

# Amazon Moves the Needle with Marketplace Sales

Roughly two-thirds of the online retailer's sales come from third parties

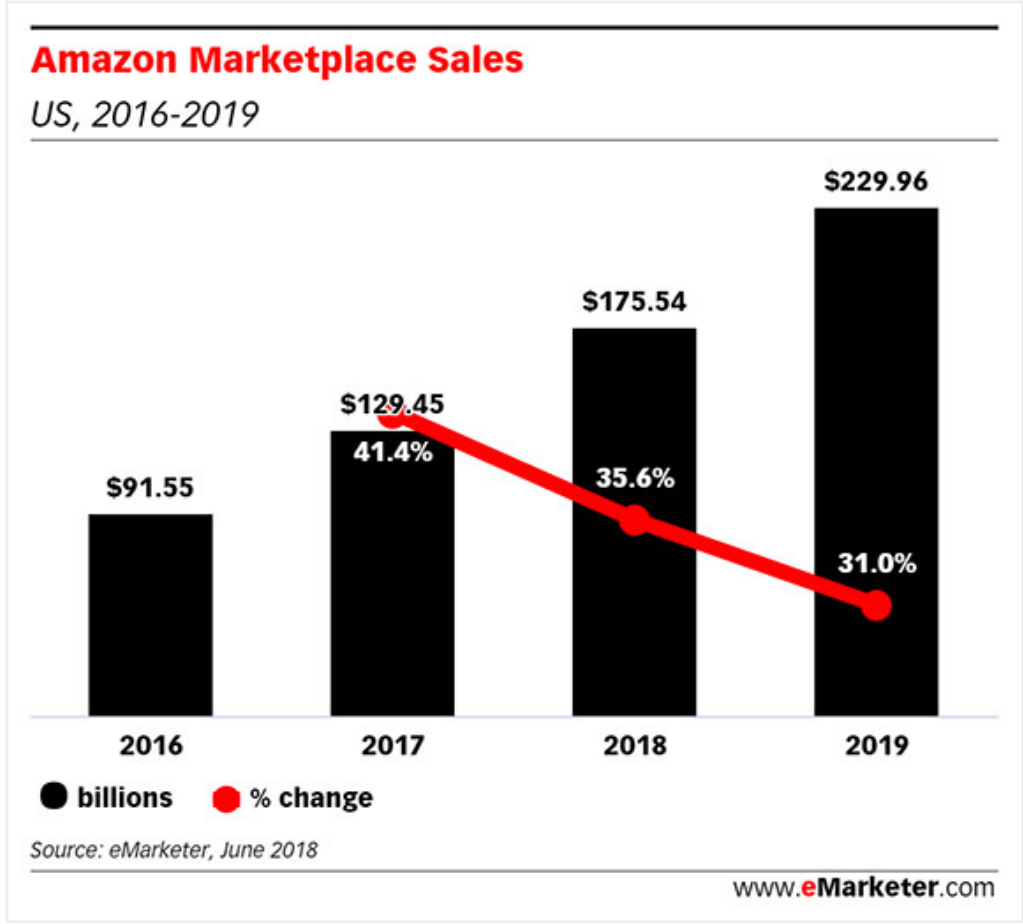
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Amazon's marketplace sales not only have leapfrogged its direct sales business, but marketplace growth is significantly outstripping that of direct operations, which means the gap between marketplace and direct will grow larger in coming years.

The increasing popularity of online marketplaces is not unique to [Amazon](#)—eBay was founded on the marketplace model, while retailers like [Walmart](#) and [Target](#) are mixing in third-party merchants on their ecommerce platforms—but in the US, Amazon dominates digital marketplace sales.

According to [eMarketer forecasts](#), the gap between US first-party sales on Amazon and third-party sales is widening. In 2017, direct sales grew 20.9% to reach \$70.40 billion. By 2019, that total will climb to \$95.08 billion. By comparison, marketplace sales jumped 41.4% to \$129.45 billion last year. And marketplace sales are expected to log growth topping 30% this year and next.



Amazon is famously close-mouthed about the performance of many of its units, and marketplace sales is no exception. In his annual letter to shareholders in April 2018, founder Jeff Bezos said that more than 300,000 small businesses in the US started selling on Amazon in 2017. He added that customers worldwide ordered more than 40 million items from marketplace sellers on Prime Day 2017, a 60% increase over Prime Day 2016.

Digital shoppers like marketplaces because they can buy from multiple brands with one transaction. There is also a **perception that marketplaces have better prices** because of the ability to comparison shop. According to "The eMarketer Ecommerce Insights Survey," conducted in June 2018 by **Bizrate Insights**, 41.5% of US internet users had purchased via an online marketplace in the past 30 days.

Brands have **mixed feelings about marketplaces**. On the one hand, they are attracted to marketplaces as a way to reach new consumers. But they also worry about losing control of the relationship with consumers. Cannibalization is a greater concern. A Q2 2018 survey of brand marketers worldwide by the **CMO Council** and **eBay** found that 50% of respondents said they were worried that marketplaces could conflict with and cannibalize traditional retail channels.

An April 2018 survey by **Jumpshot** found that the biggest concern US marketers had with selling through ecommerce marketplaces was the cut of revenue given to the marketplace. Amazon takes a commission of about 15% for most sellers, but the rate can run as high as 20% for jewelry and as low as 6% for computers. Amazon also charges a "closing fee" for products in the media category (books, DVDs, video games). Amazon raised inventory storage fees this month in an effort to further mitigate costs associated with the marketplace.

Merchants give up some degree of control in exchange for access to Amazon's huge audience. For retailers, a major concern is the loss not only of the one-to-one customer relationship, but also subsequent behavioral and buying data. The Jumpshot survey found that the two biggest insights these marketers want from marketplace path to purchase data are understanding where sales are being lost (67%) and to identify revenue opportunities (64%).

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## Concerns that US Marketers Have About Selling Through Ecommerce Marketplaces, April 2018

% of respondents

**Marketplace takes a cut of the revenue that we do all the heavy lifting to sell**

50%

**Inconsistent view of customer behavior across all ecommerce marketplaces**

36%

**Customer relationship is owned by the ecommerce marketplace**

34%

**We lack insight into detailed buying behaviors**

31%

**Customers are distracted from our products**

26%

**Private label solutions (e.g., AmazonBasics) create additional and biased competition**

24%

**I have no concerns about ecommerce marketplaces**

17%

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*Note: includes marketers for retail, CPG and travel*

*Source: Jumpshot, "Uncovering the Importance of Data Insights Across eCommerce Marketplaces," June 20, 2018*

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