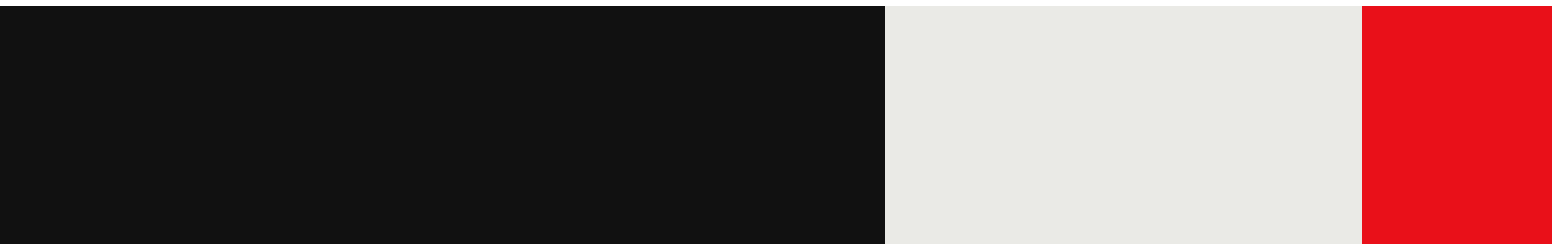


Reimagining Retail: Why are so many new peer-to-peer resale marketplaces being launched and how they can succeed

Audio



On today's podcast episode, we discuss why many retailers are choosing now to launch peer-to-peer marketplaces, why consumers might choose IKEA's resale platform versus the already established players like Facebook Marketplace and eBay, and what they need to be successful. Listen to the conversation with our analyst Sara Lebow as she hosts analysts Sky Canaves and Sarah Marzano.

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Episode Transcript:

Sara Lebow:

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Hello listeners. Today is Wednesday, September 11. Welcome to Behind the Numbers, Reimagining Retail, an EMARKETER podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is Peer-to-Peer in Resale Marketplaces. Before we jump into that, let's meet today's guests. Joining me for today's episode, we have podcast regular, Principal Analyst Sky Canaves. Hi, Sky.

Sky Canaves:

Hi, Sara. It's great to be back.

Sara Lebow:

Great to have you. Also with us is Principal Analyst, Sarah Marzano. Hi, Sarah.

Sarah Marzano:

Hi, Sara. Thanks for having me.

Sara Lebow:

Okay, we've got the three S's today. We're just missing Suzy. Let's jump in. So we've seen some new resale and peer-to-peer marketplaces popping up from IKEA, ThredUp, and Walmart in the past few months. This makes sense. There's a massive marketplace opportunity in the US. We project US Marketplace e-Commerce sales will pass \$500 billion next year. So the question I've got for you, just top line is why are all of these companies launching these marketplaces right now?

Sarah Marzano:

Yeah, I think if we want to dive into the specific dynamics of resale, there are some interesting sort of nuances at play. Again, at a very high level, I look at IKEA and Walmart's move having to do more with recognizing commerce activity that's already happening online, but elsewhere and bringing it directly into their ecosystems, just capitalizing on, again, some of that resale activity that's already going on. And then ThredUp feels different to me, it feels more like a re-evaluation of their resale business model. Right now they are run as a managed service, which means that they actually process and photograph and list and ship all of the items that are for sale on their website, which is a very expensive endeavor, particularly when you're dealing with lower cost items.

Sky Canaves:

Generally I think brands and retailers offering resale and marketplaces are just establishing a new channel and new touch points for their customers, because people are buying resale everywhere and anywhere. And so they can draw either customers that are new to a brand who may want to try out a product and pay less for it, and it also helps keep customers engaged because they can buy back from customers and then sell them products that they might not otherwise be able to find and offer them a wider selection. And that can help to foster a level of trust because I think there's more trust in working directly with a brand like Walmart or IKEA versus a person on Facebook where you have to manage the transaction yourself. And finally, there's the important sustainability angle, because having a resale offering really serves as a powerful signal of a commitment to reduce, reuse, recycle. That's often a big challenge for retailers.

Sara Lebow:

Well, it's interesting you bring up Facebook, because this is a question for me of why would someone go on IKEA to sell something or buy something if that's all already happening on Facebook marketplace? It feels to me like one of the number one reasons to even have a Facebook is to buy a used MALM dresser on Facebook marketplace. How is IKEA going to attract those buyers and sellers?

Sky Canaves:

I saw an article by a reporter in Fast Company who lives in Spain, which is one of the markets where IKEA is trialing this before it rolls it out worldwide and he talked about how the interface is really nice. I mean, first you know you're getting the IKEA branded products because it's only IKEA. It's not going to be somebody saying something is IKEA when it's actually a different brand. And additionally, IKEA is offering some pretty sweet incentives to sellers who would like to be paid in IKEA credit with a 15% bonus. So for those who might be looking to sell something through the IKEA marketplace and then buy something else, it's a pretty good deal.

Sarah Marzano:

I think it's a smart sort of recognition that if you're selling a couch, you very well might be in the market for a new couch.

Sara Lebow:

Yeah, that's a great point. That probably helps with ad targeting in the future too if you know that this client has sold a couch before.

Sarah Marzano:

I think the challenge for IKEA will be getting a high enough volume to where sellers or buyers can reliably go onto the IKEA marketplace and know that they'll be able to find something in their geographical area, because that's going to be a challenge when you're thinking about these larger format items that you have to pick up locally, which I imagine is how this is going to work. You need to be able to reach a certain volume to be able to reliably count on that.

Sara Lebow:

Yeah. That feels to me like where I'm not sure IKEA can succeed or necessarily any of these companies that are going peer-to-peer, because they have to compete with eBay and Facebook marketplace, these established and scaled marketplaces. Do you think they can do that?

Sky Canaves:

I think given the incentives that IKEA's offering and kind of the customer experience, they'll be able to gain some traction with their loyal customers. And exactly as you mentioned, people who might be wanting to trade in essentially, sell their sofa so that they can buy a new one still from IKEA, but that kind of opportunity that they offer, which isn't quite the same on Facebook now. Facebook marketplace has really become very convenient. It's kind of a local peer-to-peer flea market and it makes it very easy for people to buy and sell because just upload a photo and then searching for products is very easy. So I think IKEA is also going to work at integrating tools to make it easier for buyers and sellers to find what they're looking for.

Sara Lebow:

Another advantage of these marketplaces to me feels like they're inexpensive compared to new goods. My question there is how can they compete with competition or are they seeing competition from cheap Chinese goods that are listed on Temu, SHEIN, and Amazon?

Sky Canaves:

So I think they have the brand advantage. So Amazon has brands, but Temu and SHEIN really, it's basically commodified goods. So if you want an IKEA product or an IKEA quality and that's what you're looking for, then you can find it on that marketplace or on other marketplaces. I think Walmart's focus on its marketplace is going to be higher end goods like luxury goods, handbags, collectibles. It's announced a partnership with StockX, which is a big sneaker resale platform to sell on Walmart. So it's really going for the branded higher end of the resale market. And so there there's not as much competition with the Chinese players. I think it's similar to what we see with off-price retailers where they're doing really well, even as consumers are more budget conscious, because they can offer a wider assortment of products. There's a treasure hunt aspect of shopping and getting brand name goods or more premium goods and feeling like you're really scoring a deal that's different from just buying an inexpensive good where you're looking for the cheapest product possible.

Sara Lebow:

I have to imagine the same goes for ThredUp where you might be looking for the designer goods rather than the cheap dupes on Temu and SHEIN. There's obviously that consumer that's going to buy the cheap dupes, but that consumer already existed absent of these marketplaces.

Sarah Marzano:

Yeah, I think that the fact that the value and the potential to save money might be top of mind and shared among shoppers of Temu as well as ThredUp. But other than that, the similarities kind of stop in terms of what the intent is. And I think, Sky, you hit the nail on the head when it comes to something like being able to engage in sort of that digital treasure hunting and be able to find something where there is a quality and value that is inherently higher than what you're going to end up paying being a real motivating factor here

Sky Canaves:

And some of these platforms can even foster a sense of community. I know Depop is one, it started out in the UK and it's really popular among Gen Z and was acquired by Etsy, but they're very well known for being kind of a social version of a resale platform where people get to know each other and follow each other. And I think Poshmark has also done something a bit similar with its people who host live streams and sales on the platform and can create more of a presence around selling that's more than just the products themselves.

Sara Lebow:

That makes sense, although it is difficult for me to picture Walmart and IKEA or ThredUp being able to replicate that. So at the same time as all of these companies are getting into these resale marketplaces or expanding their recent sell marketplaces to peer-to-peer, ThredUp, which we've already talked about, and eBay and Etsy which have both been mentioned already, have been investing in AI search. Can you talk to me about the importance of AI search in these marketplaces?

Sarah Marzano:

Yeah, I think AI search and just AI tools in general have so much potential to improve the shopper's experience when it comes to these marketplaces with really vast product catalogs. So in ThredUp's announcement around some of their AI improvements including search, they mentioned they have 4 million items available on their platform. That can be really daunting for a customer who's looking to browse through that product catalog. So I think anything that these companies can do to make that browsing experience feel more intuitive, whether that's outfitting the search bar with natural language capabilities that sort of both boosts the relevance of the search results while also enabling discovery. You also see these companies using AI to do things like tag product attributes and speed up the way that they're processing the merchandise to make sure that they're tagging things correctly and things are being categorized in the right way on their websites. And all of these things can help shoppers find what they're looking for and hopefully boost conversion rates.

Sara Lebow:

Yeah, because it's just objectively too much work to make 4 million SKUs for 4 million individual products. That's impossible.

Sarah Marzano:

I read that ThredUp receives 100,000 products per day.

Sara Lebow:

That explains why they're making a peer-to-peer marketplace.

Sarah Marzano:

Exactly. I was going to say that's another piece to sort of support why they're moving to, why they're testing out this peer-to-peer model because they're able to move a lot of those operational tasks onto the sellers themselves.

Sara Lebow:

I also think as AI search expands within Google, I mean, already we don't search on Google the way we did 10 years ago where you might've used Boolean search terms on Google, you now probably just do free text or even ask it a question, that is behavior that isn't limited to Google. I know that now I will search on other websites in the same way where that kind of searching might not work as well on a Walmart or an Amazon or an eBay because the search engine isn't built to handle that. So as Google advances its search engine and changes consumers' behaviors, these retailers need to keep up.

Sky Canaves:

Right, because that's how consumers are thinking and how they're searching and they're entering questions and even expecting the search engine to complete your question through its predictive text. And so that I think will also put more pressure on retailers to invest in those capabilities, because otherwise they're not going to be able to surface the products that consumers are looking for. And I think Walmart spoke about this recently in their earnings call in the context of their broader marketplace, which now has some 400 million SKUs and how they're investing in AI to boost the search, because as you get more and more goods online, there's a lot more junk, a lot more relevance, and really being able to filter and hone down to what shoppers are looking for becomes increasingly important.

And I think tools like visual search can be especially helpful, both for buyers who might see a product, might just want to be able to use their camera and match it as well as for sellers who can take a photograph of their product. And I think what IKEA is doing is it will match a photo of the product to what they have in their catalog and be able to generate a listing from that.

Sara Lebow:

We talk a lot about personalization and personalization at scale. That's hard for marketers to do because they don't always have access to amazing data. One way that you can provide a personalized experience is to deliver people the results that they want or they don't know that they want. Like if you are searching for beach outfit for Santorini, you can offer that personalized result with that AI search.

Sky Canaves:

And with resale, you want to make the selling process as convenient and easy as possible. I think that's why ThredUp's business model with the kits where you mail them in, they take all the hassle of selling in the peer-to-peer fashion out of the equation, because you just put your stuff in a box and send it off and ThredUp takes care of it. Of course, for ThredUp to take care of it is, as Sarah mentioned, an expensive and time-consuming process. So now as they move to peer-to-peer, they really need to make sure they have the tools in place to make it as easy and seamless for sellers to list their products with as little friction as possible. I think that's why Facebook Marketplace has been so successful is because everybody's got the blue app on their phone or most everybody, I know you don't, Sara.

Sara Lebow:

I don't.

Sky Canaves:

Our host, Sara. But most everybody has the blue app on their phone and it's easy to take a picture and make a listing, and it's also very easy to scroll and find products or go through the products on the phone.

Sara Lebow:

On that note, that is all we have time for today, so thank you, Sarah.

Sarah Marzano:

Thanks for having me.

Sara Lebow:

Thank you, Sky.

Sky Canaves:

Thanks again, Sara.

Sara Lebow:

Thank you to our listeners and to Victoria who edits the podcast and deals with our marketplace of ideas. We'll be back next Wednesday with another episode of Reimagining

Retail, an EMARKETER podcast. And tomorrow join Marcus for another episode of the Behind the Numbers Daily.