

Table of contents



Introduction by Adrien Nussenbaum, Mirakl CEO and Co-Founder	2
How dropship and marketplace are different	6
Defining the dropship model	
Defining the marketplace model	
How to use dropship and marketplace	10
What product types each model makes sense for	
The long tail for retailers	
Five returns from your marketplace investment	12
Best Buy Canada: Realizing dropship and marketplace success	14
Video: How dropship and marketplace work together	18
Conclusion	20
Don't fall short: optimize your assortment with marketplace	

Introduction by Adrien Nussenbaum, Mirakl CEO and Co-Founder

Without an online marketplace, assortment falls short. While dropship and marketplace are different, they can work together to form an ideal model for retailers. Marketplace delivers the speed and scale that dropship alone cannot, nor was it purposed to do. Unlike dropship, retailers use marketplace to rapidly enter new categories or complement the assortment they already have. They leave the heavy lifting to trusted sellers on their sites.

Marketplace has a price competition benefit which can't be had in dropship. The difference lies in who owns the responsibility of pricing, customer service, and returns as you scale. Dropship retailers must manage vendors (or sellers) products and prices one by one—they absorb all marketing and category risk as they grow.

Marketplace is a platform where multiple sellers can sell the same product and compete on price. You can't achieve price competitiveness with dropship alone.

As we differentiate the two models, we'll share the success of Best Buy Canada and how their marketplace transformed their business. The Best Buy Canada Marketplace has changed the way customers view their brand and buy on their site, and we think it can do the same for you.



How dropship and marketplace are different

The two are not mutually exclusive.

Retailers dream of capturing all segments of the long tail*. Traditionally, the farther down the tail you go, the greater the risk. Dropship and marketplace models both offer opportunities to limit that risk and reduce the costs of increasing assortment.

A common question we receive is, "What is the difference between dropship and marketplace?" The misconception is that they overlap, which is incorrect.

Owned inventory and a small set of dropship products are not enough to capture the full revenue opportunity. The marketplace model exposes customers to products they are searching for in ways otherwise impossible. Every retailer needs—and should support—a marketplace.

*In retail and marketing, the long tail is the large number of products that sell in small quantities, as contrasted with the small number of best-selling products. (Oxford Dictionaries)

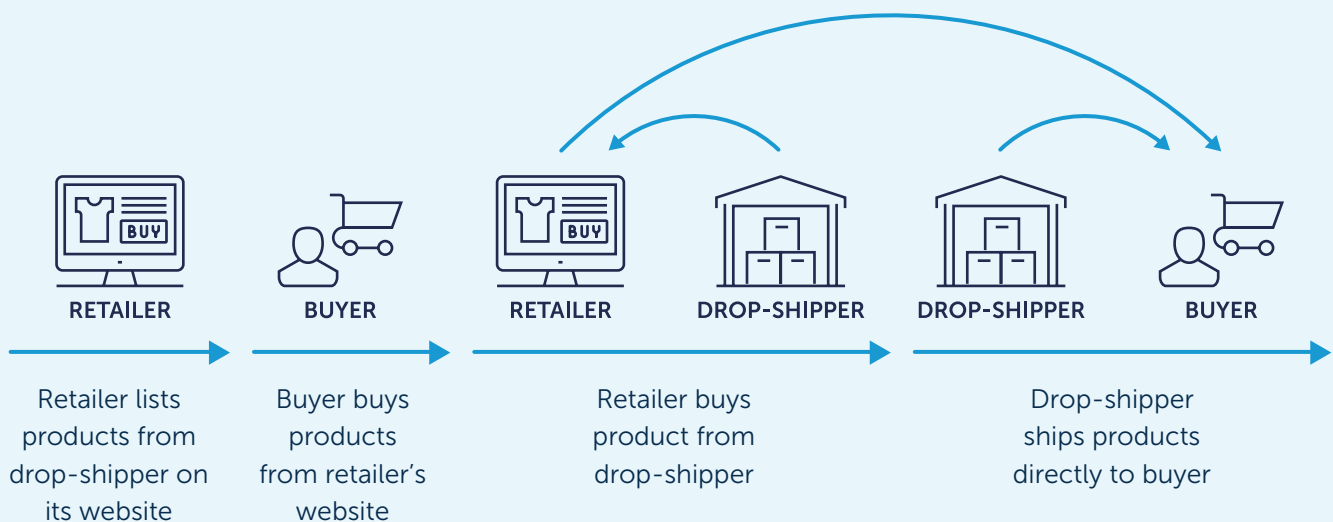
*DROPSHIP AND MARKETPLACE MODELS
BOTH OFFER OPPORTUNITIES TO REDUCE
THE COSTS OF INCREASING ASSORTMENT.*



Defining the dropship model

The dropship model is designed to alleviate pain points in logistics and fulfillment. Though handled in different ways - the retailer is able to offer more products in core categories without taking on financial tie-downs to inventory. In this model the retailer would make a product available for sale on it's site, and typically only when purchased would the retailer then buy the product from the dropship product manufacturer or wholesaler - who then in turn ships it to the customer. Packaging typically has the retailer's branding, and the retailer services the customer. The third-party is virtually invisible to the customer.

DROPSHIP MODEL



Defining the marketplace model

The marketplace model is designed to improve customer experience by making it fast and easy to offer many more products. In this model, retailers grow their assortment by hosting specialized and competitive third-party sellers. The retailer facilitates transactions on their own site on the sellers' behalf, and the sellers fulfill orders themselves. Packaging has the third-party seller's branding. As a facilitator, the retailer receives a lucrative commission for these sales, without a need to increase its team size.

MARKETPLACE MODEL



How to use dropship and marketplace

Without a marketplace, retailers lose sales and stay a step behind competitors.

You're already missing sales when visitors with intent to buy simply leave your site. The further their demands are down the long tail, the less likely you will have their products in stock and the more difficult potential orders will be to fulfill.


In this case, marketplace makes sense not only from a revenue standpoint, but also in terms of customer satisfaction and retention. Without a marketplace, retailers are limiting their opportunity to please customers in a risk-free way. To dig deeper, consider these applications of both dropship and marketplace models:

Dropshipping makes sense for:

- Core products that are not easy to store and ship
- Essential but less popular branded products that must be kept in stock
- Products for which procurement teams can negotiate deeper discounts by committing to dropshipping

Marketplace makes sense for:

- Depth beyond core products to capture long tail sales
- Complementary categories that expand revenue opportunities
- Product testing (i.e. experimenting with new categories)
- Availability for products with shortages
- Rapid adoption of trending products

A close-up portrait of a woman with long, dark, wavy hair, smiling slightly. She is wearing a dark-colored top. The background is a soft, out-of-focus green and white, suggesting an outdoor setting.

***"THROUGH OUR MARKETPLACE SELLERS
WE CAN SOURCE AND UPLOAD PRODUCTS
IN A FRACTION OF THE TIME VERSUS US
PROCURING AND SHIPPING THESE ITEMS."***

Sherry Zah
Director of eCommerce Marketplace
Best Buy Canada

Five returns from your marketplace investment

Both dropship and marketplace are important mechanisms for range extension and assortment expansion.

The marketplace model, though, is more agile, more scalable, and critical to capturing more revenue opportunities.

✓ **Scalability.**

Marketplaces do not require resource investments in direct sourcing, allowing 10× greater efficiency when onboarding sellers—and millions of products—versus direct sourcing.

✓ **Profit margins.**

With virtually zero capital investment, marketplace sales are pure profit and can be used in conjunction with other digital initiatives.

✓ **Agility & price competition.**

Unlike with owned inventory and dropshipping, retailers don't get locked into pricing that becomes less competitive.

✓ **Free traffic acquisition.**

Scaling marketplace listings boosts SEO and increases the market appeal of your site.

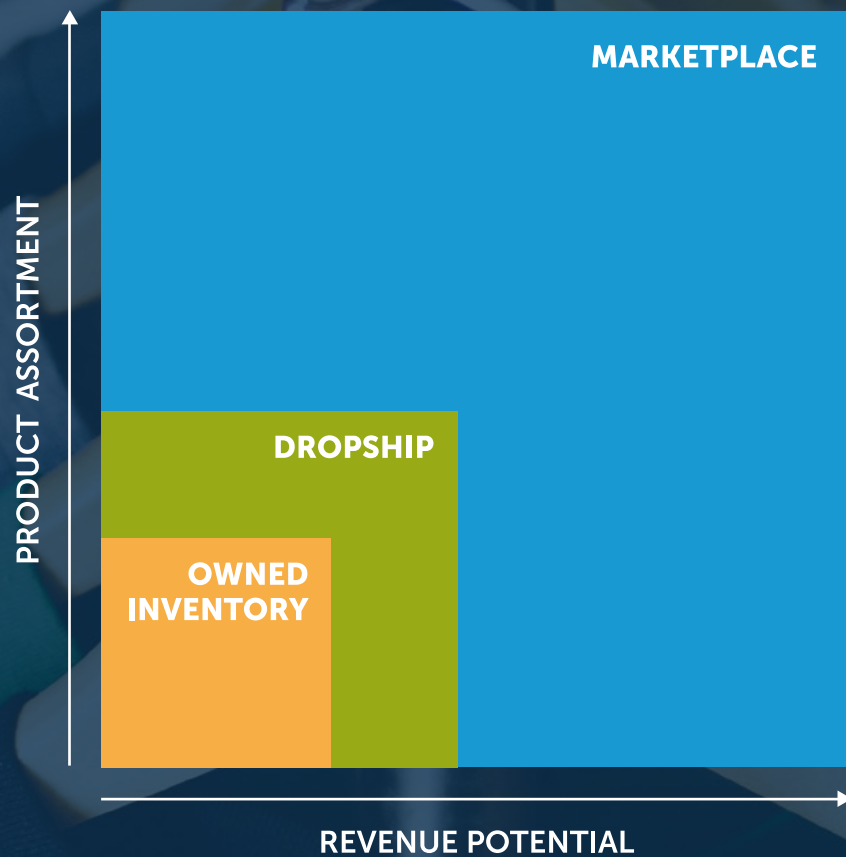
✓ **Capturing the long tail.**

Capture smaller sales of millions of new products, potentially doubling sales numbers on your site.

MARKETPLACE BRINGS PRODUCT BREADTH AND DEPTH SCALE; IT'S A NEW BUSINESS MODEL GEARED FOR GROWTH.

THE RETAILER DOES NOT BEAR THE OVERHEAD OF BUYING, STORING, MARKETING, SHIPPING, OR SERVICING PRODUCTS.

RETAIL PRODUCT ASSORTMENT STRATEGY



THIS LOW OVERHEAD MODEL YIELDS EXPANDED INVENTORY AND HIGH MARGIN

Best Buy Canada: Realizing dropship and marketplace success

Best Buy Canada's core electronics customers wanted a convenient way to buy products in other categories from a brand they already trusted. The retailer made its first attempt to venture into these new categories using the marketplace model. It's resulting 'baby' segment became its #5 best-selling category, comparable to its televisions, laptops, tablets, and wireless divisions.

Benefits:

- 22% of orders placed were first-time buyers
- Biggest consumer electronics spends were these buyers' third and fourth purchases
- Marketplace sales supplement core inventory purchases
- Top holiday SKUs were non-core marketplace products

Best Buy Canada's assortment strategy

Owned inventory

Focused on high turning products with deep inventory within consumer electronics & expanded assortment categories

Dropship inventory

Direct-from-vendor line extensions that complement owned inventory and support fulfillment

Marketplace inventory

Long tail mass assortment further complementing owned inventory, with fast entry into nich and net new categories



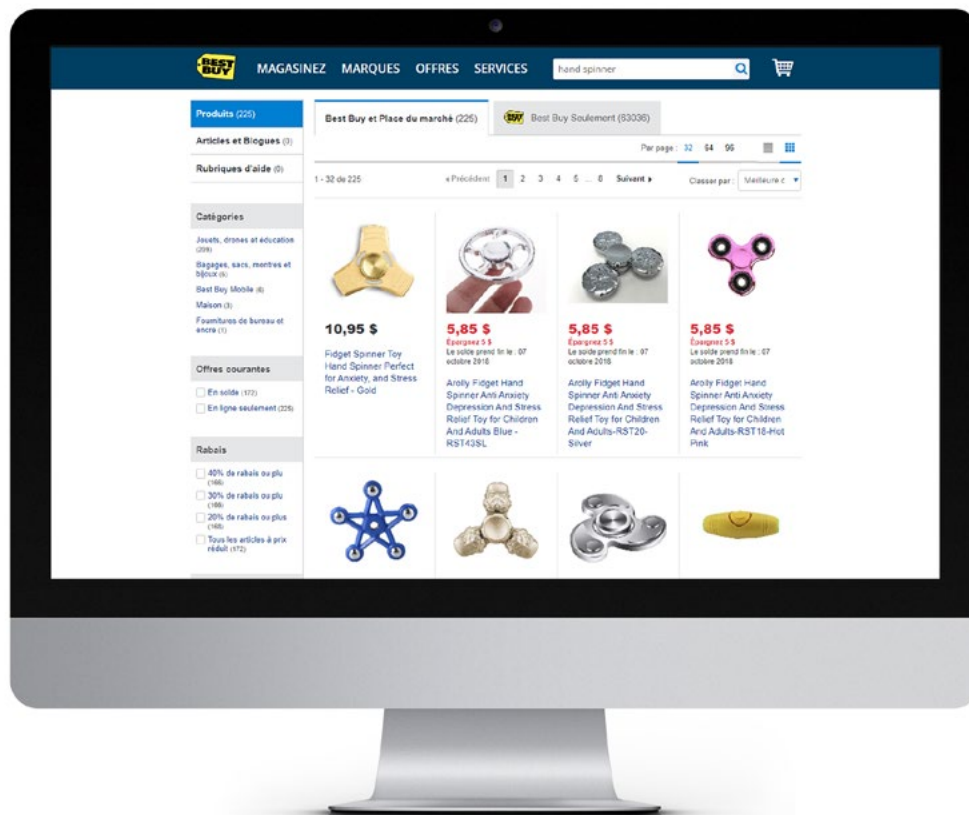
Capitalizing on sudden popular demand

Like many retailers, during Holiday 2017 Best Buy Canada was unprepared for the popularity of fidget spinners. As they adjusted core inventory, they used the marketplace model to host over 200 fidget spinners in only days.

The retailer reduced inventory risk in adopting the new product this way.

Benefits:

- Captured demand while creating a great customer experience
- Immediately boosted online traffic and sales
- In-store associates showcased endless aisle for online purchases
- Avoided risks of excess stock and deep discounting later

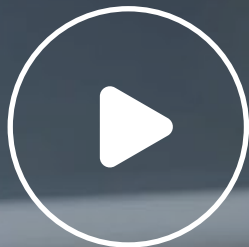




**FIDGET SPINNERS EMERGED
AS A HOT STOCKING STUFFER**

Video: How dropship and marketplace work together

Featuring commentary from Thierry Hay-Sabourin,
Senior Vice President, eCommerce at Best Buy Canada





Conclusion

Don't fall short: optimize your assortment with marketplace

Most retailers aren't able to respond quickly to changing consumer expectations. Consumers expect the same choice, convenience, and prices they enjoy with Amazon. But while owned and dropship inventory can't scale enough to compete, the marketplace model grows assortment fast enough to satisfy today's demanding customers, even while protecting your brand.

And you'll see financial gains. That's what happens when you put your customers first with your assortment. It allows you to grow in both existing and new categories in high demand, capturing intent from both existing and new customers. Best of all, the commission you earn on every third-party sale on your site is virtually all profit.

The long tail stretches on forever, and you never know what product will become popular tomorrow. When it does, where are its buyers going to go? Combine your owned inventory and marketplace inventory to capture that success.



The Mirakl Advantage

MIRAKL MARKETPLACE PLATFORM

The most inclusive, flexible, and feature-rich marketplace solution available to growing B2B sellers.

MIRAKL MARKETPLACE EXPERTISE

Unparalleled marketplace expertise from our team of 40+ experts.

MIRAKL MARKETPLACE ECOSYSTEM

With over 40 integration and tech partners and 30,000 sellers, Mirakl ensures easy integration and alignment with your objectives.

Ready to learn more?

We would love to be part of this journey with you.

For more about this opportunity, contact us:
info@mirakl.com

www.mirakl.com