

Kohl's, Michaels, David's Bridal launch marketplaces

Article

The news: Kohl's made its third-party marketplace available to all shoppers this week, the latest retailer to adopt a marketplace model to boost revenues as sales slow.

Yet even as Kohl's, Michaels, 1-800-Flowers, and a host of other companies use marketplaces to broaden their assortments and customer appeal, existing operators like Wish and Zalando

are streamlining their offerings to improve the customer experience.

Retailers see expansion opportunities: Marketplaces offer retailers an opportunity to grow the number and type of products they sell without having to invest in inventory—an especially attractive proposition to Kohl’s, which posted a net loss of \$273 million in Q4.

- Kohl’s newly expanded marketplace means it can continue to offer a broad assortment in categories such as apparel, home, toys, and wellness even if it pulls back on inventory orders.
- Michaels quadrupled its product assortment thanks to its new marketplace: **The crafts retailer went from 250,000 SKUs prior to launch to over 1 million currently**, firmly positioning it as a go-to destination for anyone looking for arts and crafts supplies or any related items.
- And **Pearl by David’s**, the planning platform and vendor marketplace established by **David’s Bridal**, acts as both a customer acquisition tool for the retailer and an opportunity to deepen loyalty.
- As an added bonus, marketplaces can drive advertising revenues for retailers’ retail media networks (if they have them) as merchants look for ways to boost their listings and grow sales.

Marketplaces focus on CX: While Kohl’s, Michaels, and David’s Bridal are using marketplaces to expand their offerings, established players like Zalando and Wish are taking a more curated approach as they focus on customer retention.

- Wish reduced the number of merchants on its platform by transitioning to an invite-only system for new sellers, CEO **Joe Yan** told Modern Retail, as part of its strategy to overturn its reputation for poor-quality products. That move, coupled with a new seller rating system that grades merchants based on customer feedback, tracking rates, delivery speed, and other metrics, helped the company **reduce refund requests by 36% year-over-year and cancellation rates by 58% in Q4**.
- Similarly, Zalando plans to reduce its global brand assortment to focus instead on offering consumers more curated, relevant products and achieving profitable growth, per Fashion United.
- Even **Amazon** is making incremental improvements to the customer experience in the form of warning shoppers when products they’re about to purchase have been “frequently returned” as a way of reducing returns, according to The Information.

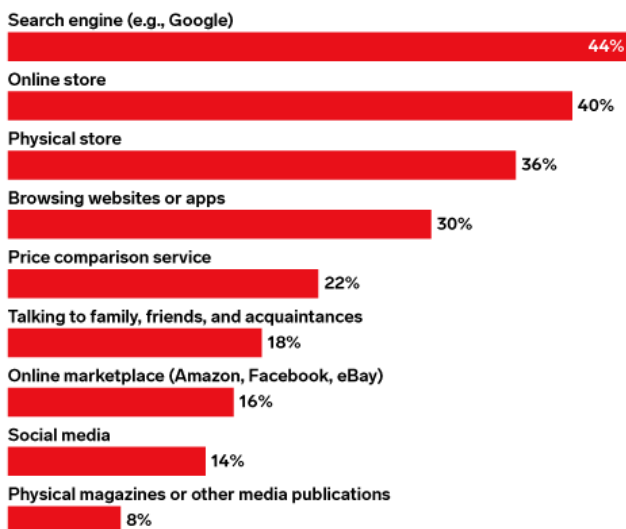
- For Wish and Zalando especially, these CX efforts may help them retain their edge as retailers increasingly encroach on their turf.

Looking ahead: While marketplaces offer many attractions to retailers, Wish's experience should serve as a cautionary tale for those hoping to take a hands-off approach to third-party sales.

- Retailers have to balance their desires for a larger product assortment with the need to maintain quality control and a high standard of customer service, which could mean instituting stricter seller standards at the expense of SKU growth.

Origins of the Shopping Journey According to Adults Worldwide, Q2 2022

% of respondents



Note: ages 18-76

Source: Klarna, "Shopping Pulse," Aug 8, 2022

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