

The rise of UK's digital entrepreneurs: harnessing the power of online marketplaces



Foreword from Gary Lynch, Chief Executive of GS1 UK



It's clear for all to see that more and more people are opting to use their phone or tablet to buy everything they want from online marketplaces – whether it's electronic products, sports equipment or even groceries.

Why? Because it's quick, easy, there's often a bargain to be found and we can all do this from the comfort of our home, in the office or even on the train travelling home.

This ease suggests that the UK market is reaching e-commerce maturity, fuelled by a new breed of business with increased digital skills and a desire to access new markets and groups of customers.

GS1 UK is acutely aware of this trend. Over the past year we have seen a spike of new members joining us for GS1 product identifiers so that they can use online marketplaces as a key element of their sales strategy.

We know that nearly 10,000 of our members have said they use online marketplaces such as Amazon and eBay to trade. And we suspect that this number might be even larger, especially when you consider that online marketplaces have exploded and a significant number of businesses, from SMEs to major brands, use these third-party platforms to sell their products.

While there is an abundance of anecdotes of 'sofa CEOs' making a fortune by selling craft goods online or reselling cheap products bought in China, the full story of how they are using online marketplaces is more nuanced.

We needed to get under the skin and really understand what's driving our members to use online marketplaces. We wanted to know how many of these SMEs are trading internationally, how many online marketplaces they are using and whether they are their primary sales channel or one of many.

We conducted market research to answer these questions and the results told us that there is a vast number of businesses using online marketplaces to sell products, especially SMEs. They vary in size and have diverse requirements and different motivations. In-fact, through our research, we've been able to identify six distinct personalities, describing their characteristics, how they operate and how much they prioritise online marketplaces.

But for all these differences, they share the common desire for growth. To improve their business prospects using online marketplaces they need ambition and some elbow grease, all mixed in with online trading expertise to meet the more sophisticated requirements of marketplace technology.

To help these digital entrepreneurs break through the barriers and match their ambitious growth targets, especially smaller business who don't have the same level of resources, we have used the results of the market research to provide insights into how SMEs can capitalise on the opportunities and trade more successfully.

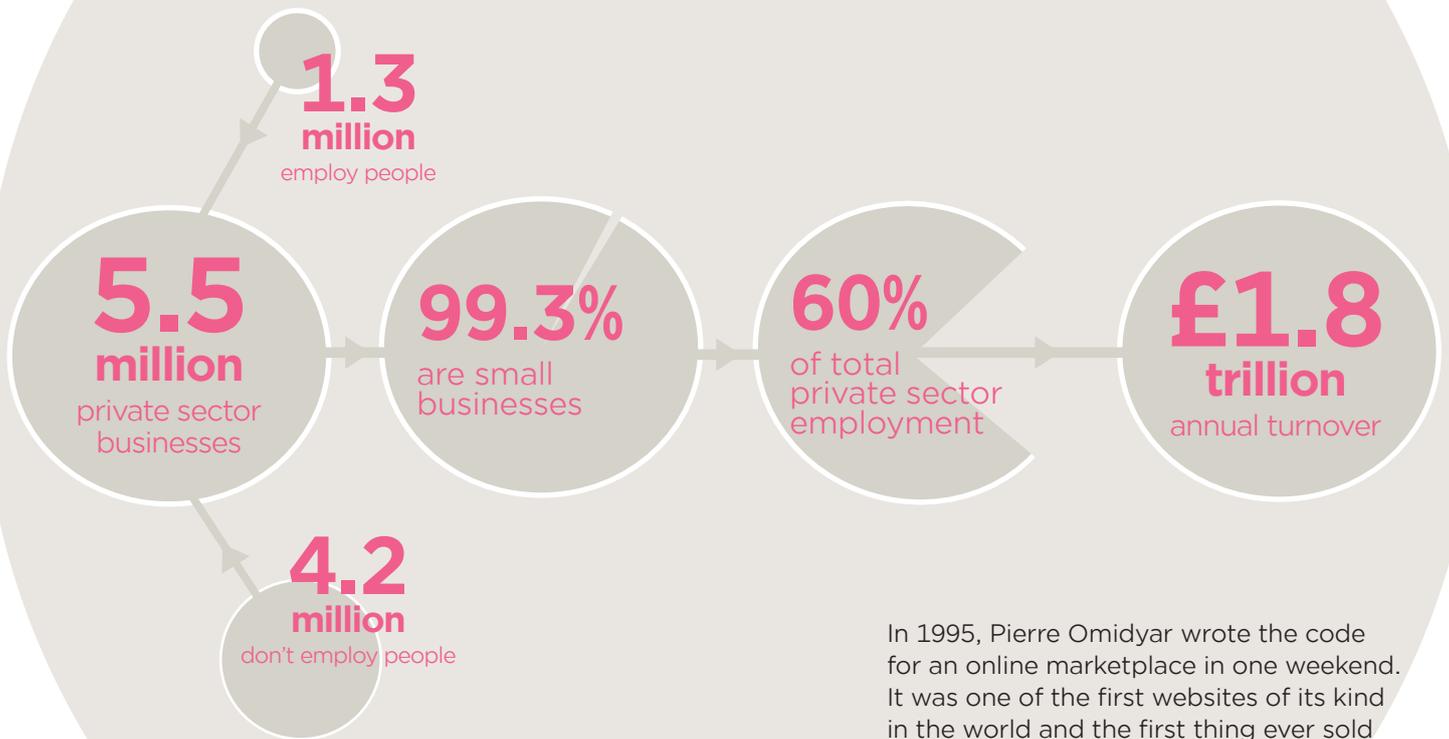
And GS1 standards, combined with our support services and networking events, have an important role to play in helping to unlock the potential of online marketplaces. Without GS1 data and information standards, digital entrepreneurs find it difficult to list their products on external platforms, know what type of information to share and give their customers confidence that they are buying the genuine article.

We believe there are abundant opportunities for digital entrepreneurs to grow their businesses using online marketplaces and we want to be at the heart of this movement, providing the best data standards and support for small business possible.



SMEs and the growth of online marketplaces

Small businesses are an integral part of the UK economy. According to the Federation of Small Businesses (FSB) there were 5.5 million private sector businesses at the start of 2016 and small businesses accounted for 99.3% of them.



In 1995, Pierre Omidyar wrote the code for an online marketplace in one weekend. It was one of the first websites of its kind in the world and the first thing ever sold on the site was Omidyar's broken laser pointer, which he got \$14 for.²

Since these early days of online marketplaces, there is now a wide selection of these platforms, and some of the bigger ones are used globally, including Amazon, eBay, Google Shopping and Alibaba. But while people tend to think of these big four online marketplaces, there are many more out there including [Trade Me](#), [Not on the High Street](#), [Etsy](#) and [Zalando](#) to name a few.

The proliferation of global online marketplaces has offered SMEs access to new markets via low-cost channels and, as a result, they have become a core component of a successful sales strategy. In-fact there are 280,000 registered sellers trading on Amazon's UK site and another 200,000 professional sellers are registered on eBay's UK site.³ If we consider from the FSB statistics that many businesses in the UK are small businesses, then we can be confident that a significant proportion of those sellers registered on Amazon and eBay's UK sites will be SMEs.

These small but important businesses provided 60% of all private sector employment in the UK and contributed a combined annual turnover of £1.8 trillion, 47% of all private sector turnover in the UK.

And in 2016, there were 1.3 million businesses employing people and 4.2 million non-employing businesses. This means that 76% of businesses in the UK did not employ anyone aside from the owner.¹

SMEs are the nation's entrepreneurs, taking risks daily. And one area that has enabled expansion has been online marketplaces.

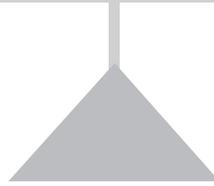
The internet quite literally exploded in the 21st century. From scanning the latest news headlines and seeing your friends' holiday snaps on social media, to ordering your favourite takeaway on your way home from work, the internet has impacted nearly every part of our daily lives.

And the way we buy and sell goods online has dramatically changed too.

¹UK Small Business Statistics, FSB: www.fsb.org.uk/media-centre/small-business-statistics

²eBay: The First 10 Years: www.ebay.co.uk/gds/History-of-Ebay-/1000000008868464/g.html

³The number of sellers registered on Amazon and eBay", Tamebay: <https://tamebay.com/2017/09/uk-sellers-registered-amazon-ebay.html>



Understanding marketplace sellers

GS1 is a global standards organisation, bringing members together to transform the way they work and serve their customers through the power of open, global standards.

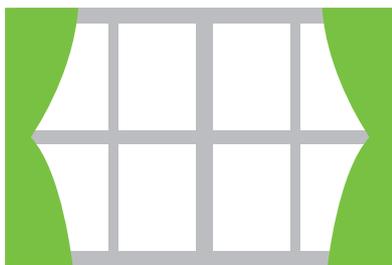
The UK arm of this global organisation is a community of more than 32,000 members and a significant number of these businesses are SMEs. In 2016/17, 67% of GS1 UK's members joined to trade on marketplaces and overall, 9,000 members have indicated they use online marketplaces to trade their products - using [GS1 product identifiers](#).

To better understand the needs of these companies that sell online via marketplaces and how GS1 UK could better serve them, be it through standards or services, GS1 UK carried out market research.

Conducted by [White Space](#), an independent strategy consultancy firm, the research combined primary research, analysis and consultancy methodologies to better understand businesses selling products via online marketplaces.

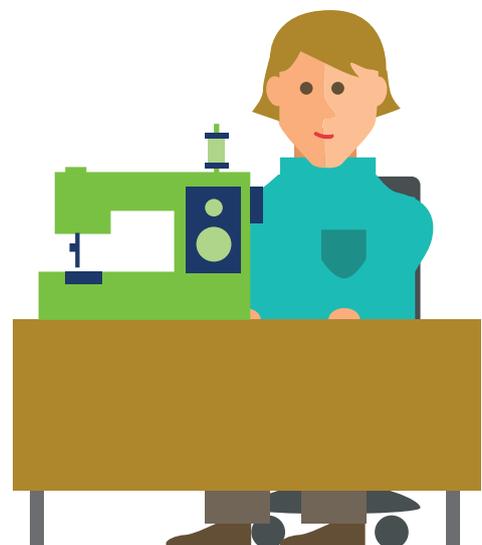
The findings paint an interesting picture and reveal some key trends, illustrating why businesses use online marketplaces, the challenges they face and their different approaches to incorporating third party platforms into their business strategies.

What was discovered is that there are many reasons and factors driving why and how businesses use online marketplaces to sell their products including motivation, focus and access to international markets.



"With Amazon we got to trial, launch and subsequently realise very healthy sales of our designer exotic wood stationery in under 3 months; the speed and flexibility inherent in online market places is second to none!"

Nick Kalmus, Director, Chameleon Stationers of London



MOTIVATION

Marketplace sellers have different motivations and reasons for using online marketplaces.

As a hobby

- These businesses typically sell simple items in small quantities
- Products might be home-made, personalised or be basic with a small amount of value added
- After establishing on a marketplace like Etsy, sellers tend to move on to eBay to build further customer awareness and extend their reach

As a testing bed for new products

- Sellers with a more established online presence sometimes sell a smaller, premium selection of their full range on Amazon to test demand
- Amazon is used as a platform to link with their own website to capture additional revenue

As a platform to grow their customer base

- Sellers who are established on other marketplaces tend to use Google Shopping to help with marketing and reach out to a broader customer base
- Marketplaces provide an appealing platform to scale up businesses with an online channel focus

As a an additional sales channel

- Offline businesses facing increased competition on the high-street look to online marketplaces as a secondary channel to sell on
- Businesses with physical shops may also be looking for lower cost channels with few overheads and low investment required

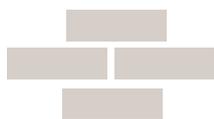
These businesses typically use

Etsy
eBay

amazon

Google
amazon

eBay



Click
'n'
Collect



FOCUS

Sellers on online marketplaces broadly fit into two camps: those with an online focus who tend to proactively use marketplaces, and sellers with an additional offline focus who use them as a response to consumer demand.



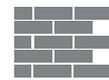
Online focus

- 65-75% of the sampled businesses typically fitted into this camp
- They want to keep overheads low or are new to selling products
- They broadly have a positive view of marketplaces
- Many have explored the different marketplaces and understand their strengths and weaknesses
- With more national or international sales than local sales, they see little need for a physical store



Mixed focus

- 15-25% of the sampled businesses typically fitted into this camp
- They typically have a physical store or wholesale network supported through online marketplaces
- Their online presence facilitates a wider product portfolio
- Growth in consumer use of marketplaces forces these sellers to set up shop online, "marketplaces are a necessary evil"



Offline focus

- 1-10% of the sampled businesses typically fitted into this camp
- They make little use of marketplaces
- These businesses may have been established before online marketplace growth
- They mainly sell through own stores, own website and a network of partners and/or affiliates
- They believe there is still market opportunity in traditional channels

Size does matter: selling internationally and data needs

A clear trend from the research demonstrated that businesses with larger revenues are more likely to be selling into international markets. At the same time, they have more complex needs, especially around data.

Businesses that actively sell to international markets tend to have their own websites and are active on non-UK Amazon sites' sellers lists. However, their needs are complex.

They require omnichannel software, will have to be compliant wherever they are selling in the world and will be sensitive to challenges around the international supply chain.

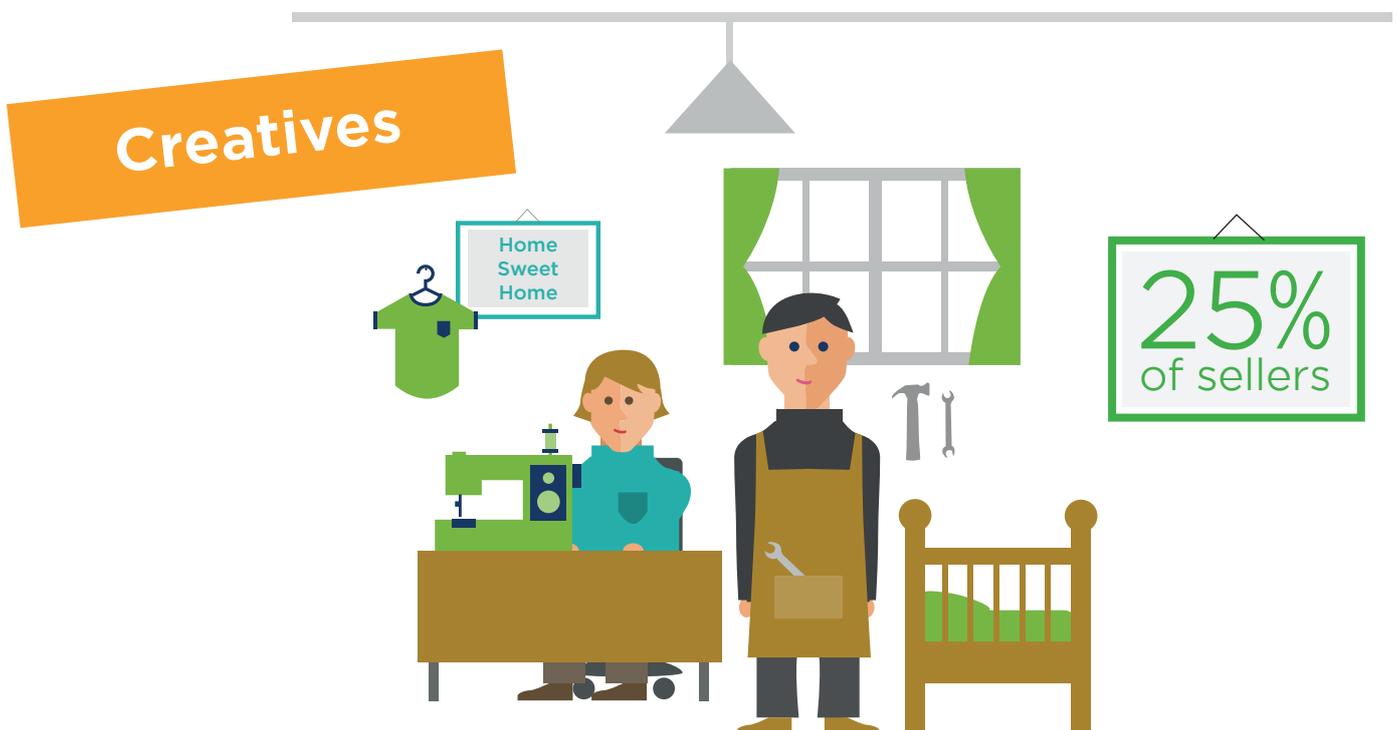
Smaller businesses tend to be those that don't sell internationally and are attracted to online marketplaces because of the lower fees and the simplicity of listing products. They're more likely to have needs related to running a small business rather than anything specific and have fewer data needs, so they are quite content in using Microsoft packages like Excel and Access.

The different faces of marketplace sellers

The research clearly illustrates that different businesses use online marketplaces in different ways and for different reasons.

These businesses range from those who dabble into online sales simply as a hobby all the way up to larger businesses who use online marketplaces to access international markets.

The research found that marketplace sellers broadly fall into six categories or profiles based largely upon their scale and complexity.



- Usually new to marketplaces/online selling
- Turned their own hobby or passion into a business
- Operate a manual sale-by-sale strategy
- Tend to focus on a single marketplace
- Products are typically second-hand or handmade
- Operate out of their own home
- Business maybe a side project or second source of income for them

Traders



- Spotted an opportunity to make money quickly and easily
- Source lower cost products from abroad at high volumes
- Sell through multiple online marketplaces, rather than their own website
- Online marketplaces are their primary channel
- Traders have an eye for the latest product trends and crazes, which they buy in bulk and sell fast
- Brand identity is not a priority
- Actively monitor product success on different marketplaces

Innovators



- Focused on building a brand
- Started out online and looking to increase awareness
- Typically target niche markets
- Adopt a 'start-up' culture and trade through their own website to develop their brand
- Focus on a niche idea or a smaller range of products, often invented by them
- Employ a small team with the same mind set
- Committed to deliver their vision and take the business forward

Growers

Grower & Sons



- Typically started offline, like a family run business and recognised the need for change in order to reinvigorate their business
- Focused on growing their use and sales through online marketplaces
- Use online marketplaces to reach new customers and test the e-commerce waters
- Their brand is important to them and they will develop their own website

Pioneers



- Experienced users of online marketplaces
- Comfortable with their current level of online sales
- Use marketplaces selectively based upon product type
- Likely to have been early adopters of marketplaces
- Enjoy stable growth and are looking at their internal processes to automate further - they could also be considering offline channels as part of their expansion
- Shifting emphasis to push their brand and use online marketplaces for selective products only



- Large omnichannel businesses, with international growth their priority
- Have complex needs but large internal resources
- Proactively use marketplaces to sell internationally
- Despite size, marketplaces can still represent an important channel for them
- Their brand is essential to them and adds a premium to their products

The challenges of selling on online marketplaces



Creatives

Typically, Creatives need to seek out how-to advice on using marketplaces and listing items. They require guidance on marketplace regulations and barcoding. By focusing on producing targeted content and formatting they can drive more traffic to listings.



Traders

Many Traders need to work on their back-end process optimisation. They can grow their business by increasing efficiency, typically by trialling automatic listing software for marketplace platforms. High volume sales strategies could lead to investment in digitised stock management solutions. And as their product range expands they should seek out further advice on how marketplaces differ in terms of pros cons, fees and requirements.



Innovators

To be successful Innovators need to concentrate on channel integration and their marketing and sales. They need to focus on how best to build their brand and developing their seller profile. They should also prioritise linking marketplace profiles to their own website and integrating sales and product stock updates.



Growers

Growers need advice on how to most effectively use marketplaces alongside physical channels and integrating offline stock management with new online sales. Growers might also look to invest more time and effort on how best to improve data collection to review and compare online and offline sales.



Pioneers

To get the most out of marketplaces, Pioneers should invest time and resources into automated solutions that reduce cost. They also need to give more focus on marketing and sales, leveraging brand awareness and maintaining brand appeal



Leaders

Leaders require a bespoke product management system that sits across all sales channels to drive success and overcome challenges.



“Online marketplaces allow us to display our products to a mass audience, to respond to customers’ concerns and to sell while still keeping a reasonable margin.”

Catherine Curtis, BabyHub

Overcoming the barriers

While our economic future maybe unclear and the research told us that sellers face many challenges when using third-party sites, there are many simple steps that these businesses can implement to truly harness online marketplaces – whatever their size or growth strategy.



Selling internationally

Online marketplaces represent real opportunities to expand into international markets, with the possibility of securing more customers and diversifying product ranges according to different audiences.

It's hard enough selling goods in the UK but mastering international markets can be extremely challenging considering there are different regulations and taxes, and products will be welcomed differently depending on what country they're being sold into.

However, there are many tactics that can be adopted to make international selling that bit easier.

Listing

eBay states that if businesses actively list on international marketplaces they can generate as much as eight times as much revenue as simply making a domestic listing available for international shipping.

Where marketplaces have international sites, as opposed to just international customers on a domestic site, businesses often have the choice of creating a listing and making it available internationally or they can set up separate stores, while creating listings separately on each site.

While this will result in greater fees, many sellers feel this keeps things simpler and is a good way to test out a territory without putting any domestic feedback and their main account at risk.

International deliveries

It's estimated that SMEs spend about 20 percent of their time on shipping, when they could be working on their next product launch or getting their accounts in order. Yet, there is a wealth of marketplace logistics services that can help SMEs reduce the time used to ship orders and manage their returns.

Adding international postage options to listings is the logical first step, as this immediately makes products accessible to customers ordering from overseas.

[Fulfilment By Amazon](#) (FBA) provides local delivery from UK, France, Germany, Spain and Italy, while [Avenue 51](#) is one of the logistics providers used by brands trading on Alibaba. And eBay have their [Global Shipping Programme](#) which allows sellers to offer items to customers in any country but only worry about a UK delivery, as eBay handles the delivery after that point, including the customer service.

Getting to know the international market

International orders can typically make up 10-20% of a marketplace's customers. To tap into this opportunity, sellers need to determine which products are likely to be popular in a particular territory and tailor their strategy accordingly.

There are some practical points to consider from the outset, such as supporting the payment, delivery and returns terms of the market, which can all be culturally driven.

Beyond our immediate neighbours in Europe, it is vital that sellers do their research thoroughly, as there are different requirements for different markets.

For example, in India sellers need an agent and in South America there are high import charges for many categories. In some countries there may be restrictions on the sale of certain products such as alcohol, adult material or products whose distribution is restricted by copyright.

Lost in translation

When selling internationally, sellers will receive customer enquiries, complaints, claims and feedback in languages other than English. They must take whatever steps necessary to ensure they fully understand these communications from international customers, potentially employing a native speaker or translator to deal with customer service.

Tax and shipping considerations

To sell internationally, businesses may be required to register for VAT purposes in each of the countries they sell into. Regulations will vary from country to country and can differ depending on whether products are being sold to private individuals or businesses, whether the customer is in an EU member state and, in some cases, on the volume of sales made into a particular country.

Products may also be subject to import duty, which could result in packages being held up at customs. Most marketplaces, and most customers, will hold the seller responsible for this, so they must understand what charges need to be pre-paid before selling into a particular country.

The Government's Department for International Trade has a vast amount of resources to help UK businesses accelerate exports through online channels. Launched in November 2016 in collaboration with 41 online marketplaces, www.GREAT.gov.uk is free to use, is available online and allows UK companies to click, connect, prepare and sell on global e-marketplaces, based on their product category and export market of choice.

Promotions

Sellers can have a great product and an extensive range of goods that will sell like hot-cakes. But how do potential buyers become aware of these products and how do sellers convert awareness into sales? There are many ways of doing this online and they vary according to the marketplace platform.

Automated promotion slots

A certain amount of promotion takes place automatically via online marketplaces once products are listed. This is called automated promotion and types include:

- Statistical, for example, hot products and top 10 lists
- Associative, for example, people who bought X also bought Y
- Social, for example, wish lists

These are usually based on order records or browsing data and can work effectively once sellers have a trading history on a marketplace. But this means they don't work for sellers who are new to a marketplace, then they won't have the history compared to more-established brands.

Short-term discounting

To mitigate the time that it takes to build up a trading history, sellers should consider discounting products in the short-term. While this reduces income and it may not cover overheads or time spent, the potential increase in sales will start to get the product appearing in automated promotion slots as it becomes associated with other products and/or becomes a hot-selling item.

The number of orders and browsing activities associated with these short-term discounting periods will not disappear overnight and will help drive sales even when the period of discounting ends.

"We considered an online marketplaces as one of our first routes to market. It's a great way to test the market with your products and the support you have from the marketplace can make your online e-commerce journey a lot easier. Since we are a luxury brand, we benefit from the exposure and association of our brand to curated or niche marketplaces who are targeting the same audience as we are."

Zakera Kali, Peace & Blessings



Manual promotions

Many online marketplaces allow sellers to create item-level promotions and these are often free if they are associated with the sellers' own item. For example, 'Free delivery on all orders' or 'Buy this item in May and get a free mouse mat'.

To create a promotion or campaign that is advertised elsewhere, such as in emails other than to existing customers or in banner advertising on category or homepages, sellers may need to pay extra for these. Some marketplaces operate a paid scheme such as [Amazon's Sponsored Products](#) and these work very similarly to paid search links on search engines, where sellers bid on search terms and pay for every click the ad receives.

Promoting your store front

Promoting store-fronts on marketplaces is actively encouraged. Most marketplaces have a short URL that can be used in customer communications and packing slips. A store front will show only the sellers' products, although customers will still be able to click away to other sellers if they choose.

Key performance metrics

To drive growth and sales, sellers need to understand what customers have previously bought, how they have done this, when they purchased the item and much more. The list of metrics is long.

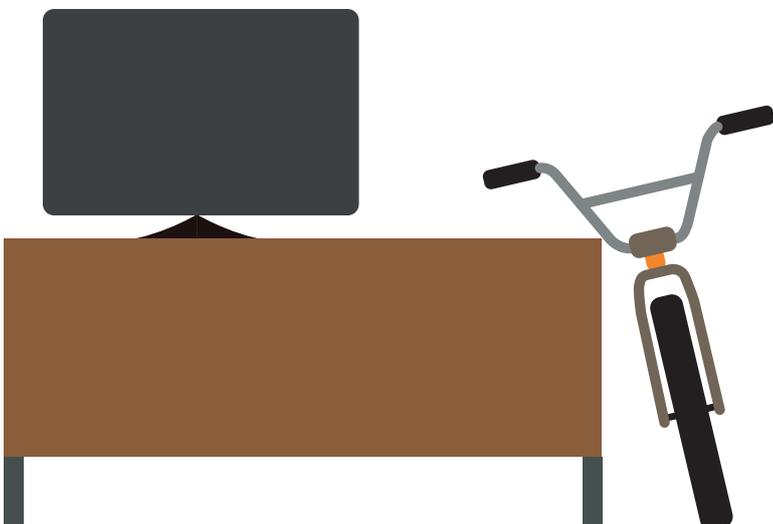
Most businesses using online marketplaces track success based on volume of sales. But it's important to understand that different marketplaces have different measures of success and this could have an impact on the sellers' standing with the marketplace. Some examples of this include:

Feedback score and feedback ratings

Negative feedback is of course bad. But not receiving any feedback at all can indirectly count against a seller too, as any negatives will be proportional to a lower base. Sellers should do everything they can to actively encourage buyers to leave positive feedback. For example, after resolving a dissatisfied customer's complaint the negative feedback can be removed and even turned into positive feedback through the provision of a quality resolution experience.

Average dispatch time

This is sometimes known as Days Sales Outstanding (DSO) and the quicker the average dispatch time is, the better it is for the seller. For most marketplaces sellers should try to keep this under two business days where possible. If a drop-shipper is used, then the seller must always know exactly what inventory is on-hand and ready to ship immediately.





Looking beyond the big four

When people think of online marketplaces they usually just think of Amazon or eBay. But there are a lot more out there now, over 400 in fact. These other marketplaces are great ways to get more sales from new customers as the sites have existing traffic and this traffic is made up of potential customers that may not be aware of the sellers' brand yet.

Marketplaces must fit the product and brand though. Here are some ideas of where to look.

Trade Me

A New Zealand marketplace with low returns. A great option for counter season stock for UK SMEs

Top Hatter

A 90-second auction based site in the UK and US. Great for turning slow moving lines or terminal stock

Fruugo

One product feed gives sellers access to all their sites globally

Trouva

A marketplace for boutique store owners. Similar to Net-a-porter but with high street prices

Not on the High Street

A UK-based, mainly personalised giftware marketplace. Sellers need to 'pitch' products to the category managers

Newegg

A US-based and predominantly tech-focused site. But it has a B2B Canadian site too and is set to launch a China site

La Redoute

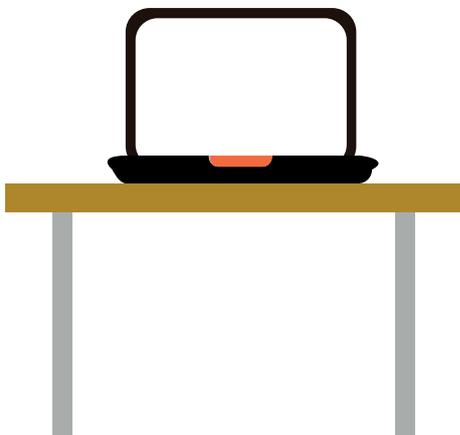
A French fashion marketplace

Zalando

A fashion-focused German marketplace. Businesses need to be accepted by the category managers to be a seller

Secret Sales

A flash sale-based UK marketplace. It helps sellers who have produced more stock than they can sell to mainstream retailers



"As a start-up it was very clear from the offset that having an online presence was absolutely essential for business growth. After all, everything including lawyers, graphic/web designers, product suppliers and learning materials were sourced from online"

Jay Sagoo, Director of Paw Soulz

The role of global standards

It's abundantly clear that many businesses use online marketplaces as a core component of their sales strategy. These can vary from a large complex operation accessing international markets to a one-man band selling the latest must-have toy from their garage, using the marketplaces' value-added services to reduce the risk of exporting.

Whatever their size, needs or growth targets, online marketplace sellers benefit from adopting universal data and information standards.

GS1 global standards help these sellers to identify their products, using unique GS1 numbers to link to other information about the product. It's no different to a passport for example, where the passport number links to additional information such as the date of birth, nationality and expiry date.

GS1 standards are vital in helping businesses of all sizes to identify, capture, and share information about their products. And this just doesn't benefit businesses in isolation. Adopting standards makes it possible for companies to speak the same language, connect with each other, and enable true visibility in the supply chain.

The likes of Amazon, eBay and Google Shopping all need to find ways to manage their vast product catalogues as effectively as possible. As a result, they're asking online sellers to provide unique identifiers for their products because if online marketplaces better understand what's being sold on their platforms they can then make enhancements to help shoppers find, compare and buy products more easily.

But standards offer much more than just listing product details. GS1 standards give consumers confidence that they have an authentic product and provide robust data, by ensuring that the businesses they are buying from are not promoting counterfeit products or selling illegally.

At the same time, businesses implementing GS1 standards can reduce costs and become more efficient. They can even help companies to future-proof themselves against the next wave of technology, such as searching for products using voice or image recognition services.

Here in the UK, we're helping smaller online marketplace sellers – the digital entrepreneurs – with more than just providing them with unique product identifiers.

We're providing advice and workshops on how to sell on the top online marketplaces and in top high street retailers too. This guidance helps them take full advantage of the unique identification number they receive from us to trade more efficiently, whatever their size, heritage or preference.



What type of online seller are you?

Take the test and share your results

#whatsellerareyou

www.gs1uk.org/whatsellerareyou

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