

### Platform Your Business to Win

How joining the Platform Revolution will transform your business

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### PLATFORM DISRUPTION

The Platform Economy is disrupting every industry.

This notion of digital matchmaking—creating value by bringing buyers and sellers together in an entirely new way—is changing how we sell goods and services in both B2C and B2B markets, and what customers expect from the buying experience.

But more than that, it's also impacting the entire value chain of how goods and services are sold and manufactured. The end seller is no longer the only one that has a relationship with buyers. Thanks to the Platform Revolution, brands, distributors, manufacturers and even individual service providers can all build connections with the end customer.



#### THE PLATFORM MODEL CAN TAKE SEVERAL FORMS:



On-demand services, where buyers can access the services they need when they need them. Uber, Lyft, DoorDash, and Instacart are great examples.



Sharing or peer-to-peer platforms, in which individuals offer their own goods or services to other individuals. These range from Airbnb and Homeaway, in which people share their homes, to Car Next Door and Toolsity, for cars and power tools. Facebook Marketplace is another example of a peer-to-peer platform.



Marketplaces, where an eCommerce operator offers third-party products and/or services through its platform. Amazon, Alibaba, eBay and Walmart are the big players here, along with many, many others.





By providing a turnkey marketplace platform solution, Mirakl has enabled some of the biggest names in eCommerce to transform their businesses.

Mirakl gives these companies a better way to grow by maximizing revenue, increasing the value of data, and improving the customer experience.

**Here's what we know:** companies that have been early adopters of the marketplace model have reinvented the way we do business, how we think about customer engagement and customer relationships, how we sell, and how we market. These Platform Pioneers have re-invented commerce as we know it. And, here's the proof:

- In 2017, over 50% of global online transactions were made on a marketplace, with a trajectory that is expected to exceed 65% by 2022.
- Marketplace sales as a percentage of overall digital commerce sales have doubled in less than 10 years.
- On Amazon alone, third-party sellers outsold Amazon's firstparty business by \$43 billion in 2018.

- On the B2B side, Amazon Business did over \$1 billion in revenue in just its first year. With 20% monthover-month growth since, Amazon Business topped \$10 billion in sales in 2018.
- In China, one of the fastestgrowing economies in the world, marketplace sales account for about 90% of total online sales, and online sales in China represent 42% of world commerce.

That means companies that didn't exist 20 years ago have leveraged a platform model that didn't exist 20 years ago, and now drive almost 50% of the world's total commerce.

That's incredible!

PLATFORM PIONEERS



**Leaders** in the platform revolution.

Catalysts for change and progress, inside their businesses.

**Visionaries** who chose to go beyond the constraints of their business model to launch a platform business.

**Determined,** having taken a new concept from vision to execution, while ensuring alignment and success.

**Deserving** of recognition for their innovation and bravery.

Even more convincing, McKinsey & Company data has shown that companies that platform grow, and companies that don't platform, don't grow. McKinsey's research found that those with platform strategies see 5.5% revenue growth and a 4.8% increase in EBIT, while those with no platform strategy saw -1.9% revenue loss and -1.4% EBIT decline.

# [Over the last 20 years,] third-party sales have grown from 3% to 58%. To put it bluntly: third-party sellers are kicking our first party butt. Badly.

(Jeff Bezos, 2019 Amazon shareholder letter)

The secret behind this rapid, dramatic growth is the flywheel effect, also known as network effects. Well-designed platforms offer a broader selection and more competitive pricing than other eCommerce strategies, creating a better customer experience that leads to more buyers. All those buyers attract more sellers to your platform, which in turn offers a better customer experience—creating a virtuous cycle of growth at a speed and scale that simply isn't possible through a traditional first-party eCommerce strategy.



The evidence is overwhelming: the platform model is driving the future of commerce.

Gartner has predicted that more than 60% of online sellers will adopt a marketplace or include third-party sellers in their eCommerce ecosystems by 2020. And, two-thirds of B2B companies report that they're already planning on building out a third-party ecosystem.

The opportunity is still very ripe, and now is the time to get onboard.

# The Platform Revolution, Where Everyone Wins

Now more than ever, consumers demand faster service, greater convenience, transparent pricing, and the best deal in every shopping experience. This shift in consumer expectations is driving the transition to a platform model, which uniquely delivers on all of these desires by connecting systems, building networks, and sharing data to offer the maximum possible value to the customer.

Business buyers have come to expect the same level of service and convenience for their business purchases as they experience for personal purchases. In response to customer demand, Hewlett Packard Enterprise launched a marketplace that closes the gap between the company and their buyers. HPE's marketplace, HPE Store, offers an online platform through which their third-party distributors sell the manufacturer's internet servers, data storage, networking and hard installation services. With HPE Store, buyers get the experience they've come to expect, and HPE captures meaningful data about customers' needs and desires.

Given this overwhelming demand, the traditional "pipeline" eCommerce model simply cannot compete. In order to take advantage of the growing opportunity, companies must transition from the pipeline model to the platform model of commerce.

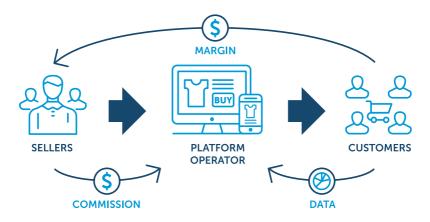
#### PIPELINE

In the traditional, linear pipeline model, margin flows through the value chain. Each player takes a piece, and the end customer ultimately pays the full margin. In this system, customer data is owned only by the customer-facing entity at the end of the value chain. For sellers, the priority here is simple: buy low and sell high. The wider the gap, the greater the profitability. For brands, the goal of innovation is simply to create more margin, which they can force-flow to the rest of the value chain. This model is fundamentally margin-centric, and sellers have somehow managed to keep customers in the dark for years, clueless to the full weight of the margin burden placed upon them.



#### **PLATFORM**

Unlike the linear pipeline, a platform creates an ecosystem comprised of the platform operator, a network of sellers, and a system of third-party support services. Rather than forcing margin down the value chain and asking the customer to pay in full, platform participants all benefit from the relationship. This customer-centric model is bringing transparency to the commerce transaction. Platforms are shifting power back to the buyer, and traditional pipeline merchants are paying the price.



By expanding its network to include third-party sellers, the platform operator is able to build greater value beyond its own brand and enhance its relationship with customers by offering the convenience, broad product selection, pricing transparency and overall value buyers expect. Instead of stressing over "buy low, sell high," the operator earns a commission from every sale that is almost entirely profit.

The customer relationship and customer data are shared across the platform ecosystem, allowing everyone to capture insight into customers' current buying behavior and their future wants and needs. This helps everyone, from the platform operator and third-party sellers to service providers like shippers and payment processors, to better meet customers' expectations.

#### WITH THE PLATFORM MODEL, EVERYONE WINS:

#### The customer

gains access to a wider selection of products, better pricing and one-stop shopping—conveniences that are quickly becoming the baseline expectation for both B2B and B2C eCommerce buyers.

#### The seller

can reach new customers through a risk-free sales channel where the technology, infrastructure and marketing costs are all borne by the operator.

#### The operator

grows customer loyalty through "endless aisle" supply, the ability to offer more competitive prices, and by collecting customer demand data to further refine their offerings. Operators can also add new products with no logistics or inventory risk by simply bringing on new sellers—an approach which can completely transform their business.

#### In fact,

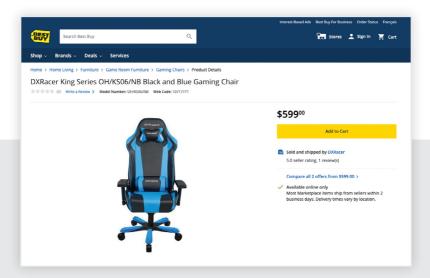
companies on the Mirakl marketplace platform see up to \$412 million in total revenue growth over three years, with an ROI of 162%. This growth is spurred in part by a 15% increase in average order size, along with an average 1.5 point increase in Customer Experience Index score—a critical metric that drives repeat business. And the growth isn't limited only to online sales; those with a brick-and-mortar presence also see in-store sales grow by 7%.

With a payback of fewer than three months from launch, the Mirakl Marketplace Platform gives you the tools to lead your company to the forefront of the Platform Revolution.

#### The Power of Platforms:

### **Best Buy Becomes Most-Trafficked Online Retailer in Canada**

Best Buy Canada, widely known as an electronics and appliance retailer, has become the most-visited multichannel retailer in Canada by deploying the Mirakl Marketplace Platform. The company increased its SKU count by 200% in just the first year, and 75% of customers who bought marketplace products also bought Best Buy's own products. Thanks to the agility of its marketplace, the company can bring new products to market 200x faster than before, giving it a significant competitive advantage in the trend-driven electronics industry.



# Platforms Are Platinum Opportunities for B2C and B2B



Demand for B2B platform buying is heating up so quickly that 50% of manufacturers plan to launch an online marketplace and invite partners as sellers. These forward-looking plans for eCommerce expansion confirm there is tremendous potential for growth built on the platform model.

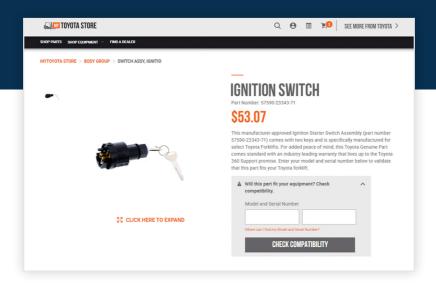
Forrester believes that platform business models will ultimately define strategy and economics in some part of the value chain of every industry.

(Earn Your Place In The Platform Economy)



Earn Your Place In The Platform Economy: Adopter, Participant, Or Leader? Here's Your Blueprint For Platform Business Success. Ted Schadler, Nigel Fenwick with Martin Gill, Benjamin Arnold, Peter Harrison, May 8, 2018.

### Toyota Material Handling USA Launches New Digital Economy for OEM Parts



Toyota Material Handling USA (TMHU), the #1 selling forklift brand in North America, recently launched the MyToyota Store, TMHU's official marketplace for Toyota Genuine Forklift parts. By connecting its nationwide network of dealers and industry experts with customers in a platform model, the company can offer the widest selection of genuine OEM parts and equipment with onestop shopping convenience. Toyota customers now get 24/7/365 access to the entire inventory of Toyota

forklift dealers across the country, with next-day shipping options in the lower 48 states to keep their business moving forward.

But TMHU isn't stopping there. The long-term vision for MyToyota Store is that all dealers can list their entire inventory for sale online, including non-Toyota parts. This will put Toyota at the center of a new digital economy for forklift spare part sales and bring their dealer network forward into eCommerce.

# What A Successful Platform Looks Like

Platform businesses create ecosystems in which buyers, sellers, and providers of complementary services all come together. For a platform business to be successful, it needs to offer distinct features and functionality designed for each side. Platform operators also need to easily be able to see and understand what's happening within the platform.

#### A SUCCESSFUL PLATFORM BUSINESS INCLUDES:



#### A simple workflow for seller onboarding.

We can't emphasize enough how essential this is. You won't be able to build a robust group of third-party sellers if they can't easily list their products and services. Your sellers will have their own data formats and files housing information about their products and services. To scale, your system needs to make it easy for those sellers to join, and easily accept all those formats.



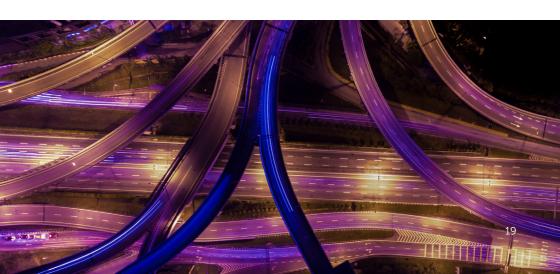
#### An API-based platform that makes automated tasks and data analysis easy.

Platforms are complex structures. They need to operate efficiently, and easily be able to incorporate new data sources so that you can surface the data that's most valuable and relevant to your business.



#### Safeguards to ensure reliability and flexibility.

Without a stable, high-performing platform, you won't be able to attract the customers or sellers that you need to grow. You will want to add new features and functions to extract additional value as your platform becomes more successful, so design with flexibility in mind.





#### Streamlined tools to manage and control the platform, both for you and your sellers.

You need to be able to monitor the performance of your platform, and sellers need to be able to easily manage their products, pricing, and promotions.

#### When you're designing your platform, consider how you will:

- Maintain control over your marketplace and brand when integrating third-party sellers
- Offer online/offline integrations like Click & Collect, in-store returns, and/or endless aisle capabilities
- Manage orders that include products or services from multiple vendors

#### Platforms that include service providers may need additional tools or pathways to:

- Manage locations where services can be provided
- Create flexible service types with opportunities for integrated scheduling
- Confirm that services were actually provided post-checkout



#### Tools for quality management.

When you bring third-party sellers into your platform, they need to meet your quality standards—not just during onboarding, but for as long as they are on your platform. Your system needs to be able to set and enforce those standards. Use performance data, as well as customer ratings and reviews, as your starting point.



By delivering the ease and convenience of one-stop shopping, endless aisle, and transparent pricing, your marketplace can deliver on this critical metric.



#### Tools to analyze your robust marketplace data.

Imagine the demand data you have today based on sales for your existing inventory. Now, imagine how much more data you'll have when you have 2X to 3X+ the number of online products and services for sale. Your opportunity to learn what else your customers want has increased tremendously, but you need the right tools to automate that analysis.



#### An exceptional customer experience.

Customer experience is surpassing price and product as the primary brand differentiator. By delivering the ease and convenience of one-stop shopping, endless aisle, and transparent pricing, your marketplace can deliver on this critical metric. To do so, your marketplace must integrate seamlessly with your current online presence, meet customers' expectations for seller quality, provide multi-channel support and, of course, deliver the features and reliability modern shoppers expect.

## Data Is Gold

While revenue generation and bottom-line growth are important motivators for platforming your business, gaining access to an incredible wealth of data is perhaps even more valuable. This is especially true for brands and manufacturers who, by virtue of their position at the top of the traditional linear pipeline value chain, are far removed from the customer relationship.

This is ironic when you consider that brands and manufacturers work extremely hard to build affinity and loyalty among their customers. Even

so, in the pipeline model, they're two to three steps removed from the customer, and their best intelligence comes by way of focus groups and sales data provided to them by distribution and retail partners. They sometimes even have to pay to get this data, or don't get it at all.

Platforms are weapons of mass data collection

Platforms are weapons of mass data collection, allowing everyone in the value chain to tap into customer insights. By operating their own platform, brands and manufacturers gain deeper insights about customer needs, and they're able to build direct relationships with end customers in a way that has never been possible through the traditional eCommerce pipeline. Now, as platform operators, brands can turn a one-time order into a new high-value relationship, because they can actually own the relationship.



Even brands who once refused to consider a marketplace arrangement are recognizing the ripe opportunity. For years, Nike would not sell its shoes and apparel on Amazon, but as third-party sellers began distributing through the Amazon Marketplace, Nike had no choice but to join them with its own store. Luxury brands have also come around. Just 10 years ago Farfetch didn't exist, and it's now a public company valued at over \$6 billion—a business they've grown by becoming the primary platform partner for luxury and premium brands like Gucci, Prada, Fendi, and Givenchy.



#### To increase ownership of customer data.

Now, brands can learn more about the customer higher up in the value chain. Hewlett Packard Enterprise took this exact approach by investing in a marketplace for its server, data storage and networking systems and inviting its distributor partners onboard. Now, HPE can share in the customer data and better understand what their customers buy, what they return, and how distributors serve the channel.

#### To deepen their knowledge of customer needs.

Platforms make it extremely fast and easy to introduce new products with zero inventory commitment. This allows operators like France's Boulanger, a multi-billion dollar retailer of household electronics, to test the waters, add new products, and see how customers respond. This helps Boulanger decide whether they should expand partnerships with third-party sellers or add successful products to their own inventory.

#### To extend reach into customers' lives.

With a marketplace platform, companies can add more value by becoming the go-to source for their customers' every need in their core categories and beyond. John Deere took this approach when it launched a marketplace of apps and services to support its agricultural equipment business. By installing a wide array of sensors in the equipment, the company is able to collect unprecedented usage and diagnostics data on the equipment, and participants in its ecosystem can share in that data to better serve customers with diagnostics, accessories and other services.

On a platform, because buyer data is shared, third-party sellers and even platform service providers can also get detailed insight into what customers want, what they buy or don't buy, their preferences for payment and delivery methods, and other nuances. In the short term, this insight drives personalization and options. Long term, it gives every player in the value chain the ability to predict future needs and behaviors and optimize their business to better serve customers. Ultimately, this can lead to deployment of artificial intelligence technologies, such as Amazon Alexa, which generates even more data to optimize customer satisfaction and experience.



# Adding Service To The Mix

With the exploding growth of the on-demand economy, services have become a hot commodity in the marketplace business. Services make up 69% of national consumer spending, but just 7% of services are primarily digital, representing a massive opportunity in the platform economy. Hundreds of new companies like Uber, Handy, DoorDash, Rover and Lugg are stepping up to serve virtually every need. The fact that some 50% of the workforce will be comprised of freelance service providers by 2025 ensures that there will be no lack of providers for whatever kind of value-added convenience consumers can imagine.

While these stand-alone marketplaces are a major force in the platform economy in their own right, there's also an incredible opportunity to integrate these services into a product-based marketplace. By adding complementary services to a product platform, operators can not only add convenience and value for the customer, but also extend the reach of their business deeper into customers' lives.

For example, IKEA acquired TaskRabbit, a services marketplace, and solved the problem of IKEA's famously challenging furniture assembly. For an added fee, customers can enjoy the convenience of in-home setup and installation as part of their IKEA online order. Crate and Barrel, Walmart and Wayfair offer a similar service through Handy.

Other opportunities are limited only by the operator's imagination and knowledge of customer needs: a retailer of pet supplies could add grooming, dog walking or pet sitting services; a hotel might offer booking services for local attractions or restaurants through their own marketplace site; or, a sporting goods retailer might offer rafting expeditions, golf lessons, court time reservations or batting cage bookings through local operators.

Slowly, we'll begin to see this notion of "added" service become fully integrated. The Holy Grail is providing the ability to buy a finished experience, rather than a product plus an installation service. Unlike third-party partnerships, a fully integrated services marketplace can deliver that seamless experience.



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### Defining Your Platform Strategy

By now, you're probably convinced that platforming your business is the way to deliver the modern customer experience buyers expect, get closer to your customer, gather insightful data, and ultimately, drive revenue.

But before you take the leap, it's best to take stock of your objectives and define a strategy that will meet those goals. Here are some key considerations that can help you navigate the best path forward.

### How will your platform benefit your customers?

Remember: to achieve the coveted network effects that have made companies like Amazon so successful, you need to start with the customer experience. Delivering greater value to your customers is what kickstarts the virtuous cycle of more sellers, more buyers, and an ever-expanding selection of goods and services at competitive prices. At its core, platforming your business isn't about growing your sales or profits, or about optimizing your business. It's all about satisfying the customer. Ask yourself how you'll deliver on customers' expectations, identify what they could be interested in buying from you, and give them exactly what they want.



### What are your traffic goals beyond monetization?



Many companies think that they need to have a lot of traffic in order to be successful with a platform. But platforming isn't just about deriving more value from the website traffic you already have. It's a way to operate differently, extend your reach beyond how you serve customers today, and completely remodel your value chain. Take Toyota Material Handling USA as an example. With the MyToyota Store, TMHU gets much more than a commission on sales from their

dealers—they get deep customer knowledge to learn more about what they need and what other products they should sell. They can ensure a high-quality experience for their customers, which builds brand loyalty. And, they're helping their dealers build stronger long-term relationships with customers. These are arguably much more valuable than the commission itself. Ask yourself: how can a platform add more value to my organization?

### Where do you want to play in the value chain?

The beautiful thing about a platform is that you can gain value by better serving the customer at any-or every—point in the value chain. Even more exciting, you can also expand into a broader range of business than a conventional pipeline model will allow. For example, AccorHotels is building the Amazon of the hospitality industry with the launch of its ASTORE marketplace. Now, in addition to providing a platform for booking accommodations at more than 570,000 rooms, it's also expanded into offering food and beverage services and other amenities for travelers, with plans to add even more local services. Accor is using a platform approach to essentially reinvent both travel and local procurement.



#### How will you create the right balance of buyers and sellers from the start?



Many platforms face the same "chicken or egg" challenge: at launch, how can you attract the volume of buyers and sellers that will generate strong network effects? In most cases, platform operators will use subsidies to motivate one group of users to join the platform. For Airbnb, the focus was on building up the supply of property owners with places to rent, so they allowed owners to post on Airbnb at no cost. Airbnb also hired professional photographers to take

photos of the listings, similar to what you would see when booking a hotel room, which also had the benefit of building trust and legitimacy with renters. Airbnb only subsidized these listings temporarily, and as more renters were drawn to the platform, property owners actually started investing in photography on their own to stand out among the competition. Now, there are more than 6 million Airbnb listings worldwide, representing 100,000 cities.

### Is your ecosystem strategy open enough?

Your platform's success is limited only by your ability to add partners, which helps to grow the platform and create a network effect. However, your ecosystem must be open in order to accommodate these integrations—or you must work immediately to make it that way. Garmin is a great example of a company that's done this extremely well. 3 years ago, they faced a choice: continue trying to sell GPS devices, which were becoming obsolete, or pivot in order to survive. They transformed themselves into a platform company, creating an open app store built around health and wellness devices. Since then, they've cultivated more than 2,000 apps with over 10 million downloads, remaining highly relevant and valuable to their customers' lives. Instead of just surviving, Garmin is thriving as one of the leaders in the wearable health/wellness device market, all thanks to platforming their business.



# How will you adopt a platform mindset?



is more than just a business model adjustment. It requires a complete change in your mindset and the way you do business. Platforming is an incredible opportunity, but it's also a major change, and change isn't always easy. For example, Conforama, one of the largest furniture retailers in Europe, wanted to expand into new product categories, but they were unsure of how to approach it. Their first instinct was to only add noncompeting products—items that they didn't already sell. But they quickly realized that they had to

up to a wider range of products and services, and giving customers a wider selection, Marketplace by Confo has now added a dozen new categories and over 800,000 new product references. The broad selection makes Conforama more relevant to their customers and their needs. When you consider platforming, don't think of it as inviting your competition onboard; think of it as outpacing your competition by offering more selection and more service to better serve customers and take ownership of that relationship.

There is a tremendous opportunity for companies with a creative and well-thought-out strategy to define entirely new ecosystems, unlock business boundaries and reshape industries. We're seeing this shift in consumer retail, but the B2B digital transformation is even more fascinating. Innovative B2B companies have begun to take an unconventional, forward-thinking approach to platforming their business.



# The Platform Economy End Game

When you platform your business, you're doing more than boosting the bottom line. Platforming will fundamentally and permanently transform your business.



### Best Buy Canada has turned the model

### DOMN **N**b2IDE

#### They are a true platform.

Best Buy Canada started their platform journey by integrating third-party sellers to expand the product categories that they offered to their customers. At the start, they maintained exclusivity in their core categories, and used dropshipping and third-party retailers to enhance their offers in other categories that their customers wanted.

Three years later, Best Buy Canada has turned the model upside down, opening up their marketplace across their core categories. They are a true platform: they're the top seller (but not the only seller!) of products in their core business, and they're taking a slice of the pie in every one of the diverse product categories they offer to their customers.

Best Buy Canada decided to go beyond what they originally envisioned, and thought bigger than their traditional first-party eCommerce model. With their vision and the support of a Mirakl-powered Marketplace, Best Buy Canada has achieved the coveted network effects, creating a virtuous cycle of buyers and sellers that has cemented their position as the most-visited multichannel retailer in the country.

## Now, it's time to ask yourself: what will your role be in the platform economy?

Are you content selling on someone else's marketplace?

Will you provide services to help other platforms grow?

Or will you become a Platform Pioneer  $\leftarrow$  and launch a platform of your own?



# How can I kickstart the Platform Revolution for my business?

You have the inspiration, but now you need to actually transform your business from pipeline to platform.

To define a strategy that will help you meet your goals, start by asking yourself:

- 1 What opportunities are we missing today?
- 2 How will our platform benefit our customers?
- 3 | What are our goals beyond traffic monetization?
- 4 | Where do we want to play in the value chain?
- 5 | Which sides of the platform should we subsidize to maximize network effects?
- 6 | How can we sell the platform strategy internally?
- 7 | Is our ecosystem strategy open enough?
- 8 | How will we adopt a platform mindset?

#### **About Mirakl**

Mirakl is powering the platform economy by providing the technology, partner ecosystem, and expertise needed to launch an eCommerce marketplace.

Using the Mirakl Marketplace Platform, both B2B and B2C businesses can offer more, learn more and sell more. With Mirakl, businesses increase the number of products available for buyers, grow the lifetime value of customers, and anticipate buyer needs and preferences.

Committed to ease of use, the Mirakl Marketplace Platform is a turn-key solution that's easy to integrate into any eCommerce platform, and Mirakl Catalog Manager makes managing product data quality simple at marketplace scale. Mirakl's unmatched marketplace expertise is key to customers' success, with marketplace experts to help clients adopt best practices and provide critical long-term strategic guidance.

Over 200 customers in 40 countries trust Mirakl's proven technology and expertise, including Urban Outfitters, Hewlett Packard Enterprise, Best Buy Canada, Carrefour, Siemens, Toyota Material Handling USA, Inc. and Walmart Mexico.

For more information, visit www.mirakl.com.