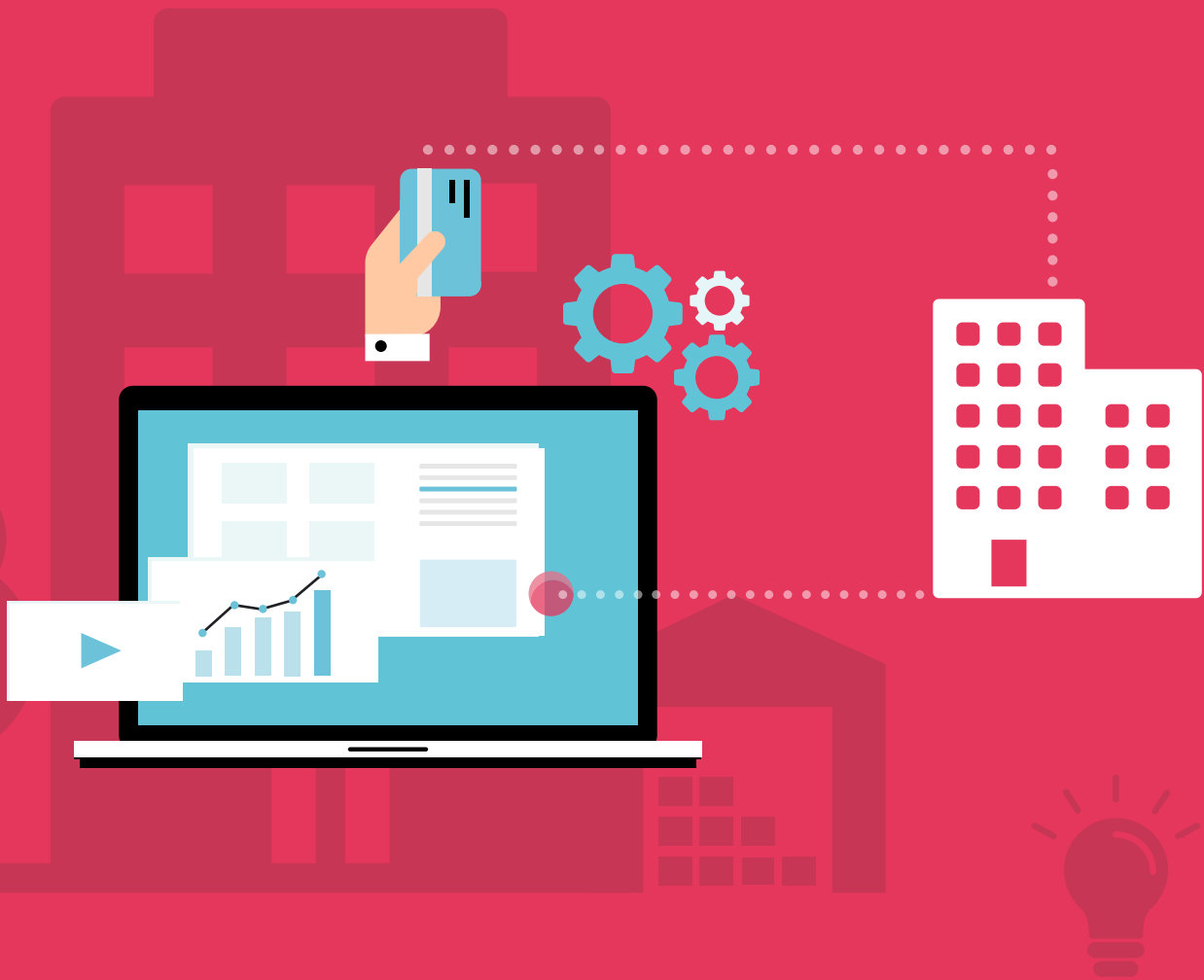


# B2B MARKETPLACE: COMBINING DIGITAL TRANSFORMATION AND BUSINESS



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# INTRODUCTION



Purchases made on marketplaces account for more than half of global e-commerce sales<sup>(1)</sup>. The use of these online marketplaces - which put multiple sellers in contact with multiple buyers - has become a consumer reflex, shaking up many markets.

The B2B market is no exception: more and more players in the sector are looking to adopt this transformation tool, which applies personal purchasing experiences to professional practices. If this model has won over professionals, however, it is because it has succeeded in adapting to the specificities and regulatory constraints inherent to the B2B market and in particular to the significance of negotiation, contractualisation and the management of financial transactions. Far from being a privilege reserved for large groups or Internet giants, the B2B marketplace is within everyone's reach.

The present white paper proposes to illustrate this, by using concrete cases to present different types of B2B marketplaces as well as the challenges and issues at stake for companies of all sizes and business models. We have combined our expertise - the consulting aspect of Wavestone, the technical know-how of Wizaplace and the financial flow management of Lemon Way - to demonstrate the potential of B2B marketplaces.”

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<sup>(1)</sup> 52% according to the Internet Retailer 2018 Report

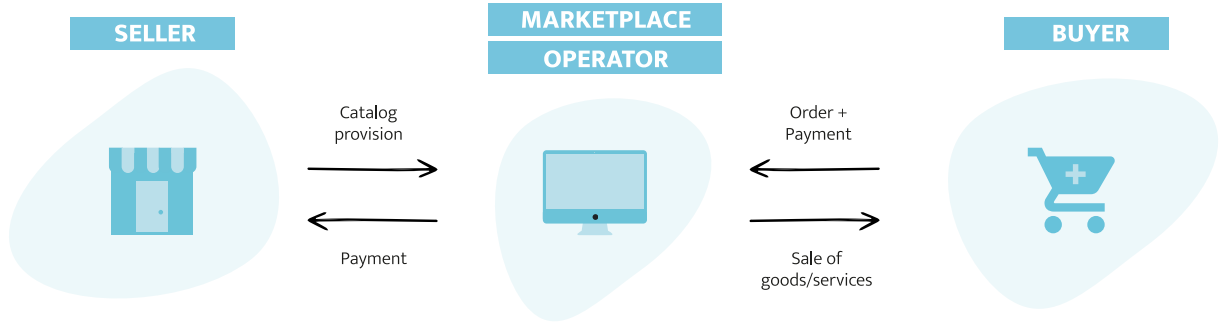
**MARKETPLACES  
HAVE ENTERED  
INTO A  
NEW ERA**

# 01

## WHAT IS A B2B MARKETPLACE?



**M**arketplaces are digital platforms whose purpose is to bring together a multitude of sellers and buyers. Where all the parties involved are professionals, we speak of a B2B marketplace. This type of platform only serves companies.



**COMPLETE MARKETPLACE MANAGEMENT**

Seller	Marketplace Publisher	Marketplace Operator	Payment Service Provider	Buyer
<ul style="list-style-type: none"> <li>Online publication of product or service catalog</li> <li>Price definition</li> <li>Order processing</li> <li>Logistics management</li> </ul>	<ul style="list-style-type: none"> <li>Functional design of the marketplace (front and back office)</li> <li>Support with, and configuration of key functions for an operational marketplace (catalog tree, search, etc.)</li> <li>Third-party tool integration, platform deployment and maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Organization of Multi-seller platform offer</li> <li>Seller/platform management and administration</li> <li>Guarantee of legal framework compliance</li> </ul>	<ul style="list-style-type: none"> <li>Financial flow management (acquisition, breakdown, isolation and release of funds)</li> <li>KYC management of marketplace sellers</li> <li>Definition of and compliance with LCB-FT procedures</li> <li>Compliance with current regulations, namely DSP2</li> </ul>	<ul style="list-style-type: none"> <li>Product or service search</li> <li>Selection</li> <li>Evaluation</li> </ul>

**A BOOMING MARKET.**

- +94%** growth in online B2B purchases over the last 5 years<sup>(2)</sup>.
- 56%** of companies plan to make more than half of their purchases online within the next 3 years<sup>(3)</sup>.
- 75%** of purchases will be made through a marketplace by 2022<sup>(4)</sup>.

<sup>(2)</sup> Xerfi study «The digital transformation of distribution» <sup>(3)</sup> US. B2B eCommerce Platform Market, Forecast to 2023<sup>3</sup> Frost & Sullivan <sup>(4)</sup> Gartner Predicts 2018

# 02



## THE MAIN TYPES OF B2B MARKETPLACES

**C**ontrary to what giants such as Amazon Business and Alibaba suggest, the marketplace model is not just for e-commerce. It is possible to envisage different types of platforms to meet the internal needs of companies. Indeed, beyond product orders and purchases, B2B marketplaces can go even further by addressing issues such as inventory management, procurement management or even the management of a company's franchise network. We have thus identified 4 distinct types and use cases specific to the B2B marketplace.



## E-COMMERCE

Like its B2C counterpart, the B2B e-commerce marketplace allows a buyer, in this case a professional entity, to secure products or services from multiple third-party vendors within a single shopping cart. The advantage for the marketplace operator is to build up a wide and varied offer - by aggregating the catalogues of third-party vendors - and to become the one-stop-shop for its target market. And to do so at a lower cost: they have no product acquisition costs and, more often than not, storage, shipping and after-sales service are delegated to sellers.



## CASE STUDY WARMANGO

In 2018, the startup Warmango launched an online distribution platform dedicated to building professionals.



### Objectives:

Save time for heating contractors and simplify the ordering process in the construction industry thanks to a marketplace designed to bring together the best suppliers on the market at the best price (sanitary, plumbing, heating, air conditioning).



### Sellers & Buyers: who are they?

- **Sellers:** building suppliers
- **Buyers:** building tradesmen specialising in plumbing and heating



### What benefits?

- **For sellers:** generate additional revenue and be present online while controlling their distribution
- **For buyers:** save time (a platform to order everything, no negotiation necessary with sellers) and access to the best prices while maintaining the same quality of service thanks to the telephone advisers

## COMMERCIAL NETWORKS

The marketplace enables a network head (franchisors, purchasing and referencing centres, federations, etc.) to group together all its offers and services in a single space, run and managed by the members of the network.



### CASE STUDY

## THE FRENCH FOOTBALL FEDERATION

The FFF is an association of French football clubs whose mission is to organise, develop and inspect the teaching and practice of football in France.



#### Objectives:

Provide the 15,000 French amateur clubs with a turnkey multi-supplier platform to structure their procurement.



#### Sellers & Buyers: who are they?

- **Sellers:** sports equipment suppliers chosen by the federation
- **Buyers:** football clubs affiliated with the FFF



#### What benefits?

- **For sellers:** generate additional sales through this channel
- **For buyers:** simplify supply orders, reduce costs through the FFF purchase grant, and strengthen the product offering to clubs



## E-PROCUREMENT

This is an internal purchasing platform on which the company's buyers order products or services from referenced suppliers. By centralising all suppliers and purchases on the same platform, the company saves precious time while providing an experience much like that found on e-commerce sites. E-procurement platforms thus enable buyers to view catalogues at a glance in order to compare offers more simply (multi-catalogue search, price/product comparison, supplier competition), to benefit from better prices in the case of direct supplier competition, to manage suppliers more simply and to improve procurement management in particular.



### CASE STUDY BEEWEE

Created at the end of 2018, BeeWe is ENGIE's B2B marketplace for buying and selling spare parts within a global community of energy professionals.



#### Objectives:

Facilitate the exchange of sometimes scarce parts throughout the world, within the different entities of the group, but also to secure and guarantee transactions in several currencies.



#### Sellers & Buyers: who are they?

- **Sellers and buyers:** all the geographic and cross-functional entities of the Engie group



#### What benefits?

- **For sellers:** reduce the cost of owning goods and warehousing by selling surplus stock
- **For buyers:** reduce repair times thanks to faster procurement
- **For operators:** strengthen sector leadership and support their CSR approach via a circular economy with a low carbon footprint

## CIRCULAR ECONOMY

Circular economy marketplaces for private individuals, including such platforms as Drivy, Vinted, Backmarket, etc. are thriving, and they are just as successful among professionals. By recycling used or damaged products, resale or rental of second-hand goods or dormant stock, circular economy marketplaces allow companies to reduce their storage costs, to take charge of the second-hand market for their products and to value their stocks.



### CASE STUDY KINTESSIA

Launched in January 2018 by a major banking group, Kintessia is a B2B marketplace dedicated to the rental and sale of second-hand equipment for the construction, transport, agricultural and handling sectors.



#### Objectives:

Allowing companies that possess under-used equipment to rent or sell it to other professionals, with the benefit of secure online payment.



#### Sellers & buyers: who are they?

- **Sellers:** dealers, rental companies or professionals with second-hand equipment available for hire or sale
- **Buyers:** professionals from the construction, transport, agricultural and handling sectors



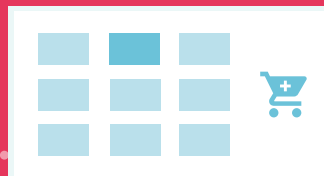
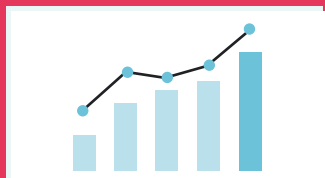
#### What benefits?

- **For sellers:** generate additional income by renting or selling their second-hand equipment on a secure platform. Being multi-sectoral, it allows them to address four sectors via a single platform
- **For buyers:** easily find equipment to meet their short-term or long-term needs, and order it simply and safely

**These different types of platforms can be launched with a marketplace solution, such as Wizaplace, which natively integrates the functionalities required to create and manage a marketplace.**

# 03

## B2B VS B2C MARKETPLACES



**T**he B2B marketplace differs from its B2C counterpart in ways adapted to the practices and specificities of professional purchases and exchanges. Several functional specificities differentiate the two:



### DEFERRED PAYMENT

Unlike B2C payments, which are most often made directly, B2B payments are very often made via deferred payment. In order to meet market expectations, the B2B marketplace must therefore be able to offer payment schedules, taking into account each customer's payment terms. The payment must therefore be adapted technically so that the seller processes the order even if the payment has not yet been made. In addition, the marketplace must also be able to offer specific B2B payment methods, such as bank transfers, cheques, SEPA direct debits or payment on due date with payment terms for each customer.



### CREDIT INSURANCE

Payment terms expose sellers in the B2B marketplace to the risk of non-payment. Taking out credit insurance is therefore particularly appropriate. Euler Hermes, the leader in credit insurance, has developed an innovative concept based on REST APIs that is capable of covering each transaction in real time, enabling B2B marketplaces to protect their sellers from the risk of non-payment for credit payments.

**“** *Offering payment schedules is an undeniable commercial argument for a B2B marketplace. It allows the platform to attract new buyers by offering them a cash facility, thus increasing traffic on the platform while increasing the value of the average shopping cart. But if, in addition, the marketplace also offers its sellers the possibility of insuring their transactions and thus protecting them against the risk of non-payment, it is a lever for attractiveness and differentiation»,* explains **Sophie Marot-Rémy, Chief Digital Officer at Euler Hermes France.**



## DYNAMIC PRICES

Compared to B2C marketplaces where prices are the same for all buyers, the prices of products or services offered on a B2B marketplace can be negotiated according to the terms of the contract established between the operator and professional buyers, with the latter not always benefitting from the same prices. The marketplace must therefore be able to display prices according to each customer, thanks to pricing management tools. Prices can even be specific to groups of buyers, for example in the case of the FFF marketplace, different prices can be displayed to club members and non-members.

**THE  
MARKETPLACE  
MUST BE  
ABLE TO IDENTIFY  
ALL THE  
PARTIES  
INVOLVED IN THE  
TRANSACTION  
(...)**



## QUANTITY DISCOUNT

In B2B, it is common to display quantity discounts from a threshold of ordered product, i.e. decreasing prices according to the quantities ordered. Where a private individual would buy a few cans of paint to carry out work at home, a professional might need to order a hundred cans for a building site.



## PURCHASE VALIDATION WORKFLOW

In some companies, ordering processes require the involvement of several different parties, as the person who wishes to place the order is not necessarily the one who validates it or pays for it. There may also be more than one person authorised to order on behalf of the company. In particular, the marketplace must be able to identify all the parties involved in the transaction, which will enable the various administrators to have an overview of all the transactions.



### **NEGOTIATION AND MANAGEMENT OF QUOTES**

The ability to request a quote is appreciated in B2B, where negotiations are common. A professional buyer can trigger the creation of a quote from his basket to negotiate with a seller the prices of products, transport costs, and to attach supporting documents.



### **CARRIAGE PAID**

The application of carriage paid (free shipping for an order) is a common practice in B2B. In order to favour the selection of certain packaging more than others, sellers may offer free shipping on favoured packaging.



### **RECURRING ORDERS AND PROCUREMENT MANAGEMENT**

In B2B, it is quite common to make recurring purchases, to replenish office supplies for example. Creating a list of frequently purchased products on the marketplace helps to speed up repeat orders. For almost identical orders, it is also possible to re-order from the order history. All the products and quantities (and possibly delivery charges) will thus be duplicated in a new cart that follows the existing validation process. Buyers always have the possibility to add additional products or services.

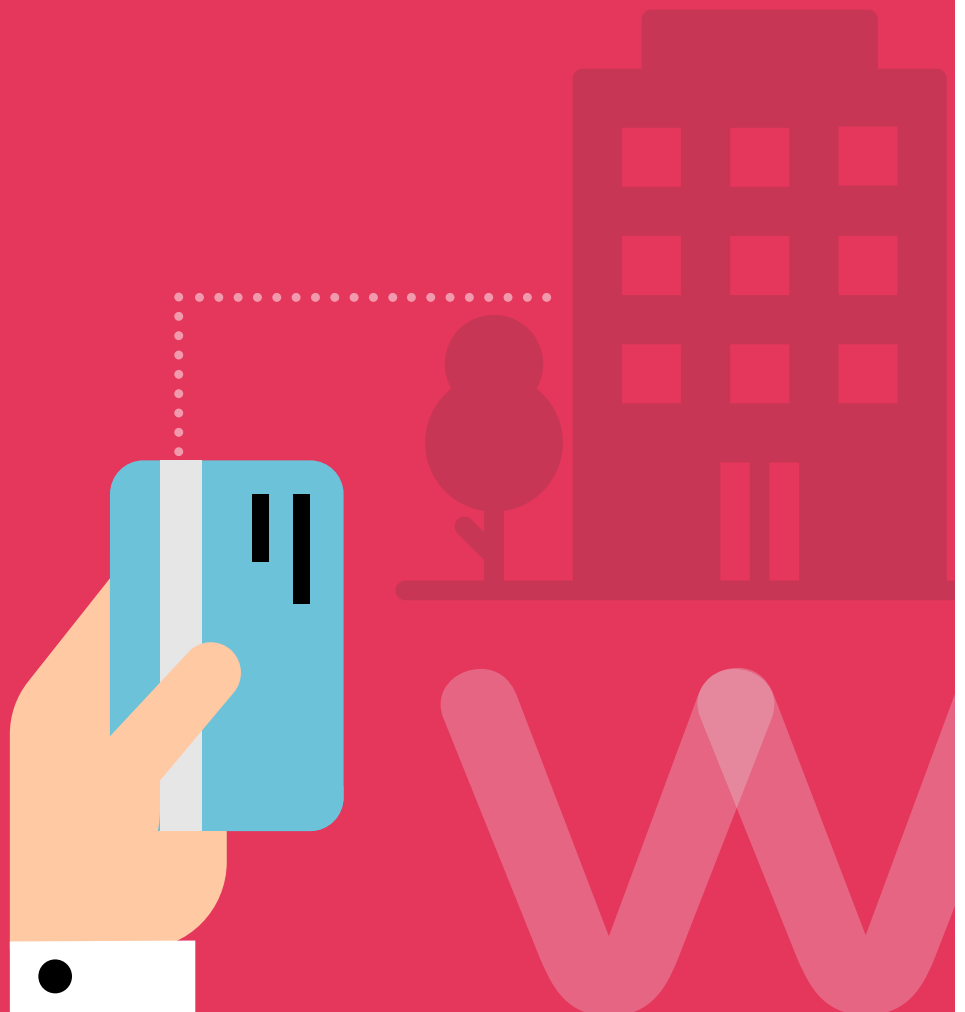


### **ADDITIONAL EXPENSES**

In some cases, it is possible that certain additional costs may be added to the original price, such as return to sender, customs or rerouting charges for the shipment. This price may also be revised when there is a difference between the weight or dimensions indicated at the time of the order and those noted at the time of receipt of the order. It is then essential for the marketplace operator to offer a tool capable of taking into account these many eventualities when establishing the invoice.

# 04

## MANAGING PAYMENTS ON A B2B MARKETPLACE



**A**s an intermediary, marketplaces may collect the funds paid by customers to then pay them to the receiving merchants. However, the fact of collecting sums due to merchants and then transferring them to them is considered as the provision of ‘payment services’, an activity regulated and controlled by the Autorité de Contrôle Prudentiel et de Résolution (ACPR)<sup>(1)</sup>.

## COMPLEX PAYMENT MANAGEMENT

Only services accredited with the ACPR are entitled to provide payment services. There are three options, with varying levels of constraints, available to the marketplace:

**Apply to the regulator for a banking licence** (notably for a payment institution) to provide «payment services». The conditions for granting a banking licence are strict and require the marketplace to carry out extensive compliance work and set up substantial technical infrastructure. An operator must be able to handle different methods of collecting funds, such as credit transfers (the preferred means of payment on B2B platforms), bank cards, direct debits and cheques. It must also be able to manage, transfer and collect funds, sometimes from different countries and therefore potentially in different currencies, and to reconcile them automatically between the different beneficiaries.

**Apply to the regulator for an exemption.**

Some platforms may set up an exemption procedure, i.e. provide payment services without the benefit of a banking licence, provided that transactions are limited to a single entity, or cover a limited range of goods and services.

**Outsource the provision of payment services to a licensed Payment Service Provider (PSP)**, such as Lemon Way, which will handle the provision of a payment interface for buyers, capital control and transfer of funds to sellers, while meeting regulatory requirements. Marketplace users will not be aware that a third-party company is involved in the payment process related to the platform they are using. The role of the payment service provider is not to be visible to end customers, but only to support the marketplaces as their day-to-day partner.

This last option relieves the marketplace operator of the time-consuming and burdensome responsibility of managing payments so that it can concentrate on tasks with higher added value for its business. In addition, the PSP’s experience in payment management ensures a smoother more optimised customer experience, which in turn increases the conversion rate.

<sup>(1)</sup> ACPR is a French organism. Note that the organism depends on the country in which you operate your marketplace.



## A HIGHLY REGULATED ECOSYSTEM

In addition to the sometimes complex management of payment flows, the creation of a B2B marketplace is also subject to a strict regulatory framework related to third-party collections:

### **PSD2: The European Payment Services Directive**

In view of the slow development of secure transactions, the regulator introduced a new European directive on payment services in 2018: PSD2. Its aim is to create a harmonised European market with faster and cheaper exchanges, and to protect the consumer through the introduction of strong authentication when making a payment by card, by transfer or an action likely to involve a risk of fraud (changing the telephone number on an online account, for example).

### **AML/CFT: Anti money laundering and terrorist financing**

The objective of the Directive on the fight against money laundering and terrorist financing (AML/CFT, transposed as the AMF's LCB-FT) is to develop standards and implement regulatory and operational measures related to threats to the integrity of the international financial system. To this end, the regulator has put in place several measures such as the beneficiary register, which aims to identify the natural persons who control a company and benefit from its economic activity. This is a constraint to which marketplaces that aggregate their payments themselves are subject, unless they go through a Payment Service Provider (PSP) that would handle this regulatory aspect.

### **KYC (Know Your Customer) and KYB (Know Your Business)**

KYC or KYB refers to the procedure, established by the ACPR, France's prudential authority, that requires companies to collect and analyse the information needed to know their customers and trading partners in order to protect them against the risks of fraud, money laundering and terrorist financing (AML/CTF). Marketplaces must therefore run all their sellers through KYC/KYB identification processes: collection and validation of identity documents, certificate of incorporation (or equivalent), company articles of association, bank transfer information and ORIAS (or equivalent) registration document. The same applies to a crowdfunding operation during which each of the players must have their identity verified and validated before confirmation of their payment account. Don't panic! This formality, a guarantee of sustainability for a marketplace, can also be handled by a PSP.

### **GDPR**

Whether it is a marketplace for products or services, data plays a key role in its success. The data it collects is intended to be used for its own activities or those of other players linked to the marketplace ecosystem (logistics partners, payment flow managers, etc.). This is the reason why the European Union has implemented, since May 2019, a General Data Protection Regulation (GDPR). The aim of this regulation is to respond to the new realities of the digital world, and to protect the rights of individuals with regard to the processing of their personal data. This is a major challenge for marketplace operators who, although they are mere intermediaries, are considered responsible for the processing of data collected on their platforms.

# CONCLUSION

For a long time embodied by the giants of the web, the marketplace is now a democratised model accessible to all, thanks to an ecosystem of partner, consulting and business solutions that supports and provides a service worthy of the biggest pure players. Relieved of the constraints inherent to the technical development and deployment of a marketplace, companies of all sizes and sectors can now skilfully and comfortably develop their business in the digital world.





Created in 2012, Wizaplace has developed an all-in-one marketplace creation platform.

The SaaS solution brings together in a single environment all the functionalities required to create marketplaces for products or services, both B2B and B2C. The platform natively integrates the back office administrator to operate the platform on a daily basis, the back office of the vendors to aggregate third-party catalogues and the front office, the marketplace showcase.

Wizaplace offers a robust and complete turnkey solution that accelerates the deployment of marketplaces for project owners. The company's customers include start-ups, SMEs and large groups.

Located in Lyon and Paris, Wizaplace has more than 50 employees.

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## LEMONWAY

Lemon Way is a pan-European Payment Institution offering a solution dedicated to marketplaces, crowdfunding platforms and e-commerce sites looking for a payment processing and collection system for third parties in a secure and regulated (KYC, anti-fraud) environment.

Lemon Way serves approximately 1,400 marketplaces in Europe, including 200 participatory finance sites. Since obtaining its accreditation in December 2012, FinTech has opened 7 million payment accounts (e-wallets) with the users of its partner platforms and has declared 120 of them as agents with the ACPR - Banque de France.

After having self-financed its growth for 10 years, FinTech raised €10 million from Breega Capital and Speedinvest in July 2018 and €25 million from Toscafund in October 2019. Regulated by the ACPR and benefiting from the «financial passport» in 29 countries, Lemon Way is based in Paris (head office), London, Madrid and Milan and employs 85 people of 16 different nationalities. In 2019, the company handled a business volume of €3 billion in flows thanks to the quality of its offer and the natural growth of its partner platforms.

**LEMON WAY**

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## WAVESTONE

In a world where knowing how to transform is the key to success, Wavestone's mission is to enlighten and guide large companies and organisations in their most critical transformations with the ambition of making them positive for all stakeholders. This is what we call «The Positive Way».

Wavestone has more than 3,000 employees in 8 countries. It is one of the leading independent consulting firms in Europe, and is the leading independent consulting firm in France. Wavestone is listed on Euronext in Paris and has the Great Place To Work® label.

**WAVESTONE**

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