

Online Sellers

The Future Is Multichannel

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INTRODUCTION

Selling via digital channels was already a popular strategy for reaching consumers before 2020, but the pandemic certainly accelerated its rise. Approximately 3,000 sellers joined Amazon each day of 2021. Smaller sellers have leveraged online marketplace platforms to take advantage of this digital shift and reach more buyers in new markets. Many of these smaller firms have reached top seller status thanks to focusing on a smaller number of products and lower overhead with fewer employees. Despite the success that online sellers have enjoyed with marketplace platforms, PYMNTS finds that a significant portion of sellers say they are interested in leveraging alternative channels in the future.

Our researchers found that online sellers can be broken down into two categories: marketplace-reliant firms, which sell up to 75% of their sales on marketplaces, and marketplace-native firms, which make more than 75% of their sales on marketplaces. Marketplace-native sellers tend to be smaller, younger and more product focused, whereas marketplace-reliant sellers tend to be larger, more established and offer a wider array of products.

Most sellers using marketplaces — 90% — say they are highly satisfied with the marketplaces, but many organizations have few plans to increase use. On the contrary, half of the sellers intend to increase their use of other channels in the next year, and 40% of marketplace-native firms believe online marketplaces will not ultimately determine their future success.

Online Sellers: The Future Is Multichannel probes the role of these sellers in today's economy and details the directions they are likely to take in the future. This report draws from a survey of 317 online merchants that garner at least 40% of their sales revenue from online marketplaces, with at least 50% of their business originating with individual consumers and with revenues of at least \$500,000 in 2021, to explore their business models, profiles and future plans.

THIS IS WHAT WE LEARNED.

Part I: Digital acceleration and online sellers

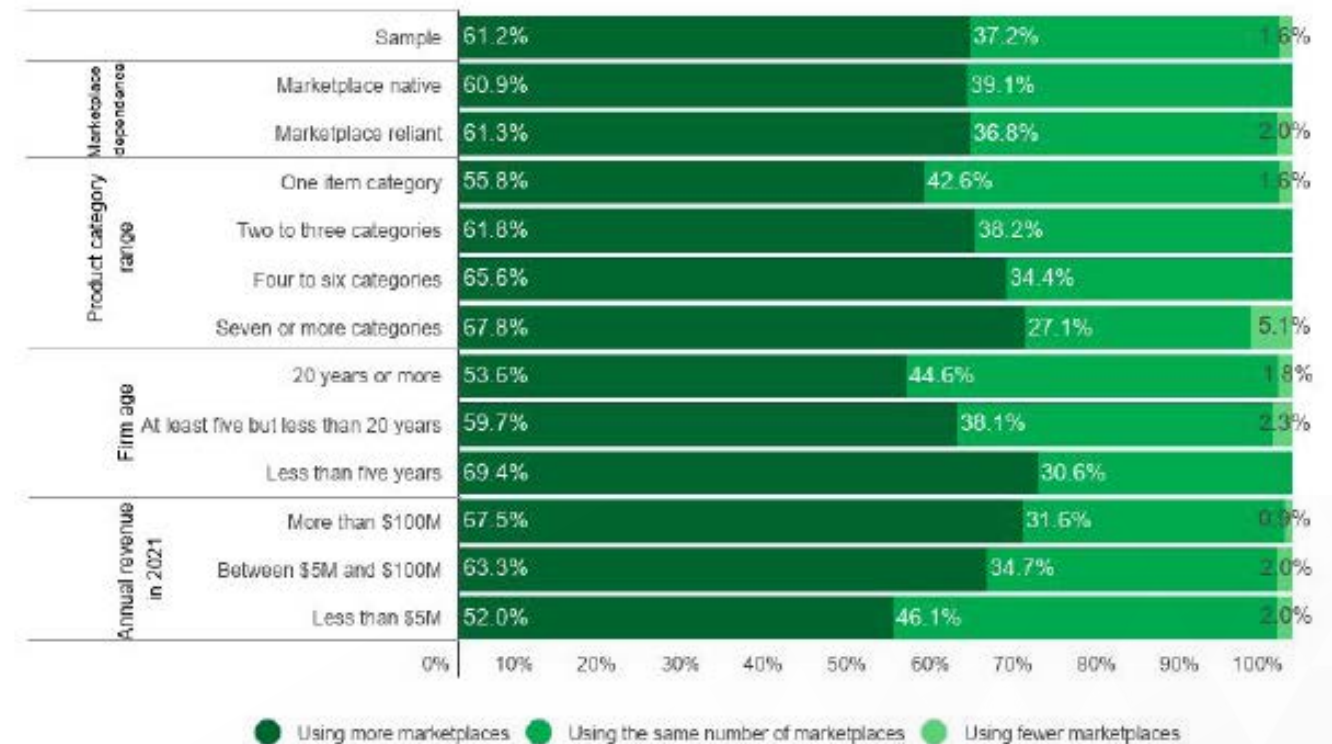
Sixty-one percent of online sellers say they have increased their marketplace usage in the last year.

The pandemic certainly did not create online shopping, but it clearly fostered its growth. Sixty-one percent of surveyed firms say that they increased use of marketplaces in the last year. We found that 68% of larger, multiproduct merchants increased their marketplace use in the previous year, as did 68% of firms that earn more than \$100 million annually. The statistics are notably similar among newer firms: 69% increased their online presence in the last year, whereas just 54% of firms that have been in business for 20 years or longer did the same. In short, younger businesses are more adaptable and willing to move to — or invest further in — online marketplaces, while a more significant share of businesses that have operated 20 years or more still cling to legacy brick-and-mortar models.

Amazon is still the leader of marketplace-based selling, experiencing unprecedented growth — but other online marketplaces have grown, too, giving sellers new options.

The pandemic accelerated the growth of nearly all digital platforms across all industries, but the growth of marketplaces is particularly notable. Mercado Libre grew by 244%, and Amazon’s revenue nearly doubled, increasing by 92%.

Figure 1: Marketplace use in 2021 relative to 2020
Share of sellers who used marketplaces in 2021 across four categories



N = 317: Complete responses
Source: PYMNTS.com



Marketplace-native sellers tend to be smaller, younger and more product focused.

We divided the world of marketplace sellers into two camps based on their dependence on marketplaces: marketplace-reliant firms, which fulfill up to 75% of sales on marketplaces, and marketplace-native firms, which complete more than 75% of sales on marketplaces.

Marketplace-reliant firms tend to be online sellers that are larger, more established and more stable. On the other hand, marketplace-native firms tend to be newer and smaller. Their characteristic business model runs very lean, with few employees, and focuses on a small number of products. In fact, 63% of them sell just one product category.

Newer firms are more likely to be marketplace natives: 31% of marketplace-native firms are less than five years old, while 26% of marketplace-reliant firms are less than five years old. More than one-third of marketplace-native organizations have 50 employees or fewer. It is worth noting that this business model seems to be growing more popular: In 2021, just 12% of top Amazon sellers had more than 1,000 products for sale, a steep drop from the 34% of top sellers that had that many products for sale in 2016. Smaller, more agile and more marketplace-native firms are eating up that market share, and as the digital marketplace continues to evolve, these small, product-focused sellers are beginning to dominate the game.

Table 1:
Marketplaces, by the numbers

1A: Share of marketplace sales, by revenue and firm age
1B: Marketplaces by product category range, employee size and risk status

	Annual revenue in 2021			Firm age		
	Less than \$5M	Between \$5M and \$100M	More than \$100M	Less than five years	At least five years but less than 20 years	20 years or more
Marketplace reliant	28.9%	31.2%	39.9%	25.7%	56.9%	17.4%
Marketplace native	45.3%	29.7%	25.0%	31.3%	50.0%	18.8%

	Product category range				Employees				Risk status			
	One item category	Two to three categories	Four to six categories	Seven or more categories	Less than 50	Between 51 and 250	Between 251 and 1,000	Between 1,001 and 5,000	More than 5,000	At risk	Unsure	Not at risk
Marketplace reliant	35.2%	20.2%	22.1%	22.5%	10.3%	19.4%	38.7%	23.3%	8.3%	6.7%	11.1%	82.2%
Marketplace native	62.5%	26.6%	7.8%	3.1%	34.4%	20.3%	17.2%	15.6%	12.5%	6.3%	18.8%	75.0%

N = 317: Complete responses
Source: PYMNTS.com



Part II: The online seller profile

Marketplaces are often part of an online sellers’ game plan — and they rarely use just one — but sellers are uncomfortable fully committing to marketplaces. Even among firms that rely heavily on marketplaces, just 12% sell exclusively through them.

In today’s economy, most firms sell through multiple channels. First-party websites and social media are the most common non-marketplace channels for these businesses: 61% of omnichannel sellers use first-party websites to sell their products, and 58% use social media. Physical stores are a marginal source of sales for the average marketplace seller, comprising an average of 13% of sales. More than half of sales revenue — 58% — is generated by marketplaces.

Just 7% of surveyed firms operate through a single marketplace, and most firms try to diversify themselves far more than just using a second. Of the firms we surveyed, 42% operate through four or more marketplaces. Firms that qualify as marketplace native typically use fewer marketplaces to sell their products, with 72% using less than three. Marketplace-native firms are usually designed specifically to sell products in a particular marketplace, while marketplace-reliant firms rely more heavily on third-party aggregators and physical stores, which 36% and 59%, respectively, use as channels.

PYMNTS found that 75% of sellers have listings on Amazon, the most popular marketplace.

Figure 2:
Channel use, by seller segment

Share of sales that occur through each channel, by seller segment

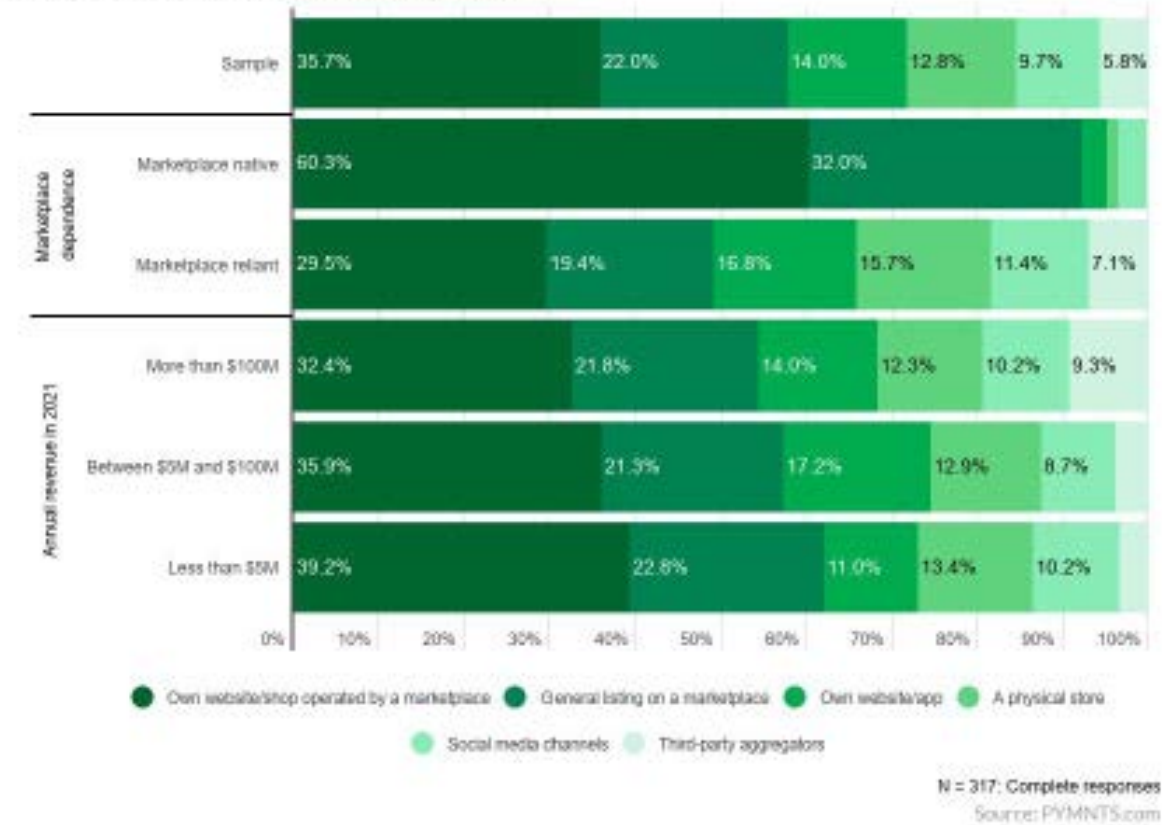
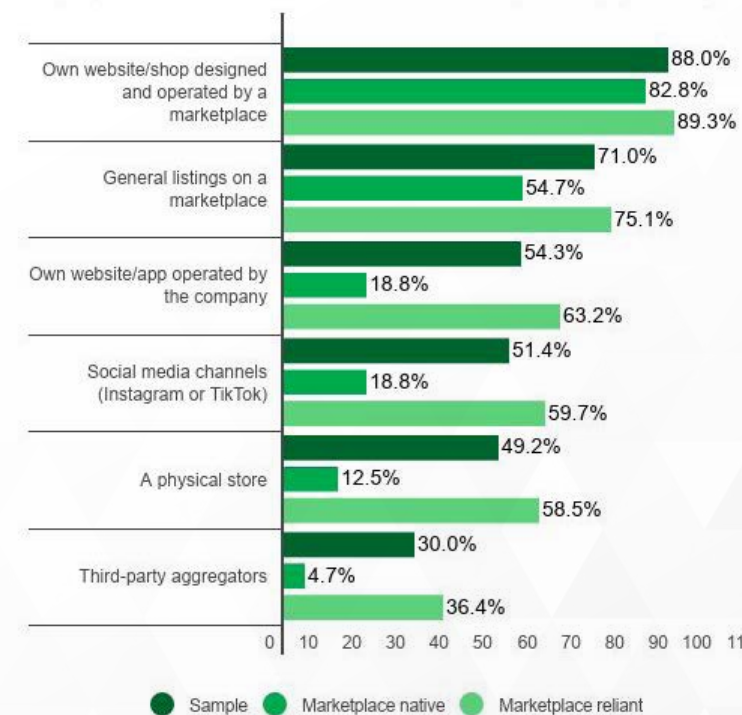


Figure 3:
Sales channel popularity

Share of respondents who use selected channels to sell products, by seller type



Forty percent of sellers say the top reason they use marketplaces is to reach more consumers to expedite growth.

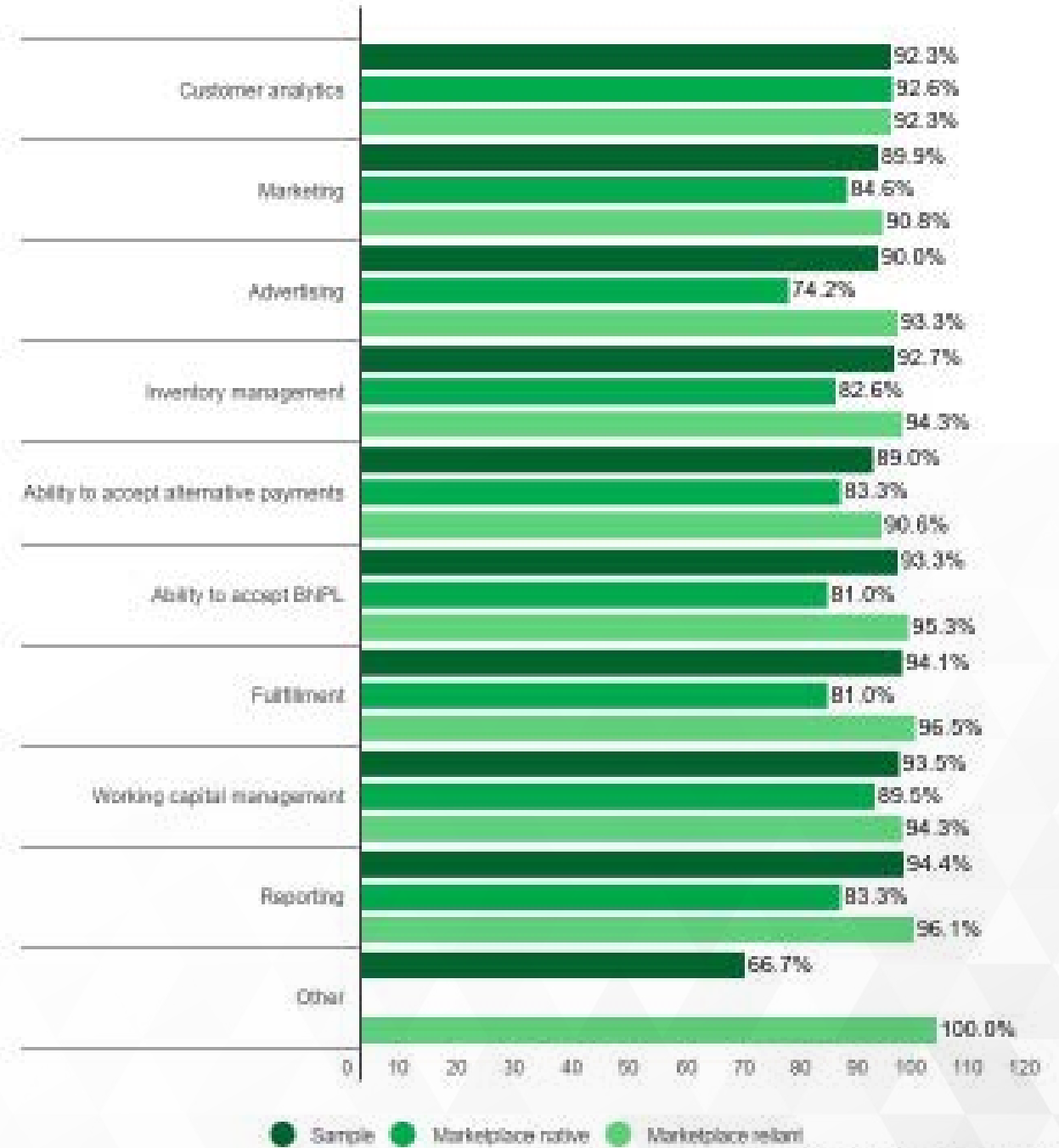
In addition to beefing up customer reach by using marketplaces, PYMNTS' research found that customer analytics is the most commonly used service by sellers across all segments to help them reach more potential buyers, with 92% of the sellers surveyed doing so. We also found that multiproduct merchants show significantly higher usage of marketing services, as 90% say they use the services. Other common marketplace tools include reporting tools and fulfillment tools, each used by 94% of those surveyed.

Two out of three marketplace sellers say they use social media to promote their products, and 49% of marketplace-reliant firms say they plan to grow their brand through social media. Larger firms are more likely to use a wider array of advertising and marketing tools.



Figure 4:
Marketplaces services used

Share of sellers that used select marketplace services in 2021, by seller type



N = 317: Complete responses
Source: PYMNTS.com

Part III: Looking to the future

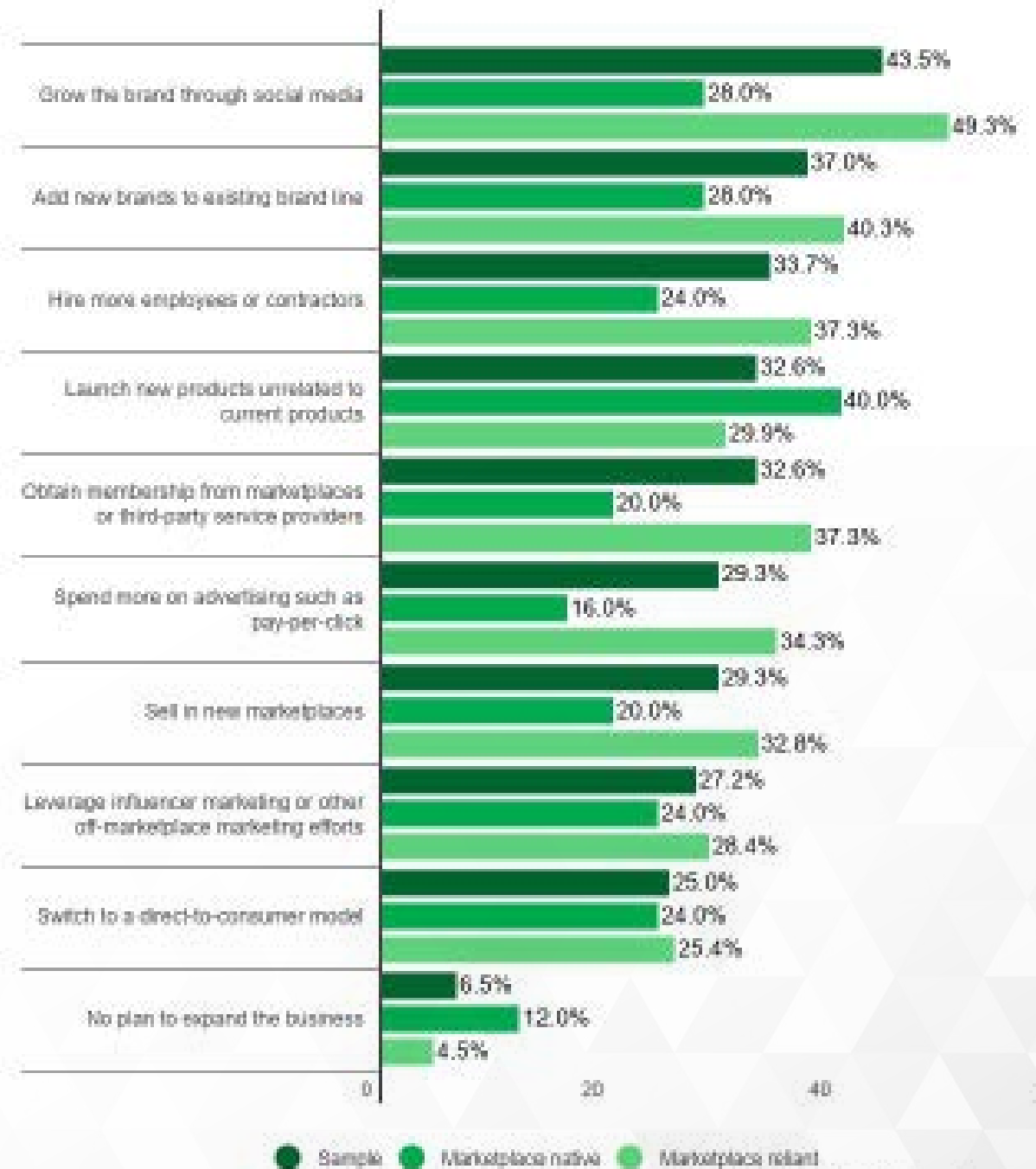
Sellers that use marketplaces value the platforms: 71% consider marketplaces an essential element of their businesses. However, more than half want to increase their reliance on alternative channels outside of online marketplaces.

Ninety-two percent of businesses that use marketplaces as part of a broader sales strategy — the marketplace reliant — are very or extremely satisfied with marketplaces. This share drops to 84% among firms that are marketplace natives. PYMNTS research also found that firms with a greater dependence on marketplaces are less likely to cite these marketplaces as a driving force in their strategy. There is no evidence that sellers plan to shift to a greater reliance on marketplaces in 2022. On the contrary, up to 50% said they want to intensify their use of other channels.

Fifty-two percent of marketplace-reliant firms say they plan to increase their use of websites operated by marketplaces — a strategy 34% of native sellers say they plan to mirror. Notably, 40% of marketplace-native firms do not believe marketplaces will play a key role in their future success. Instead, these firms believe that increasing their product offerings and social media use, which more than half of the organizations surveyed have started to use, will be more effective in helping to grow their customer base and stand out from the competition.

Figure 5: The importance of marketplaces moving forward

Share of firms that assign low importance to marketplaces for future success according to their plans

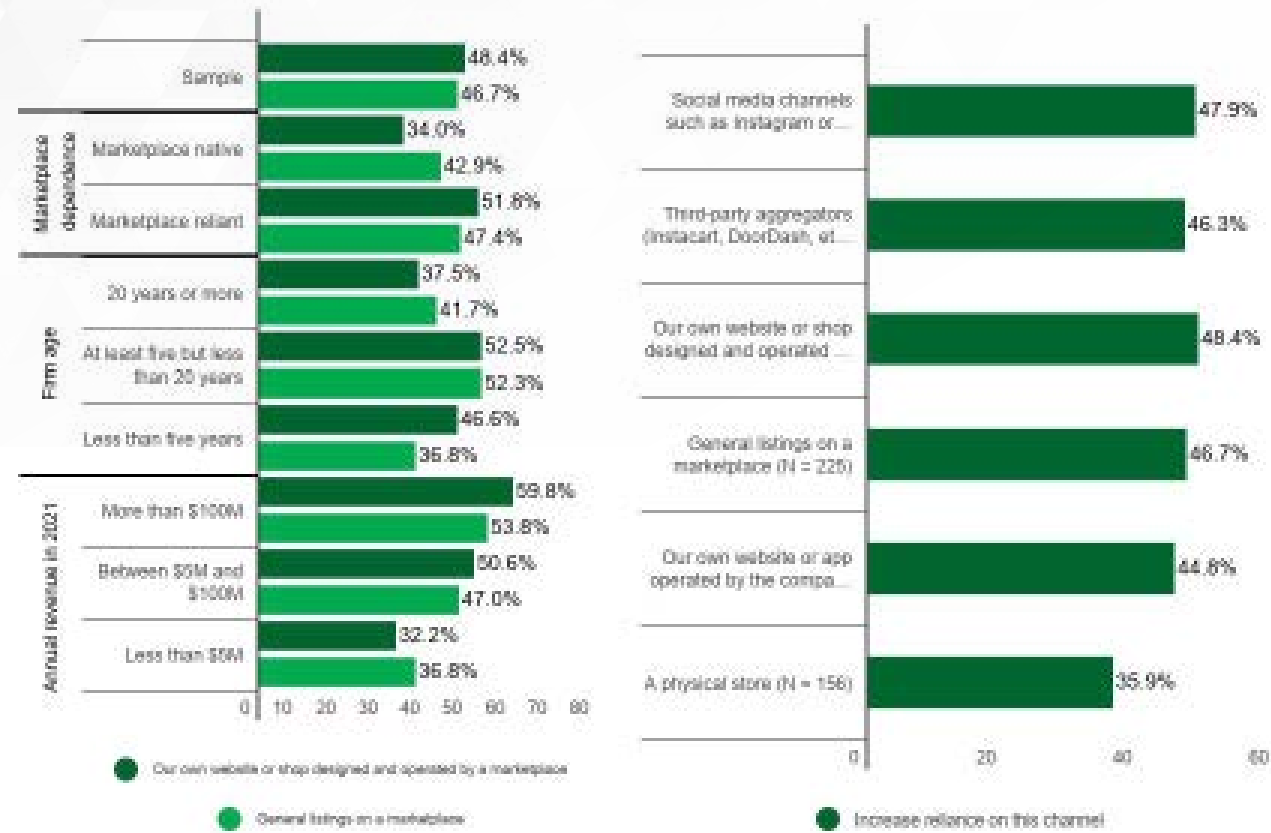


N = 317. Complete responses

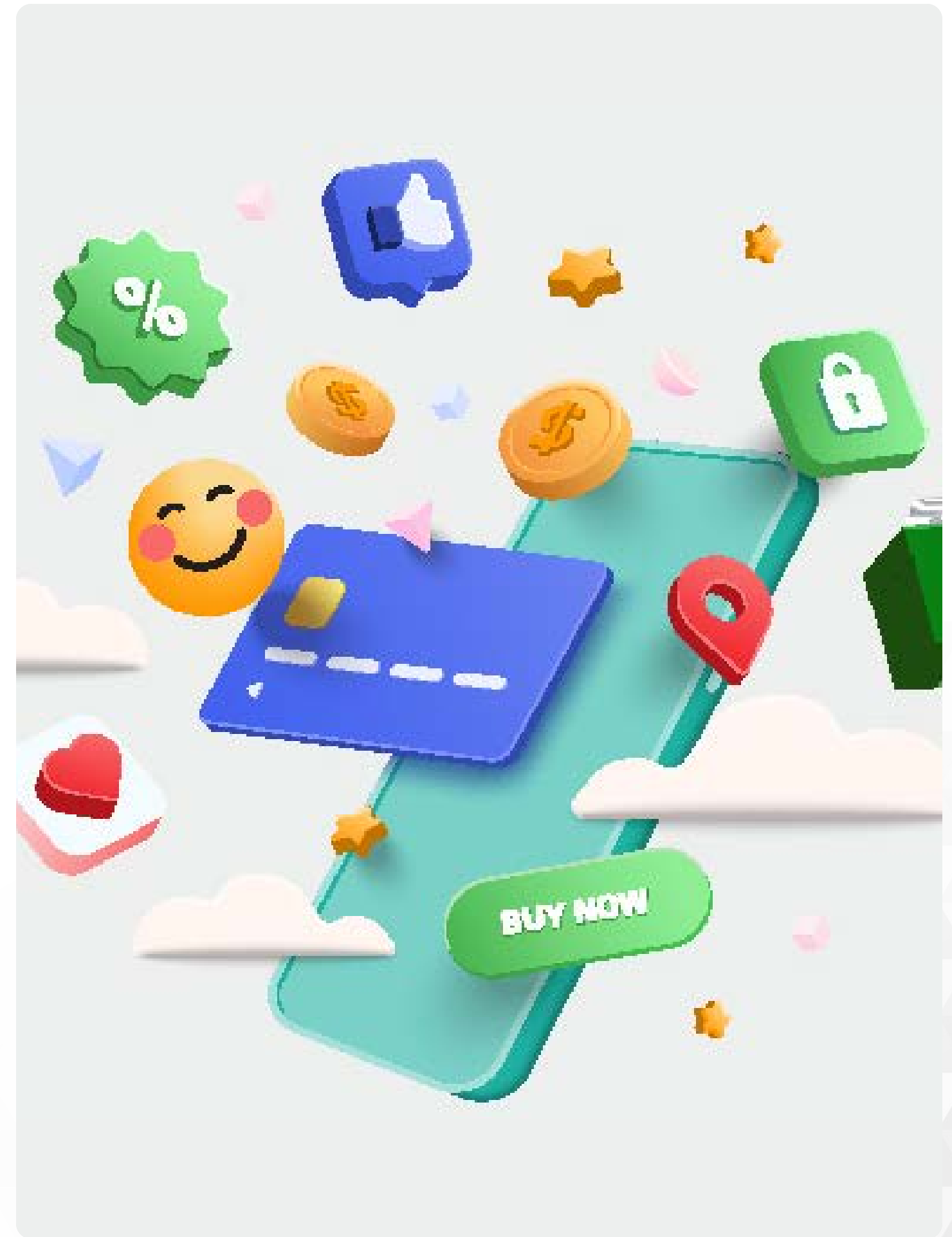
Source: PYMNTS.com

Figure 6:
Firms' reliance on marketplaces

6A: Share of respondents that say they have increased reliance on marketplace channels, by seller demographic
 6B: Share of sellers that want to increase reliance over the next year on specific channels used to sell products



N = 317: Complete responses
 Source: PYMNTS.com



CONCLUSION

For online sellers, the pandemic has accelerated the trajectory that online marketplaces were bound to take. The current status quo — in which many small, agile and highly adaptable marketplace-native firms continually chip away market shares from larger, more traditional marketplace-reliant firms — is likely to persist for the foreseeable future. But firms know things cannot stay this way forever, and fewer and fewer are willing to chain their fortunes to those of the marketplaces they have previously relied on. Diversification is the future, and more businesses may take the marketplace-native tact of limiting their number of product offerings and marketplaces they sell on, instead taking their signature wares multi-channel. As the world becomes increasingly digital and online transactions continue to replace brick-and-mortar ones, sales may come down to which brands can best position themselves on their terms.

METHODOLOGY

Online Sellers: The Future Is Multichannel is based on a census-balanced survey of 317 online merchants conducted between Jan. 27 and March 1. Fifty-six percent of the organizations surveyed had been in business for more than five years but less than 20 years and 37% declared revenues of more than \$100 million in 2021. Additional proprietary data from PYMNTS was used for supplementary analysis.

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