Hello people!

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How to Start an Online Marketplace
What Will & Won’t Work.

Online marketplace in 2019:

The marketplace business model is hot. The massive success of platforms like Uber, Airbnb, and Upwork in almost all parts of the world has proven that marketplaces will work for any business vertical. Some examples of successful marketplaces in the respective business verticals are listed below:
To keep it simple, an Online Marketplace is a platform that connects buyers and sellers on the internet. Marketplaces are like malls in the non-internet world, ‘multi-vendor space’ where customers check-out different brands and their products. An Online marketplace is a website or application where sellers can list their products/services and users can browse them; it is a mediator between companies and customers.

Now, is the right time to launch your marketplace

When is it the right time to start?

The technology is finally mature; the empty couch in the living room has replaced the shopping experience for many. Modern consumers and businesses have started interacting online. According to Statistic, global e-commerce sales in 2018 accounted for 2.83 trillion. So if your wondering is it the right time to begin your online marketplace business. Then, “Yes it is”. The ‘Top of the mind’ fears in consumers regarding online shopping has vanished. With companies offering deliveries on the same day and options for return, the perceptions of the customers towards online shopping has changed.
Marketplaces are great business:

The first time I came across Uber, I was amazed. The application was very user-friendly, and the design was perfect. Whenever I referred the service to someone, they fell in love with it. Many of them refrained from using the local taxi and auto service and started using Uber. After availing this service, they recommended the same to their friends.

Here are some facts about Online Marketplaces:

- $1.86 Trillion: The top online marketplaces in the world sold $1.86 trillion in 2018.
- 52%: Sales on marketplace sites, like Alibaba, Amazon, eBay, and others, accounted for 52% of global web sales in 2018, according to Internet Retailer’s analysis.
- 23%: Gross merchandise sales in 2018 grew 23% last year compared with 2017.

The growth of these sites in e-commerce is a reason many large retailers, including sportswear e-retailer Fanatics Inc., recently began selling on marketplaces.
Marketplaces are great business

**Efficiency**

The cost to launch your marketplace website or application is almost the same as starting a storefront website or app. The functionality of an online marketplace can cater to the specific needs of different vendors.

**Scalability**

Marketplaces expand quickly, with more traffic coming in the platform new vendors are added. The sellers utilize the already built in platform and get started right away. The marketing expenses for driving traffic on the website reduces as there is traffic in the marketplace. The sellers can upload the catalog of their propositions, set prices and start selling. High-quality vendors attract more customers.

**Investment and maintenance**

In case of an online marketplace, you make money out of thin air. There is no investment required to invest in resources. There is less financial risk involved as unlike storefronts; marketplace doesn’t need to spend in inventory.

**Customer Traffic**

Customers always prefer to use an app that offers a wider range of offerings than one which doesn’t. Also, it is the mentality for the customer to compare services/products of different brands before a purchase. In a marketplace, customers can find competitor products and compare before making a purchase.
We are aware of the reasons why entrepreneurs and enterprises are moving towards online marketplaces. Once you have a solid marketplace idea, it is indeed simple to set up an online marketplace. But the generation of good marketplace ideas is easier said than done.

### Solve A Problem

One of the main reasons why most online marketplaces fail is that they do not solve a problem. Most young entrepreneurs jump the gun, in starting an online marketplace and fail to grow their user base.

Sharing Economy has triggered entrepreneurs to believe that sharing of any asset would be a good idea for a marketplace. What most of them overlook is if the solution that solves the problem. It is essential that your marketplace targets a pain point or latent need in the market. In a marketplace business, it is also imperative that the solution is aimed at both the parties; the sellers and the customers.

The best ideas come as jokes. Make your thinking as funny as you can.

-David Ogilvy
Another issue that entrepreneurs face is the choice between starting a horizontal or vertical marketplace. A horizontal marketplace like Yelp aggregates a wide range of categories. A vertical marketplace like Airbnb concentrates on solving one single problem: some people have vacant space in their houses, and most travelers need temporary accommodation and a good experience.

It is recommended for entrepreneurs to start with a vertical platform as they require deep insights into one industry or solution. Marketplaces that cater to a niche category have a higher competitive advantage but need tremendous market testing as they involve inducing behavioral changes. Marketplaces that are local copies of global players lack the novelty but still do good as the entrepreneurs have more knowledge about the local community than global players.

Once you decide the problem to be solved and the approach, it is necessary to test the idea. Every idea sounds impressive when you discuss it with a few people but eventually what decides the fate of a marketplace is if the market is favourable for that idea.

The first step is market research. Do secondary research on the internet to conduct a thorough market analysis complete with competitor analysis. Gather enough information about the current industry trends. Try finding similar ideas executed in the past and what challenges did they face. It will then be easier to figure out if your marketplaces can overcome these challenges.

The next step is to discuss the idea with as many people as you can, especially people who fit the customer demographics for your platform. Analyze whether they will be willing to pay for such a solution. Most startups fail to make the platform profitable as the customers are not willing to pay full price for the service on the marketplace. Thus, it also becomes imperative to establish a revenue model post the research.

Once you have the idea, it is necessary to choose the right platform to build your marketplace. The marketplace solution needs to be robust, scalable and secure to integrate with other systems like a delivery management system or payment gateways. The right platform will provide the right support and help your business grow.

### Few Online Marketplace Ideas

- Restaurant Discovery and Order Management.
- Marketplace for Cannabis Dispensaries.
- Hyperlocal Marketplace for Grocers.
- Beauty Services and Products Marketplace.
- Collaborating Professional Healthcare Services.
- Hyperlocal Marketplace for Florists.
- Real Estate Marketplace.
- Hyperlocal Marketplace for Laundry Services.
- Home Services Marketplace.
Freelancer Marketplace

Do you have a good marketplace idea and looking for a platform to build your marketplace?

Check out Yelo today and discover the easiest way to transform your online marketplace idea without any technical hassles. With Yelo, create your own customized marketplace website/apps for selling products, providing services, collaborating freelancers or renting spaces within minutes. On Yelo, set up a marketplace for Grocers, Laundry Services, Cannabis Dispensaries, Restaurant Services, Beauty Salons, Healthcare Services, Florists, Grocers, Real Estate Agencies and a lot more.

Use features like Appointment Scheduling, Catalogue Management, Inventory Management, Vendor Management, and a lot more to create your own marketplace website/apps in any language of your choice. Yelo provides a fully customizable marketplace website with your brand name and domain, a fully responsive app for iOS and Android to access your website on-the-go, an admin portal for full control and merchant portals where your sellers can list their products and services. Yelo supports all global payment gateways, and you can integrate Yelo with any other extension like Delivery Management, Analytics, POS system etc.
How much does it cost to build your marketplace business

Many entrepreneurs face difficulty estimating the cost of building a marketplace while chalking out the business plan. In many cases, incorrect estimation of the cost causes a delay in launching the business and sometimes to the rejection of the idea.

The cost estimate for building the marketplace can be accurately calculated after defining the scope of the project. Let’s assume you are not going to compete for head-on with Uber or Airbnb. Your business idea is to bring local sellers in your geography and provide them with online visibility through your marketplace and help the customers find all the stores at one place making it easier to compare products. This being the scope of the project lets start the estimate for your marketplace business.

The investment is broadly broken into two parts, the cost of building your marketplace and getting the word out (marketing).
Part 1
Building your Online Marketplace

You can do this in two ways

- Code it yourself
- Using a SaaS platform

Let us consider, building your marketplace from scratch. The MVP for the marketplace requires basic functionalities for supporting a successful online business.

The Marketplace stakeholders

- The Customer
- The Publisher
- The Marketplace owner

Each of these stakeholders has user stories. For the customer, e.g., the customer signs up, sets his user profile, adds products to his cart, and then checks out. In this flow, there are user stories like authorization for sign up, the user profile for the customer, and the payment gateway integration for checkout. There are about 90 user stories in total, including those of the publisher and the admin.

<table>
<thead>
<tr>
<th>Month</th>
<th>US$ 0</th>
<th>US$ 50</th>
<th>US$ 100</th>
<th>US$ 150</th>
<th>US$ 200</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
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<tr>
<td>May</td>
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<td>July</td>
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</tbody>
</table>
Based on this data the cost for building the MVP for the marketplace in different regions are as follows:

<table>
<thead>
<tr>
<th>Average hourly rate</th>
<th>MVP cost (1 user-story = 12 hr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>$31.5/hr $34,020</td>
</tr>
<tr>
<td>Europe</td>
<td>$60/hr $64,800</td>
</tr>
<tr>
<td>USA</td>
<td>$100/hr $72,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$170,820</strong></td>
</tr>
</tbody>
</table>

So it costs about $170,820 if you build your marketplace from scratch. Even if you are good with programming, and you love to code, to build the entire online marketplace platform with all the functionalities is going to take ages. The first step should be to validate your marketplace idea. The best way is to go for an already built SaaS platform. The SaaS platform helps you create your online presence without needing your server to host.

**First-year costing for your Marketplace**

1. 1-year subscription for Yelo - $1,788
2. Custom domain for your website - $10
4. Logo - The logo design can range from $50 to $300
5. Images - Free

**Total - $1,828**

With $1,828 you can run your marketplace business for a year and validate your idea.
Part 2

Getting the word out.

There are many organic ways to market for your marketplace business. You can start by promoting your business pages on social media. Invite users to like your page and then start posting content. Blogging is a great way to drive traffic to your site. Start by commenting on popular blogs revolving around your business idea. You can use MailChimp for setting up your email campaigns; it is free up to 2,000 users.

For paid marketing, you can start running Google Ads and Facebook Ads with a target audience. You could also limit your ads to a particular geographic region.

After the First year:

One year is a good time to validate your business idea. In the first year of your business, the growth in transactions and the number of loyal customers who come back and purchase should help your marketplace run on its own.

If not achieved, then the idea should be revisited. ‘What is the problem that you’re solving?’, ‘Is the problem big enough.’
How to Get the Pricing strategy right for your marketplace

Setting Pricing Strategy In Online Marketplaces

As a marketplace owner, pricing is one of the most important decisions you will have to make; the right pricing strategy is a make or break for most marketplaces. This is even more important in the initial phases when you are trying to attract customers onto your platform.

In a casino, for every game that is dealt, the house keeps a small part called the ‘rake’. This rake takes care of the operating costs of the casino.

Every Marketplace needs to decide what is the rake it to keep for every transaction on the online marketplace. Most people think, for established marketplaces, the commission can be very high, while for new marketplaces, it must be very low. Industry experts think otherwise. Like revenue models, the pricing strategy differs from business to business and there is no ‘one-size-fits-all’ formula.

Horizontal vs Vertical Marketplaces:

The kind of marketplace you operate on impacts the pricing strategy. If you are operating a horizontal marketplace, the pricing strategy will vary as per categories and sellers. If the marketplace is vertical, then there will be differentiated pricing in the offerings of the providers. For instance: Airbnb deals in rental home-stays but the kind of offerings of every host differs. This will, in turn, impact the pricing strategy. The quality also makes a lot of difference in customer experience and thus the pricing strategy

In addition to the above key influencers that impact pricing, competitors and market are two other things that influence pricing. The impact of these is, however, dynamic and more short term than long term. Thus, one needs to handle them differently.
Analyze what competitors are doing

If you are a new player in the market, it is often suggested to look at what others in the market are doing. One does not simply imitate the pricing strategy but takes inspiration from other businesses. If it worked for them, you could always learn from it.

Understand who to charge

If you are a new player in the market, it is often suggested to look at what others in the market are doing. One does not simply imitate the pricing strategy but takes inspiration from other businesses. If it worked for them, you could always learn from it.
Charge only what is needed

As discussed in an earlier article, in the initial phase it is important to create a customer base and there needs to be a focus on creating a lean model. Thus, only charge enough to carry out necessary operations.

The process to create a pricing strategy for a marketplace are defined in the following steps:

- Determine your business goals.
- Conduct market pricing analysis.
- Analyze your customers.
- Profile the competitive pricing strategy.
- Create a pricing strategy and execute the plan.

Once the pricing strategy is to create and implement, it is essential that the reaction of the customers is monitored continuously. If there are any external influences, you should change the pricing to suit the change. It is okay to change your pricing strategy once in a while. But it is imperative that one pays attention to basic rules of economics like Price Stickiness. It is difficult to increase the price of any offering drastically. If you want to eventually increase prices, one safe way is offering products and services at a certain short-term discount on complete list price.
Marginal Costs

The most important influencer in your pricing strategy are the marginal costs for products and services on your marketplace. One cannot take out much rake from commodities or services that already have a very low margin.

For, eg. Suppose a marketplace for food services. The food and restaurant market is already very competitive, thus business owners work on low margins to attract customers with lower prices. It becomes very difficult to earn a rake from that low margin. Also, a service provider for Home Services vs Real Estate has a huge difference in their marginal costs.

Network Effect

Network effects, which are also called demand side economies of scale, result when a product or service becomes more valuable as a function of the more people use it.

It will be interesting to see how this relationship plays itself out in the real world.

Lyft prides itself on being the preferred option for drivers. It encourages its drivers to engage with riders and has a tipping feature that brings in more income for the drivers. There are a lot of informational effects among drivers that lead more drivers to turn to Lyft, and this leads to an increase in the number of riders that choose Lyft due to the corresponding network effects. However, Uber has a reputation for being the smoother, preferred ride amongst riders. This leads to more riders choosing Uber, which leads to more drivers driving for Uber to reduce wasted time.
Providers differentiation

As discussed earlier, it is not possible to have a similar business model for all providers. On the same lines, you cannot have a similar pricing strategy for all providers. A marketplace that aggregates local sellers may want to charge per successful transaction but a marketplace that aggregates insurance sellers cannot charge a commission on the transaction on the platform. The lifetime value of an insurance provider is often capitalized off-the-platform.

*Booking.com first took over the market with low pricing, but then started offering paid promotion services that increased take rates. When prices go up due to bidding and competition, the suppliers blame their competition, not the platform.*

Transaction Value and Size

The transaction size and amount plays a huge role when deciding the pricing strategy. The percentage of rake you collect per transaction decides the perception of the providers on your platform. If they think, you are charging too much for the value you provide, they will drop out.

Remember that pricing is dynamic, and you probably should iterate on it as you go. However, it’s always difficult to raise prices, so starting off with a higher price and then reducing it if needed is probably a better strategy than the other way around. It is important to clearly communicate the pricing changes well in advance.
The following article focuses on the importance of validating your marketplace idea and enlists a few steps to validate your marketplace idea.

Industry experts attribute the failure to a lot of varied reasons. One of the major factors is a lack of validation of the marketplace idea. Validation of ideas is vital to all businesses alike; an online marketplace is no different. But it is easier said than done. Everybody thinks their idea is genius. Let’s call it The Entrepreneur Syndrome. So how do you overcome the hurdle? Let’s take a quick walk through some questions which would help you understand the steps to validate your marketplace idea.

Why do 90% of startups fail?

Use these 4 steps to Validate Your Marketplace Idea
Is Your Online Marketplace Solving A Problem?

This is the first of the steps to validate your marketplace idea; probably the only question that you need to keep asking yourself. Unless you are solving a problem, it makes no sense in going ahead on the journey of creating an online marketplace. A lot of online marketplaces (about 40%) close down in the first six months of operation because they did not solve any problem. In some cases, there was no problem to be solved.

Steps To Validate Marketplace Idea

To get an honest answer to this question:

1) List down all your assumptions about the problem. Every Single One.
2) Interview a few people, the more, the better, if they are facing a similar issue.
3) Ask them how are they tackling the issue at the moment.
4) Look online if there are any existing solutions in your target market. If not, check if your solution solves every issue. And if there exists, check if your solution offers any additional value.

Do Not Reinvent The Wheel
Is There A Market For The Online Marketplace?

Before launching any product, you must analyse if there is a market for your solution. A key metric is to calculate the total addressable market (TAM). In simple words, it is the total revenue you will make if all the users of your product in your target market would use your product. The more niche your marketplace, the smaller the TAM. Once you have the TAM, it becomes easier to qualify your marketplace idea.

Since a marketplace is a two-sided market, you have to look at both sets of consumers. If there is a market for only one of them, the marketplace is bound to fail. One way to find out if there exists a market is talking to people. Interviewing your potential customers will help you understand if there is a market for your solution.

Rob Infection, the CEO of OpenBay, a marketplace for the discovery of local services, said "After formulating the idea for this online marketplace, I got out of the building and spoke to potential users of the service. The idea needed validation by real users. Since I was planning to build a two-sided marketplace, I had to speak to vehicle owners and automotive service providers, both of whom consistently offered valuable feedback about their challenges, their needs and what they'd want to see."

Are People Looking For Solutions?

Often in the entrepreneurial zeal, we forget to analyze if people are looking for solutions. There might be an existing problem in your market, but unless people feel it is causing enough inconvenience to look for solutions, it will never work out.

One way of understanding if people are looking for solutions is looking for search engine searches in your target market. Search Engines like Google offer platforms to analyze search queries. Once you have a comprehensive list of users looking for solutions, you can ascertain that there will be a demand for your marketplace. Another way, a more traditional approach, is to interview people.

Alex Brola, the co-founder of CheckMaid.com, that runs an online on-demand cleaning service, said “We actually validated [the idea] without having any cleaners to do the cleanings. We threw up a site, a booking form, a phone number, and ran some ads through Google and Bing, and saw what the conversion rate would be had we actually had cleaners.”

Nobody Pays For A Great Idea, People Pay For Solutions
Would People Pay For The Online Marketplace Solution?

One of the last steps to validate is to actually understand if people will pay for the online marketplace. Most people, especially friends and family, think every idea is great. But ask them if they would pay for the solution and most would say No. The online marketplace would only make business sense if you have a set of customers adding transactional value to it. To understand different revenue models in a marketplace, read a related article.

Mike Matousek, Founder of Flashnotes.com, that offers a marketplace for study guides and class notes said: “I started creating these detailed study guides for our exams and sold my final exam guides for $10 a piece. Not only did they sell, but I was also literally hunted down on campus by more and more of my classmates — easily making over $1,000. After this initial interest, I knew I was onto something and had my friends test out the idea of selling study material in their own classes.”

These were just four questions, the answers to which would help you understand the steps to validate your marketplace idea. The list may not be exhaustive but paints a pretty broad picture of the process of validating your marketplace idea. There are many other viewpoints on the same topic which would help you in validating your marketplace idea. Here is one of them. There are many reasons besides the lack of validation that fail marketplaces. Here is an article by 500 highlighting some of the major ones.

If there is something that I have missed, please do leave a comment.

I hope the article helps you in starting the validation process. If you still can’t figure out where to begin, reach us at Yelo and understand what validation process would best suit your business. Our team is behind the successful implementation of 100+ brilliant marketplace ideas all around the world.
Building a Marketplace Platform from Scratch
It seems like you are interested in building your marketplace. Launching your business online is an amazing experience. Before continuing further we are assuming that you are very much clear with the following points:-

**Business Plan** - The business model you want to push online whether it's a single store or multiple aggregators.

**Budget Constraints** - Since you are starting a new business so I hope you must have already decided it.

**Estimated Time of Completion** - We hope you must have thought of the deadline for launching your business online.
If a), b), c) points are done then your partial homework is done. The only fight now left is “How to launch your business online?” I must tell that you are in the right place. We provide complete mobility solutions to take all sort of businesses online.

Let us discuss each of them in detail.

#1
Code it yourself

#2
Build it using open source codes platform

#3
Build it using a hosted SAAS platform
This method includes building the online marketplace from scratch using coding and various programming languages. Let's have a look at the advantages and disadvantages of this method.

**Benefits:-**

Access to whole source code-
Since you are completely developing your software from scratch so you have access to the whole of the source code and you can change it whenever required.

Give the website your own feel and look -
You are the owner of the product so you can give your desired look and feel to your website/ apps. Not only this but also you can change the appearance when required.

No subscription cost-
There is no need to pay monthly or annual subscriptions as in case of hosted platforms. Only a one-time setup cost will be incurred.

**Drawbacks:-**

Requires a skilled developer-
Building the marketplace from scratch is not that easy. Either you should have entire knowledge of coding and other programming languages or you should hire a skilled and experienced developer for same.

Takes a lot of time-
It will consume a lot of time in building the entire platform and hence there may be a huge delay in launching the business online.

Regular maintenance and upgradation are required-
Only completing the software development won't work. You need to regularly maintain and upgrade the software with new features. This is a very complex process.
In this method, you can create your own marketplace from the open source platforms like Woocommerce, Magento, X-Cart, Magento by paying a one-time fee. Let's have a look at the advantages and disadvantages of this method.

**Benefits:**

- **Takes less time in development** - Compared to the first method it takes way less time in building the marketplace using open source.

- **Cheaper comparatively to the first method** - It costs quite less as compared to building the marketplace from scratch.

- **You receive flexibility** - There is no vendor lock-in in the open source software. One can easily play with the code as per his requirement.

**Drawbacks:**

- **Up-front investment** - To get the initial code you have to pay a certain up-front. When you are just taking your business online it can be disadvantageous.

- **Initial technical knowledge required** - If you are not much aware of the coding then open source code won't be able to help you out. One should know how to play with codes to get the required results. Hiring a technician will add to your cost.

- **Data Security Issues** - Since open source software codes are open to all so there is a probability that their coding can be altered. Sometimes it may also result in virus transfers and thefts.
Build it using a hosted SAAS platform

It is the quickest method to launch your business online. It works on “Rent” system. Like you pay rent for living in someone’s house similarly here you have to pay periodically for using the software services. The pros and cons of this method are as follows:-

**Benefits:-**

- **Launch your business immediately**-
  By just paying the monthly or annual subscription you can build your marketplace on the same day and can even launch your business in the minimum time.

- **Cheapest method among all three**-
  Zero setup cost to set your marketplace. One can even start running his business by just paying a monthly subscription.

- **No Coding required**-
  Even a layman can launch his marketplace using a SAAS based platform. Having previous coding knowledge is not mandatory.

**Drawbacks:-**

- **Limitations in design**-
  Since these are pre-built platforms so one cannot alter the look and feel as per his requirements.

- **Choosing the right SAAS platform**-
  When it comes to launching a marketplace using SAAS platform the major fight comes in selecting the right SAAS platform.

- **A SAAS platform should have all the basic features to smoothly run an on-demand business which results in more profits at much lower investments. Yelo is one such SAAS platform. Sign Up Today to Book your Demo!**
Hey! Wait! Are you going to launch your marketplace? Does your marketplace have all the essential features in it? Have a look at this article to know more about the major components of a marketplace. Here we go!

In the previous article, I have already discussed that “Building a marketplace” is not less than an adventure and you will be surprised to know that this adventure lies in setting the right components of the marketplace. Let’s get an idea of these components.
Convenient On-boarding

Not everyone likes filling long forms during onboarding. Usually, a customer finds it irritating to repeatedly add the same information again and again. So your marketplace should be designed in such a way that it offers smooth onboarding to the customers. Providing easy login options using Facebook, Google, LinkedIn & Email can add to the benefit.

Easy Navigation

Your main focus should be on making the user journey as simple as possible and this can only be achieved by providing smooth navigation in an app. I am hoping that you know its navigation feature that guides people to find and make most of the advanced features of your application.

Integration with the different payment gateways

Customers feel special when they are given the freedom to choose to select their payment methods. Moreover, with an increase in digitalization the customer find it easy and safe to pay through wallets and cards. Paypal, Stripe are some of the digital wallets that can be easily integrated with the marketplace.

Analytical Dashboard

An analytical dashboard will enable the marketplace owner to have a panoramic view of the whole business. It will enable him to manage and monitor his performance from one place.

In-App Chat support

Have you ever thought how will a customer elaborate his requirement to the service provider. Suppose he wants to give important information but the booking has been made and the appointment has been scheduled. How will he do this? This is the point where in-apps chat come into play. Hence they are considered as one of the important features of the marketplace.

The Search box, Advanced filters, and Effective listing

An app builder should ensure that his customer books his desired service as soon as possible and this can only be attained by the effective listing of the products. The search box and advanced filters will add to the benefit.
Delivery & Appointment Management Software

You are all set to launch your services online but have you thought how will your delivery boy or service provider reach the desired location. And as a business owner or a customer how will you track his exact location. To ensure on-time deliveries and appointments and to track in real-time a management software is much needed.

Scheduling Options

Delight your customers by giving them an opportunity to schedule their appointments as per their time of need. Customers will happily board your platform since you have given them full freedom to avail the services whenever it’s required.

Rate & Reviews

Adding rate and review feature to your marketplace will increase its credibility. It develops a certain trust between the customer and service providers. With this feature in place, the customer will get a bigger platform to express his views regarding your services.

Push Notifications

As per the latest research Push notifications have an ability to grab the customer attention in the quickest way. One can make better use of them by including time-sensitive offers like hourly promotions and coupons.

Security

This is one of the biggest concern that customers have in their mind when they prefer online sources over traditional sources. The marketplace builder must ensure that his software complies with encryption practices such as SSL certificates and PCI compliance. They should ensure customers that their data is strictly protected.

CRM Integration

Every business owner wants to retain his customer. Customer retention is the basic requirement for a business to grow. How to do this? Here at this point, CRM comes to your rescue. You can store all your customer information in the CRM software and then can retarget these customers with special offerings and promotions.
In two-sided marketplaces, the problems faced by the owners are much more than a traditional e-commerce store. A marketplace is a platform that connects buyers and sellers. Given that both sellers and customers have to be on-boarded to be successful. This situation describes a typical ‘chicken and egg’ problem as both sides are dependant on each other.

Ideally, the solution is to seek both at the same time. But, with companies having limited funding and resources at hand this is not the right strategy to follow.

To start with, try onboarding sellers onto the platform. With enough brands on your platform listing product/service offerings, begin customer acquisition. The first few customers are very important for reviews and referrals.

Tips for acquiring sellers and customers onto your platform are listed below.
Tap into existing platforms

There are already some platforms already in place operating in the same business that you are in. So one way to get targeted sellers and buyers is to tap into those platforms buyers and sellers are likely to be active. These platforms have discussion forums where sellers get to promote their products and users clarifying any product-related queries. Airbnb and Etsy acquired their first customers this way.

Use the same approach offline, take part in trade fairs related to your business, exchange your cards, put up a stall with your company’s branded material and get leads for your marketplace.

Directories

The first thing I do when asked for leads is to open up a directory and extract the data for the particular segment. This is often overlooked but trust me, companies and individuals still list their products/services in directories. Take ‘Craigslist’; if you’re looking out to provide a platform to people looking out for childcare services and hospitals providing them, you can get the list of services providers with the geographic location in it.

Now that you have prepared a list of your targeted sellers to start communicating. Good advice would be to categorize them into groups based on their business type, scale and region etc. and then begin your email and message campaigns.

Email and SMS campaigns

Once your list is categorized start composing content for each segment. Make your email personal, state your value proposition very clearly the receiver should know ‘What’s in it for him’. Choose the most suitable subject line for the mail as every inbox contains thousands of unopened email.

If you already have an existing website and application, provide the links for the same. You could also share articles on the industry news and tips for business success.

In the case of text messages, you can use online tools for bulk messaging.
Customer acquisition

Build Excitement! The only way to ensure a successful launch is to create hype and build excitement. Start engaging with your target audience by actively contributing to blogs and niche forums. The founders of Etsy had made use of online platforms to understand the crafting community and build their online presence launching their marketplace. Such moves can also give insights on the preferences of your potential marketplace users.

Launch timing is critical.

Timing is everything!

Airbnb launched its rental service application in Denver at the time when there was a local hotel shortage which was accommodating 80,000 convention goers. E.g. the best way to start your ice cream brand is during the summer season. Try to launch your brand in times of excess demand and limited supply. This will help the brand create a foothold in the market.

Your first few customers are important.

The first customers are the ones who are going to preach about your brand to the world. It is essential that at the early stages of the business, customer satisfaction should be focussed. Uber served their first few customers managing their own fleet.
Creating a Value Proposition that Works

Your business’s value proposition is arguably the most important element of your overall marketing strategy. A value proposition tells prospects why they should do business with you rather than your competitors, and makes the benefits of your products or services crystal clear from the outset.

Unfortunately, many businesses either bury their value proposition in meaningless slogans or don’t bother highlighting it on their site and in their marketing campaigns – or they don’t figure out what it is at all!
Prove you are the best

As I already mentioned only a statement won’t work. People need to believe that you are the best option for them.

You can use numbers, testimonials, studies and a bit of common sense to prove your claims.

Craft your value proposition

Craft your value proposition in such a way that it targets a specific audience. Keep in mind if you don’t target a specific audience then your value proposition is useless. You should know that different audiences need different messages and different styles of design.

Let’s have a look at some of the biggest market players and understand how they communicate their value proposition to the targeted audience.

Amazon

Have you ever thought what does this arrow signify in Amazon’s logo? The value proposition of Amazon lies inside this arrow. It clearly signifies that Amazon provides all useful products starting from “a” to “z”. And one can easily verify its proposition by just logging into Amazon app.

Uber-The smartest way to get around

Uber always propose that it offers the smartest way to go around. This simple copy taken from the Uber homepage excellently conveys the simplicity and ease that lies in using its service.

At times, just by telling how price effective you could be, customers might get attracted to your business. Other times, you will have to go the extra mile and showcase the quality of your service. Be it convenience, effectiveness or price sensitivity, customers thrive on businesses which distinguish themselves from the masses.

Your business will only boom when people understand why your product is better than others. Hence the value proposition is a must. But before that, you need to figure out what makes you different from your competitors and the best choice for your target customers.
Scaling up the vision for your marketplace
How to obtain first set customers for your marketplace without paying for ads

In this article, we'll look at a few simple marketing tactics for successfully getting the first few target customers to your marketplace. You'll see a great return when executed properly.
Craigslist was being used by people to offer and look for short-term housing. Airbnb decided to attract qualified leads and reverse engineered Craigslist form to make the two platforms compatible. Whenever anyone listed accommodations on Airbnb, they got an option to automatically create a posting on Craigslist as well. This helped create additional inbound links for the user and drove more traffic to Airbnb.

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**Tap into existing platforms**

The key to running a successful partnership or integrations is finding someone who has the same target customers and established an audience that you can provide value to.

Reach out to the person who has amassed this audience and ask them if they’d be willing to run a joint promotion with you. Etsy and Airbnb are examples of companies which benefited greatly from pursuing such strategies in their early growth period.

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**Airbnb’s Story: Growth Hacking from 1K to 60M Users**

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Content Marketing is the way forward

Content Marketing can be an extremely effective way to attract potential customers on a tight budget.

If you focus on crafting highly informative content that is better than what is already out there, you’ll be able to showcase your expertise in a niche which will directly appeal to the target base of your prospective client.

Let’s take a look at how Etsy utilizes content marketing to drive sales and increase membership around the globe.

Newsletters are a big aspect of Etsy’s overall strategy. These daily and weekly emails are full of visuals, easily digestible, and contain links to different products. The emails highlight trends, inviting their customers to become trendsetters themselves.

Under Etsy subscriptions on their website, there are 19 different newsletters to choose from including finds, weddings, fashion, gifts, and dudes, all for a general audience of shoppers. For the sellers, they provide information on teams to join, events to go to, and tips on how to earn a living on the site. International customers and sellers in France, the United Kingdom, New Zealand, Australia, and Germany have their own dedicated newsletters as well.

Content marketing is about creating interesting content people actually want to engage with. Stop talking about your brand, and start creating content people want to read, watch or listen to.
Social media isn’t dead, but needs diversification

You have likely heard how Facebook’s recent decline in organic reach means that social media is dead, at least as a method to distribute content and engage with your loyal user base.

- **Increase brand awareness**: To create authentic and lasting brand awareness, focus on content emphasizes your personality and puts your followers ahead of the hard sell.

- **Achieve a higher quality of sales**. Two most important factors to achieve quality sales is monitoring or listening to specific keywords, phrases or hashtags. Through more efficient social media targeting, you reach your core audience much faster.

- **Create a loyal fanbase**. Your customers can be your best cheerleaders and sources of fresh content, but only if you’re encouraging them to post on your behalf. Does your brand promote user-generated content? Do your followers react positively without any sort of initiation?

Public service announcement:

1. Pop-Tarts are not ravioli
2. Pop-Tarts are not sandwiches
3. There will never be a Tide Pod flavored Pop-Tart

Have a nice day
Guest Posting

If you want to generate leads with the help of guest posting, you need to first figure out where your new customers and prospective clients are consuming their content.

Finding guest posting opportunities is relatively easy. All that you need is a little bit of clever searching on Google.

If you create a good enough impression, a number of the people who read your content will feel more inclined to check out your website and what you have to offer. And you may well be on your way to getting your first customers by doing so.

Final Thoughts

There’s no denying that a lot of marketing tactics is a matter of trial-and-error. Monitoring the metrics behind your campaigns in real-time allows you to make small tweaks to your marketing strategy rather than sweeping, time-consuming changes. This dynamic approach to marketing makes perfect sense in a day and age where digital marketing is constantly evolving.

And with that, we wrap up ideas for a basic marketing plan checklist for launching your marketplace!
It is no secret that building an online marketplace is not easy. The model works perfectly well at scale. However, getting to scale is the real game that gets challenging. If there are buyers but few sellers, the buyers leave. If there are no buyers, what will you convince sellers to sign on?

If you are building an online marketplace, how do you survive the tough times when you’re trying to get traction and build out your merchant and customer base? The best way to solve the chicken and egg problem is by launching an online store and attracting traffic. In other words, you need to create a marketplace where sellers are waiting for the buyers to arrive and purchase their goods.
Build you niche audience
If you don’t have an audience right now, it might be wise to either buy or partner with one or two small niche forums. Or perhaps sell your own products so customers keep coming.

Specialize in unique inventory
Create a strong brand identity and a community along with your unique product. If they buy into idea or vision, they adopt it as part of their lifestyle.

Keep the spends as low as possible
Take a close look at your spends. There’s no need for a big team or offices early on. Most marketplace businesses only need people building the buyer and seller communities.

Signal long terms commitment
With limited resources to build a sustainable marketplace, you need to narrow the focus of your business efforts. Marketplace businesses need to build traction in smaller verticals before expanding their reach into bigger markets.

How to survive tough times
When you are building traction
Solving chicken-egg problems of an online marketplace
Most of the popular ones started off with one side of the audience first. For example:

- The founders of Etsy initially ran a forum focused on craft makers - Arts & Crafts Forum. They had a pre-existing audience they could use to kickstart the marketplace.
- eBay started off by using public message boards to list items for sale to potential buyers. There were no options for secure purchases between individuals at the time.

If you don’t have an audience right now, it might be wise to either buy or partner with one or two small niche forums. Or perhaps sell your own products so customers keep coming even if you’re the only seller initially.

Instead of building something from scratch use a pre-made solution like Yelo. Focusing on adding value, building products your customers can use and growing your user base is much more important for marketplace success.

**Specialize in unique inventory**

This was how Etsy started. It created a strong brand identity and a community along with it. If they buy into your idea or vision, they adopt it as part of their lifestyle.

Indiegogo first went after the indie film market before opening up their platform to other categories. eBay started with Pez dispensers before becoming the world’s largest online marketplace. Expanding outward from the niche often happens organically as sellers start listing items in new categories.

*If growth outside the niche doesn’t sprout organically, you can help speed up the process by focusing on seller acquisition campaigns targeted for strategic categories and more prominent merchandising of new categories to consumers.*
Keep the spends as low as possible

While spending big at the beginning can help some businesses ramp up quickly or become the market leader, money cannot buy speed when it comes to building out a marketplace. Given the slower pace of a marketplace, you’ll need to give yourself enough time to build your business. This means adjusting your burn rate downwards in order to lengthen the runway as much as possible.

Take a close look at your spends. There’s no need for a big team or offices early on. Most marketplace businesses only need people building the buyer and seller communities. You can focus on building your business and discover ready platforms to launch your online marketplace.

Focus on your existing users

Great marketplaces are built from the niche to the masses. You need to smoothen the experience for your early users before you can begin to appeal to a broader audience.

Your early users will encounter issues, some minor and some major. If you can address and resolve them, the early users will be pleased with your platform. The next time they need a similar service, they will definitely think about using your website.

By engaging your passionate users and catering to their needs, you increase the likelihood that they recommend it to a friend and your marketplace can spread outward.

Signal long term commitment to a process

With limited resources to build a sustainable marketplace, you need to narrow the focus of your business efforts. In most cases, marketplace businesses need to build traction in smaller verticals before expanding their reach into bigger markets. Or in the case of geographical markets, a marketplace should nail one location before expanding into others.

- Etsy’s own suppliers used the platform to discover other hobbyists and to purchase goods from them. Some sellers would even bring along their loyal customers.
- Airbnb and Etsy are examples of strong communities with a large overlap between buyers and sellers. The community built around your marketplace can prove to be the most powerful factor for success.
Concluding thoughts

When trying to create a new marketplace or market category, you’ve got to believe in your idea even when no one else does. You should continually look for small signals that you’re on the right track. These include increased word of mouth from your early adopters, increased repeat usage from buyers, increased listings from sellers, and positive user feedback.

Building marketplace can seem much harder than online storefronts. However, once you reach scale, a marketplace model is highly successful due to the strong supplier-buyer network effect that comes into place. If you can give your marketplace a long enough play way to build out both customers and merchants, there are plenty of market niches waiting for the Airbnbbs and the Ubers.
This is how you don’t lose customers

If you want a successful Marketplace business these days, it’s not enough to simply close the sale. You’ve got to help your customers fall in love with your business.

Everyone today is talking of a customer-centred marketplace, but when you get down to it, not everyone is getting it right.
Word of Mouth of your marketplace

TaskRabbit lets you find people willing to take care of a range of small tasks around the house (in exchange for money, obviously).

TaskRabbit lets you find people who will help you take care of little errands around the house. You can use the app to find help to move stuff to a new apartment or to just clean your windows. If you are a service provider you can create your own listing and start providing your service to customers in need.

If anyone was to talk about their service, it was very important to target small geographical areas and specific demographics.

So they chose to go with Boston first and targeted a group that’s often out of time due to the myriads of tasks that need to be taken care of every day – moms.

It worked. Those first users started sharing the site with their friends, and through word-of-mouth, the TaskRabbit brand was established. Currently, TaskRabbit operates in 47 US states (mostly in the US + London), has raised nearly $40 million in venture funding, and has sights set on expanding even further.
Manage Customer Expectations

The customer expected something, but you didn’t deliver — perhaps the expectation never even occurred to you, or maybe outside there were factors that were not under your control.

It happens to us all.

The good news is that you can fairly easily solve this problem to a large extent simply by managing expectations from the beginning.

1st Step

Find out what the customer expects as soon as possible. Talk to them, but most importantly listen to understand customer perception.

2nd Step

The key to managing expectations with a new customer or client is to be thorough and honest before purchase regarding all even moderately important terms.

3rd Step

Communicate well and often with the client or customer.
Authentic Customer Interaction

As competition increases across consumer-facing industries, shoppers are less inclined to develop genuine and loyal relationships with brands, committing instead to simply finding the highest quality goods, at the lowest prices, delivered in the shortest amount of time.

To change this mindset, marketers must shift their interactions with their customers from the transactional to the personal, offering the same level of humanity found in the closest of human relationships.

The challenge is to do it and do it at scale, but when done thoughtfully, these changes drive authenticity and enable strong relationships that can be grown and maintained over time.

Copyblogger has several suggestions on ways to get your customers to like you and look what's at the top of that list:

Here are five ways to become better liked online...

1. **Be authentic** and express your unique voice through your content

2. **Be Real**: If you come across as a dull, faceless company you'll simply turn people off. Instead boost your popularity by writing passion, sharing your stories, and getting personal.

3. **Be Nice!** It sounds obvious but unfortunately it isn't. Don't annoy or badmouth people. Be helpful, responsive, and generous with your time and your attention. Your audience will love you the more for it.

4. **Initiate a two-way conversation**: Invite your audience to engage and interact with you. Invite comments on your blog posts and ask question in your autoresponder sequence.

5. **Be relevant**: Listen, research, and ask questions to discover your audience's pinch points. Package your ideas into thought-provoking blog posts, share solution on a webinar, or drip ideas through an autoresponder.
Customers are the lifeblood of any business. If you want your business to grow and stay healthy, you need to listen to whatever input your customers give you in their feedback. This will help improve your customer loyalty towards your marketplace platform.

Gathering feedback from your customers and leads has never been easier. You can use any one of the following methods. Even better, use a combination of a few methods to make it as easy as possible for them to speak up and share their opinions with you:

- Active listening
- Proactive feedback
- Surveys
- Focus Groups
- Observation
- Point of Sale
- Customer Service
- Social Media
- Communication & Groups
- Email & Web Forms
- CRM Software
Offering top-quality support is essential

The #1 reason for losing customers is unsatisfactory customer service. Ad hoc customer service plan simply doesn’t scale. It might serve you well in the beginning when you’re not too busy and managing platform with fewer employees.

But the ultimate goal is that you want a business that’ll bring in so many customers that you can’t do it all yourself. But you have to be smart about support. What works for your competition might not be the best choice for you.

Ideally, you want to adopt a system for the support that you can scale — one that grows with you. With a ready to use a platform like Bulbul that can be easily integrated with Yelo marketplace platform, it is easy for customers to use and fits into your overall business systems with a minimum of headache.

Final thoughts

So, no, the customer is not always right.

The customer is, however, always human. Keeping that in mind can help you develop and communicate empathy, which can quickly pacify unhappy customers.

Be open, listen and actively seek customer feedback. Be prepared to take action on customer feedback while jumping on customer issues as soon as you are aware that they exist.

Do this and your customers will be your advocate.
Every marketplace has a vision of success, even ones that run for non-profit. You may have different versions for success. Hence, it becomes important that you keep a track of the growth of your marketplace. Every marketplace business has different key performance indicators (KPIs) depending on their specific goals. How important one KPI is over another can be a result of the products you sell or even the format of your sales process. For marketplace sellers, that means watching, measuring and continually improving KPIs for end customers, sellers, and growth. These are hard, analytical stats that may be found in your enterprise analytics console.

Here we discuss a few general metrics that most online websites use:
Usage Metrics

- **Active Users**: Calculated Monthly or Bi-Monthly, active users give you an idea of the number of users still performing transactions on your marketplace. The number of users does not grow business, the number of transactions do.

- **New Users**: This metric is especially useful when you run a promotion for customer acquisition. Organic growth in this means that people are talking about your marketplace.

- **Time Spent**: If a customer spends a lot of time on your marketplace per session, it means either he/she is shopping a lot or unable to find what they are looking for. Hence it is important to monitor the time spent on your website.

- **Bounce Rate**: If a customer is dissatisfied with any component of your website, he/she will leave the website. This is called Bounce Rate. A High Bounce rate without goal conversion means dissatisfied customers. You could run a retargeting on such customers.

These usage metrics can also be used as a benchmark for competitive analysis. Sellers could be attracted on to your website using these metrics.
Business metrics are important to justify your ROI from the marketplace. The following 3 metrics are what you should be measuring in the growth phase.

- **Gross Merchandise Value**: In the initial phases of growth, it is important to measure the value and not the volume of your sales. The volume may not be an apt metric for measurement of success as promotions and offers may show higher volume but lower value.

- **Customer Acquisition Cost**: This is the cost of acquiring each customer on your website. For calculating this, you calculate the total amount spent on marketing per new user on your website.

- **Repeat Customers**: Repeat customers are the best. They not only give valuable insights on reasons for visiting on your website but also act as evangelists.

Another important business metric is the **Supply-Demand Ratio**. It is the number of sellers on your platforms vs the number of users. It is important to maintain a healthy ratio so that both sets of customers are kept satisfied.
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Customer Satisfaction Metrics

Okay, there is an insane number of metrics you could use for this and various tools to measure it. Customer satisfaction can be calculated at every level using tools like the Richter Scale. Amazon asks you of your satisfaction level after you place the order, interact with a customer agent and when you receive the delivery. They track your responses and understand your behavior and what delights you.

Net Promoter Score: NPS is a trusted anchor to measure your customer experience. It can be used to assess marketplace customer relationships. It serves as a better alternative to traditional customer satisfaction tools and is proven to be correlated with revenue growth.

Keeping Track of It All

When you have to track KPIs across multiple channels, the job can become complicated and time-consuming quickly.

Kato a business intelligence tool that can easily integrate with Yelo, helps you keep tabs on more data so you can more easily measure some of the not-so-evident KPIs as well. Establish performance thresholds and the system will look out for trends, then alert you and/or take action to make sure you stay in the black.

But it all starts by understanding which KPIs are the most important for your business. Identify your key performance indicators and be sure to set a review process for them. This will give your business the best chance of continued success.
Online marketplaces are hot. The success of platforms like Airbnb, Etsy and Fiverr has proven that the marketplace model is very scalable and can be applied to pretty much any area of business.

In the coming years, we're going to see tremendous innovation in this field. There's no better time to become a marketplace entrepreneur.

Even though the time is right—and the technology is finally mature enough—building a successful marketplace is far from a trivial task. There are no shortcuts for launching a marketplace and making it successful. Having a sound strategy and knowing best practices are important, but you still need to be prepared to put in lots of hard work to grow your marketplace and make it flourish.

In this guide we've covered most important things you need to know before moving forward with building your marketplace business.

Now, It's time to start building your marketplace!
For more information on how to run an online marketplace,
www.jungleworks.com/resources