

**Multi-vendor
marketplaces**
offer fresh
solutions to help
grocers excel in
the global online
grocery market



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In today's rapidly changing e-commerce environment, grocers are uniquely positioned for success. Their rapid response to the COVID-19 pandemic – including grocery options like online ordering, curbside pickup, and at-home delivery – helped grow a customer base that continues to turn to the internet for groceries and related goods.

“The pandemic also put a new generation of customers, who hadn't yet adopted digital shopping, on the radar,” says Ryan Lee, founder and CEO of Nautical Commerce. “To a large extent, those customers were baby boomers, who learned just how convenient e-commerce can be.”

And, research shows the trend continues through succeeding generations. According to recent industry

reports, approximately half of all Generation Z and Millennial consumers – and one-third of Generation X buyers – intend to continue purchasing groceries online.

Because of this rapid growth, the global online grocery sector is expected to grow from \$354.28 billion in 2022 to \$2,158 billion by 2030 – a compound annual growth rate (CAGR) of 25.3%, according to Grandview Research.

By launching their own multi-vendor marketplaces now, traditional grocers – as well as food and beverage distributors and producers of consumer packaged goods (CPGs) – can firmly establish themselves as leaders in the rapidly growing and evolving world of e-commerce.

5 ways a multi-vendor marketplace will keep your online grocery business fruitful

01

Enhance efficiencies, stay “asset light,” and reduce capital investments by allowing third-party vendors to manage their inventory, payments, and deliveries.

Considering today’s logistical challenges – from warehousing to shipping – partnering with vendors that store and deliver their own products is critical to success.

“The vendors we work with have nailed logistics and delivery – a problem we weren’t interested in solving,” says

Samantha Citro Alexander, co-founder and chief executive officer at bitewell, a marketplace that works directly with employers to provide food as a health benefit.

“Because they are already experts in the field, we don’t need to dedicate resources to developing that expertise.”



TEST NEW OFFERINGS

Connecting with a variety of vendors and suppliers keeps bitewell agile regarding the products they carry. By bringing in a new vendor, for example, they can easily post new offerings and see how customers react, instead of investing in those products up front.

“We also have the flexibility to iterate with zero lag time,” Citro Alexander says. “That’s virtually impossible when you need to wait for shipments to arrive, then post items on your e-commerce site, or stock them on physical shelves.”

CREATE FLEXIBLE SUPPLIER AGREEMENTS

Launching a multi-vendor marketplace platform with Nautical offers equally valuable efficiencies. One example: The ability to establish flexible commercial agreements.

“There’s just no such thing as a one size fits all commercial agreement with suppliers, who have different levels of power depending on the dynamic of the business transaction,” Lee says. “So, Nautical offers a variety of agreements, from generic to the unique, to suit every relationship.”

02

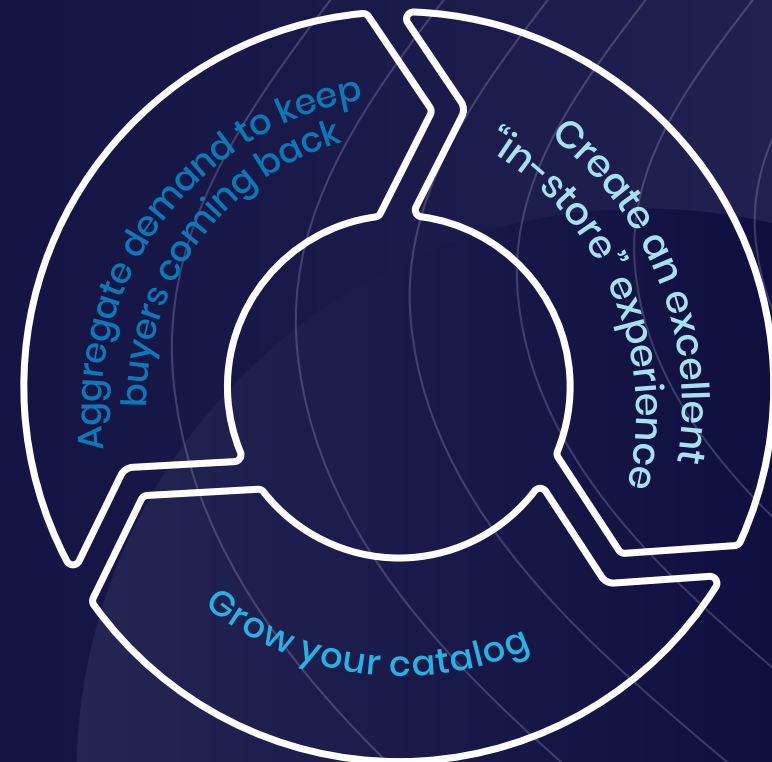
Envision your business on a growth trajectory unobtainable through traditional markets, thanks to the “fly-wheel effect” — a virtuous cycle created by multi-vendor marketplaces.

Expanding inventory by adding categories and products from multiple vendors provides customers with seemingly limitless options — the much sought-after “endless aisle.” This phenomenon can trigger a virtuous cycle of self-perpetuating growth known as the “flywheel effect.”

The result? Continually escalating revenue, elevated website traffic, and increased brand visibility.

“Once everyone is on your platform, everyone wants to be there,” says Rob Wilson, managing director at L.E.K. Consulting, and head of the Food & Beverage Practice in North America.

“The question is: How do you get everyone on there in the first place? That’s the secret sauce.”





ACHIEVING THE FLYWHEEL EFFECT

Every secret sauce, however, starts with a recipe. Knowing where to focus your efforts can help you attain this desired, but accessible, cycle of growth. Wilson offers the following suggestions:

1. Create an excellent “in-store” experience.

“This can involve website design to ensure your marketplace is easy to navigate,” he says. “Also, ensure vendors are supplying ample product photos and detailed descriptions.”

He also suggests:

- Adding video to product pages.
- Incorporating personalization whenever possible.
- Leveraging promotions and discounts to draw consumers to your platform.

2. Grow your catalog.

When launching multi-vendor marketplaces, grocers, distributors, and other businesses often overemphasize supplier curation.

“Success requires product variety more than supplier density,” Lee says. “So, instead of striving to increase the number of vendors, turn your energy to expanding the breadth of your catalog.”

3. Aggregate demand to keep buyers coming back.

“If you’ve done your job well, your marketplace will be phenomenal at aggregating demand, so you can identify what’s needed to ensure return customers,” Lee says.

When customers return again and again, and share their positive experiences with a marketplace through word-of-mouth, sales rise — resulting in more data to help direct future vendor and product expansion.

“Building that flywheel can take some time,” he adds. “But, once you’ve mastered the nuances of operating a marketplace and identified potential efficiencies, that’s when it takes off.”

03

Elevate an existing business, or bring a traditional e-commerce site online, with a platform specifically designed for multiple vendors — without risking capital investment on warehousing, fulfillment, and shipping.

In this age of information, consumers' wants and needs are continually changing. Marketplaces position grocers and distributors to satisfy customers' evolving wishes

and address their concerns by broadening their product offerings — without investing in new inventory, warehousing, and shipping. For example, grocers can:



INCREASE SKU DEPTH BY PARTNERING WITH VENDORS — AND BENEFIT FROM THEIR EXPERTISE

According to a recent [McKinsey report](#), approximately 40% of consumers expect to focus more on healthy eating and nutrition, and they are looking to grocers for support in achieving their goals.

“At bitewell, we see ourselves as a food health company — a space we’ve seen emerging over the past two years,” Citro Alexander says. “I firmly believe the future of health and food are completely intertwined.”

However, grocers with their own marketplaces can partner with suppliers who stock, ship and are knowledgeable about the supplements, super-foods, protein shakes, and other health foods consumers crave.

STAY ON-TREND BY HELPING SHOPPERS NAVIGATE SPECIALTY DIETS — WITHOUT CAPITAL INVESTMENT

More than ever, consumers are informed about nutrition. In fact, [nearly half \(48%\) of shoppers surveyed by the Food Industry Association](#) said they follow one or more “approaches to eating,” such as low-carb and plant-based diets.

The array of foods and other items designed for differing dietary approaches is dizzying — as would be the cost of purchasing, storing, and delivering them. By sourcing third-party vendors who offer specialty diet foods, though, grocery businesses can support customers’ choices without burdensome capital investment.

Implementing a multi-vendor marketplace platform like Nautical Commerce helps grocers meet customers’ needs and their own. The key to success, according to Lee, is approaching the process in phases, with clear milestones to help measure progress.

04

Establish your company's position in the global grocery industry — and gain first-mover advantages — by launching a multi-vendor marketplace in advance of non-grocery entities and other potential competitors.

Big-box retailers and other businesses not traditionally associated with food are already exploring ways to enter the online grocery industry. Many have already embraced the multi-vendor marketplace model in order to expand into grocery.

Because grocers want to ensure customers purchase the majority of their food from them, acting quickly to claim their place as the primary sources of food, beverages, and related products is critical. Plus, by launching a multi-vendor marketplace now, they can also enjoy first-mover advantages, including:



LEVERAGING THE TRUST YOU'VE BUILT WITH LOCAL CUSTOMERS

The solid foundation of trust already established between community grocers and their customers helps ensure that, as online product offerings expand, they will be well-received.

“The currency of that trust means customers will be loyal,” Lee says. “They will use their spending power to boost businesses that have already delivered on that trust. This kind of relationship would be difficult for purely online players to build.”

GATHERING VALUABLE, PERTINENT KNOWLEDGE

Learning by watching other companies' experiences can be valuable, but embracing first-mover advantage allows companies to:

- Learn more, and more quickly, about possibilities and challenges unique to their marketplaces.
- Establish vendor partnerships and collect valuable feedback.
- Capitalize on buyer data and feedback to increase revenue. For example, if online search data reveals customers want an item that's unavailable on your site, consider partnering with a vendor who can supply it.



RECLAIMING CUSTOMERS FROM SEARCH ENGINES

From green tea to gas grills, modern-day consumers often forego search engines, turning to multi-vendor marketplaces instead. In fact, perusing Amazon or Walmart when a need arises has become second nature to many shoppers.

“What we’ve found is that marketplaces have become the new search engine,” Lee says. “Especially when it comes to searching specifically for the information that you need to make a decision as a buyer.”

As a marketplace grows and attracts more vendors, it can become a de facto search engine, attracting more buyers to the site. And, in turn, those buyers provide the data that fuels future growth.

EXPANDING BRAND RECOGNITION

As first movers, grocers benefit from a lack of competition, enabling them to establish their product as an industry standard. They can also:

- Create a strong first impression on new and existing customers, boosting brand recognition, and loyalty.
- Choose from a variety of vendors, including emerging brands eager to join marketplaces.
- Broaden their catalogs without investing in new, untested products.

05

Expand offerings by partnering with third-party vendors – including omnichannel collaborations with businesses not traditionally associated with the grocery industry – and deliver variety that exceeds customers’ expectations.

“Grocery has lower margins than certain other retailers, so it’s imperative to increase the breadth of offerings without increasing the overhead,” Lee says. “And that’s important because these days people are looking for everything, food and other supplies, in one place.”

Omnichannel collaborations with third-party vendors who do not traditionally sell in grocery – and who buy, manage, store, and ship their own merchandise – allow grocers to introduce fresh products, remove unsellable items and expand into non-grocery goods with little to no risk.



SOURCING VENDORS

For a new marketplace, sourcing vendors requires careful planning and networking. Leveraging existing relationships in particular can benefit all those concerned.

Before co-founding bitewell, Citro Alexander's business partner, Chris Fanucchi, had co-founded two beverage companies, Koia and LIMITLESS. So, when he and Citro Alexander launched bitewell, they sourced the platform's first 200 brands from among his wide network. Most were emerging brands.

"He had beautiful relationships, and we could really give them some special love and attention," Citro Alexander says. "Offering online shelf space to emerging brands with unique perspectives, who may not qualify for shelf space in a traditional store, is especially rewarding."

Interested in launching **your own** marketplace?

Considering the benefits – including the ability to attract loyal customers and expand product range with little risk – it's no wonder more companies than ever are launching their own marketplaces.

Some choose to custom-build their own marketplaces. However, the process is costly and time consuming, requiring a significant investment in technology, training, and personnel that can drain a company's assets.

Fortunately, a better way exists.

Grocery businesses who work with Nautical Commerce – a unique multi-vendor marketplace platform that provides the underlying marketplace infrastructure – can launch a sleek, scalable multi-vendor marketplace within 90 days. And, from there, the possibilities are endless.





Nautical is the on demand multi-vendor marketplace platform for brands, retailers, B2B companies, and startups to launch and scale an online marketplace. Its goal is to empower businesses to build thriving marketplaces by making marketplace technology accessible. It does this by enabling companies to reach more customers without the added cost of custom software, streamlining the onboarding of vendors, and making it easy to build a marketplace in days. To learn more, visit nauticalcommerce.com.

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