Localization 2019: Global Marketplaces

Key Trends in Scaling E-Commerce Across Markets

December 2019
Executive Summary

The global economy continues to serve as a digital engine of growth for U.S.-based brands, as recent improvements to logistical and payment technology now allow for an increasing number of retailers who can digitally engage with customers across geographic areas. Brands have moved slowly to cater to global audiences. This is present with cultural differences, decentralized digital marketing and merchandising issues holding back region-dependent growth targets. Around the world, the largest e-commerce sites are now digital marketplaces striving to have the largest product assortment and best prices — roughly catering to 4.2B visits each month in 2018. Despite marketplaces’ uniform dominance over DTC brands in desktop and mobile site visits, understanding key differentiators and competitive dynamics are paramount for brands (see “Understanding Competitive Dynamics of Key Marketplaces”). As technology around cross-border logistics and payments continue proliferating, customer expectations in different geographies converge to being digital-first. The largest consumer markets in the world all see over one in three consumers researching products online using their smartphones. On the other hand, close to 40% of respondents in major markets in the United States and Europe engage in m-commerce.

Localization: E-Commerce-Related Smartphone Activity in 2018

July-August 2018  ■ Research New Products  ● Buy Products Online

<table>
<thead>
<tr>
<th></th>
<th>USA</th>
<th>Mexico</th>
<th>Brazil</th>
<th>China</th>
<th>Japan</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>42%</td>
<td>40%</td>
<td>59%</td>
<td>49%</td>
<td>31%</td>
<td>42%</td>
<td>34%</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>49%</td>
<td>39%</td>
<td></td>
<td></td>
<td>66%</td>
<td>31%</td>
<td>41%</td>
<td></td>
<td>36%</td>
</tr>
</tbody>
</table>

n = 8,886 Smartphone Users
Source: Gartner Consumer Values and Lifestyle Survey (September 2018)
Introduction

Key Findings

- Globally, shoppers actively leverage mobile tools to both research and buy products online. Consumers in China are the notable power mobile shoppers: While 31% use smartphones for new product research, a whopping 66% purchase products online.2
- Between 48% and 63% of shoppers in major e-commerce markets feel that online shopping is best for comparing prices, but less than one in five prioritize it when they need a product urgently,3 showing that same-day shipping remains a stumbling block for e-commerce.
- Asian marketplaces more heavily rely on discounts as part of their loyalty programs to attract and retain customers. In Japanese marketplaces, an average discount of 2% is given in the form of points, while China's Tmall gives its 88VIP members up to 5% off partner brands.
- Activewear brands are the most proliferated category across marketplaces. Brands control upward of 78% of top ten organic listings for their brand and brand-product search terms across major marketplaces.
- Ninety-five percent of Beauty, 41% of Luxury Fashion and 51% of Watches & Jewelry brands now have an official store on the Tmall platform, illustrating the importance of marketplace support for international brands that operate in the Chinese market.

3. “Gartner Retail Survey,” Gartner’s Consumer Insights Research Team.

Key Recommendations

- **Divide and Conquer:** As marketplaces lead brands’ mobile sites in both features and site traffic — up to 10 times the cumulative traffic of the largest DTC brands — best-in-class brands use marketplaces to attract and retain new and existing customers. They deploy their content assets on the platform to provide consumers with consistent messaging and offer up more digital purchase avenues.

- **Race to the Bottom:** Fulfillment is expensive for brands. As marketplaces like Amazon, Alibaba and Otto continue investing heavily in fulfillment capabilities, brands should focus on partnering with marketplaces to streamline inventory management so they can capitalize on quicker delivery capabilities.

- **Do as the Romans Do:** Brands must integrate with marketplace loyalty programs, such as Tmall’s 88VIP and Rakuten’s Super Points, where possible. They must account for how regional loyalty perks like discounts or points can be used to increase sales or trial new product strategies.

- **Serve and Protect:** Brands need to protect their organic marketplace search results by investing in paid levers — such as sponsored products and banner ads — to control real estate on the grid page, or risk conquesting from competitors and indie and private-label brands.

- **Take the Inside Line:** When expanding into mainland China, brands must rely on marketplaces like Tmall to quickly scale and navigate market nuances.

### Localization: Marketplace User and Selling Guide

<table>
<thead>
<tr>
<th>Marketplace</th>
<th>Net Revenue</th>
<th>Active Buyers (Million)</th>
<th>Commission</th>
<th>Selling Fees</th>
<th>Fulfillment Service</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon</td>
<td>$42.8B</td>
<td>300</td>
<td>12 – 20%</td>
<td>$39.99 per Month</td>
<td>✓</td>
<td>—</td>
</tr>
<tr>
<td>Tmall/Taobao</td>
<td>$3B</td>
<td>500+</td>
<td>0.5 – 5%</td>
<td>—</td>
<td></td>
<td>$25,000 Deposit</td>
</tr>
<tr>
<td>Otto</td>
<td>$3.5B</td>
<td>9</td>
<td>15 – 50%</td>
<td>$5,000 – $10,000</td>
<td>✓</td>
<td>$10,000 Registration Fee</td>
</tr>
<tr>
<td>Rakuten</td>
<td>$4B</td>
<td>100</td>
<td>8 – 12%</td>
<td>¥19,550 – 100,000</td>
<td>✓</td>
<td>Requires Sellers to Register in Japan</td>
</tr>
<tr>
<td>Mercado Livre</td>
<td>$866M</td>
<td>44</td>
<td>10 – 16%</td>
<td>—</td>
<td></td>
<td>—</td>
</tr>
</tbody>
</table>

Source: Gartner L2 Intelligence Report: Global Marketplaces (December 2019)
## BRAND LIST

### Activewear
- adidas
- Asics
- Lululemon
- New Balance
- Nike
- Puma
- Reebok
- The North Face
- Timberland
- Tony Sport
- Under Armour
- Vans

### Beauty
- Benefit Cosmetics
- Burberry Beauty
- Chanel Beauty
- Chloé Fragrance
- Clarins
- Clé de Peau Beauté
- Clinique
- Dior Beauty
- Estée Lauder
- Giorgio Armani Beauty
- Guerlain
- Kiehl’s
- L’Occitane en Provence
- L’Oréal Paris
- Lancôme
- MAC Cosmetics
- Maybelline
- Nars
- Olay

### Fashion
- Alexander McQueen
- Balenciaga
- Bottega Veneta
- Burberry
- Calvin Klein
- Canada Goose
- Chanel
- Christian Louboutin
- Coach
- Cole Haan
- Dior
- Dolce & Gabanna
- Fendi
- Giorgio Armani
- Gucci
- Hermès
- Louis Vuitton
- Max Mara
- Michael Kors

### Home Care, Personal Care
- Burt’s Bees
- Cetaphil
- Charmin
- Clorox
- Colgate
- Dove
- Gillette
- Glade
- Huggies
- Kleenex
- Neutrogena
- Nivea
- Pampers
- Tide
- Vaseline
- Vicks

### Marketplaces
- Amazon
- Otto
- Rakuten
- Tmall
- Mercado Libre

### Watches & Jewelry
- Bulova
- Bvlgari
- Cartier
- Chaumet
- Citizen
- De Beers
- Forevermark
- Harry Winston
- Hublot
- IWC Schaffhausen
- Jaeger-LeCoultre
- Mikimoto
- Montblanc
- Officine Panerai
- Omega
- Patek Philippe
- Piaget
- Rolex
- Seiko

### Watches & Jewelry
- Swarovski
- Tag Heuer
- Tiffany & Co
- Tissot
- Van Cleef & Arpels
Gartner L2 looked at the selling and advertising features of the five largest global and regional B2C marketplaces (Amazon, Tmall, Rakuten, Otto, Mercado Livre) in the United States, United Kingdom, Germany, France, China, Japan and Brazil. Studies were based on site visits and market share for identifying how brands might formulate best-in-class distribution strategies on such marketplaces. To supplement this assessment, Gartner L2 also looked at the top 10 product listings within search results of branded search terms for 250 brands in Activewear, Beauty, Consumer Packaged Goods, Luxury Fashion and Watches & Jewelry. This helped identify which brands were being sold through first- or third-party sellers over July and August 2019. Where applicable, other features like marketplace brand pages, loyalty points and shipping time estimates were also tracked within relevant sectors.

### Marketplaces: Branded & Category Search

<table>
<thead>
<tr>
<th>Amazon (US, UK, FR, DE, JP):</th>
<th>Tmall (CN):</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Brand Visibility</td>
<td>• Brand Visibility</td>
</tr>
<tr>
<td>• Brand Ownership</td>
<td>• Brand Ownership</td>
</tr>
<tr>
<td>• Product Rating</td>
<td>• Product Price</td>
</tr>
<tr>
<td>• Product Price</td>
<td>• Number of Reviews</td>
</tr>
<tr>
<td>• Sponsored Products</td>
<td>• Sponsored Products</td>
</tr>
<tr>
<td>• Points Earned (JP)</td>
<td>• Brand Stores</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rakuten (JP):</th>
<th>Mercado Livre (BR):</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Brand Visibility</td>
<td>• Brand Visibility</td>
</tr>
<tr>
<td>• Brand Ownership</td>
<td>• Brand Ownership</td>
</tr>
<tr>
<td>• Shipping Cost</td>
<td>• Original Price</td>
</tr>
<tr>
<td>• Points Earned</td>
<td>• Sale Price</td>
</tr>
<tr>
<td>• Seller/Shop Name</td>
<td>• Free Shipping</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Otto (DE):</th>
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</thead>
<tbody>
<tr>
<td>• Brand Visibility</td>
</tr>
<tr>
<td>• Brand Ownership</td>
</tr>
<tr>
<td>• Original Price</td>
</tr>
<tr>
<td>• Sale Price</td>
</tr>
<tr>
<td>• Seller/Shop Name</td>
</tr>
<tr>
<td>• Number of Reviews</td>
</tr>
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### Gartner’s Consumer Insights Research Team Surveys

<table>
<thead>
<tr>
<th>Values and Lifestyles (2018):</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Seven Countries (U.S., JP, CN, U.K., FR, DE, BR)</td>
</tr>
<tr>
<td>• Stratified Sampling, Weighted to Mimic Population Distribution (or Internet Population)</td>
</tr>
<tr>
<td>• 1000 Respondents per Country, 3000 for U.S</td>
</tr>
</tbody>
</table>

### Web Traffic and iOS Downloads

<table>
<thead>
<tr>
<th>SimilarWeb (July 2018 to June 2019):</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total Desktop Site Visits</td>
</tr>
<tr>
<td>• Time Spent on Pages</td>
</tr>
<tr>
<td>• Bounce Rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sensor Tower (July 2018 to June 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Amazon, Tmall, Rakuten, Otto Number of Downloads (iOS)</td>
</tr>
<tr>
<td>• Time Spent In-App</td>
</tr>
</tbody>
</table>
Inform decisions with data-driven benchmarking, expert advice and peer-sourced insights.

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