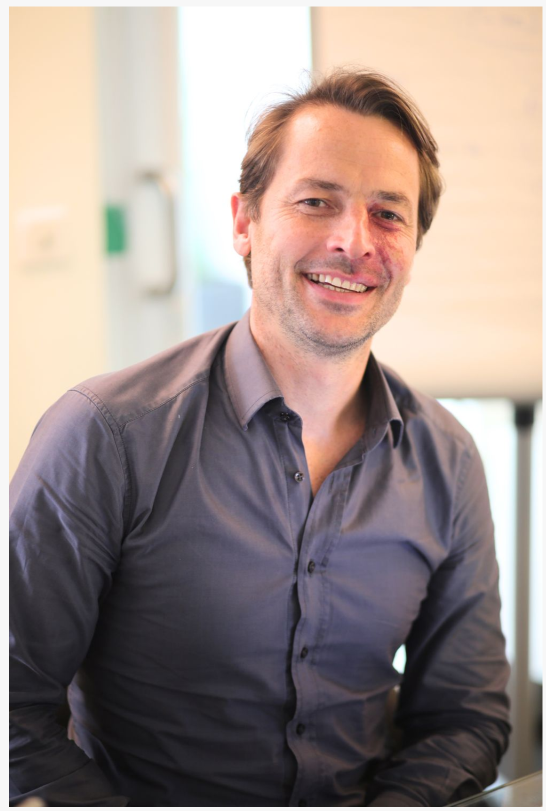
Online Marketplaces, Internalization, BtoB: Vision and Objectives

An expert view from Christophe Bourbier, Chairman & Co-founder, Limonetik



PARIS, FRANCE, January 8, 2018 /EINPresswire.com/ -- According to eMarketer, BtoC online market projections will exceed $4,000 billion by 2020. In another study, Accenture and Alibaba Group estimate that receipts from marketplaces are expected to reach $1 trillion worldwide by 2020. This success can undoubtedly be explained by consumer and business demand for the best possible prices and selection of products.
The competitive landscape of electronic commerce has dramatically changed over the past few years. No single market dominates global Ecommerce, but each market is simultaneously global and local. Ecommerce now requires brands to increase their international exposure and offering accordingly, and every niche market is affected. Online marketplaces are the new benchmark for distribution models. They boost sales, enrich product catalogues, and reduce costs. They are likely to take over 39% of the retail market share within 3 years (E-Commerce Foundation).

Marketplaces are not just about globalization

Going global leads to a fundamental change in the way companies do business. In the early days of Ecommerce, going international mainly meant that a business sold its own products in neighboring countries. In our global and digital world, it means being able to sell products and services from anywhere in the world to customers worldwide, offering local and international payment methods, and complying with local regulations, etc. At a closer look, an online marketplace is not only about expanding sales channels or consumer outreach; but drastically changing underlying business processes such as vendor sourcing, payment management, and revenue generation.

B2B marketplaces, a new trend

The online marketplace is here to stay. More and more BtoB players, in different industries, have shifted silently to this business model. Why? Sales between businesses are going digital. BtoB digital orders have grown by over 30% in the last few months, with e-invoicing becoming a standard. Europe issued 1.2 billion electronic invoices in 2015! Commerce everywhere is becoming faster and simpler. Processes, support tools, payment methods – everything needs to be adapted to specific BtoB requirements. As an example, the SEPA payment method, available in 32 countries in the Single Euro Payments Area, has streamlined payments between companies.

Understanding marketplace challenges

In truth, because they’re digital, online marketplaces can be built to buy and sell almost anything, from second-hand children’s clothing to industrial parts and components. In the B2C and B2B world, the widespread marketplace business model is not only seen as a sales expansion strategy, but also a powerful tool for procurement optimization. From a buyer's perspective, marketplaces strengthen relationships with a larger number of suppliers at a lower cost and less effort.
One of the main challenges of the online marketplace business model centers on payment management. Although payment directly generates revenue, it has evolved since the early days of Ecommerce – it is subject to increasingly complex processes affected by local cultures and laws.

Key steps to address the payment management challenge efficiently in an ever-changing and complex environment

From a payment management standpoint, going global requires the extended ability to collect customer payments around the world in multiple currencies, locations, languages, and time zones. Then there are technical interoperability constraints and financial tracking issues. The real-time transaction based on a payment management approach inherited from early days of e-commerce is obsolete. A new array of solutions is needed, as well as enhanced financial skills within organizations. In addition, companies setting up an online marketplace will need to face up to an evolving regulatory framework, as national regulators have grown keen on the topic, coming up with new directives such as PSD2 in Europe which will be effective in 2018.
Granted, the purpose of PSD2 is to enhance transaction and banking data security, contribute to better transparency against fraud and money laundering, while further opening financial markets and promoting payment services digitalization. This directive, however, will have significant impact on marketplace operations and should be carefully examined by any company considering a marketplace business model. With PSD2 for a marketplace to manage buyers’ and sellers’ transactions and finances, it must register to the Financial Prudential Authority as a Third Party Provider (TPP). This new status applies to any non-account servicing payment provider using a third-party account servicing payment service, such as a bank, to initiate payments or to provide a payment method based on third-party controlled accounts. Although it is a slimmed-down version of the payment institution when it comes to financial guarantees and anti-money-laundering obligations, a TPP still needs a Financial Prudential Authority agreement. Its operations in payment services must also comply with a number of obligations. PSD1 and 2 have opened up a whole new world for FinTech services and providers that are revolutionizing the payment industry.

The marketplace business model defines new ways of doing business globally, while dealing with local constraints. In this context, everyone understands that each transaction is specific and that the bulk transaction management approach is no longer valid. In addition, future legislation reinforces the need for controls as much as it opens up the payment services market to newcomers. As the number of payment methods constantly grows, and the regulatory framework requires even more interconnections between payment stakeholders, running a marketplace efficiently will require a more evolved payment management infrastructure.
The move towards an approach using intelligent per-transaction payment management is only starting. The growth of digital payment methods has steadily accelerated the number of transactions, bringing new challenges: less time to conduct fraud and money-laundering checks or to perform

rules-based reconciliation and routing. Moreover, these systems are increasingly expected to be available 24/7 and include even more risk-mitigation features.

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