



How to Launch a Thriving B2B Marketplace

Alexander Graf



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Biography

Alexander Graf (<https://www.linkedin.com/in/alexandergraf/>) is one of the top e-commerce minds in Germany.

He is a passionate e-commerce entrepreneur who to date has built more than ten companies, including e-commerce leader Spryker Systems (<https://spryker.com/en/commerce/>) which he co-founded.

Alexander is evangelical about e-commerce and marketplace selling and explores these themes via his blog, Kassenzone (<https://www.kassenzone.de/>), now the largest German podcast on e-commerce, and in his best-selling book, *The E-Commerce Book* (<https://www.amazon.co.uk/Commerce-Book-Channel-became-Industry/dp/1536937800>).

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Abstract

In Germany, there is a company called Saitow AG. It's a textbook example of how great it is to make a B2B marketplace an astounding success, but also just how tough it can be to do that. In this article, the author explains how if firms are able to create a strong USP (Unique Selling Point) for a B2B niche marketplace, they have the potential of becoming a monopoly supplier and could end up owning 50% of a multi-billion euro, dollar or pound market of their own.

Introduction

As a marketplace entrepreneur, you want to build your marketplace with the best possible chance of success by putting a robust strategy in place and look at how others have used these platforms to their competitive advantage.

Take, for example, Saitow AG¹, which dominates the German tyre market. This company is a perfect example of setting up a B2B enterprise marketplace that has allowed them to grow their business significantly. Its online marketplace Tyre24² has been a runaway success with a billion-euro plus retail sales turnover annually on the platform.

Tyre24 has a staggering 10 million items online and is used by 2,000-plus connected sellers and 40,000 verified commercial buyers. It boasts 100,000 transactions per day. It might come as a surprise to you that it charges a 1% fee per transaction. But the total market for its products in Germany is approximately €2 billion a year.



Analysis

The big question is, how do you build a marketplace as strong as Tyre24?

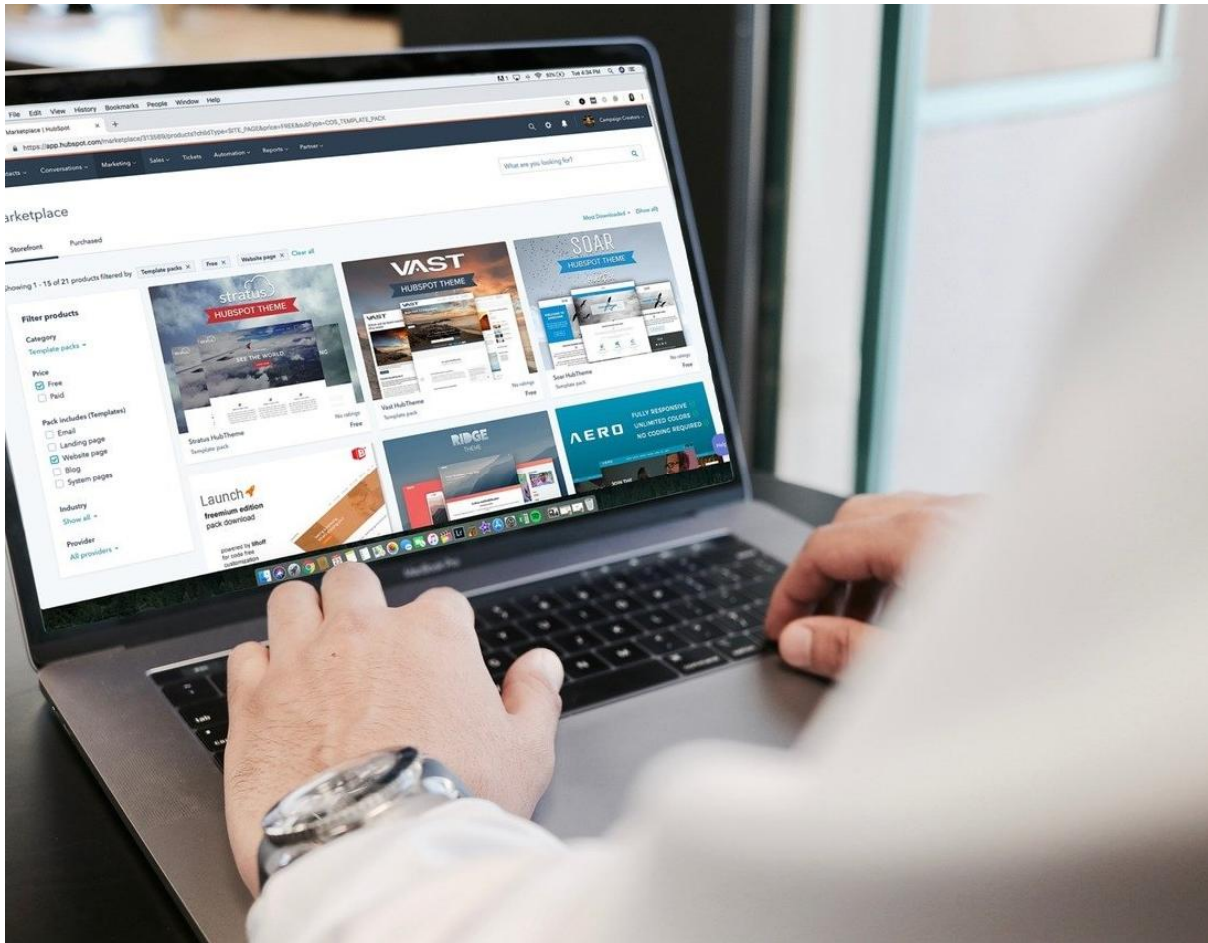


Building a robust marketplace

It is essential to have a robust platform and roadmap. Tyre24 has a risk associated with the firm's orders of less than 0.3%. Its platform is technologically innovative, and much work has gone into its planning and expansion.

Tyre24 is now so well established as a brand in Germany it would be tough for any other tyre vendors or buyers such as garages to take them on in the marketplace. The takeaway here is that an enterprise can create a durable USP for itself and rapidly dominate a market with a well-thought-out strategy.

Most B2B sectors are modelled like the tyre market with a few thousand users of a specific product and from ten to a few hundred vendors of the product at most. Therefore most B2B marketplaces, if built correctly, are on the road to a win-win proposition for both vendors and sellers, opening up broader ecosystems and ways of doing business.



The components of a booming marketplace

So, what are the nuts and bolts of a good marketplace? Alvin Roth, a Nobel Prize-winning pioneer in the field of market design, has determined that a thriving market must have three key elements:

1. “They must be thick, uncongested, and safe.” Thickness for Roth means that there must be enough participants in the market in order for it to prosper.
2. Congestion is what happens when markets get too frenetic too fast; there must be a balance between offer and demand.
3. Finally, safety is where all the participants in the marketplace feel secure.

To follow Tyre24’s lead, you need vendors and sellers willing to cooperate with you to build a solid marketplace. At the same time, you must have a compelling technical proposition to keep everyone on board and allow for rapid expansion.

To retain your success, you must be capable of managing a delicate balance between vendors and sellers. If vendors outweigh demand or vice versa, your marketplace will fail.



Analysis



In conclusion – identify your opportunity

An online marketplace brings together supply and demand. Once you have identified an opportunity and have the technology to build a marketplace that satisfies the needs of both buyers and sellers, you could end up with a sizeable share of a vast global industry.

But this does not happen overnight. It helps if you have a well-thought-out strategy that solves a problem for both buyers and sellers and a technological platform that is easy and accessible. A successful online marketplace requires time, energy, and commitment.

Reference

- ¹ <https://www.saitow.ag/de/Ueber-uns-und-Auszeichnungen/p-AboutUS>
- ² <https://tyre24.alzura.com/de/de/>