

The rise of e-commerce marketplaces: realising the full potential of online business



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Introduction

Evolving buying behaviours, economic pressures and rapid technological advancement have characterised the aptly termed “next normal” era.

E-commerce has become almost central to any retail and Consumer Goods (CG) business, with online sales forecast to grow to a quarter of total global sales by 2025.¹ In terms of Business-to-Business (B2B), manufacturers and suppliers are also expanding their e-commerce ability with industry-relevant online sales channels, such as Procure-to-Pay marketplaces. However, whether these businesses are efficiently managing their e-commerce channels is another matter.

E-commerce marketplaces provide ample opportunities for retail and CG businesses to tap into expanding consumer demand. Market dominators, such as Amazon, grant brands significant visibility across online audiences that they would otherwise have struggled to reach via an independent online presence.

“Digital marketplaces now account for 67% of global e-commerce sales, leaving just 33% of transactions taking place on D2C brand websites.” – Gartner²

For many, a central challenge of managing Direct-to-Consumer (D2C) online sales is maintaining an efficient order cycle alongside other sales channels. Keeping control of costs, supporting scalability, and expanding market reach all need to be priorities as online purchases continue to grow. In response, market insight providers such as McKinsey and Gartner have already stressed the need for businesses to invest in the supply chain and the automation of processing to stay ahead of the game.

“The revenue generated from the top 100 digital marketplaces globally grew by 18% in 2021. With two-thirds of dollars being spent on digital marketplaces and projections of double-digit growth, branded goods manufacturers will be fighting a losing battle if they don’t take immediate action and attempt to retain consumers.” – Gartner²

Key takeaways

There are three areas that businesses (both B2B and B2C) can address as solid starting points to ensure greater long-term success with online marketplaces. We cover these in each chapter of this whitepaper:

1. Compliant data security

When it comes to the management of orders from e-commerce marketplaces, a key consideration, and one of growing importance, is the secure management of data across the supply chain.

This is already transpiring for businesses using Amazon Seller Central as a D2C channel. They are increasingly being challenged by the limited permissions to process Personal Identifiable Information (PII) data from orders made on the marketplace. This can pose a real dilemma when it comes to the automation of order processing, particularly shipping.

These retail and CG businesses need to ensure that they can identify and vouch for all the parties that are processing PII data from marketplace sales on their behalf and that they are compliant with the necessary security and data protection protocols. Utilising accredited service providers to facilitate the automation of order processing takes away this complexity.



2. Extended product range

Dropship has long been a tried and trusted strategy for many brands, both B2C and B2B, in order to keep overhead costs (e.g. warehousing and logistics) under control. However, when it comes to innovative ways to maximise revenue generated from online marketplaces, businesses fail to fully explore the opportunities presented by smarter integrations across their dropship networks.

Suppliers can and should expand on their dropship operation to include smaller and lower-volume product lines that perhaps have more marginal sales. This is facilitated by enabling Real-Time Reporting (RTR) of warehouse stock availability that can be directly integrated into an online marketplace's catalogue system.



3. Maximised Procure-to-Pay (P2P) connections

Ensuring market reach is essential in an intensely competitive and uncertain business environment. Particularly for B2B organisations that do not rely on typical consumer sales channels. For some, harnessing Procure-to-Pay platforms for their e-commerce/marketplace functionality has been lucrative in securing new business.

There's a variety of different Procure-to-Pay platforms for B2B organisations to utilise. Each of these serves a different market; depending on the business industry. Whilst the key use-case for businesses is in automating procurement processes, they can also offer additional functionalities, such as e-commerce marketplaces.

P2P middleware solutions enable organisations to take advantage of this marketplace functionality by automating processes and consolidating data from multiple outlets into one central business system.



Compliant data security

The accelerated increase in digital interactions and online sales in recent years has only highlighted the imperative need for robust data security and strict regulation.

According to the annual report from Winter 2022/23, the UK Government Department for Science, Innovation & Technology (DSIT) estimated that across all UK businesses, there were 2.39 million instances of cybercrime and approximately 49,000 instances of fraud as a result of cybercrime in the previous 12 months alone.³

Retail business is a key target for cybercrime and data breaches due to the nature of the information that they hold and process as part of the order fulfilment cycle, which is typically financial and personal.

Data security has been the subject of government legislation in recent years. Most notably General Data Protection Regulation (GDPR) under the Data Protection Act, which was ratified in the UK in 2018. This is guided by 7 principles:

- Lawfulness, fairness and transparency
- Purpose limitation
- Data minimisation
- Accuracy
- Storage limitations
- Integrity and confidentiality
- Accountability



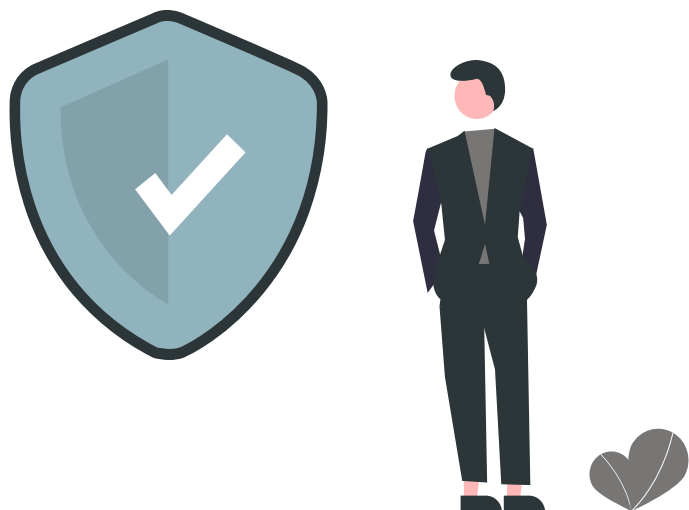
Any business with a D2C element should complete an audit regarding its data processing as a priority. This can be approached in two stages:

- Identifying all the parties that are permitted to access consumer data. These parties can be both internal teams and/or external service providers and sub-processors (Third Party Logistics – 3PL, Software providers, etc.).
- Understanding the exact policies and procedures in place to ensure the data is protected. This can be the internal security policies implemented within the organisation’s infrastructure or the certifications and accreditations held by their third-party providers.

However, according to the DSIT, this risk assessment is not being prioritised amongst the majority of businesses:

“Just over one in ten businesses say they review the risks posed by their immediate suppliers”
– GOV.UK Department for Science, Innovation & Technology DSIT³

To reassure our clients as their sub-processor that we are following cybersecurity best practices, we comply with Information Security Management ISO20071 and we hold Cyber Essentials certification. We are also able to comply with requirements to host data within the right jurisdictions applicable to our clients, avoiding the complexities of legislation regarding the ‘safe-harbour’ of data.

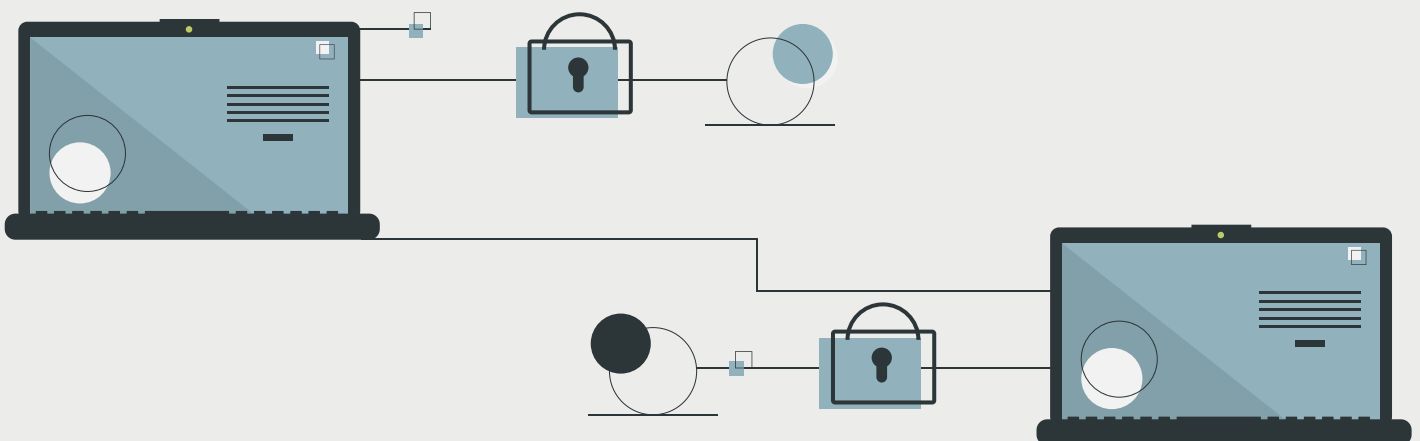


How data security impacts marketplace sellers

On top of the legal requirements, online marketplaces such as Amazon are also introducing terms and conditions that enforce strict limitations on how Personal Identifiable Information (PII data) can be processed. For Seller Central account holders, particularly those with Direct Fulfillment accounts, Amazon will only share PII data with endpoints that they have approved and can trust.

Whilst Amazon's policy is considerate of data security, it can be very restricting for businesses and generally results in PII data only being sent to the seller directly rather than its third parties that are involved in the order fulfilment process (e.g. 3PL or EDI provider). This results in complicated manual processes to compile and communicate necessary data across the supply chain so orders received from the marketplace can be fulfilled. It can also cause significant bottlenecks for businesses that have high order volumes.

“Eight hundred billion gigabytes of customer data were generated in 2021 across the world. Using this data for advanced analytics and artificial intelligence, and the high potential for automation will help companies maximize value creation, and technological advances will make adoption easier. All of this will require the modernization of legacy IT architecture and systems, a shift towards agile IT operating models, and more advanced cybersecurity systems.” – McKinsey⁴



Luckily, businesses that are running a D2C channel via Amazon Seller Central do have a way to automate the order cycle. Transalis is one of a select few providers that have gained verified Amazon Seller Partner status. The Seller Partner status enables us to manage PII data on behalf of our clients. This means that we can integrate your Amazon Seller account directly with your business systems and fulfilment processes. For example, businesses can consolidate all order information from their various sales channels, including Amazon, automatically into their Enterprise Resource Planning (ERP) system.

Want to automate your Amazon marketplace order fulfilment?

Take a look at our dedicated Amazon Seller Central integration service. Including a standard set of four message types. Starting from £7,000 including set-up!



Find out more

amazon | selling partner
appstore

Software
Partner

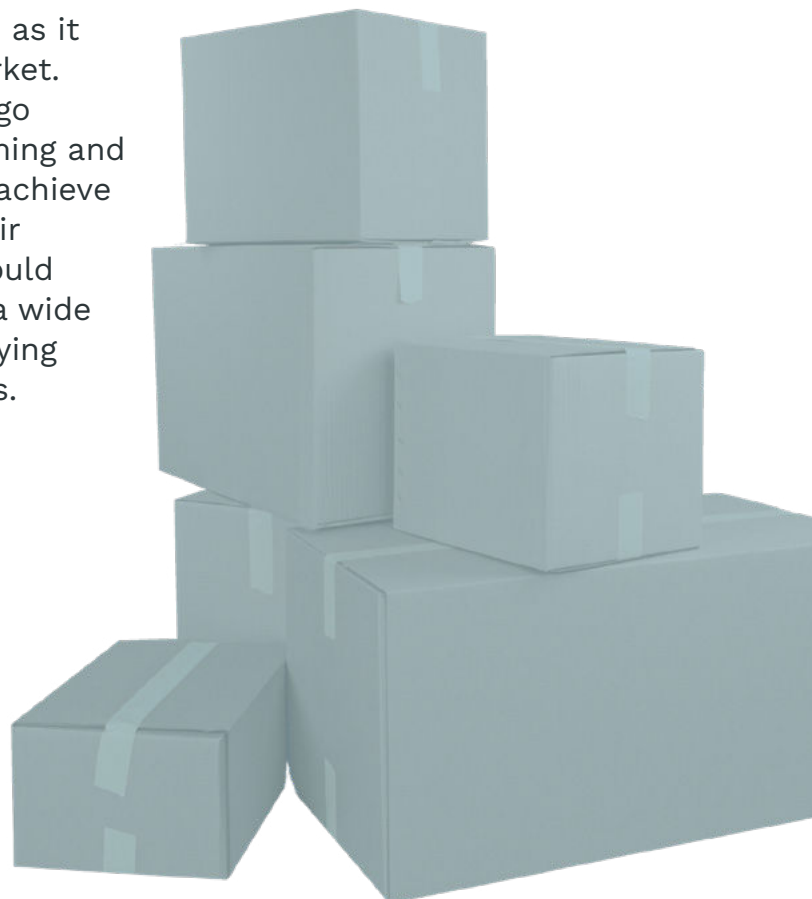
Extended product range

Dropship is not a new concept, many retail businesses use the strategy to their advantage by saving on overhead costs such as the warehousing of stock and logistics.

For the most part, retailers have employed this strategy to supplement their online sales by covering big-ticket items that have good margins but lower sales volumes. However, on the other end of the spectrum, they could also be including smaller ticket items that perhaps have minimal margins within their dropship operation. While this approach would typically be dismissed due to the cost of manual intervention involved in the order fulfilment process (making it commercially unviable), automation opens a door of opportunity to extend the product range.

The key motivation behind this strategy for any organisation looking at this approach is the ability to become a singular point of sale, catering to a broader range of customer needs, by effectively following a marketplace model in their own right. This is especially significant for B2B suppliers and manufacturers as they seek Preferred Supplier status with client organisations.

Preferred Supplier status is coveted as it guarantees sales with a captive market. Although, suppliers usually have to go through a competitive, time-consuming and rigorous tender process in order to achieve it. To set themselves apart from their competitors, these B2B suppliers could demonstrate their ability to supply a wide range of products, therefore simplifying procurement for client organisations.



A case study

Transalis has experience in supporting this exact strategy for one of its clients, a B2B office consumables supplier. The business challenge surfaced following an existing project which involved the integration and consolidation of orders received via select online marketplaces (notably Procure-to-Pay platforms – see the next section of this report for more information). The client already had a successful dropship operation in place that Transalis was also helping to facilitate thanks to trusted automation technologies; integration and EDI services.

With an ambitious objective of extending the product range to include one million product lines, the client came to Transalis to see how a full end-to-end automated process could be achieved.

This B2B supplier has a core product range that it warehouses and manages the order fulfilment process for, however, this only makes up 10% of their available product lines when compared to the scale of their dropship operation.

Amongst the many dropship suppliers that our client wished to extend its product range is a supplier that sells technical parts (e.g. fuses, LEDs, etc.). Normally, to ensure sales can be profitable, minimum order volumes would be imposed on these low-ticket product lines.

However, the client wanted to be able to capture orders without these constraints. Any manual involvement in the dropship operation would make it commercially unviable for the client. So Transalis needed to implement an innovative solution that would result in a negligible cost of sale across the client's online channels.

“Increasing digital sales require an expansion of the supply chain and logistics network. Warehouses and fulfilment centres will have to increase to meet the growing demands of e-commerce orders, both in terms of increased volume and service level, as customers demand faster deliveries. Automation can play a central role in warehouse efficiency.” – McKinsey⁴

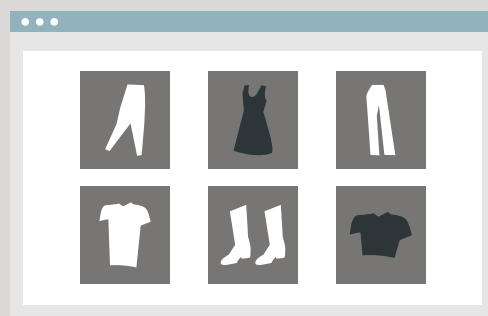
What Transalis delivered

The resulting project encapsulated the full automation of order fulfilment that was agnostic to dropship items and items held in the clients' warehouses. Here is an overview of how Transalis automated the client's dropship operation across 200 suppliers and approximately 1.2 million product lines.

1. Direct feed of stock availability

Starting with product visibility on the relevant marketplace catalogues, covering a number of P2P platforms as well as the client's own e-commerce website.

The Transalis solution integrated inventory information from dropship suppliers and surfaced the availability status within these catalogues via a direct feed on an hourly basis. This results in an efficient experience for the consumer, as they have one point of sale, one point of contact, and from their perspective the entire order is fulfilled by the client rather than multiple suppliers.



2. Digital transformation of order data

Once the customer places their order, the information is sent through Transalis' digital transformation layer before being automatically routed to the client's own systems. Within this process, individual line items within the order are identified as in-house or supplied via dropship.





3. Automated communication to dropship suppliers

The line items that have been flagged as dropship triggers an outgoing order request from the client's systems, via Transalis to the dropship supplier.

4. Efficient order fulfilment

The dropship supplier can then acknowledge the order and return an ASN or despatch notice automatically back to the retailer (our client).



5. Customer communication remains the same

Whilst these automated processes are taking place, the solution will also facilitate communications with the end customer, which includes the consolidation of information across multiple possible shipments and estimated delivery dates.



6. Simplified payment, negligible costs

In terms of payment, dropship suppliers invoice the client for the line items fulfilled as part of the overall order at the wholesale rate agreed. The client's system then sends an invoice to the end customer for all items ordered, which includes the wholesale rate plus the client's margin.

The results

This automated process ensures every party involved in the dropship order process benefits:

- The customer benefits from a simplified buying process from one trusted source without constraints on order volumes
- The client increases their Average Order Value (AOV) by surfacing a wider range of items applicable to more customer needs
- The dropship supplier also benefits as they win additional sales from these multi-product orders that they would not have received otherwise

Need advice...?

Want bespoke advice on how best to support an efficient dropship strategy with online marketplaces? Schedule a meeting with our team to discuss your business needs.

Book a meeting



Maximised Procure-to-Pay connections

Ensuring market penetration is essential for B2B suppliers. Procure-to-Pay (P2P) platform marketplaces are attractive to B2B suppliers as they overcome one of the challenges of being able to secure new customer contracts; market visibility.

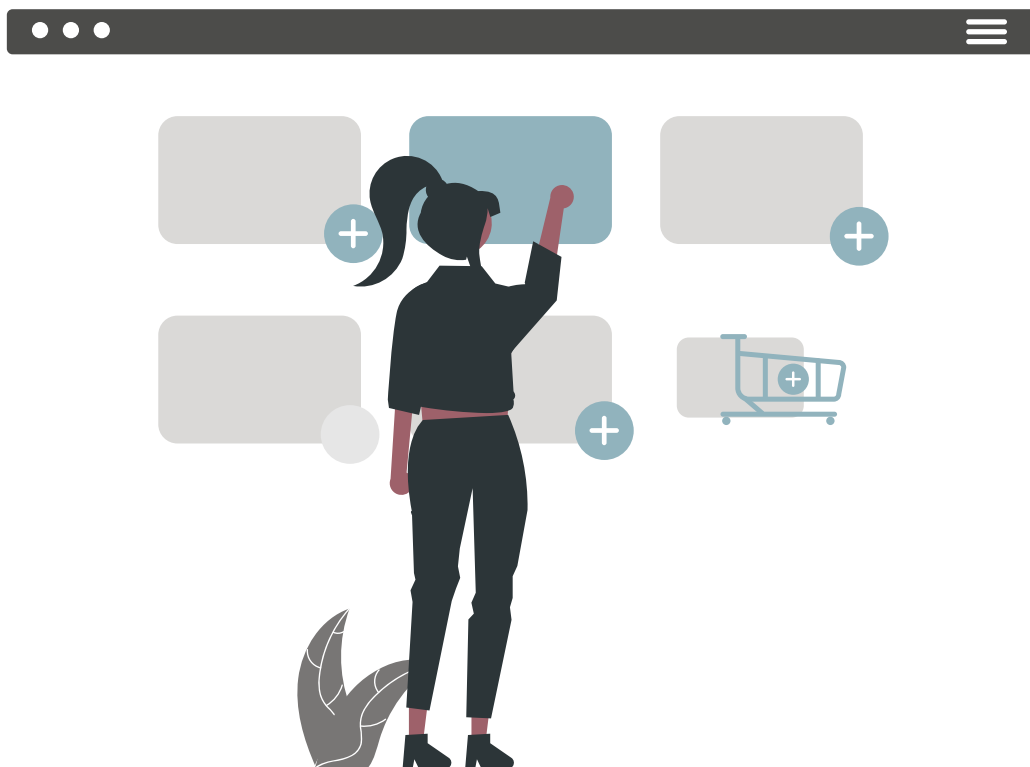
In addition to improving procurement processes, B2B Suppliers can list their product catalogues on these P2P platforms that have marketplace functionality. Procurement technology enables greater visibility and efficiency for suppliers and buyers alike and is attractive to both parties for these reasons:

- P2P platforms offer a structured supplier bidding process that supports transparency for buyers to accurately compare propositions
- They provide the supplier with significant exposure to buying communities across targeted industries

Organisations that follow this B2B supplier strategy should consider listings on multiple Procure-to-Pay(P2P) platforms. Each Procure-to-Pay platform tends to serve a different audience, which could be industry specific or general. For this reason, B2B suppliers that serve multiple business types and industry verticals should list on all relevant Procure-to-Pay marketplaces.



“Online B2B marketplaces offer several general benefits to business. Notable are greater transparency in product, service, and supplier availability—as well as in pricing and purchasing terms. Hours and time zones are irrelevant, making marketplaces truly global. And, perhaps most significantly, they provide CPOs with the means to offload the tactical, often repetitive work that dominates procurement (especially in indirect categories), improving their management so they can focus on more strategic activities.” – McKinsey⁵



Harnessing one-to-many middleware for P2P platforms simplifies this strategy for B2B suppliers. Organisations that require integrated data communication between their ERP system and their network of Procure-to-Pay platforms can deploy an EDI middleware solution.

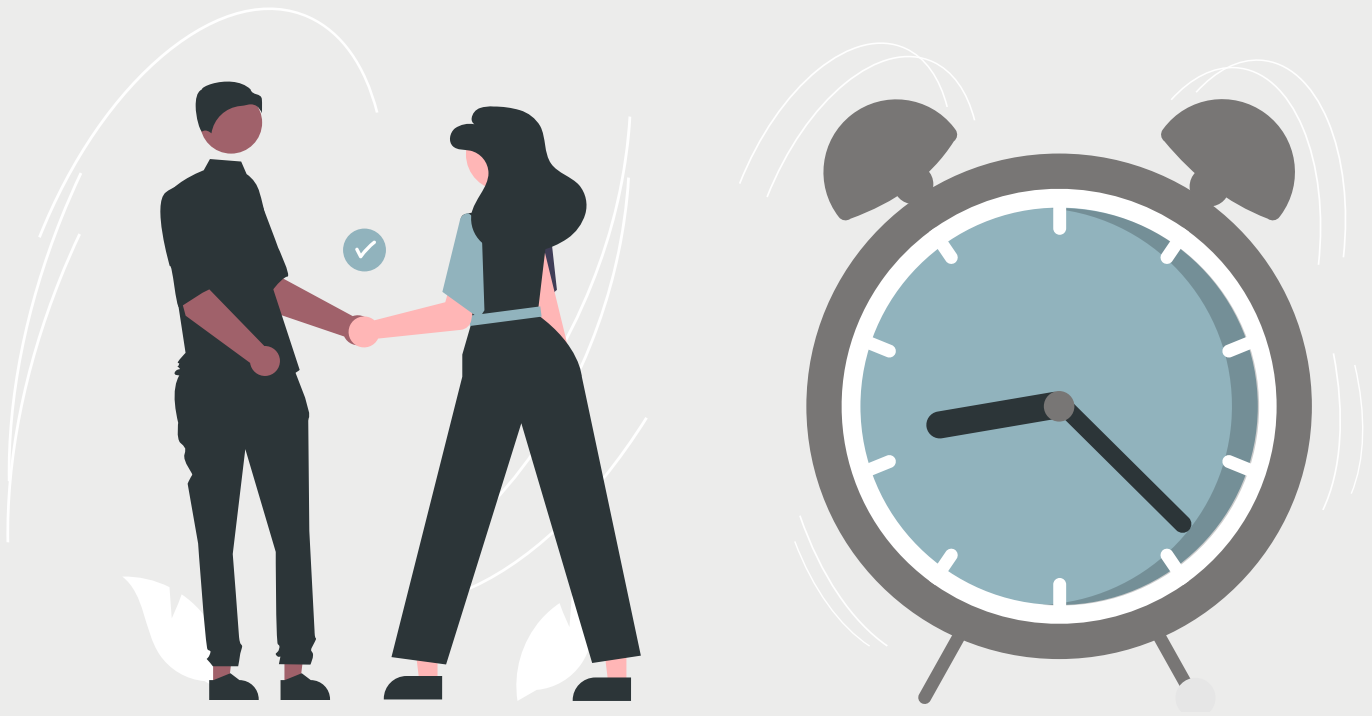
By taking this approach, the organisation avoids the hassle and expense of setting up individual connections and integrations for each P2P platform. Ultimately, the middleware software acts as a funnel layer that processes data exchanges between each party and feeds it into the required endpoint.

A case study

Transalis can offer expert insight on this subject following a large-scale project for a client. The utilisation of Procure-to-Pay marketplaces was a key sales channel for this particular business division. The client had marketplace listings across a total of 15 different platforms, which resulted in supplying over 300 customers.

The client came to Transalis because the existing solution that managed connections with these P2P platforms was being withdrawn, with a 4-month deadline. They were also challenged by very limited in-house knowledge of P2P processing management due to the acquisition. Our tailored approach to the client's needs ensured rapid onboarding of P2P platforms to achieve maximum market coverage.

Regarding the build of the solution, Transalis worked on a modular basis. The production team resourced the project in an optimal way by identifying key commonalities between the P2P platforms and then replicating the configuration across them. Then they were able to dedicate appropriate time and focus to the technological exceptions.



The results

In summary, this strategic approach in implementing EDI middleware meant that all 300 customers across the 15 P2P platforms were live within 9 weeks. Subsequently, our client was able to expand its client base and scale this area of the business. Transalis has since onboarded an extra 100 customers, completing this in just 4 weeks.



Unsure of anything?

To learn more about how middleware integration solutions can maximise your B2B marketplace connectivity you can take a look at the wide range of resources in our Knowledge Hub.

[Learn more](#)

Closing summary

The rise of online marketplaces opens up vast opportunities for businesses with the right strategies in their arsenal.

Suppliers should consider the following to increase the longevity and scalability of their online sales channels:

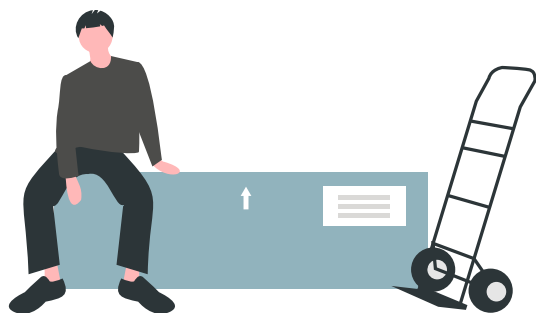
1. Ensuring data security for all order processes

This includes internal security procedures and third-party service providers. In terms of reliable and efficient processes, consolidating order data from multiple sources, e.g. marketplaces, such as Amazon, should be a high priority. This can be facilitated through trusted Amazon Seller Partners that can provide integration services that cover PII data.



2. Expanding dropship capabilities

Whilst low ticket items may not have previously been commercially viable within a typical dropship operation, harnessing automation results in a negligible cost for order fulfilment. This boosts the AOV for suppliers, increases sales for dropship partners, and simplifies purchases with one point of sale for buyers.



3. Maximising the marketplace functionality of P2P platforms

Suppliers may already be managing orders from B2B marketplaces such as Alibaba, but Procure-to-Pay platforms enable the automation of the entire procurement process as well as offer this functionality. Utilising middleware integration services simplifies the connection to multiple platforms, making it a more accessible strategy to increase market coverage.



Transalis integration services

Transalis can support businesses get the most out of their online sales strategies. We have extensive experience in implementing innovative integration solutions that connect systems, simplify data processing, and deliver significant ROI.



Email sales@transalis.com

UK 0845 123 3746

International +44 1978 369 343

Resources

¹McKinsey & Company. 2023. *What is e-commerce?*.

²Gartner. 2022. *What Doesn't Kill You Makes You Stronger: Navigating the D2C Minefield*.

³GOV.UK. 2023. *Cyber security breaches survey 2023*.

⁴McKinsey & Company. 2022. *Transforming the EU retail and wholesale sector*.

⁵McKinsey & Company. 2019. *How B2B online marketplaces could transform indirect procurement*.