

MARKETPLACES AS RETAIL'S NEW FRONT DOOR

What Sellers Need
To Thrive In This New Digital World

AUGUST 2020

For the **Marketplaces As Retail's Front Door: What Sellers Need To Thrive In This New Digital World** study, PYMNTS and Visa surveyed 1,049 businesses and individuals from across the United States selling on digital marketplaces to better understand how each uses online marketplaces, the types of products they list on those marketplaces and how they receive payouts for the sales they generate. We also sought to understand how digital payout features like credit options and real-time settlement capabilities can keep them from shifting their products to competing marketplaces.

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ACKNOWLEDGMENT

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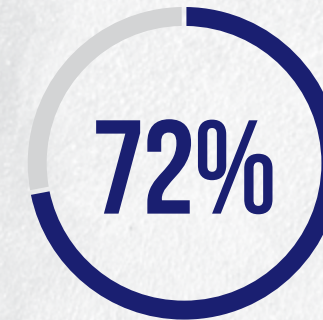
INTRODUCTION

Collectors and pack rats rejoiced when eBay launched in 1995, granting buyers with a passion for picking up one-of-a-kind items and sellers cleaning out their attics and garages a chance to connect online and do business together for the first time. eBay allowed sellers to monetize the stuff they no longer wanted and enabled buyers to find unique treasures from anyone, anywhere. A few hitches existed, though, foremost how sellers should collect their payouts.

This friction has been present on digital marketplaces¹ from eBay to Etsy and beyond since their inception but has become even more pronounced since March, when individuals, brands and stores with physical footprints began turning to digital commerce channels to find customers and make sales in the face of the pandemic. PYMNTS' research suggests that 72 percent of surveyed Main Street businesses — those generating less than \$10 million in annual revenue — that maintain brick-and-mortar locations in commercial areas have improved upon their digital capabilities or added new capabilities since the pandemic began.²

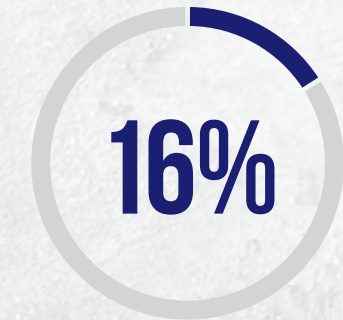
¹ Our survey defines "digital marketplaces" as online platforms where third party sellers are able to list either new or used products for sale. Examples of marketplaces considered in our study include not only resale marketplaces such as eBay and Craigslist but also Amazon, Walmart, Poshmark, Wayfair and Mercari, to name a few.

² Main street on lockdown: Business recovery edition. PYMNTS.com 2020. <https://www.pymnts.com/coronavirus-data-center/>. Accessed August 2020.



MAIN STREET BUSINESSES

Seventy-two percent of Main Street businesses in the U.S. have improved upon or added new digital capabilities since the pandemic began.



DIGITAL MARKETPLACES

Sixteen percent of all adult U.S. residents and micro businesses list on digital marketplaces.

Digital marketplaces are a beneficial yet underutilized tool for Main Street businesses and for individuals using web sales to supplement their personal incomes. These small and mid-sized operations and casual sellers tend to lack the resources to invest heavily in enhancing their IT infrastructure. Digital marketplaces, which enable them to list products and accept payments with little expenditure, can therefore provide a cost-effective alternative to building payment operations from the ground up. Only 3.5 percent of all Main Street businesses and 16 percent of all adult United States residents and microbusinesses report using digital marketplaces, however, underscoring a considerable opportunity for growth. The only question is how marketplaces can draw these sellers to their platforms.³

³ Our survey respondents qualified as a representative of a business if they were either owners or workers for a store or business generating less than \$10 million in annual revenue which sells products online and who has intimate knowledge and leadership responsibilities in areas related to their firms' use of marketplaces.

PYMNTS, in collaboration with Visa, surveyed 1,049 individual and business marketplace sellers from across the U.S. to better understand how each uses online marketplaces, the types of products they list on those marketplaces and how they receive payouts for the sales they generate. We also sought to understand how digital payout features like credit options and real-time settlement capabilities can keep them from taking their products to a competing marketplace.

We found that businesses in our survey that sell via online marketplaces wait an average of 3.3 days before they receive sales proceeds in their bank accounts, and 27 percent of those businesses report waits of between three to five days.

Respondents were classified into five different groups depending on size, in the case of businesses, and product types, in the case of individuals and microbusinesses. The final groups were:



INDIVIDUALS:

individual sellers that only sell used products on marketplaces



MICRO-BUSINESSES:

individual sellers that sell new products on marketplaces



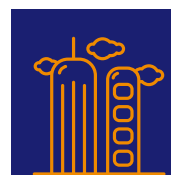
SMALL BUSINESSES:

businesses with revenues of less than \$500K



MID-SIZED BUSINESSES:

businesses with revenues between \$500K and \$1M

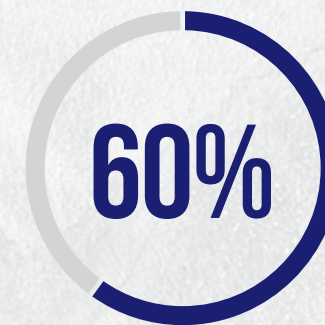


LARGE BUSINESSES:

businesses with revenues of \$1M or more

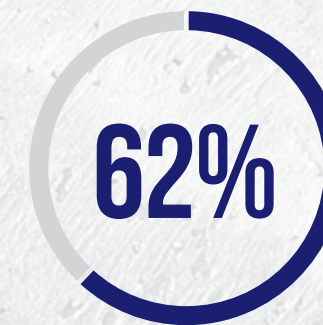
The efficiency of the listing experience is important for many surveyed sellers

but not as important as being paid in real time.



BUSINESSES

Sixty percent of all surveyed businesses are “somewhat” to “extremely” interested in switching to marketplaces that offer real-time settlement options.



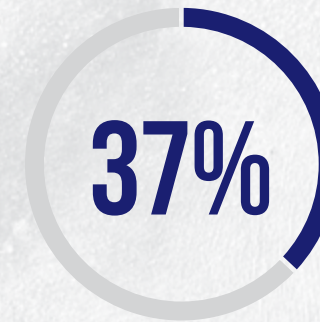
INDIVIDUALS AND MICROBUSINESSES

Sixty-two percent of surveyed individual marketplace sellers are “somewhat” to “extremely” interested in switching to marketplaces that offer real-time settlement options.

Waiting a few days to receive sales proceeds might not have seemed as if it were make-or-break for sellers in the past. The expectation that sales proceeds may not be made available for several days was common and even accepted as a standard business practice in stronger economic times. Those days can now mean the difference between paying bills and making payroll for the six in 10 businesses and eight in 10 individuals and microbusinesses in our study who are turning to marketplaces to find customers and make sales during the current economic crisis.

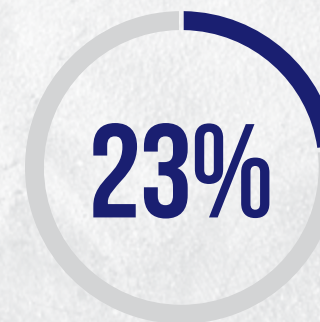
PYMNTS' research shows that three-quarters of surveyed Main Street businesses have experienced cash flow shortages during the five months since the pandemic's onset. This compares to 56 percent of SMBs in a 2019 study that had reported experiencing cash flow shortages.⁴ Even more critical is the fact that 37 percent of Main Street businesses that are experiencing issues with their cash flows during the pandemic also report having to dip into their personal funds just to keep their businesses afloat.⁵ Another 23 percent report having to resort to borrowing money from family and friends, underscoring just how valuable it can be for them to quickly receive sales proceeds.

The SMBs we have studied have few credit options available to bridge their cash flow crunches, however, and they now regard getting paid more quickly after sales are made as an essential service from virtual storefronts. One-third of all surveyed businesses and individuals selling on marketplaces would consider switching marketplaces for access to real-time settlement options that can help them get the funds they need.



PERSONAL FUNDS

Thirty-seven percent of Main Street business owners in the U.S. who have experienced cash flow shortages have had to dip into their personal funds to keep their businesses afloat.



BORROWING FROM FRIENDS AND RELATIVES

Twenty-three percent of Main Street business owners in the U.S. who have experienced cash flow shortages have had to borrow money from friends and relatives to stay afloat.

The implications are clear: Real-time settlement is a capability that is so prized that many surveyed sellers might be willing to move their businesses to platforms that can deliver it. This finding is a call to action for marketplaces — there are no buyers to generate sales without sellers that offer great products, after all.

Businesses and individuals are turning to digital commerce channels to

boost their sales and supplement their income

amid the economic downturn.

⁴ SMB receivables cap. PYMNTS.com. 2019. <https://www.pymnts.com/study/the-smb-receivables-gap-playbook-november-2019/>. Accessed August 2020.

⁵ The road to recovery: Main street SMBs and closing the cash flow gap. PYMNTS.com. 2020. <https://www.pymnts.com/the-road-to-recovery/>. Accessed August 2020.

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MARKETPLACES ARE THE NEW MALLS.

Sellers set up their virtual storefronts on them to find customers; buyers gather there to find things to buy.

Sellers are often primarily drawn to digital marketplaces for their accessibility, both in terms of reach and ease of use. The single biggest reason surveyed businesses and individuals sell on marketplaces is to reach more potential buyers. Our research shows that 62 percent of the businesses in our study that use marketplaces do so to reach more customers and that 78 percent of surveyed individuals and microbusinesses in our study use marketplaces for the same reason.

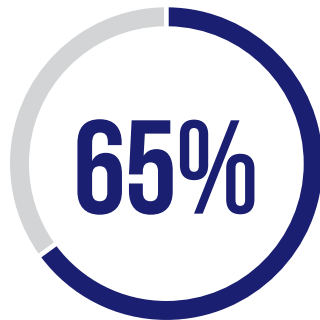
Many surveyed businesses and individuals also list on marketplaces for their ease of use. Twenty-one percent of businesses in our study sell on marketplaces because they believe it is a quick and easy way to expand and access new sales, for example, and 12 percent use them because they make it easy to collect payouts. Sixteen percent of surveyed individuals and microbusinesses report using marketplaces to easily receive payouts.

FIGURE 1:

Why surveyed businesses, microbusinesses and individuals use online marketplaces

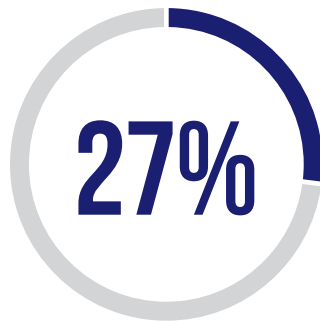
Share that use digital marketplaces for select reasons, businesses versus individuals





SECONDARY REVENUE SOURCE

Sixty-five percent of businesses that sell on marketplaces use marketplace sales to complement their brick-and-mortar sales.



PRIMARY REVENUE SOURCE

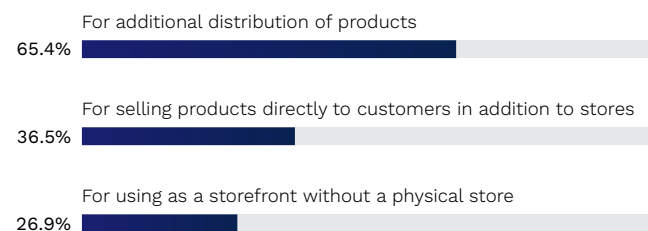
Twenty-seven percent of business sellers have no physical store and rely on marketplaces as their only source of revenue.

Not all businesses in our study rely on marketplaces to the same extent, however. Most surveyed businesses that sell on marketplaces do so to complement their physical store sales, but a minority of them lack brick-and-mortar stores and are totally reliant on marketplaces as a source of revenue. Our research indicates that 65 percent of surveyed businesses use marketplaces to complement their physical storefronts, while 27 percent use marketplaces as their only storefronts. All marketplace sellers stand to benefit from expedient payouts, but quick and easy funds access is even more crucial for the 27 percent of surveyed sellers that use digital marketplaces as their only storefront.

FIGURE 2:

The degree to which surveyed businesses rely on online marketplaces to generate sales

Share that use marketplaces as a primary or complementary source of revenue



Source: PYMNTS.com

The majority of businesses with digital marketplace listings use them to complement their brick-and-mortar sales.

Slow settlement speeds have the greatest impact on a minority of businesses for which marketplace sales are their only source of revenue.

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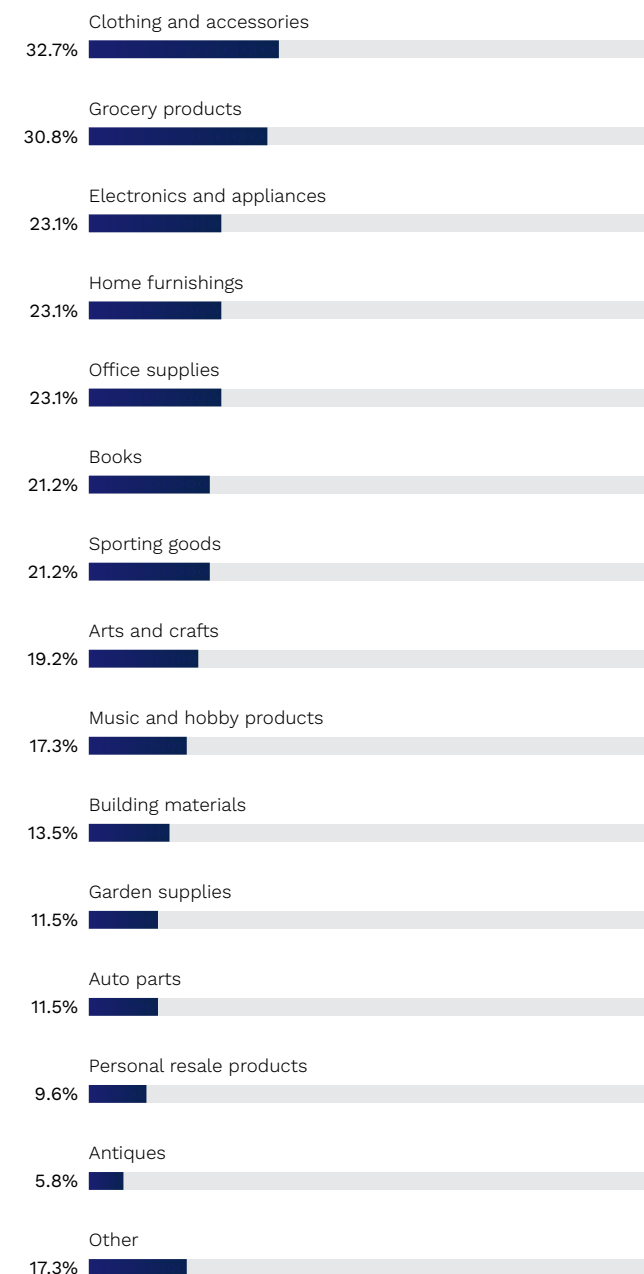
**Sellers list their products
on marketplaces**

**THAT WILL APPEAL
TO MORE OF THEIR
TARGET BUYERS.**

FIGURE 3:

Types of products surveyed businesses sell on online marketplaces

Share that sell select types of products via marketplaces



Source: PYMNTS.com

Marketplaces attract a variety of businesses, microbusinesses and individuals offering a broad assortment of products, both used and new, but certain types of products tend to be listed more frequently than others. Businesses that sell on marketplaces are more likely to sell retail goods and groceries than any other type of product. Our research shows that 33 percent of surveyed businesses selling on marketplaces sell new clothes and accessories, 31 percent sell food or grocery products and 23 percent sell new electronics and appliances.

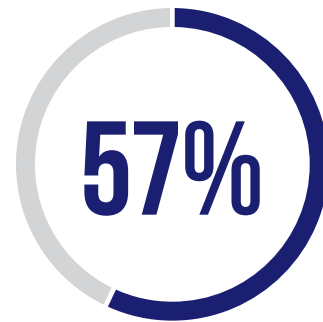
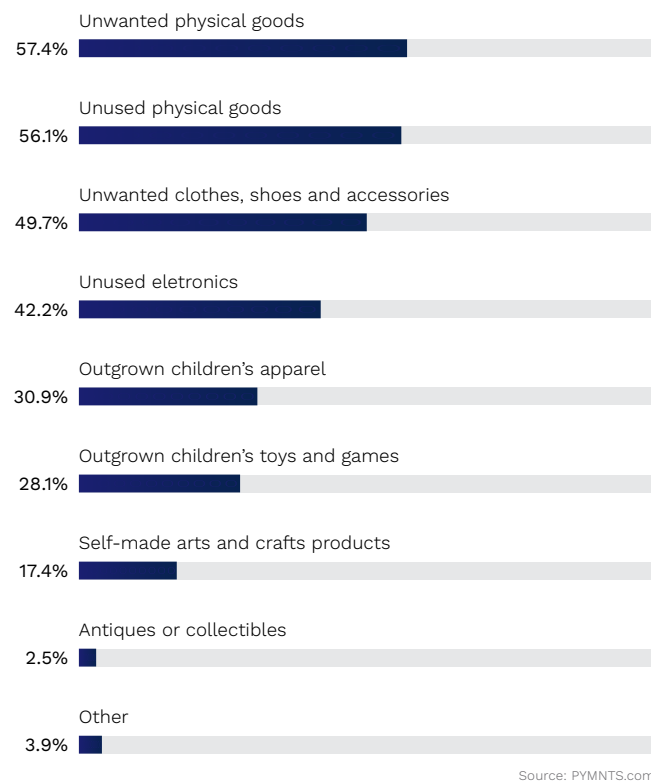


Groceries

Thirty-one percent of businesses selling on marketplaces list grocery products.

Our study identifies two distinct types of individual sellers who use marketplaces in addition to business sellers. The first are individuals in our survey who use marketplaces for personal rather than professional purposes. These sellers usually sell no new products of any kind, instead selling used items that they no longer want. Fifty-two percent of these surveyed individuals list clothing and accessories, for example, while 32 percent list clothing their children have outgrown.

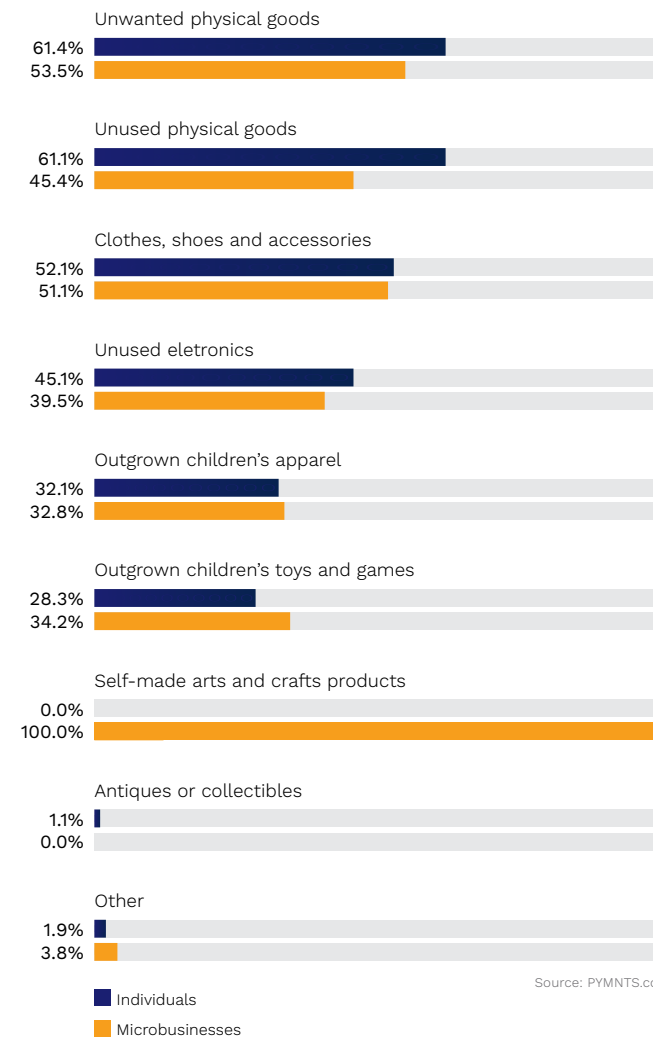
FIGURE 4:
Which products surveyed individuals and microbusinesses list on marketplaces
Share who sell select types of goods on marketplaces



INDIVIDUALS AND MICROBUSINESSES

Fifty-seven percent of individuals and microbusinesses selling on marketplaces list physical goods they no longer want.

FIGURE 5:
Which products individuals and microbusinesses sell on marketplaces
Share who sell select items on marketplaces, individuals versus microbusinesses



The second type of individual seller in our survey are microbusinesses.⁶ These microbusinesses almost exclusively sell homemade arts and crafts and often sell used items to complement their sales. Fifty-one percent of surveyed microbusinesses sell used shoes and accessories, and 40 percent sell electronics they no longer use in addition to homemade arts and crafts. This goes to show that it is not just businesses that rely on marketplaces to generate revenue: They are also a supplemental source of income for many of the individuals and microbusinesses in our study. This is growing in importance given the current economic climate, in which 10 percent of the nonfarm adult working population population was unemployed as of July.⁷

⁶ Our analysis defines "microbusinesses" as businesses that are owned and operated by a single person whose revenues result from selling at least some products the person makes, such as clothing, accessories or arts and crafts.

⁷ Employment situation news release. The Bureau of Labor Statistics. 2020. https://www.bls.gov/news.release/archives/empsit_08072020.htm. Accessed August 2020.

THE AVERAGE BUSINESS SELLER WAITS JUST OVER THREE DAYS FOR FUNDS TO SETTLE.

Individuals and microbusinesses wait just over two days, on average.

Many of the businesses and individuals in our study rely on marketplaces to stay afloat, but promptly receiving the sales proceeds they generate on those marketplaces is an ongoing challenge. The degree to which surveyed sellers must deal with this problem varies depending on the type of seller in question, however. Businesses in our study wait longer than surveyed individuals and microbusinesses to receive payouts, and the largest businesses are paid the slowest of all. Our survey shows that surveyed large businesses wait an average of 3.5 days before receiving sales proceeds in their bank accounts. This is only slightly longer than the average of 3.4 days it takes for surveyed small businesses to

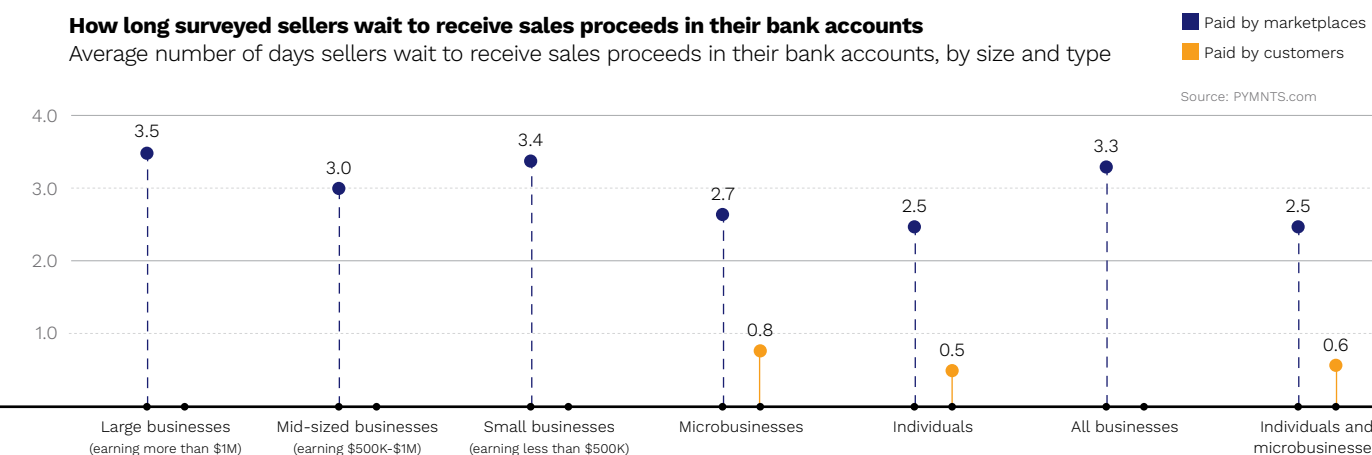
be paid. Mid-sized businesses in our study are paid the fastest, waiting an average of three days before receiving sales proceeds.

Surveyed individuals selling on marketplaces get paid faster than all others because buyers often pay them directly in cash. The average surveyed individual selling via a marketplace waits just 0.6 days to be paid directly from a buyer and waits an average of 2.5 days when paid through the marketplace. Surveyed microbusinesses are also paid faster than most other businesses that sell on marketplaces, receiving sales proceeds in their bank accounts in just 0.8 days when paid by buyers directly and in 2.7 days if they are paid via marketplace.

FIGURE 6:

How long surveyed sellers wait to receive sales proceeds in their bank accounts

Average number of days sellers wait to receive sales proceeds in their bank accounts, by size and type



MOST BUSINESS SELLERS ARE PAID BY THEIR MARKETPLACES.

Most individual marketplace sellers are paid directly by buyers.

It is necessary to examine how marketplace sellers of different sizes and types receive proceeds to understand why they must often wait several days and why some are paid faster than others. Eighty-eight percent of surveyed businesses selling on marketplaces are paid through the marketplaces on which they display their listings, while the remaining 12 percent are paid directly by buyers. They are most often paid via automated clearing house (ACH) or debit card, both cited by 33 percent of these businesses, followed by digital wallet and check, which were both cited by 17 percent of such respondents.



BUSINESSES

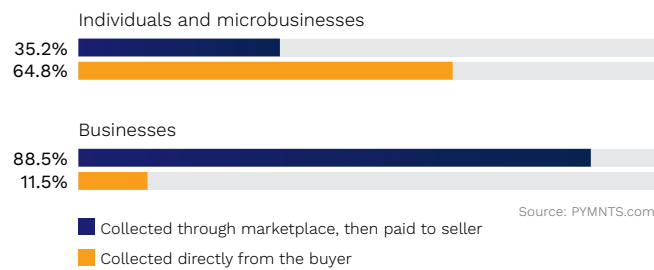
Eighty-eight percent of all businesses selling on marketplaces receive payouts through their marketplaces.

Businesses of certain sizes are more prone than others to be paid via marketplaces, while others are more likely to be paid directly by buyers. The SMBs in our study are the most likely of all to be paid via marketplaces, with 86 percent of small businesses and 100 percent of mid-sized businesses receiving payouts via marketplaces, respectively.⁸

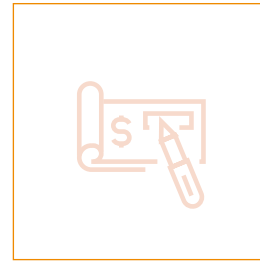
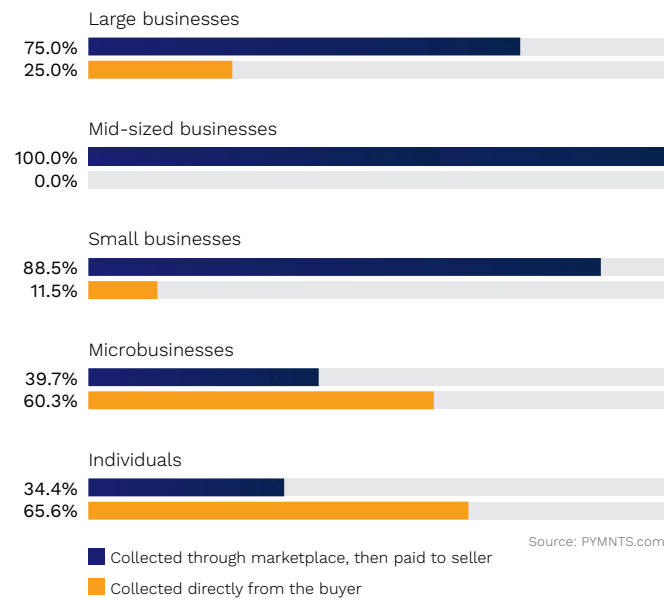
⁸ Our study defines "large businesses" as those generating more than \$1 million in annual revenue, "mid-sized businesses" as those generating between \$500,000 and \$1 million in annual revenue and "small businesses" as those generating less than \$500,000 in annual revenue. We use the term small to mid-sized businesses (SMBs) to collectively refer to the latter two size classes.

FIGURE 7:
How surveyed businesses, microbusinesses and individuals are paid for sales proceeds

Share of businesses, microbusinesses and individuals who receive payouts directly from buyers or are paid via marketplaces



Share of surveyed businesses and individuals who receive payouts directly from buyers or are paid via marketplaces, by size



Paper checks

Seventeen percent of businesses that receive payouts via marketplace are paid by check.

The SMBs in our study that are paid via marketplaces tend to receive their sales proceeds using payout methods that can take several days to fully process. Mid-sized businesses paid through marketplaces are most commonly paid via debit card and ACH, for example, with 43 percent and 36 percent being paid in these ways, respectively. Surveyed small businesses paid via marketplaces are also likely to be paid via ACH, with 35 percent reporting receiving payouts this way. The second- and third-most common ways in which these small businesses receive payouts are via digital wallet and debit card, with 26 percent being paid via one of these two methods.

FIGURE 8:
How surveyed sellers are paid when receiving payouts via marketplaces

Share of surveyed businesses and individuals and microbusinesses that receive payouts using select methods

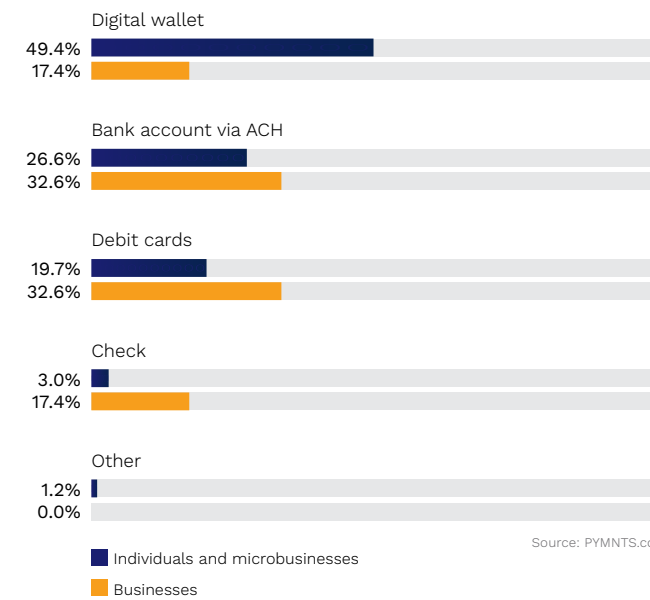
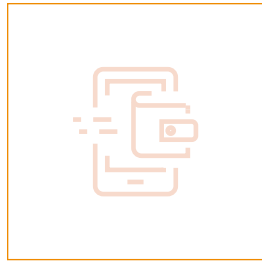


TABLE 1:
How surveyed sellers are paid when receiving payouts via marketplaces
Share of businesses and individuals that receive payouts using select methods, by size

	BUSINESS SIZE				
	Large businesses	Mid-sized businesses	Small businesses	Microbusinesses	Individuals
• Digital wallet	0.0%	14.3%	26.1%	41.8%	50.1%
• Bank account via ACH	22.2%	35.7%	34.8%	31.1%	25.6%
• Debit cards	33.3%	42.9%	26.1%	23.0%	19.9%
• Check	44.4%	7.1%	13.0%	4.1%	2.9%
• Other	0.0%	0.0%	0.0%	0.0%	1.5%

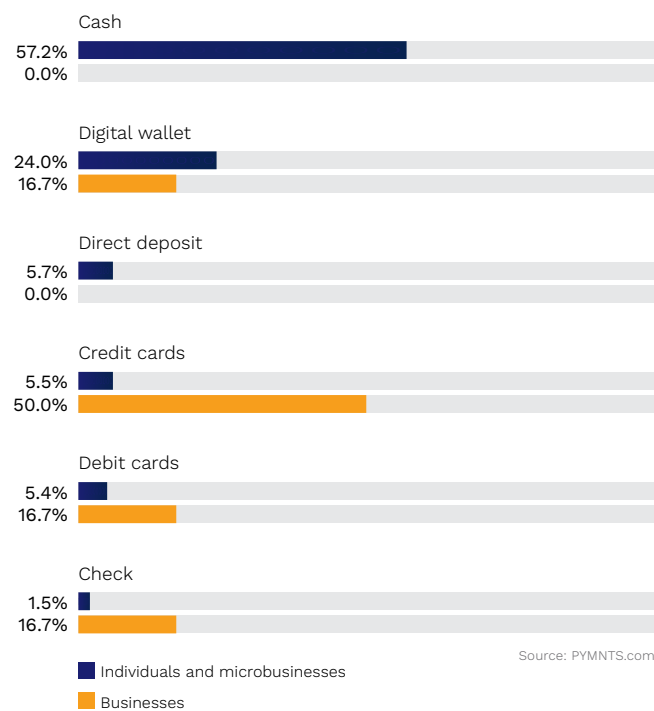
Many large businesses selling on digital marketplaces often have a very different payout experience. Large businesses in our study are the least likely of all size classes to be paid through the marketplaces they use, with 75 percent receiving payouts in this way. Among those large businesses, most receive payouts via check or debit card: 44 percent are paid via check and 33 percent are paid via debit card.



Digital wallets

Twenty-four percent of individuals and microbusinesses that receive payouts directly from buyers are paid via digital wallet.

FIGURE 9:
How sellers are paid when paid by buyers directly
Share of businesses, microbusinesses and individuals that receive payouts using select methods



The marketplace experience of individuals and microbusinesses is often even more different. Most individuals and microbusinesses in our survey are paid directly by buyers, and only a minority are paid via marketplaces. Our research shows that 65 percent of individuals and microbusinesses on marketplaces are paid directly by buyers and that 35 percent are paid via marketplaces.

Individuals and microbusinesses in our study do not often receive payouts in the same ways as other businesses. The biggest difference is that 57 percent of surveyed individuals and microbusinesses that are paid directly by buyers are paid in cash, while not a single surveyed business that sells is paid in cash. These cash payouts may be either sent via mail or exchanged in person after purchases are made online. Almost one-quarter of surveyed individuals selling on marketplaces also report being paid via digital wallets.

TABLE 2:

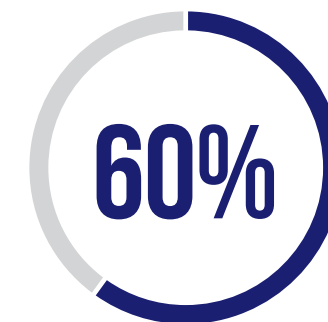
How sellers are paid when paid by buyers directly

Share of businesses, microbusinesses and individuals who receive payouts using select methods, by size

	BUSINESS SIZE				
	Large businesses	Mid-sized businesses	Small businesses	Microbusinesses	Individuals
• Cash	0.0%	0.0%	0.0%	51.2%	59.1%
• Digital wallet	0.0%	0.0%	33.3%	26.2%	23.2%
• Direct deposit	0.0%	0.0%	0.0%	4.3%	6.1%
• Credit cards	66.7%	0.0%	33.3%	10.4%	4.2%
• Debit cards	0.0%	0.0%	33.3%	4.5%	5.5%
• Check	33.3%	0.0%	0.0%	3.3%	1.2%

Source: PYMNTS.com

The ways in which surveyed microbusinesses are paid are more similar to the payouts that individuals selling on marketplaces receive than they are to business sellers' payouts. Sixty percent of surveyed microbusinesses listing on marketplaces are paid directly by buyers, whereas 51 percent of this group receive cash payouts and 26 percent of this group are paid via digital wallet.



MICROBUSINESSES

Sixty percent of microbusinesses selling on marketplace receive payouts directly from buyers.

MARKETPLACE SELLERS HAVE MANY OPTIONS FOR LISTING THEIR PRODUCTS.

Marketplaces that do not offer real-time payouts risk losing their sales.

Large business sellers in our survey, which often wait the longest to get paid, are also the most interested in real-time settlement. Our research shows that 71 percent of surveyed large businesses are “somewhat” to “extremely” interested in real-time settlement. Fewer of the SMB marketplace sellers in our study express this level of interest, but the share that do so is still significant. Fifty-five percent of the mid-sized businesses in our study are “somewhat” to “extremely” interested

in real-time settlement, for example, as are 52 percent of surveyed small businesses.

Interest in real-time settlement is not limited to business sellers, either. Our study finds that 67 percent of surveyed individuals and 68 percent of surveyed microbusinesses are “somewhat” to “extremely” interested in real-time settlement options. This signals an underlying interest in moving away from cash among both individuals and microbusinesses who use digital marketplaces.

TABLE 3:

Surveyed sellers' interest in using real-time settlement
Share that express select levels of interest, by size and type

	INTEREST LEVEL				
	Extremely interested	Very interested	Somewhat interested	Slightly interested	Not at all interested
ALL BUSINESSES	15.4%	17.9%	23.1%	23.1%	20.5%
• Large businesses	28.6%	14.3%	28.6%	0.0%	28.6%
• Mid-sized businesses	9.1%	18.2%	27.3%	36.4%	9.1%
• Small businesses	14.3%	19.0%	19.0%	23.8%	23.8%
• Microbusinesses	15.8%	23.6%	28.2%	21.3%	11.1%
• Individuals	13.3%	23.7%	29.7%	18.8%	14.5%
Individuals and microbusinesses	13.7%	23.5%	29.6%	19.3%	13.9%

Source: PYMNTS.com

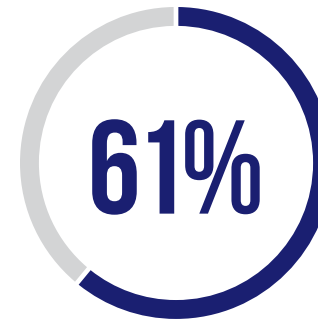
TABLE 4:
Surveyed sellers' interest in switching marketplaces for real-time payouts
 Share that express select levels of interest in switching, by size and type

	INTEREST LEVEL				
	Extremely interested	Very interested	Somewhat interested	Slightly interested	Not at all interested
ALL BUSINESSES	7.7%	26.9%	25.0%	23.1%	17.3%
• Large businesses	0.0%	41.7%	41.7%	8.3%	8.3%
• Mid-sized businesses	7.1%	14.3%	28.6%	35.7%	14.3%
• Small businesses	11.5%	26.9%	15.4%	23.1%	23.1%
• Microbusinesses	13.3%	19.8%	29.7%	22.8%	14.5%
• Individuals	9.1%	21.9%	30.4%	21.5%	17.1%
Individuals and microbusinesses	9.7%	21.2%	30.6%	21.4%	17.1%

Source: PYMNTS.com

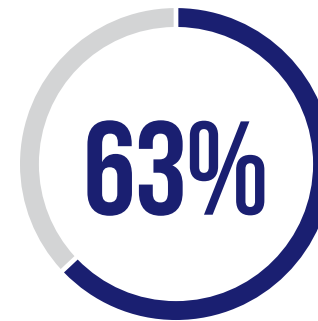
Not only are many surveyed marketplace sellers interested in real-time settlement, but the majority of businesses, microbusinesses and individuals in our study would also be willing to switch marketplaces if it meant getting paid faster. Sixty percent of all surveyed businesses and 61 percent of surveyed individuals and microbusinesses are “somewhat” to “extremely” interested in switching to marketplaces that offer real-time settlement options.

Large businesses are the most interested in switching to marketplaces that offer real-time settlement options: 83 percent of surveyed large businesses are “somewhat” to “extremely” interested in switching marketplaces for real-time settlement. This exceeds the 50 percent of all surveyed mid-sized businesses and 54 percent of all small businesses in our study that are “somewhat” to “extremely” interested in doing so.



INDIVIDUALS

Sixty-one percent of surveyed individuals are “somewhat” to “extremely” interested in switching marketplaces for faster access to sales proceeds.



MICROBUSINESSES

Sixty-three percent of surveyed microbusinesses are “somewhat” to “extremely” interested in switching marketplaces for faster access to sales proceeds.

Individuals are even more interested than small businesses in switching marketplaces for faster access to sales proceeds. Sixty-one percent of the individuals selling on marketplaces and 63 percent of the microbusinesses in our survey are “somewhat” to “extremely” interested in switching for real-time settlement options. This suggests that many sellers are interested in switching marketplaces for real-time payouts not because they are paid slowly but because they see real-time payouts as an improvement over cash payouts. It also signals an opportunity to adopt real-time settlement as a method of attracting new sellers looking for faster, smoother ways to receive sales proceeds.

Such payout options are particularly appealing at a time when businesses, microbusinesses and individuals alike are migrating to digital commerce channels.⁹

⁹ The Great Reopening Brief Series. PYMNTS.com. 2020. <https://www.pymnts.com/coronavirus-data-center/>. Accessed August 2020.

REAL-TIME SETTLEMENT DRIVES INCREMENTAL VOLUME FOR MARKETPLACES.

Marketplaces that offer real-time settlement could capture a collective \$129 billion to \$216 billion per year in sales from U.S. sellers who say they would be willing to switch.

It is difficult to grasp the scale of the opportunity marketplaces face by adopting real-time settlement options without seeing precise numbers. There are approximately 7.9 million businesses in the U.S., and 3.5 percent of them — 285,000 businesses — use marketplaces.¹⁰ This means that 89 percent, or 252,000, of the businesses that sell on these marketplaces are paid by the marketplaces on which they list. Our research indicates that 35 percent of businesses selling on marketplaces are “very” or “extremely” interested in switching marketplaces for real-time settlement and 60 percent of businesses selling on marketplaces that are paid via those marketplaces are at least “somewhat interested”

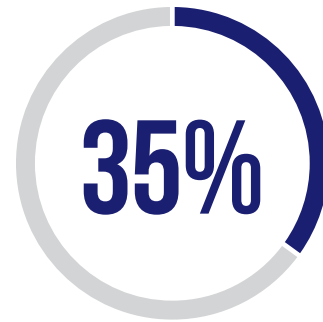
in switching marketplaces for real-time settlement. This translates into 87,000 businesses that are “very” or “extremely” interested and 150,000 businesses that are at least “somewhat interested” in switching marketplaces for real-time settlement.

We estimate that the average revenue of these businesses is approximately \$935,000 per year.¹¹ This means that marketplaces have the potential to capture a collective \$82 billion to \$141 billion per year by adopting real-time settlement options and convincing the approximately 87,000 to 150,000 marketplace sellers that might be interested in switching to their platforms for such payouts.

¹⁰ All sectors: County business patterns by legal form of organization and employment size class for U.S., states and selected geographies. The Bureau of Labor Statistics. 2020. <https://data.census.gov/cedsci/table?q=&g=&d=ANN%20Business%20Patterns%20County%20Business%20Patterns&table=CB1800CB-P&tid=CBP2018.CB1800CBP&hidePreview=true&lastDisplayedRow=18>. Accessed August 2020.

¹¹ All sectors: non-employer statistics for the U.S., states, counties, metropolitan areas and combined statistical areas; and by legal form of organization and sales, value of shipments, or revenue size for selected geographies: 2018. The Bureau of Labor Statistics. 2020. <https://data.census.gov/cedsci/table?table=N-S1800NONEMP&tid=NONEMP2018.NS1800NONEMP&d=ANN%20Nonemployer%20Statistics&lastDisplayedRow=33&hidePreview=true.html>. Accessed August 2020.

That is just the potential revenue to be gained from turning business sellers. There is also the opportunity to attract microbusinesses interested in real-time settlement access. There are approximately 26.4 million microbusinesses in the U.S., 35 percent — 7.5 million — of which are paid by the marketplaces they use. Our survey finds that 53 percent of these microbusinesses are “very” or “extremely” interested in switching marketplaces for real-time settlement and 78 percent are at least “somewhat interested.” This translates into 1.4 million microbusinesses that are “very” or “extremely” interested and 2.1 million that are at least “somewhat interested” in switching marketplaces for access to real-time settlement options.



MICROBUSINESSES

Thirty-five percent of microbusiness market sellers receive payouts through their marketplaces.

We estimate that the average revenue of these microbusinesses is approximately \$35,500 per year, meaning that marketplaces have the potential to capture a collective \$50 billion to \$73 billion per year by implementing real-time payouts and convincing these 1.4 million to 2.1 million microbusinesses to switch to their platforms.

Many surveyed sellers are interested in switching marketplaces for real-time settlement options — not because they are paid slowly,

but because they see real-time payouts as an improvement over cash payouts.

MARKETPLACES
AS RETAIL'S
NEW FRONT DOOR

DEEP DIVE

Easy To List, Easy To Leave:
The End-To-End
Marketplace Experience

OUR RESEARCH
INDICATES THAT
**SELLERS THAT ONLY
RECEIVE PAYOUTS
VIA MARKETPLACES
RATHER THAN DIRECTLY
FROM BUYERS
WAIT LONGER THAN
ALL OTHER SELLERS
IN OUR STUDY.**

They are therefore not only more interested in how easy it is to list on marketplaces but also the most willing to switch for access to digital real-time settlement.

Digital marketplaces are expansive, encompassing a wide variety of sellers looking to make use of their reach and ease of use, but there is one portion of marketplace sellers for which ease of use is of particular interest: end-to-end sellers.

End-to-end sellers are businesses and individuals who are paid exclusively through the marketplaces on which they have listings and never receive direct payouts from buyers. Our research shows that 62 percent of surveyed sellers that are paid only via marketplaces say they use marketplaces because they make it easy to list. This is unimportant to all other sellers surveyed.

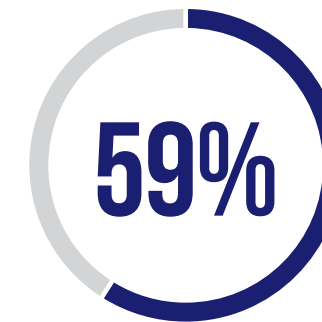
Relying on digital marketplaces to act as a payment intermediary comes with a catch, however: These sellers often wait longer than average to receive sales proceeds. The end-to-end sellers in our survey wait an average of 3.4 days to get paid, compared to the sample average of 3.1 days. They never receive cash payouts and are usually paid using methods that require one or more days to fully process their transactions. Surveyed end-to-end sellers are most commonly paid via ACH (39 percent) and debit card (27 percent).

Our research shows that 70 percent of surveyed end-to-end sellers are “somewhat” to “extremely” interested in real-time settlement. The number of all other sellers who express the same level of interest is 59 percent.



END-TO-END SELLERS

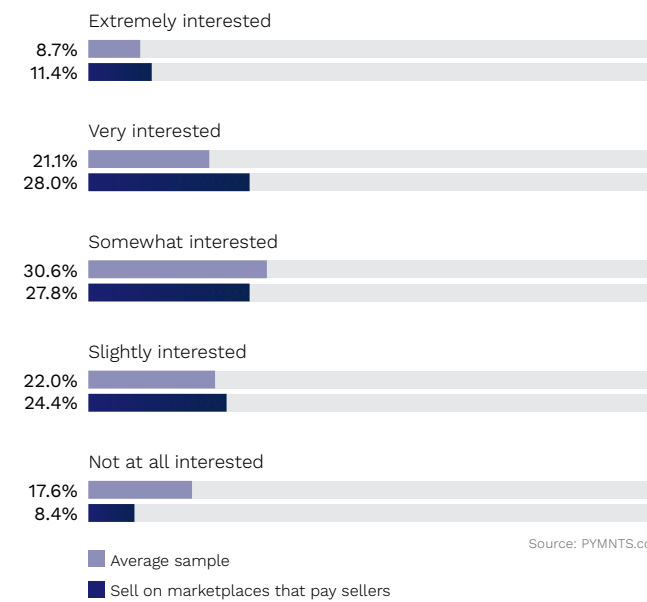
Seventy percent of end-to-end sellers who are paid only by marketplaces are “somewhat” to “extremely” interested in real-time settlement.



OTHER SELLERS

Fifty-nine percent of those who are not end-to-end sellers with the same circumstance are “somewhat” to “extremely” interested in real-time settlement.

FIGURE 8:
Surveyed sellers’ interest in switching to marketplaces that offer real-time payouts
 Share expressing various levels of interest in switching for real-time settlement options, by whether they are exclusively paid by marketplaces



It is precisely because of the ease with which they can list their products and how long they must currently wait to be paid that end-to-end sellers are more interested than most in switching marketplaces if it means getting paid faster. Our research shows that 67 percent of all surveyed end-to-end sellers would be “somewhat” to “extremely” interested in switching marketplaces for real-time settlement options — a number that is 60 percent for all other sellers in our survey. This strongly suggests that end-to-end sellers find the efficiency of the listing experience to be important — but not as important as being paid in real time.

MARKETPLACES AS RETAIL'S NEW FRONT DOOR

CONCLUSION

The ease with which marketplaces enable sellers to list and sell their products and reach out to new customers often make them a valuable asset for any business or individual looking to make revenue or income, yet this ease of use can be a double-edged sword. The fact that marketplaces make it so easy to sign in and list products means that sellers can just as easily remove their listings and switch to a new marketplace with minimal effort. Marketplaces are thus left to compete amongst one another to grab new sellers' attention and encourage them to stay with services and features that can help their businesses survive and thrive — particularly amid the ongoing COVID-19 crisis, during which consumers are feeling pressure to tighten their belts.

Real-time settlement is one such feature. Our research strongly suggests that offering real-time settlement options can add value to sellers by allowing them to immediately access proceeds, stave off cash flow shortages and keep their businesses afloat. This is true not only for businesses of all sizes across various industries, but also for countless individuals looking to supplement their incomes by selling their hand-me-downs, antiques and other used items. Real-time settlement options not only present a solution to the current cash flow crisis so many U.S. SMBs are facing but they also represent a multibillion-dollar opportunity for marketplaces willing to adopt them.

METHODOLOGY

PYMNTS surveyed a census-balanced panel of 5,812 business owners and individuals from across the U.S. between July 3, 2020, and July 7, 2020, about how they use digital marketplaces to sell new and used products. Our analysis focused on businesses generating \$10 million or less in annual revenue which may or may not have maintained brick-and-mortar stores, referred to as “Main Street businesses,” and individuals using marketplaces in a nonprofessional capacity. Among them, 16.4 percent were individuals and microbusinesses who sold physical goods on marketplaces and 3.5 percent were businesses that did the same. The final sample consisted of 1,049 of respondents who used marketplaces to sell physical products.

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VISA

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