

How to Create an E-commerce Marketplace?



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Creating a competitive E-commerce application is a super-attractive investment for many commercial businesses and startups today. The rapid growth of E-commerce during the Covid-19 pandemic forced businesses to go digital and develop custom web stores or mobile apps and it shows no signs of slowing down. In 2021, the eCommerce retail market comprised \$4.9 tln worldwide and it's expected to grow by 50% by 2025, reaching \$7.4 tln.

For those businesses that consider raising substantial revenues with E-commerce, one of the most viable solutions is to build an E-commerce marketplace. Though to start a successful marketplace from scratch can be a challenging endeavor. In this article, we've gathered everything you need to know about how to build a popular and robust marketplace website.

What is an E-commerce Marketplace?

An E-commerce marketplace stands for an online platform that connects sellers with their buyers directly. It means that a marketplace isn't devoted to one particular brand or a product but instead gathers multiple brands in one place, providing customers with quick access to a variety of products. There are many examples of successful marketplaces, including Amazon, eBay, Allegro, Walmart, Alibaba, Flipkart, and many others.

Apart from working as a brand hub, an E-commerce marketplace also allows customers to compare products by a wide range of categories. Meanwhile, sellers use these platforms as a competitive marketing advantage that helps them reach wider audiences and advertise their products with minimum time and effort.

There are two main types of marketplaces customers can find online:

- **Vertical marketplaces** that focus on particular kind of products, gathering from various sources, e.g. only construction-related or jewelry-related products; by offering items from a specific niche, marketplaces allow customers to compare them in-depth and choose the best option;
- **Horizontal marketplaces** offer diverse products, carefully divided into many categories from clothes to household appliances, to cars, and many others; this type of marketplace has everything under one roof and reaches a broad audience.

Must-Have Features of an E-commerce Marketplace

Running an E-commerce marketplace is a rather challenging and competitive business. There is a wide range of E-commerce platforms online that offer practically any kind of product. Therefore, to attract as many customers and sellers as possible, platform owners have to carefully consider which features to include to make their solutions super flexible, intuitive and being able to cater the most to the needs of their users.

Here are the most important features to integrate into an E-commerce marketplace to make it a successful and user-friendly solution.

Product Information Management

The product information management (PIM) system is essential software for simple product data management and selling through various distribution channels. It gathers product data in one place and ensures its accurate view across multiple selling channels.

With PIM embedded into an E-commerce marketplace, sellers will be able to:

- maintain consistent and high-quality product information;
- collect data from various sources and in various formats, unifying it and adding it into a single data source;
- push data across distribution channels;
- identify and simply fix any problematic data;
- quickly filter out the needed data;
- create and manage categories for effective product organization.



Online Product Catalog Management

Online product catalog helps sellers to provide potential customers with well and neatly organized product data in a web store. With a well-built catalog, sellers will be able to simply edit, add, and modify product data.

It may be confusing why an E-commerce digital platform owner may need an online product catalog when they already have a PIM solution. Both systems belong to customer-facing content that allows working with product elements, though each solution will make it in its own way.

While PIM allows managing product data through a multifunctional database and offers a much broader vision on products, an online product catalog has a more traditional approach, allowing admin to work with the data right in the catalog.

Procurement Management

Procurement management systems include all the data related to product acquiring, e.g. product shipment, storage, restocking, etc. – practically everything that ensures that products are in stock and can be promptly delivered to buyers.

With procurement management systems, sellers can:

- manage order requests, statuses, and approvals;
- track the product supply processes from package to delivery;
- swiftly update information in product catalogs;
- accurately manage budget, e.g. monitor spendings or set purchasing limits, etc.;
- manage suppliers, e.g. simpler identify, analyze, and onboard suppliers, etc.;
- easily maintain all the documents associated with the procurement processes;
- generate visual and detailed reports of the ongoing processes, and much more.



Invoice Process Automation

An automated invoice processing system streamlines invoice processes, making them easier to perform. With automated invoicing sellers can:

- swiftly process high-volume sales;
- split payment for consignments;
- bill oversized products;
- perform payment reconciliation;
- handle shipping carriers, warehouse costs, courier payments, and others.

Sellers can simply manage all their finance-related processes using just one tab on the E-commerce marketing platform. Moreover, they can easily integrate invoice processing systems with their internal systems such as inventory management or accounting software to process payments even simpler.

Payment Processing

A stand-alone solution for payment processing can help businesses ensure seamless and well-secured customer payments on their platforms.

The features included in marketplace gateways can be:

- management of recurring payments;
- customization of payment flows, e.g. parallel payments, chained payments, multiple payments, and others;
- diverse currencies support and automatic exchange;
- sending of invoices and notifications to email or as push messages;
- fraud protection;
- customer support, and others.



Delivery & Transportation

Delivery and transportation system includes transportation management and order tracking tools. While transportation management is a backend process used by sellers to ensure the smooth movement of goods, order tracking allows customers to check the process of their purchase delivery.

With delivery and transportation, it's possible to:

- optimize the logistics of goods transportation;
- perform effective supply chain planning;
- track transportation operations;
- ensure trade compliance information and documentation;
- provide timely and safe goods delivery;
- simply manage product transportation by land, air, or sea, and much more.

Building a Marketplace Platform

When creating an online marketplace platform, businesses search for the best E-commerce development solution. Though there is no one-size-fits-all approach and each case depends on the business requirements, tech expertise, costs, scalability, and many others, there are several most widely-used options. Let's have a look at them.

From Scratch

Building a marketplace from scratch allows creating a custom platform packed with original features. The largest marketplace platforms were built from scratch and their uniqueness was one of the reasons for fast-growing popularity.

Creating a marketplace from the ground up, also implies that the owner will have access to the source code. It means that they won't have any problems with licensing and that in the future, they will be able to simply scale their platform up, add or remove features, simply optimize and update the platform, and much more. On the other hand, it also involves a larger budget, longer time to build, and the necessity to search for software development experts as well as select a stand-alone E-commerce technology stack, especially for their platform.



Open Source Solutions

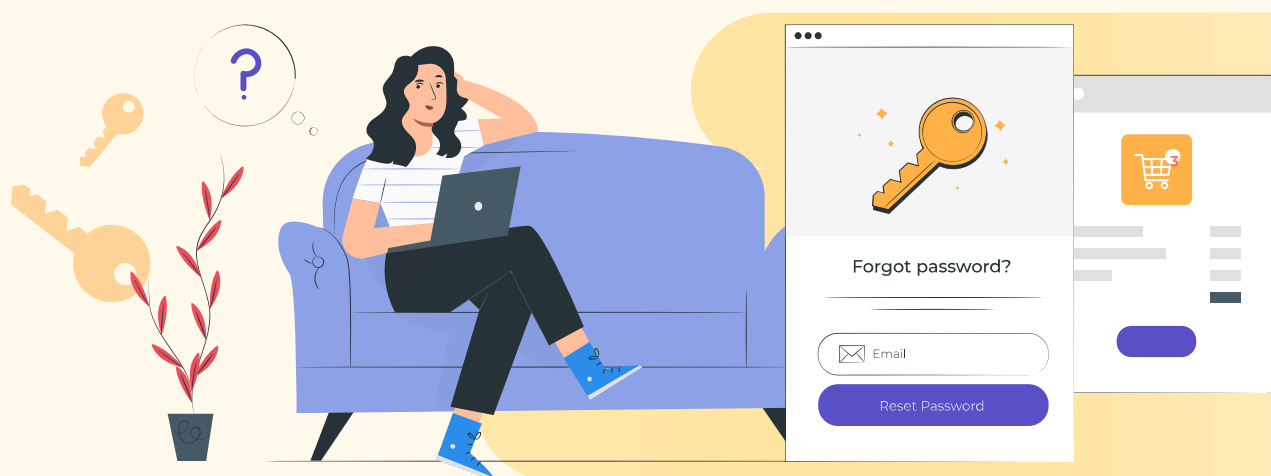
Using ready-made parts for building an E-Commerce marketplace can significantly speed up the development process as well as help reduce costs. In this case, software developers use pre-built software parts with some basic features, uniting them into a viable platform. The resulting solution can be utilized as a complete marketplace.

For example, software developers can use E-commerce software to support marketplaces and integrate them into the existing websites to turn them into online commerce platforms. Though these solutions aren't as easy to adjust as in the "From Scratch" approach and they require some additional software development effort, they allow building conventional, robust, and effective marketplaces for E-commerce.

Low code/no-code software

Sometimes E-commerce startups don't require a full-fledged, super-packed solution, instead, they want to have something more basic and affordable. In this case, they can turn to simple website builders that allow creating a marketplace platform super-quickly, for minimum budget, and even without much knowledge in software development. The platform can be constructed practically by anyone from the ready-made building blocks and it can be launched within one day.

The drawbacks of this approach include heavy dependency on a building platform. If the platform creators decide to put it on hold or completely remove it, in most cases it's impossible to retrieve the source code from the platform. Moreover, these platforms are hard to adjust to provide outstanding customer journeys, it can be difficult to find the compatible plugins and extensions for your solution, and they often have reduced scalability and functionality due to the platform capacity.



Things You Should Consider While Creating a Product

To create an effective and attractive E-commerce platform, software developers have to pay attention to three main factors – how simple it is to use, how secure it is for making online payments, and how simple it is to adjust to future growth. Let's consider these three factors in more detail.

Security

Online transactions are a super-convenient and essential part of every E-commerce platform. Millions of people buy online daily though not each payment point provides a sufficient level of safety. To ensure strong security on their platforms, businesses should integrate reliable payment gateways or provide other options for paying. These gateways should use SSL certificates, PCI compliance, and follow KYC policies. All these are mandatory features for secure payments online.

Among the most reliable gateways often used by E-commerce platforms are PayPal, WorldPay, 2Checkout, Stripe, and others.

Usability

Usability is a complex aspect that involves many parameters that in their entirety provide an outstanding user experience. Some of them include:

Simplicity of login process – users expect that E-commerce platforms provide a variety of signing up options via email or API when a platform uses Facebook, Google, or other social media data to quickly register or log in a new user; this facilitates the tedious signing up process and allows users to always stay logged in on the platform without any need to remember passwords;

Intuitive navigation – when creating a sales platform, software developers have to carefully consider customer journey in order to maximize their users' experience; this can be intuitive buyers' page design, updated and fully-functional catalog, well-thought-out cart page; all these allow users to simply navigate across the platform while avoiding getting lost in basic functions;



Customizable sellers' page – vendors who are going to use an E-commerce platform are as much important as its customers; therefore, software developers have to ensure that sellers are satisfied with the functionality the platform provides; it should include easy-to-update lists of products, tools for arranging their items for sales such as fonts and colors editors, payment options, product and company details, and others;

Effective support – a support system for customers and sellers is essential for providing a top-notch user experience; users should be able to easily solve their selling and buying issues, ensuring that they won't lose their money and that they can trust the platform; to provide a 24/7 support many E-commerce startups integrate AI-powered chatbots as well as provide human customer service on their platforms.

Scalability

Scalability is an essential factor for the platforms with ambitious plans to grow and develop. Easy-to-scale platforms can quickly adjust to the growing numbers of customers and their demands.

E-commerce startups have to take scalability into account at the very beginning of their development project. A well-chosen tech stack determines how simple the platform will scale in the future. Considering scalability in terms of a development approach, the most flexible solutions will be built from scratch, open-source tools provide good scalability, while no or low code solutions are difficult to scale.

Bottom Line

Building an E-commerce marketplace has become a viable way for many startups to raise substantial income and start their business. The rapid rise of E-commerce platforms started during the Covid-19 and it's expected to continue growing in the post-pandemic times.

Launching and running E-commerce platforms isn't easy due to high competition in the market. Therefore, prior to creating their own E-commerce marketplace, entrepreneurs have to carefully consider all the aspects of this business, including the type of their audience, which features to include, and what software development approach to follow to build an effective and viable solution.

Feel free to contact us and ask any questions: info@scand.com