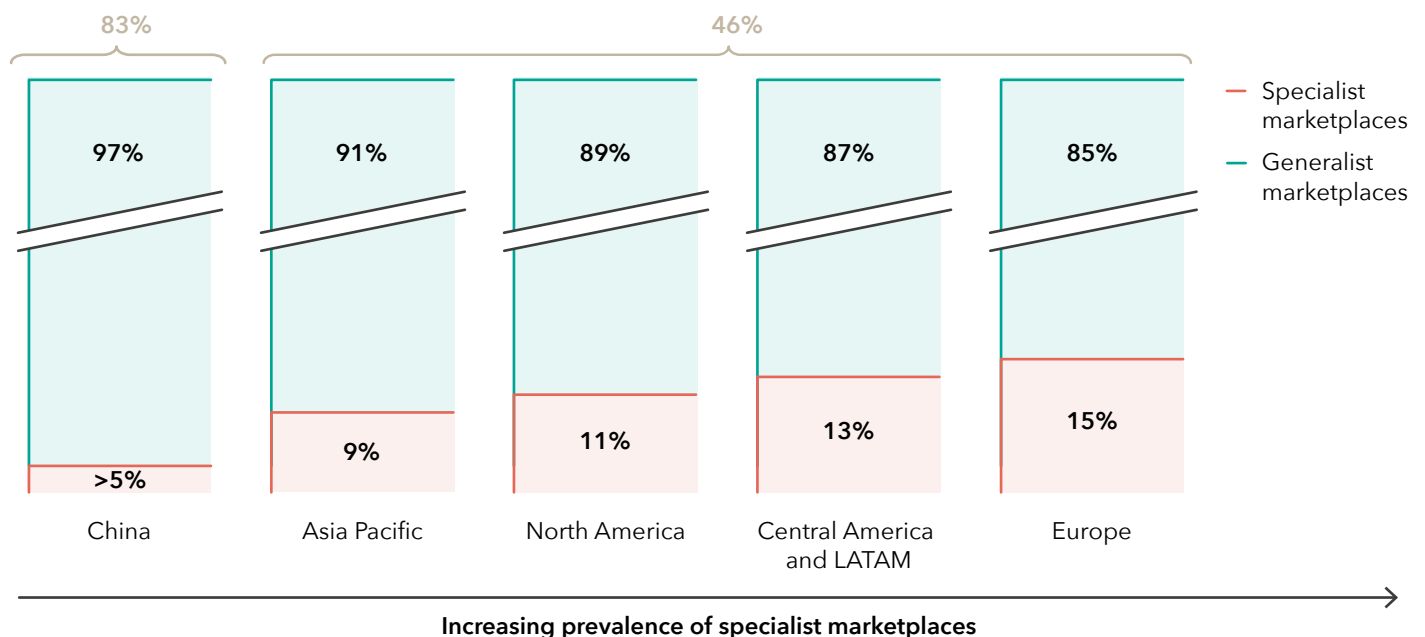
DIRECT COMPETITION BETWEEN THE TRADITIONAL LARGE-SCALE GENERALIST MODEL AND THE EMERGING SPECIALIST MARKETPLACES IS GROWING.

In Europe and North America, a higher prevalence of direct retail ecommerce models has resulted in vertical-focused and curated shopping experiences being far more common than in markets like China (Direct retail represents 54% of total ecommerce Globally ex China vs only 17% in China). As a result, consumers are much more familiar with vertical-focused experiences in these markets and this has limited the ability of aggregators to win across all categories, which is becoming increasingly difficult with the rapid growth of specialist models.

In China, though, it's a different story. Generalist marketplaces continue to dominate; Alibaba and Tmall act as aggregators across the market for buyers and sellers. The generalists' 'store in store' set-up (convenience for sellers) and control / integration of payments (convenience for buyers) makes it more difficult for new models to break onto the scene, and the lack of variety in ecommerce models more broadly makes the concept less familiar to many Chinese shoppers.

TOTAL THIRD PARTY RETAIL GMV IN ESTABLISHED MARKETPLACE CATEGORIES, 2022 (\$BN)

Marketplaces % share of total online ecommerce GMV



1. Includes books, food delivery, ticketing, travel/vacation, consumer electronics, furniture/homeware, home appliances, clothing & accessories, DIY/gardening/pets, personal care, grocery and other

Source: GlobalData Euromonitor, eMarketer, Digital Commerce 360, Statista, ECommerceDB, PwC Media Outlook, Desk Research, OC&C analysis

Risks to *marketplace leaders*

THE SURGE IN TAKE RATES FOR LARGE-SCALE MARKETPLACES, HAS OPENED UP AN OPPORTUNITY FOR SMALLER-SCALE MARKETPLACES TO UNDERCUT THEIR COMPETITORS BY OFFERING A MORE APPEALING PROPOSITION WITH LOWER TAKE RATES AND BETTER SERVICE LEVELS FOR SELLERS.



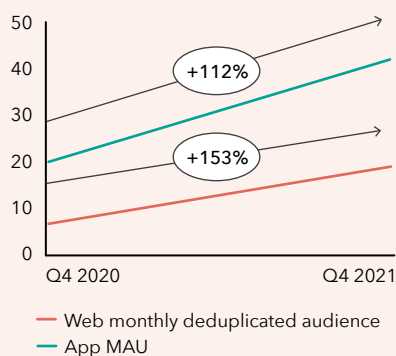
Shopee takes on Mercado Libre in Latin America

Shopee is a prime example of an insurgent entering the Latin American market and competing with a generalist marketplace: Mercado Libre. Shopee, a Singaporean headquartered marketplace initially grew in Asia before subsequently entering Latin America; growing from c.1% to 8% ecommerce market share in Brazil 2019-21 (vs Mercado Libre share of c.17%), with its active monthly app users overtaking Mercado's (47m monthly active users vs 32m for Mercado).

By prioritising both the user and seller experience and improving standards of customer service, Shopee has been able to target both large and smaller sellers, who are dissatisfied with Mercado due to increased take rates, amongst other things. Shopee has also leveraged its expansive Asian seller base to accelerate inventory and build traction with a competitive proposition.

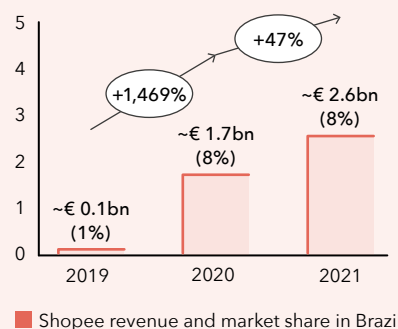
Shopee has achieved excellent growth of >100% p.a. in app and Web traffic

Monthly Web & App traffic (Quarterly average) Million users



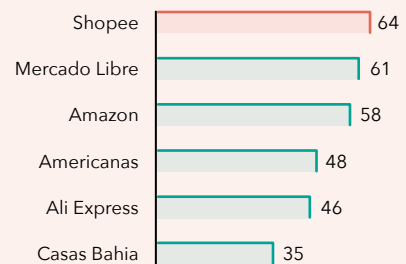
Achieving 8% share through low ticket segments and poaching sellers

Shopee e-commerce market share in Brazil, EUR bn and % of e-commerce market



Shopee has quickly gained critical buyer trust, and needs to invest in logistics to win in the market

Shopee NPS among Brazilian consumers, based on Bank of America



Source: Euromonitor, SensorTower, SimilarWeb, Bank of America, Bloomberg, OC&C analysis

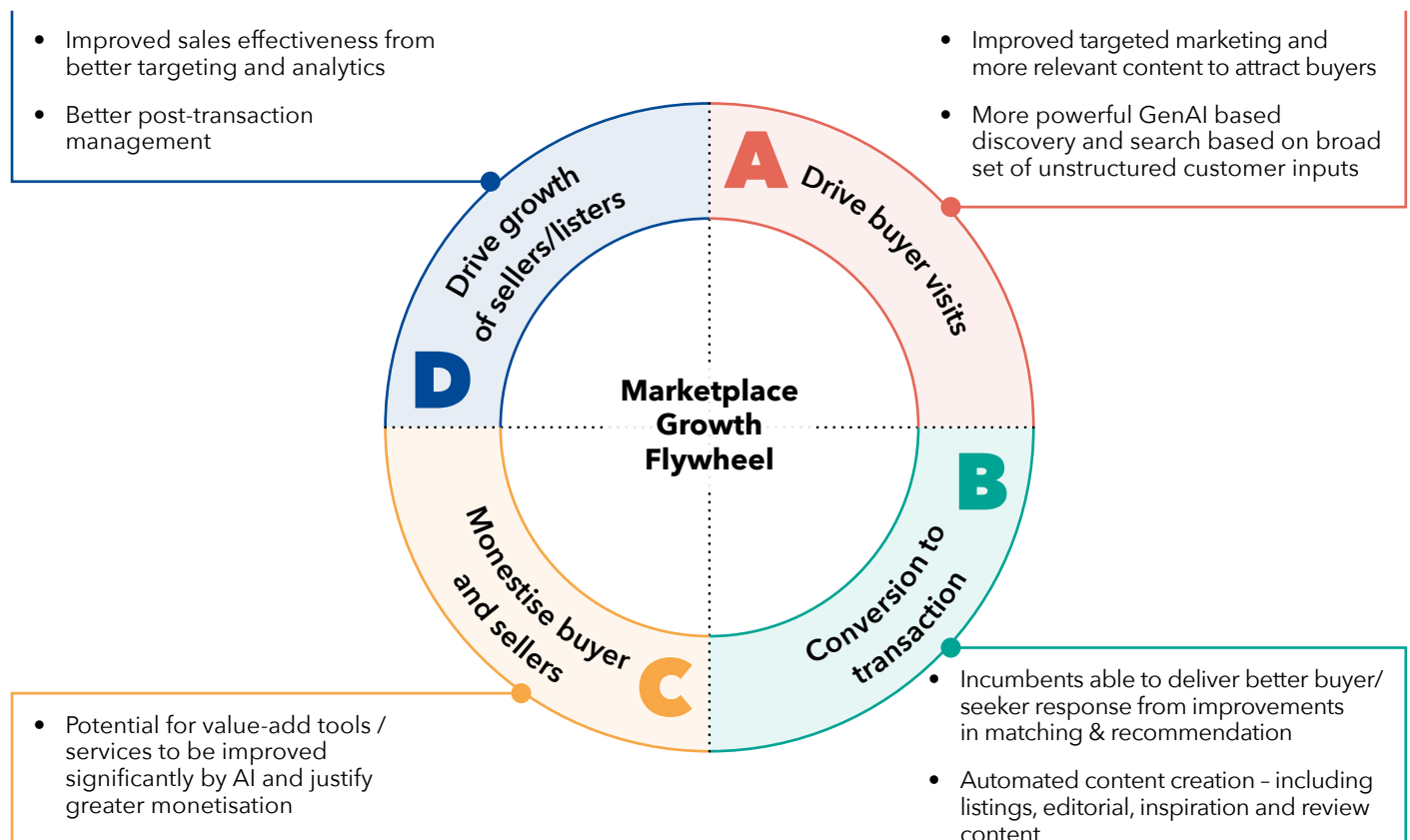
GenAI - *Enhancing Marketplaces... or potential risk?*

IT IS THE QUESTION OVERSHADOWING EVERY SECTOR - HOW WILL GENAI CHANGE THE GAME?

One thing is clear: marketplaces will become GenAI enabled with time. We're already seeing the development of GenAI based search and discovery with existing marketplaces, which enables more flexible searches and sophisticated matching than traditional search and filter.

MORE GENERALLY, GENAI WILL TURBOCHARGE EXISTING MARKETPLACE MODELS:

POTENTIAL ENHANCEMENTS TO MARKETPLACE MODEL FROM GENAI



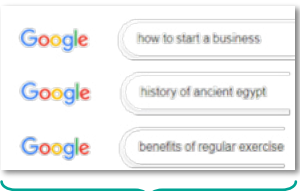
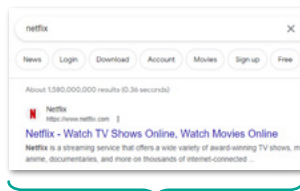
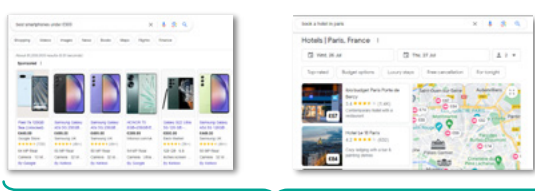


GenAI will also play a role in disrupting the existing marketplace model. The major battle will centre around ownership of customers' transaction-based search (searches with an intent to transact) and where this occurs. Scale generalist marketplaces have historically dominated in this area but this may come under threat from increasingly powerful GenAI based search and discovery, particularly as search engines invest here.

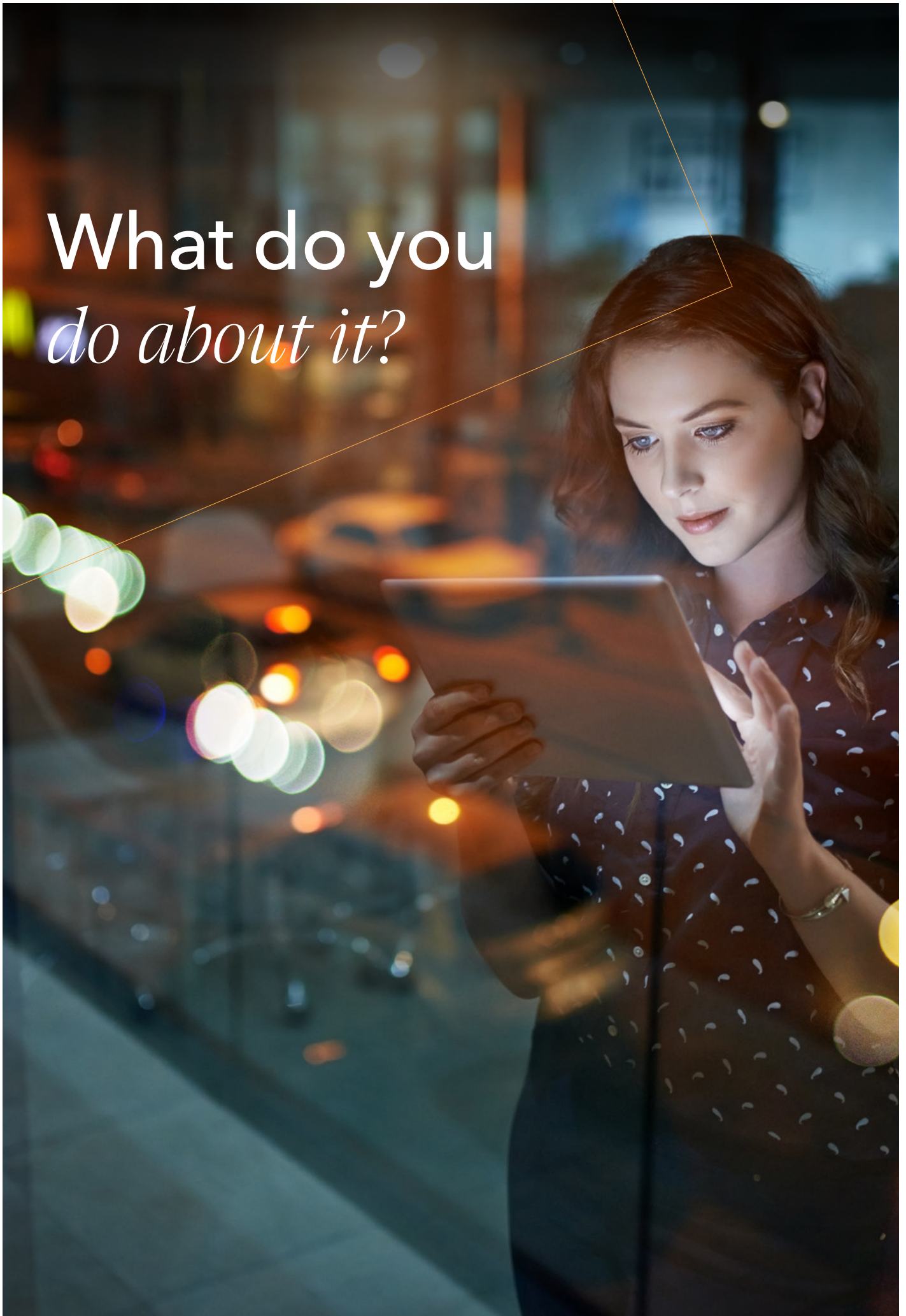
GenAI is also expected to reduce switching costs for existing sellers as it enables the rapid synthesis and integration of back-end technologies, pricing and metadata, reducing reliance on any single marketplace and accelerating any shift to new models.

Furthermore, GenAI will equalise visibility and discoverability across large and smaller sellers. This may have significant ramifications for buyers, sellers and the marketplaces serving them.

IMPACT OF LARGE LANGUAGE MODELS (LLM'S) BY SEARCH TYPE

	1 Informational search	2 Navigational search	3 Transactional search
Search description	<ul style="list-style-type: none"> Seeks specific information or answers. Broad search for knowledge or understanding. 	<ul style="list-style-type: none"> Seeks a specific website or online destination. Direct search for a particular brand or resource. 	<ul style="list-style-type: none"> Seeks to perform a transaction or engage in an activity. Searches related to buying, booking, or other transactional actions.
Future of LLM usage	<ul style="list-style-type: none"> Informational search will largely become LLM (e.g., ChatGPT). LLM's offer concise, targeted responses. 	<ul style="list-style-type: none"> LLM's unlikely to play significant role as no benefit when users have a specific website/destination in mind. 	<ul style="list-style-type: none"> Future of LLM's for transactional search is unclear. LLM's inform transaction searches; but integration with sellers/retailers required. LLM not only provides a better user experience but may also increase Google's monetisation.
Example	 <p>Full AI integration</p>	 <p>No change</p>	 <p>Moving towards AI (unclear on future use)</p>

What do you
do about it?



HERE'S WHAT YOU SHOULD BE DOING IF YOU'RE A...



Scale Marketplace

- Value add services and take rate growth are the engines of growth as volume growth slows and marketplaces mature – give third party sellers reasons to keep spending more to drive sales will be key.
- Stay close to the evolution of AI-driven transactional search and invest to remain competitive.



Insurgent Marketplace

- Find a specialism that resonates with consumers – whether that's becoming a niche hyper-vertical player, offering a specific price-segment or bringing a proposition to a less “mature” market.
- Brands are also increasingly taking a multichannel approach, opening doors to potentially build third party relationships; an important opportunity to capitalise on to continue to grow inventory breadth.



Brands / retailers

- Mature marketplaces are increasing take rates – build in flexibility and diversity in distribution across platforms to manage and combat this.
- Brands/retailers are spreading out their distribution over several platforms – you will need to have a strategy on which platforms to be on and why; for example is it a critical volume driver or does it build brand presence with specific audiences?
- It may be a good time to rethink the relationship with Amazon vs vertical specialists; audiences are increasingly fragmented and targeting the specific audience / missions to stay relevant will be critical.
- Generative AI search has the potential to transform brands / retailers ability to reach customers; it is important to be a “fast follower”, particularly around integration with Bing / Google as these capabilities develop.
- For more detail on the optimisation of your online proposition, see our latest [Retail Proposition Index](#).



Investors

- There are clear pockets of disruption / fragmentation where emerging players are growing quickly – particularly in Latin America and Asia Pacific where there is a lower level of marketplace dominance and ecommerce penetration – giving insurgents a clearer opportunity to grow rapidly with the right proposition.
- Vertical-focused marketplaces have a long way to go in terms of growth trajectory – in verticals such as apparel, segments such as second-hand and emerging business models like B2B.
- Don't discount growth of the market leaders – they are still able to grow through ancillary revenue and take rate growth.
- The impact of GenAI is yet to play out but presents significant opportunities and risks.

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If you would like to discuss any of the themes covered in this report, we'd be delighted to talk.

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