

FROM BREXIT TO BREAKTHROUGH: UK BRANDS EMBRACE MARKETPLACES FOR GLOBAL SUCCESS



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INTRODUCTION

INTRODUCTION

In a post Brexit world, the UK retail industry has undergone significant transformation. For UK sellers wanting to leverage the EU's lucrative market, the competitive dynamics have now evolved considerably. With Brexit reshaping many rules of international trade, the path to expansion has become fraught with challenges, including heightened export costs and intensified competition. Amidst these challenges, digital marketplaces have risen as crucial enablers of growth, providing a platform for innovation and access to wider markets. Platforms like Asos Marketplace, About You and Zalando have become essential in this new reality, serving as growth beacons in a competitive global arena.

The significance of digital marketplaces has been magnified by key trends, these include: (1) the accelerated digital transformation within retail; (2) the integration of AI to enhance customer experience and personalisation; (3) the adoption of circular economic principles such as re-commerce; and (4) consumer demands for better value amidst financial pressures. These developments have carved out a critical role for online marketplaces in ensuring competitiveness, streamlining operations, and fostering consumer engagement in more sophisticated ways.

Today, demand for technology-driven shopping experiences that merge the physical and digital worlds is higher than ever, with personalisation and community engagement at the core of marketplace strategies. Also, consumer expectations have soared, partially due to instant access to online information and smartphone use.



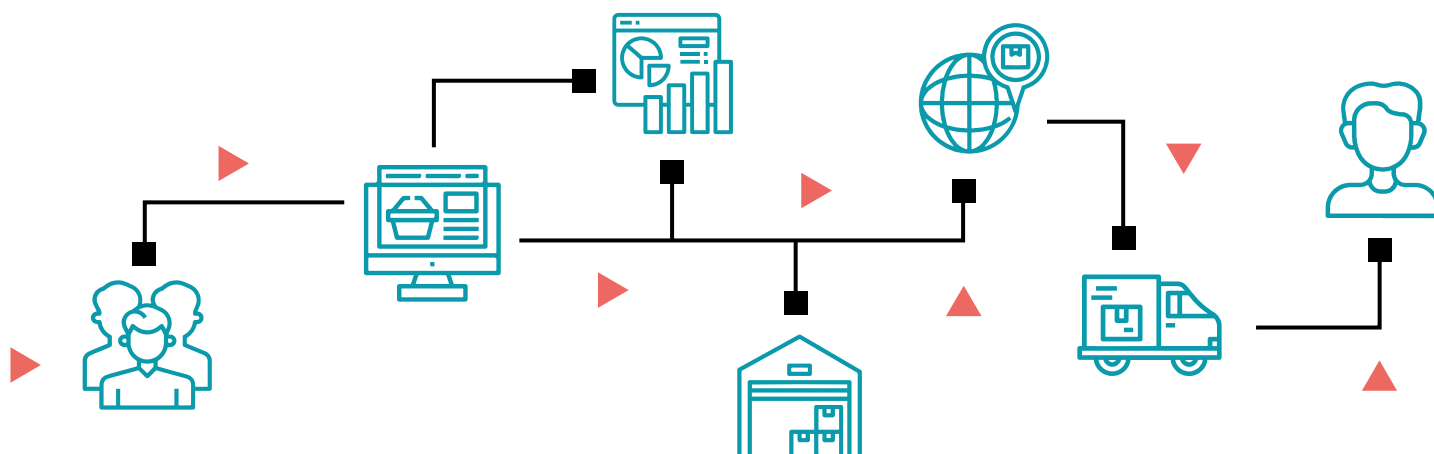


As brands navigate through a dual crisis of heightened living and operational costs, with consumers growing increasingly price-sensitive, digital marketplaces have emerged as the new giants of the retail world. Capturing nearly half of Europe's online sales, they provide a critical nexus for brands and retailers to explore new territories and forge paths to revenue diversification and growth.

This report looks at UK retail trade flows since Brexit and the pandemic. The analysis not only serves as a great resource for understanding current trends, but also sets the stage for identifying new growth potential overseas. By leveraging digital channels, particularly marketplaces, UK brands and retailers can navigate and overcome these emerging challenges, turning them into opportunities for expansion and success.

The report features three main sections:

- **The backdrop for UK marketplaces:** The evolution of marketplaces in the UK, marking their rise from simple transactional platforms to complex ecosystems that cater to a diverse range of seller and consumer needs.
- **Export disruption and evolving trade flows:** Proprietary analysis on the shifts in UK-EU retail trade patterns, highlighting the integral role of marketplaces in this new trade landscape.
- **The future of marketplaces:** A forward-looking perspective on three key areas where marketplaces play a fundamental role in the future of retail.





EVOLUTION OF ONLINE MARKETPLACES AND EXPECTATIONS

EVOLUTION OF ONLINE MARKETPLACES AND EXPECTATIONS



AT A GLANCE

- **Marketplace evolution:** Online marketplaces are dynamic digital platforms connecting buyers and sellers. Over the years, they have significantly evolved, enhancing their features, functionality, and formats to better serve users.
- **Impact of technology:** Advances in digital technology have transformed marketplaces into providers of convenient and personalised experiences across various devices. These platforms are essential in supporting seamless customer journeys across multiple channels.
- **Diverse marketplace models:** Marketplaces have expanded into various models, including hybrid, retailer-operated, and social commerce platforms, each catering to specific needs and preferences.
- **Broadened service offer:** Marketplaces have evolved into comprehensive ecosystems that offer extensive opportunities for product discovery, as well as fulfillment and aftersales services. Retailers and brands frequently engage in partnerships to meet increasing customer expectations, enhance their capabilities, and achieve scalable growth.
- **Streamlining operations:** As online marketplaces evolve, strategic partnerships with marketplace integrators have become essential for sellers to enhance capabilities, navigate new opportunities and centralise the management of multiple platforms.

Put simply, online marketplaces are dynamic digital platforms that connect buyers and sellers. They offer a range of new and second-hand merchandise across various categories and can be considered the digital equivalent of department stores. Depending on sophistication, marketplaces can facilitate online transactions, help track orders, and offer feedback opportunities amongst many other features to enhance the shopping experience.

Historically, marketplaces provided a route to market to enable brands to tap into larger, international audiences. They played a key role in providing payment services and marketed via traditional media to attract buyers and sellers. However, online marketplaces today are considerably more sophisticated, even a decade on, with much more functionality.

Naturally, much of this development is down to technological advancements as shown in Figure 1. Throughout this time, marketplaces have continuously shaped the way consumers discover, interact, and purchase products online; with each phase offering new tools to attract and retain customers, optimise operations, and differentiate in a competitive market.

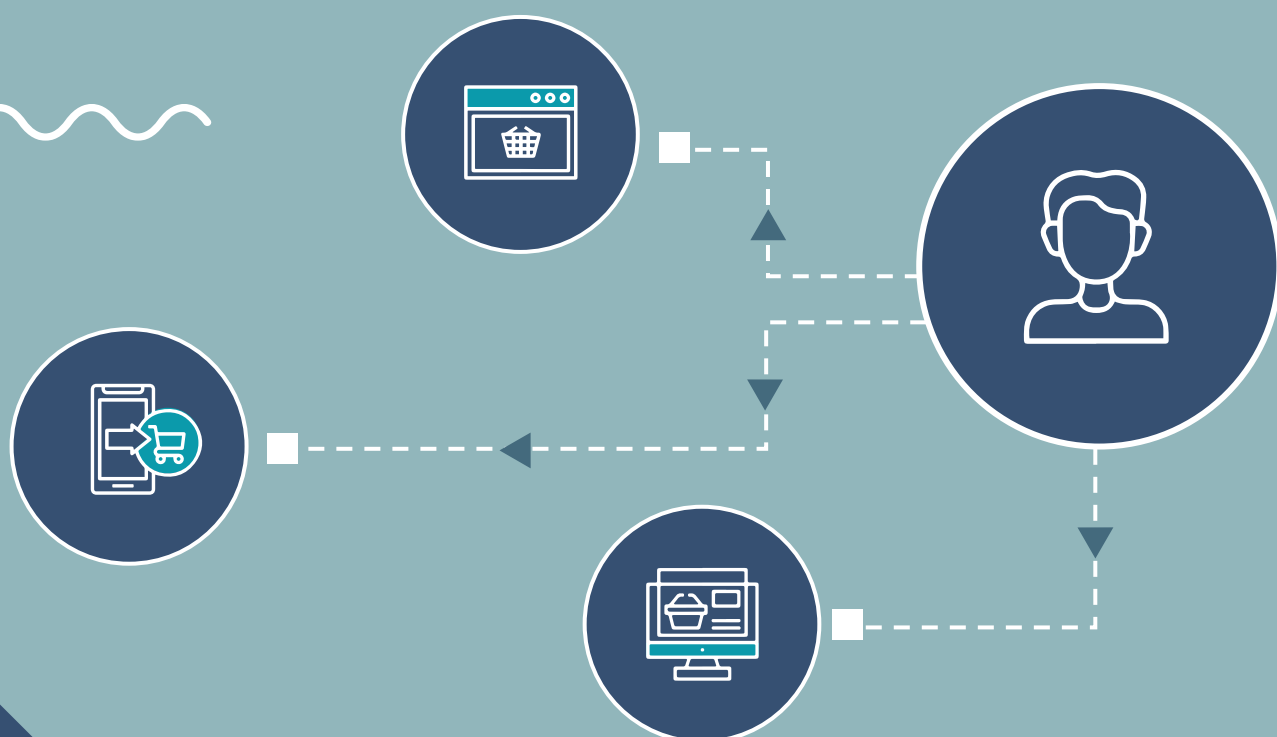


Figure 1: Widening role for marketplaces to facilitate technological adoption



Online shopping

Events

The concept of online marketplaces begins to take shape with the launch of platforms such as eBay in the UK, while Amazon expands from a bookstore to a general marketplace.

1990s to Early 2000s

Key technologies

- Home computers
- The internet
- Secure online payment services
- E-commerce platforms



E-commerce and online content

Events

Niche marketplaces emerge, such as Etsy, with online communications becoming more dynamic and content-rich. Consumers shift towards online shopping for convenience, range and price comparison.

Early to late 2000s

Key technologies

- Mobile data
- Broadband internet Smartphones
- Content Management Systems
- Search Engine Optimisation



Mobile commerce

Events

Smartphone revolution sees marketplaces such as eBay expand to offer mobile apps for easier access.

Late 2000s to mid-2010s

Key technologies

- Widespread adoption of smartphones
- Mobile apps
- Mobile digital wallets
- 4G connectivity rollout



Social commerce and personalisation

Events

Social commerce begins with platforms including Facebook and Instagram introducing shopping features, blending social media with ecommerce.



Digital shift

Events

The pandemic accelerates a shift online, with marketplaces benefiting from growing user numbers.



Everything as a marketplace

Events

Traditional retailers such as Debenhams and Next develop marketplace services to offer third-party products, while specialism, community and seamless customer experiences become core values of marketplaces.



Mid 2010s

Key technologies

- Social media
- Personalisation
- Machine learning
- Big data analytics
- Cloud computing
- Internet of Things (IoT)

Late 2010s to 2020

Key technologies

- Visual search
- Voice search
- Artificial Intelligence (AI)
- Augmented reality

2020s

Key technologies

- Blockchain in sustainability
- Generative search
- 5G/6G networks
- Automation
- Predictive analytics

Source: Retail Economics, Tradebyte



EVOLVING CUSTOMER EXPECTATIONS

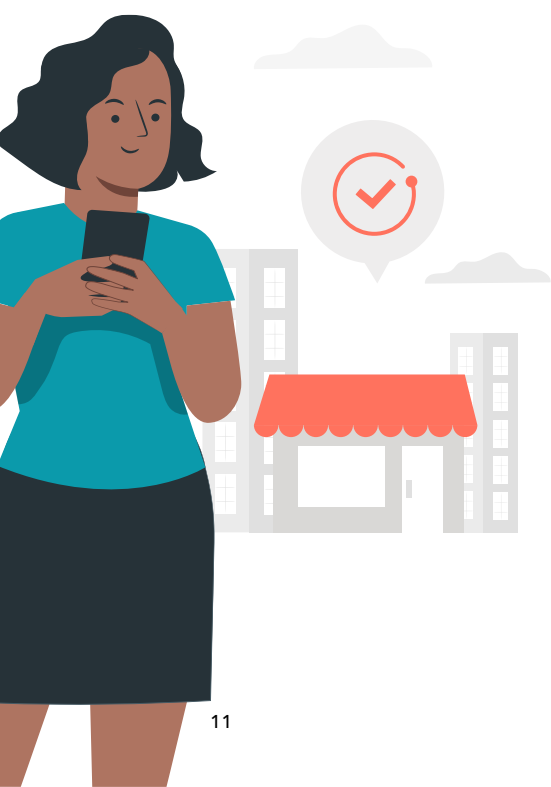
Marketplaces not only sell products, but also offer services to help sellers of all sizes, from major brands and retailers to individuals. This comes amid technological development and rising consumer expectations where 'anything, anytime, anywhere' is a mindset which often underpins behaviour.

Today, shoppers unconsciously bounce between digital and physical channels throughout the entire customer journey (particularly younger digital natives). This can involve discovering new products on social media while browsing in-store, purchasing online for click-and-collect delivery, while seeking returns through drop-off points close to home. As such, customer journeys are now more complex with diverse customer expectations across different demographics.

In this context, marketplaces play a key role in meeting consumer expectations. They provide convenient and personalised experiences, offer shoppers extended ranges, give them the ability to quickly compare products on a single platform, and serve relevant messaging which helps conversion.

Shoppers are typically attracted to marketplaces in three key ways:

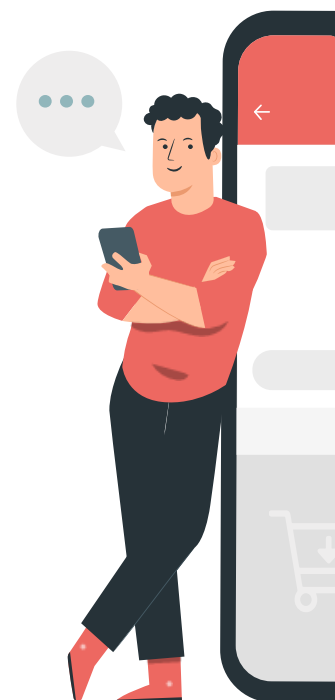
- **Convenience:** Many marketplaces are essentially a one-stop shop (category dependent) offering a vast product range on a single platform, as well as fulfilment and returns options. This eliminates the need to visit multiple websites, reducing browsing and checkout friction.
- **Validation:** Trusted marketplaces provide assurance of authenticity, quality and value to validate the credibility of brands when shoppers look to discover new products.
- **Personalised experiences:** Marketplaces leverage consumer data to deliver targeted and personalised product recommendations and promotions that supports the discovery of new products, conversion and loyalty.



For brands and retailers, much of the 'hard work' for sellers has been done by marketplaces in terms of [platform development](#), [customer relationship management](#) and [payment processing systems](#), as well as attracting customers. Opportunities are continually arising as marketplaces develop their propositions and expand their offerings.

Marketplace shoppers are demanding

Younger, affluent shoppers, known for their discerning retail expectations, contribute a significant share of their spending online towards marketplaces.



Key characteristics of younger affluent shoppers





MARKETPLACE MODELS

Online marketplaces have developed beyond traditional 'pure' platforms to a point currently where three other distinct models dominate. These include:

- **Hybrid marketplaces:** Combine wholesale or own-label sales with third-party offerings, competing directly in the same marketplace and known for quick adaptation to market trends at scale (e.g. Amazon, Shein). These are typically 'open marketplaces', allowing any business to sell on its platform providing registration requirements are met.
- **Retailer-operated marketplaces:** Managed by a single retailer offering third-party brands access to their platform and logistics support such as warehousing and fulfilment (e.g. Next Plc's Total Platform (TP)). These are 'closed marketplaces', restricted to third-party sellers curated and onboarded by the retailer.
- **Social commerce:** Operated by social media giants with e-commerce integration, providing immersive shopping via content and in-app purchases, while expanding into logistical support like inventory and shipping management (e.g. TikTok Shop).



BROADENING SERVICE OFFER

Marketplaces are not just venues for transactions but have matured into 'mini ecosystems' in themselves. Figure 2 features a sample of online marketplaces (not an exhaustive list). They range from generalists like Amazon, which offer a full suite of services, to niche players like Vinted, which provide more targeted offerings. These platforms have become the bedrock for many retail journeys, increasing product awareness, streamlining transactions, and offering logistical support (3PL). Collectively, they present a comprehensive mix of platforms aimed at optimising the retail experience for both sellers and consumers.

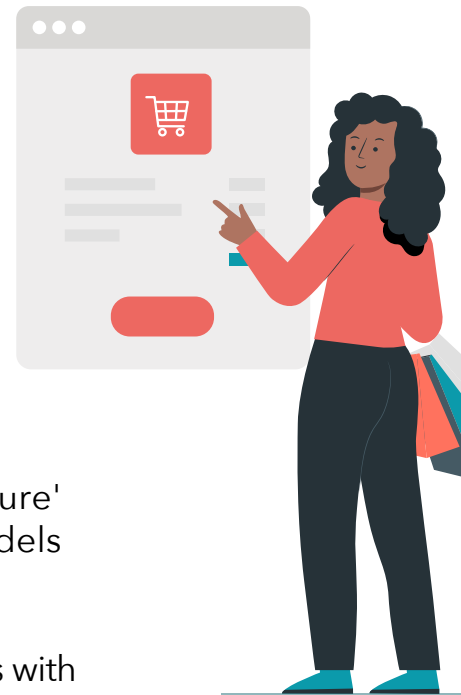


Figure 2: Service offerings vary within the customer journey amongst marketplace types

		Model			Customer journey							
					Discovery			Transaction			Fulfilment	Aftersales
Service offering	Marketplace	Specialisation (e.g. fashion)	New merchandise	Preloved	Product listing & visibility	Marketing & advertising services	Social commerce integration	Transaction processing	Payment & financial services	Data analytics & insights	Logistics & fulfilment	Customer support & service
		Focused platforms catering to specific market segments like fashion, home improvement, or luxury goods	Offering brand new products	Offering used products	Platforms where sellers list products for sale, enhancing visibility to a broad audience	Tools and services to promote products, including targeted advertising and promotional campaigns	Incorporating social media features for sharing and discovering products	Facilitation of the buying and selling process, including payment processing	Integration of various payment methods, including financing options for buyers	Providing sellers with data-driven insights on market trends, product performance and customer behaviour to support conversion	Offering storage, packing, and handling services to sellers, simplifying logistics management	Provision of customer assistance pre- and post-sale, including dispute resolution
Complete suite	Amazon UK		X	X	X	X	X	X	X	X	X	X
	Zalando	X	X	X	X	X	X	X	X	X	X	X
Broad	ASOS Marketplace	X	X	X	X	X	X	X	X	X		X
	Debenhams Marketplace		X		X	X	X	X	X	X		X
	TikTok Shop		X	X	X	X	X	X	X		X	X
	Trouva	X	X		X	X		X	X	X		X
Narrow	Vinted	X		X	X		X	X	X			X
	B&Q marketplace	X	X		X			X	X		X	X
	Gumtree			X	X			X	X			X

Source: Retail Economics, Tradebyte

The future success of marketplaces potentially hinges on their shift from just sales platforms to larger systems offering a range of services. This will increasingly support brands and sellers in efforts to offer heightened experiences and also support data-driven decision making. Use cases include leveraging data analytics from marketplaces to optimise price points, product assortments and forecast trends.



SPOTLIGHT ON INTEGRATORS

As online marketplaces continue to evolve in complexity and play a central role in retail, partnerships have become essential. Businesses are increasingly turning to marketplace integrators to streamline operations, maximise opportunities, and overcome the challenges inherent in the marketplace ecosystem. This includes managing product listings, inventory, order fulfilment, and data analytics to maintain a presence across diverse platforms at scale.

Through partnerships, brands and retailers can effectively broaden their audience across platforms while driving growth in an increasingly competitive landscape.



Strategic partnerships

Integrators have established relationships with key marketplace platforms, enabling sellers to enhance their capabilities, access new opportunities, and stay ahead of the competition in the fast-paced marketplace environment.



Enhanced agility

Integrators enable brands and retailers to expand into new markets, add product lines, and adapt to changing consumer demands swiftly by automating processes.



Optimised performance

Reporting tools help sellers make informed decisions, optimise strategies, and drive continuous improvement in marketplace operations.



Centralised management

Marketplace integrators provide brands and retailers with the tools to manage product listings, inventory, order fulfilment, and data analytics across multiple platforms seamlessly. Centralising operations ensures consistency in branding, pricing, and customer experience across diverse channels.



E-COMMERCE SUCCESS WITH TRADEBYTE

Tradebyte understands how crucial it is to make the right choices and forge strategic partnerships to boost business performance.

With an extensive network that includes 1,000+ brands, 90+ retailers and 30+ partners, it is the leading marketplace integrator in fashion & lifestyle in Europe.

Tradebyte offers comprehensive software solutions for both brands and retailers, and the tools needed to boost e-commerce performance. With TB.One, brands can seamlessly centralise and analyse their data, managing all aspects of their e-commerce process from integrations and pricing to stock and order data. This all-in-one solution facilitates the distribution of product data to a large network of marketplaces for streamlined operations and optimised performance.

Our commitment goes beyond providing software solutions. The Tradebyte team is dedicated to assist customers in finding new partners and expansion opportunities by fostering connections between brands, retailers and service partners. Tradebyte stands ready to provide expert consultation and support no matter the situation. They also offer custom services, including data enrichment, product listing services and account optimisation, and cater to specific business needs, further driving growth and visibility in the digital marketplace environments.

Tradebyte's mission is to empower businesses to thrive in the ever-evolving world of e-commerce. We offer the tools, expertise and connections needed to navigate these challenges and seize the opportunities that await. If you are looking to optimise your e-commerce strategy, streamline your operations and expand your reach, Tradebyte will assist you in unlocking the full potential of your e-commerce business in Europe.

CASE STUDY

APRICOT

The Client

566%

GMV growth in
the first year

10+

New marketplace
connections

- **The Story:** Apricot, a UK women's clothing brand, expanded from physical stores into online marketplaces with Tradebyte's expertise, significantly broadening their digital and wholesale presence.
- **The Trigger:** Apricot's venture into online marketplaces was pivotal, turning to Tradebyte for guidance and to access user-friendly platforms that offer valuable sales and performance data.
- **The Strategy:** Aiming to grow their market presence, Apricot partnered with Tradebyte, leveraging their apparel expertise to boost brand awareness, initially focusing on Germany and then expanding across Europe.
- **The Result:** Apricot's first year in marketplaces saw a substantial growth, spreading across 10+ platforms and planning further expansion with strategic partnerships, including one with Zalando.



Tradebyte's support in our expansion into marketplaces was incredibly smooth and more rapid than we could have imagined.

JO BRAY

Head of New Business, Apricot



ASK YOURSELF THIS

- ✓ Have I embraced the evolving role of marketplaces to facilitate better retail experiences in the digital landscape?
- ✓ Have I chosen the most suitable marketplace model for my business needs?
- ✓ Have I considered the need for partnerships to navigate the growing complexity of the retail landscape?



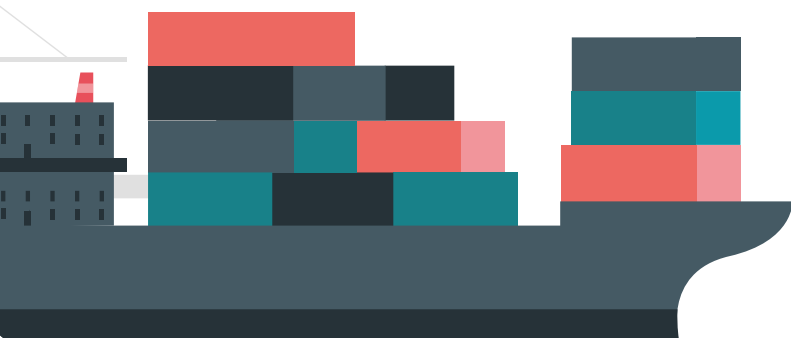
EXPORT DISRUPTION AND EVOLVING TRADEFLOWS

EXPORT DISRUPTION AND EVOLVING TRADE FLOWS



AT A GLANCE

- **Trade dynamics post-Brexit:** Brexit and the pandemic have significantly altered UK trade dynamics, increasing friction and significantly reducing exports to the EU. This has resulted in a sharp £18.8bn increase in net imports of retail goods since 2019.
- **Market disruptions:** UK retailers face several challenges in exporting to the EU, including trade friction, talent shortages, financial burdens, regulatory differences, and supply chain disruptions.
- **Uneven impact by category:** Non-food items have been more affected than food, with trade intensity for non-food remaining below pre-2020 levels. The impact of Brexit has varied across retail categories, with apparel seeing the most substantial declines.
- **Opportunities in marketplaces:** Despite these challenges, marketplaces provide significant opportunities for UK brands and retailers to expand internationally. They tap into an annual online non-food sales market in the EU worth an estimated £322.6 billion, with marketplaces accounting for nearly half of these sales, attracting key demographics such as younger, affluent shoppers.



Saturation and slowed growth in the UK amid the cost-of-living crisis means many brands and retailers are looking to expand overseas. With digital channels routinely part of today's customer journeys, marketplaces offer an attractive, low risk option for UK brands and retailers to grow while actioning digital transformation strategies.

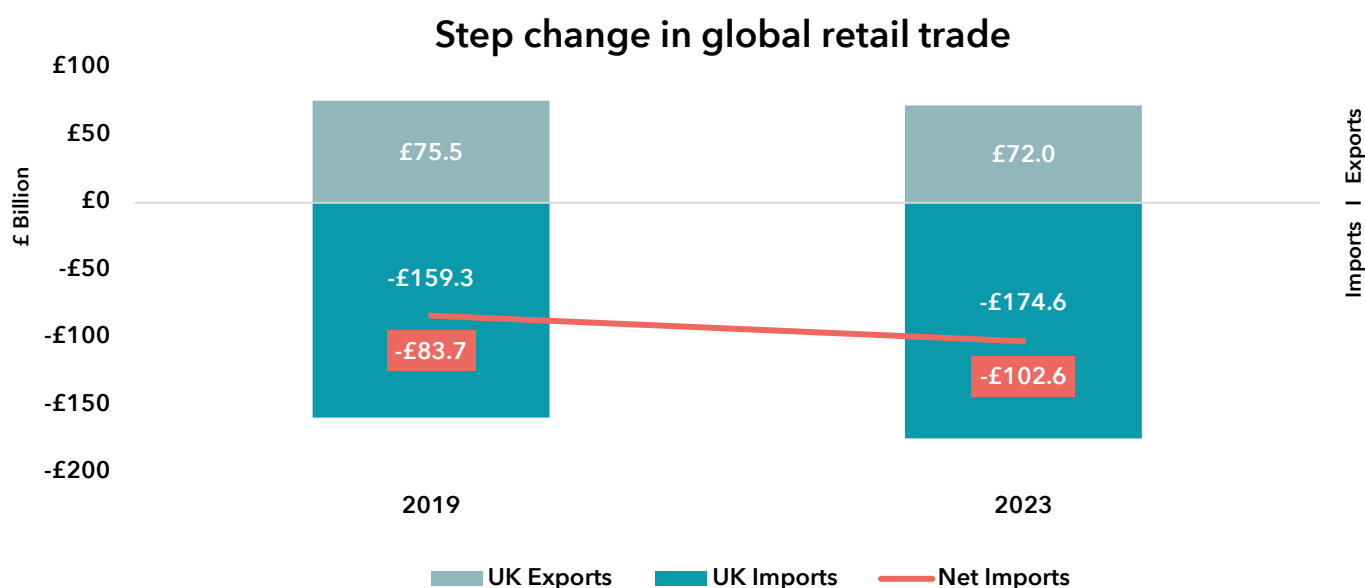


SHIFTING TRADE DYNAMICS WITH THE EU

UK exports have been under threat from Brexit and the impact of the pandemic. All major economies experienced a downturn in trade during the pandemic; however, data from the Office for National Statistics (ONS) suggests the UK's recovery has been slower than other G7 countries.

Since 2019, the UK has seen net imports of retail products increase by an eye-watering £18.8bn. This represents a significant shift in trading dynamics between the UK and EU, with the value of exports declining despite inflation, driven by the impact of greater friction.

Figure 3: UK net imports of retail goods surge £18.8bn following Brexit and the pandemic



Source: Retail Economics, Tradebyte, food and non-food retail products

Trade flows over recent years have had an acute impact on non-food retail products in particular, as Brexit frictions and post-pandemic disruptions have weighed on the trade of retail goods. By comparison, Food has been impacted less by Brexit controls following delays of key regulation until 2024.

Trade intensity normalising below pre-Brexit levels

Trade intensity in the UK (reflective of non-food retail exports and imports relative to sales) dipped during 2021's lockdowns and logistics disruptions. A 2022 recovery spike post-lockdown couldn't sustain momentum, and by 2023 levels dropped below the pre-2020 norm, notably more for EU trade than for non-EU.

Figure 4: Non-food trade intensity below pre-2020 normal

Retail Trade Intensity	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EU	0.22	0.22	0.23	0.24	0.23	0.22	0.20	0.16	0.20	0.18
Non-EU	0.20	0.22	0.22	0.22	0.21	0.21	0.20	0.21	0.22	0.19
Globe	0.42	0.43	0.45	0.46	0.44	0.43	0.41	0.36	0.42	0.37

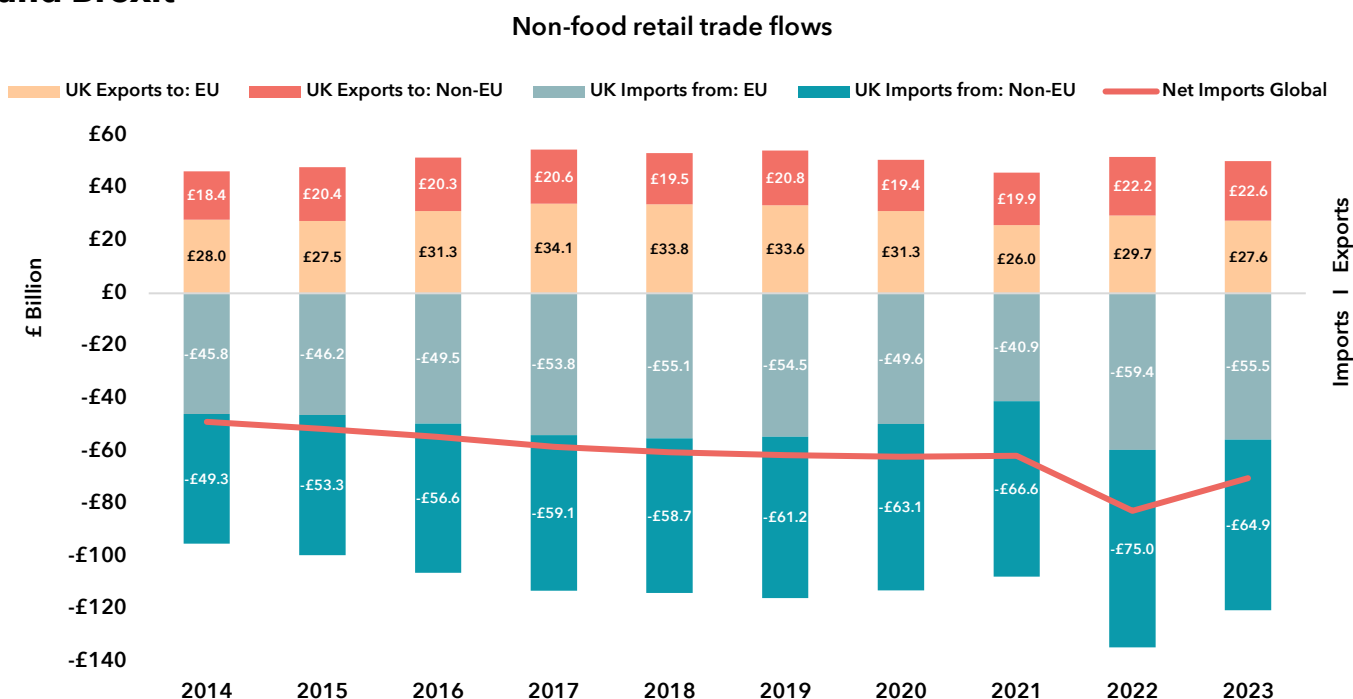
Source: Retail Economics, Tradebyte. Trade Intensity is total UK retail exports and imports as a proportion of total UK retail sales.

Changing dynamics with EU impacting exports

The UK is importing non-food products at a broadly similar rate to pre-pandemic levels, but is essentially exporting less to the EU since 2019. As pandemic impacts subside and Brexit policies 'settle', **UK exports for non-food to the EU shrunk in 2023, compared to 2019 from £33.6bn to £27.6bn**. This means that the UK remains a net importer from the EU. Key impacts include:

- **Market exit:** Additional paperwork and costs following Brexit may not be viable for small businesses on both sides, including UK firms looking to export to the EU and EU firms looking to sell to the UK.
- **Pandemic supply chain challenges:** Global supply bottlenecks are likely to have contributed to the weakness in some EU demand for UK exports, with new relationships forming in other markets.
- **Preparation pre-Brexit:** Stockpiling likely to have supported EU demand in 2019 before the UK's departure from the EU.

Figure 5: Non-food trade flows beginning to normalise following pandemic and Brexit



Source: Retail Economics, TradeByte

Uneven impact to exports across non-food

Looking more closely at UK exports to the EU, the trading environment has been uneven across categories. Among major non-food categories, Clothing & Footwear has been the most heavily impacted retail category post-Brexit. A sharp fall in apparel exports since 2019 lays bare the potential competitive disadvantage from greater costs and delays competing in an export environment, if sellers do not have the expertise or resources in-house to navigate challenges posed in the new regulatory environment.

Additionally, apparel brands and retailers have faced a weak consumer backdrop for non-essential spending since the cost-of-living crisis alongside the rising cost of doing business.



€42.2bn

LVMH fashion and leather goods sales, up 9% in 2023 year-on-year

However, the decline in apparel exports stabilised in 2023 while some parts of the market have been more resilient than others. This includes major luxury players operating at higher profit margins and being able to absorb elevated material, energy and logistics costs. Additionally, more affluent shoppers have been better able to manage rising living costs compared to typical fast fashion consumers, contributing to luxury giant LVMH posting sales within its fashion and leather goods division rising by 9% to €42.2bn in 2023.

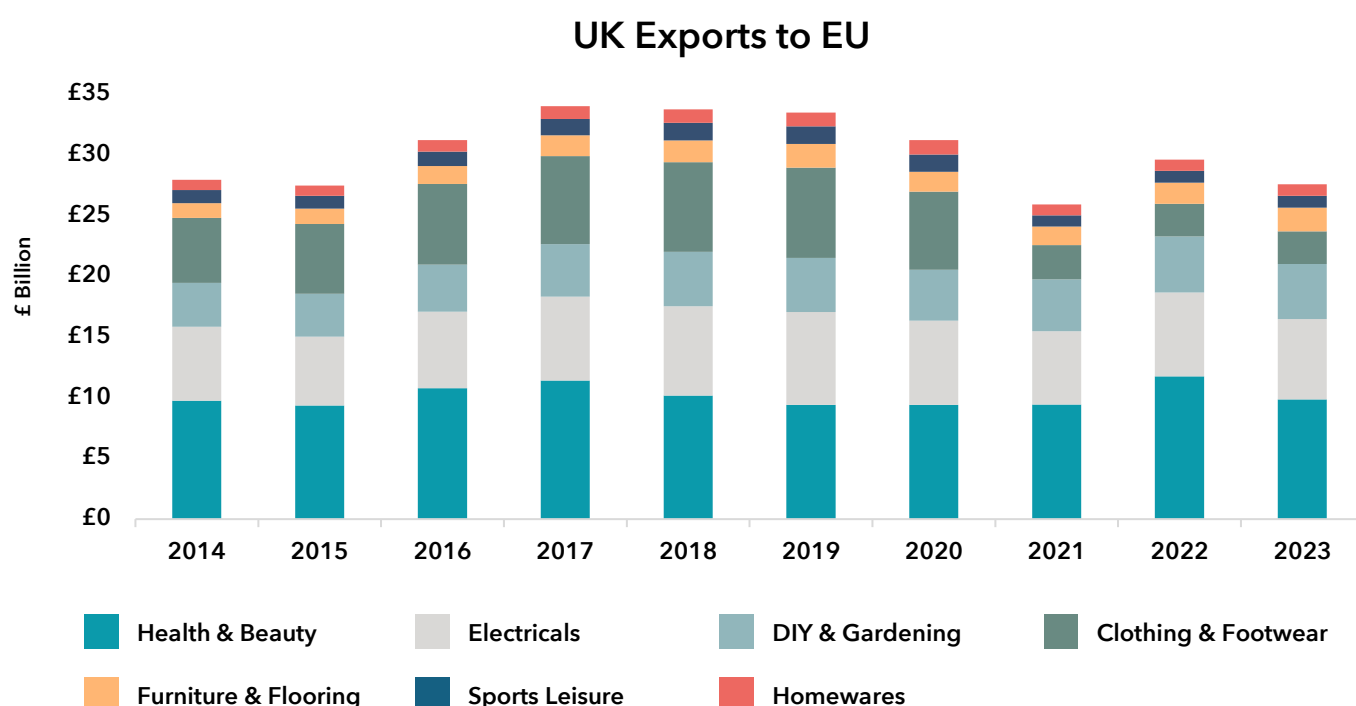
75%

UK retail exports made up by the Health & Beauty, Electricals and DIY & Gardening categories

Nonetheless, changing trade dynamics have caused a shift in operations. Apparel pre-Brexit was a top three exporter among non-food retail, but now the top three export categories by value are Health & Beauty, Electricals, and DIY & Gardening, making up three quarters of UK retail exports to the EU. Health & Beauty, and DIY & Gardening are the only two categories to have seen a marginal increase in export values since 2019.

Furniture (+11.0% year-on-year), Sports Leisure (+3.0%) and Homewares (+2.5%) have been drivers of increased exports over the past year – albeit exports remain below 2019 levels for all three categories.

Figure 6: Health & Beauty, Electricals and DIY now account for three quarters of retail exports to EU amid pressure on apparel



Source: Retail Economics, Tradebyte

Varying disruption from Brexit

Following Brexit, drivers of change for exports vary by category, from greater costs to extended lead times. Naturally, this has different implications depending on category as shown in Figure 7.



Figure 7: Key category implications

Retail category	UK exports to EU in 2023 vs. 2019	Key implications since Brexit
Apparel	-63.7%	<p>The most hit retail category for EU exports since 2019, driving fundamental shifts in operations with the following implications:</p> <p>Competitive disadvantage: UK brands face intense pressure from cheaper global suppliers and disruptive factors like Brexit and geopolitical tensions. This spiked clothing inflation to decade-highs in 2023, reducing domestic capacity, and squeezing profits (e.g. Boohoo aggressively cutting costs, demanding a 10% discount from its suppliers on outstanding orders in 2023 following a 14% year-on-year fall in profit in 2022/23). The impact has arguably been greater for smaller businesses, less able to adapt. UK-based lingerie brand The Underargument saw half of its sales come from the EU at the end of 2020, which fell to just 15% in 2023 amid additional costs.</p> <p>Friction: Smaller entities, less equipped to handle the EU's operational shifts and additional costs like tariffs and VAT, have seen a drastic fall in sales (e.g. luxury brand Elvis and Kresse losing EU customers from higher import costs). Adding further complexity, trading on EU marketplaces now requires UK brands and retailers to register an EU Entity.</p> <p>Investment needed: Brexit, labour shortages, and non-tariff trade barriers have led to delays and trade bottlenecks, severely affecting small firms within the textile industry.</p>
Health & Beauty	+4.7%	<p>The least impacted category since 2019.</p> <p>Compliance: The beauty industry was less affected by Brexit than other categories from fewer policy changes for making cosmetics. For UK businesses exporting to the EU, products typically already adhere to compliances. Primary changes are in the requirement for paperwork and product labelling.</p> <p>Uncertainty: Some EU customers uncertain about costs related to imports and shipping delays, have shunned UK brands, with Health & Beauty growth ultimately lagging inflation. Lush partly attributed a 28% decrease in sales in the year to June 2022 due to popularity in the EU waning after Brexit.</p>
Home-related	<p>Homewares: -15.8%</p> <p>Furniture & Flooring: -1.5%</p> <p>DIY & Gardening: +1.5%</p>	<p>Supply chain disruption: Home-related companies have faced delays in sourcing and fulfilling orders due to new Brexit-related checks. This has seen new trade routes trialled (e.g. Kingfisher, Dunelm and John Lewis stopped delivering to Northern Ireland after Brexit, at least temporarily).</p> <p>Threshold for EU duties: Some home-related goods, including big-ticket items, have been impacted by the value of goods being subject to customs duties.</p>
Electricals	-13.2%	<p>Structural challenges: Electricals have faced structural challenges beyond Brexit. The category has struggled with higher costs since the pandemic, including shortages of semi-conductors and facing higher logistics prices from components in fragmented markets. This saw Electricals exports decline even during strong pandemic demand in 2020/21 (e.g. higher shipping and logistics prices cost Dyson £120m in 2022).</p>



MARKET SIZE AND KEY OPPORTUNITIES

The new legal landscape following Brexit has clearly exposed challenges for UK brands and retailers looking to export. However, online opportunities remain for players that successfully navigate new EU requirements and regulations while balancing the demands of local shoppers.

Online opportunities across Europe have accelerated since 2020. **Annual online non-food sales are estimated to be worth £322.6bn across the EU**, with Germany a dominant player, followed by France and Italy. The concentration of sales among the largest markets means that **the top 10 online markets in the EU account for 85.8% of online sales** (Fig. 8). From this, marketplaces account for just under half of online sales across the EU, and are considered important platforms for spending among key demographics, typically younger, more affluent consumers who shop online frequently. Currently, **marketplaces across the top 10 largest EU markets account for £132.8bn of annual spending**.

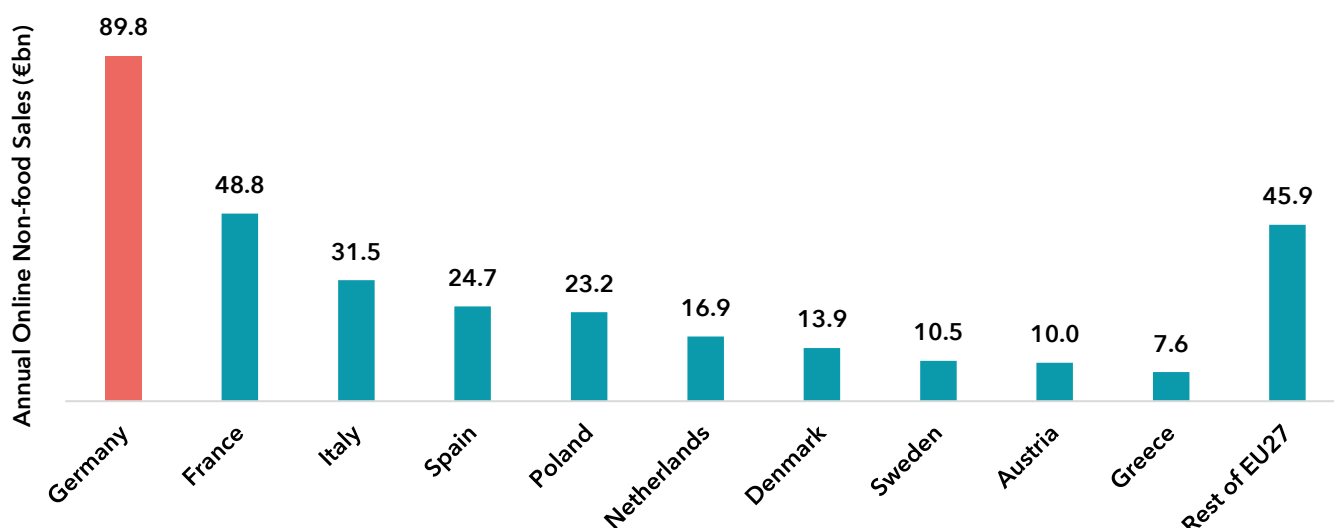
£322.6bn

Estimated annual
online non-food
sales across the EU

£132.8bn

Annual spending across
the top 10 largest EU
marketplaces

Figure 8: Germany is the largest online market in the EU



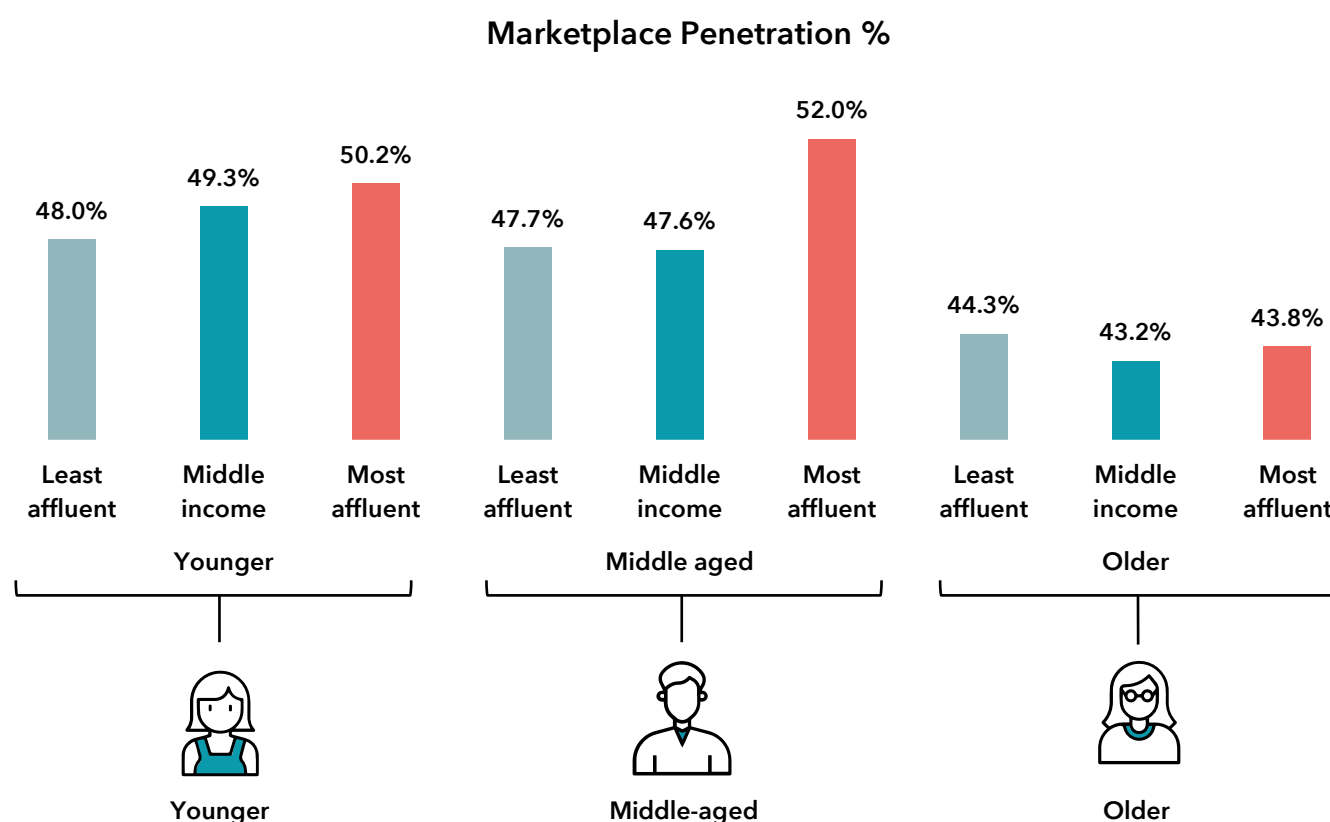
Source: Retail Economics, Tradebyte

Marketplaces capture key spenders

Marketplaces are ideal for younger, affluent spenders who are key drivers of consumer expenditure. While middle-income groups prioritise the ease of access reflecting their stage in life, younger consumers are drawn to the diversity and brand selection available on these platforms.

Amid economic uncertainties, young and middle-aged spenders with more disposable income exhibit increased sensitivity to financial fluctuations, with nearly half expressing concern over inflation and interest rates. Such economic factors are likely to influence their future marketplace spending behaviours.

Figure 9: Sales through marketplaces account for majority of online sales for commercially significant European shoppers



Source: Retail Economics, Tradebyte, proportion of non-food online sales in European markets

Perceived benefits vary by demographic

Marketplaces have redefined online shopping in many instances, offering benefits that resonate distinctly across various age groups:

- **Younger shoppers:** Value marketplaces for a variety of reasons, notably for the personalised accounts that streamline their shopping experiences.
- **Middle-aged shoppers:** Slightly favour the convenience and varied delivery options offered by marketplaces over what older consumers prioritise.
- **Older shoppers:** Drawn to marketplaces primarily for the deals and the ability to compare options more efficiently than with traditional brands and retailers.

In summary, Brexit, the pandemic, and evolving consumer demands significantly altered the UK's trade landscape, particularly with the EU. Marketplaces have become essential platforms for brands and retailers looking to overcome these challenges and seize opportunities for international expansion.

ASK YOURSELF THIS

- ✓ **Am I effectively mitigating the challenges posed by Brexit to export to the EU?**
- ✓ **Do I have the resources and expertise to handle the increased customs paperwork, VAT intricacies, and evolving regulations to navigate exports delays and alleviate operational costs?**
- ✓ **Is my business leveraging the opportunities of online growth and marketplaces to reach new audiences and expand in the EU?**
- ✓ **Do I understand the preferences and expectations of marketplace shoppers, and am I aligning my offerings to meet their needs effectively?**

Key Brexit challenges for brands and retailers

Brexit introduced a myriad of challenges for UK brands and retailers selling in the EU, constraining growth opportunities. Key implications include:

► Trade friction

Increased customs paperwork, including complex declarations, VAT intricacies, and evolving product regulations, slow down exports and elevate operational costs significantly.



► Talent gap

A shortage of expertise in customs compliance, international trade regulations, VAT management, and the additional complexities of securing visas for low-paid retail workers creates operational bottlenecks, hindering smooth cross-border trade.

► Financial burdens

The potential requirement for VAT registration across multiple EU countries, coupled with upfront financial guarantees, strains resources and poses financial risks for brands and retailers, especially SMEs.



► Regulatory divergence

Shifts in regulatory standards between the UK and the EU introduce compliance complexities, such as varying product standards and safety regulations, necessitating careful adaptation and additional resources for compliance.

► Supply chain disruptions

Uncertainties surrounding border procedures, customs checks, and regulatory compliance have disrupted supply chains, leading to delays, shortages, and increased transportation costs for UK brands and retailers sourcing materials or products from EU suppliers.



TRADEBYTE'S MARKETPLACE SOLUTIONS

Tradebyte offers a comprehensive suite of services to support brands in their cross-border expansion efforts, including Asos, Debenhams and Yoox. Our platform facilitates seamless integration with online marketplaces, streamlining the process of listing products, managing inventory, and fulfilling orders across different EU markets. With Tradebyte's assistance, brands can leverage the opportunities of marketplaces to achieve sustainable growth across the EU.

How can Tradebyte support brands in growing their businesses abroad?

Channel selection

Make sure to sell your products on relevant marketplaces that match your brand. Our team will help you find the best fit, and will support you with our established network.

Unique data

Tradebyte's Business Intelligence tool provides data for benchmarking and analysing the market and selling history. You also get access to your own data to measure and track your online efforts. With these insights, take control of your online performance by learning from current and past trends. Leverage this data and make informed decisions to improve your brand's online presence and sales.

Tailored approach

We build your solution together with a focus on your goals, target group and branding. Our team is well versed and will help you with expertise on the industry and the technical aspects of DTC.

Experiment with new product offerings and marketing strategies without the constraints that can come with traditional retail models.





Outsourcing

Thanks to Tradebyte's Added Services and strong Partner network, brands have the option to outsource marketplace integration tasks such as mapping and categorisation, account management, shipping, etc.

Dedicated support teams

Our success managers become an integral part of your team, they are your main point of contact at Tradebyte and care to make sure you reach your goal - they ensure you are staying at the forefront of the fast paced world of e-commerce.

Tradebyte's solution provider network

Tradebyte offers access to a comprehensive network of third party solution providers that are able to address diverse needs. From optimising logistics and cross-border shipping to efficiently managing inventory and handling returns, Tradebyte connects you with the right partner to ensure seamless operations tailored specifically to your demands for efficient expansion within the EU.

Reduced operational costs

By partnering with Tradebyte, you avoid the need to invest in expensive technology infrastructure and the resources required to manage multiple online marketplace platforms. This can help reduce your operational costs and free up resources to invest in other areas of your business.





THE FUTURE OF MARKETPLACES

THE FUTURE OF MARKETPLACES



AT A GLANCE

- **Facilitating cross-border opportunities:** Marketplaces serve as crucial channels for UK brands and retailers to expand internationally. They offer solutions for navigating complex logistics and regulations, provide localisation support, and enable strategic assortment differentiation.
- **Elevating digital experiences:** Marketplaces play a pivotal role in enhancing digital experiences for both sellers and buyers, harnessing technology such as AI to add value and improve operations, thereby shaping the future of retail.
- **Central to the circular economy:** Marketplaces are becoming central hubs for promoting recommerce and sustainability, driving innovation, and collaboration across the supply chain to support environmentally conscious consumer choices.



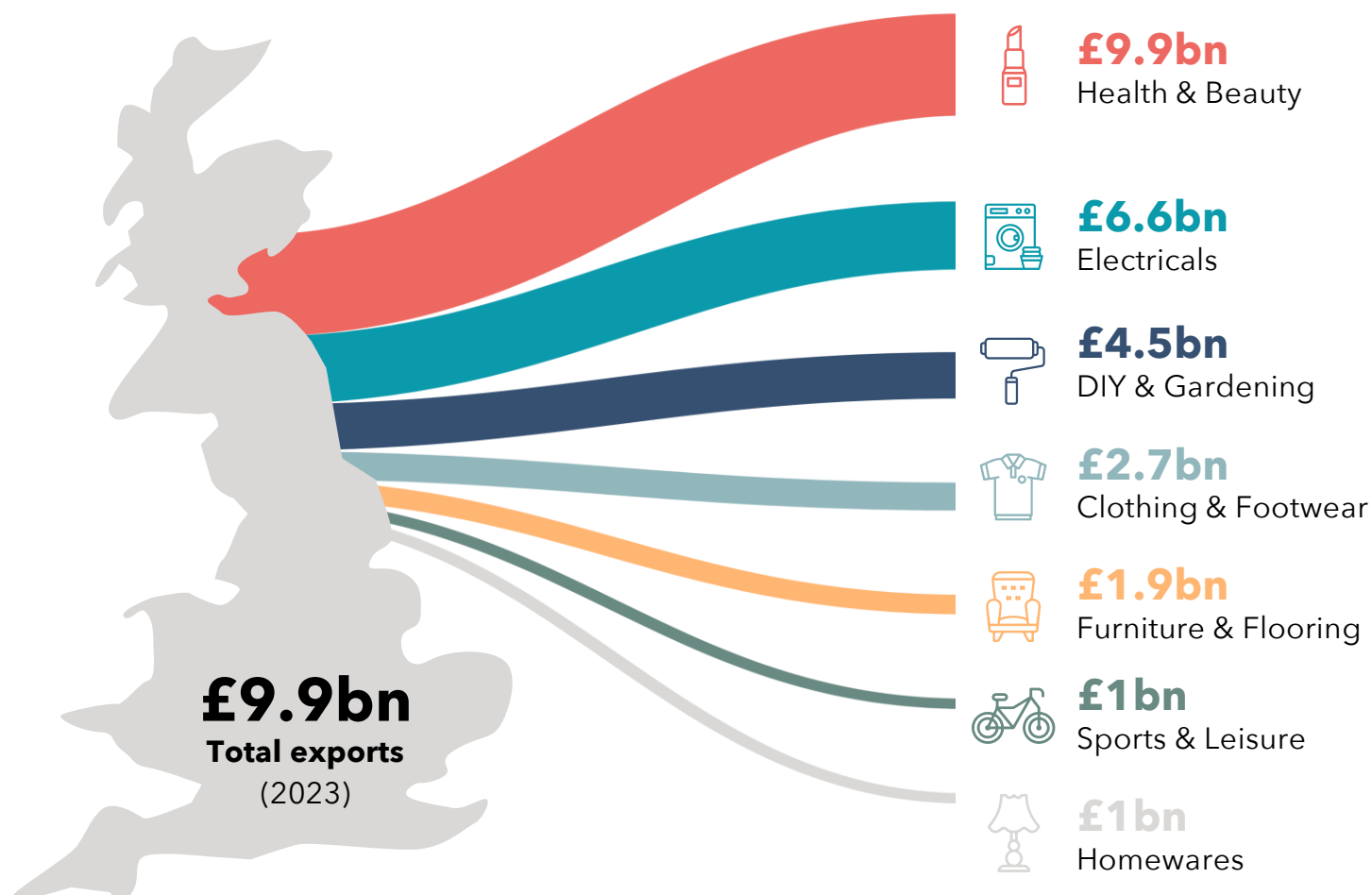
This final section explores the future of marketplaces, highlighting strategic focal points for retail brands aiming to benefit from these platforms. It also highlights how online marketplaces, through strategic investment in three key areas covered here, are uniquely positioned for sustained growth.



FACILITATING CROSS-BORDER OPPORTUNITIES

Marketplaces are pivotal in unlocking cross-border opportunities for brands and retailers, providing accessible and scalable digital solutions that cater to local markets too niche or complex for sellers to cope with alone. Nevertheless, for many retail brands, the opportunity to export abroad cannot be overlooked, but Brexit challenges require smart engagement with local markets.

Figure 10: Key UK retail exports to EU countries in 2023



Source: Retail Economics, Tradebyte



When it comes to UK exports, marketplaces play a critical role for the future. They serve as gateways for UK brands seeking international expansion, offering established paths and valuable market insights.

Access to off-the-shelf digital commerce solutions empowers sellers to penetrate foreign markets efficiently, minimising the problems of setting up standalone operations. Key areas of support to maximise opportunities in the EU include logistics and regulatory support, as well as efforts to localise propositions. However, brands must carefully consider assortment mixes to avoid brand dilution or cannibalisation.



Logistics and regulation support

Understanding local and international logistics networks has become more critical post-Brexit to ensure timely, efficient, and profitable deliveries and returns. Dealing with new trade regulations (particularly post-Brexit complexities and VAT compliance) presents challenges for cross border commerce. Here, finding the right integrator is essential for navigating post-Brexit logistics and regulation, with comprehensive solutions to streamline operations and support on marketplace strategies to gain visibility of fees and address customs costs and VAT issues.

EU-based fulfilment centres (including bonded warehouses to hold inventory) play a vital role in reducing customs costs and speeding up deliveries. However, some brands struggle with the added operational complexity of holding stock both in the UK and the EU, making it unviable (e.g. womenswear brand Temperley). Here, scale and forecasting become critical. In late 2023, Fortnum & Mason resumed EU deliveries after it stopped the service following Brexit customs challenges, by opening a new EU-based fulfilment centre to provide a robust delivery proposition.

Other brands and retailers have taken to 'ship from source'. This involves storing inventory at manufacturing sites, rather than shipping to a UK warehouse, to avoid export customs duties and VAT when selling to EU customers.

Localisation

Tailoring strategies to local market preferences is an essential role for marketplaces. Understanding customer needs and cultural nuances enables brands to craft market-specific approaches that resonate with target audiences.

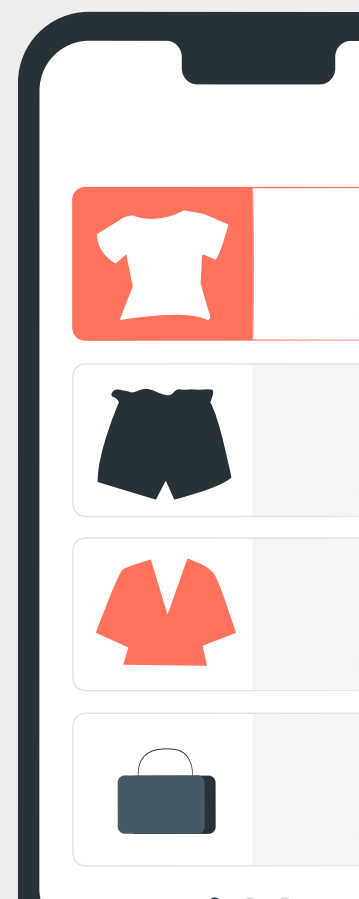
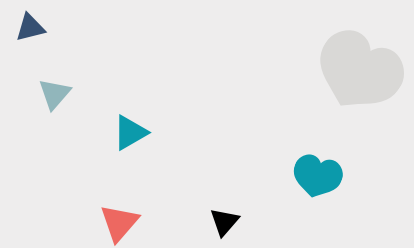
Localisation of product listings, customer support, and marketing content is essential for engaging with international audiences. Providing multilingual support and localised experiences fosters a sense of inclusivity and improves communication with non-native speakers, enhancing the overall shopping experience. It is also important to find marketplaces that offer diverse payment options to accommodate the preferences of international shoppers, including local currencies and alternative payment methods.

Assortment differentiation

It is important for retail brands to carefully select product ranges offered on marketplaces. This not only influences how first-time customers perceive the brand, but also helps avoid discounting to shore up profitability among discerning shoppers looking to compare across sellers.

With the right strategy in place, brands can cleverly use marketplaces to offer exclusive bundles, specialised product sizes, or unique items that exclusively cater to marketplace customers. This approach not only mitigates the risk of sales cannibalisation across a brand's various channels, but also ensures products are tailored to meet localised demands and price points.

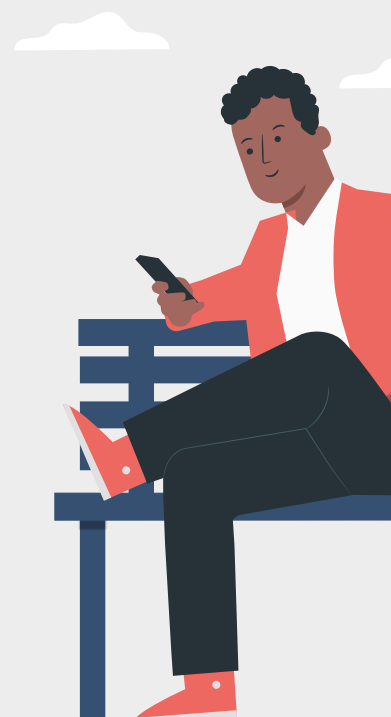
Understanding and capitalising on their unique brand niches, sellers can harness multiple platform-specific strategies to maintain pricing power. By cultivating a community presence or partnering with targeted influencers, brands can command premium pricing.





ELEVATING DIGITAL EXPERIENCES

As retail heads deeper into the digital age, marketplaces are leading the charge, using tech to make shopping more exciting and convenient. At the heart of it, they help sellers quickly meet shoppers' growing expectations for fast, dependable, and all-around awesome service.



Supporting buyers and sellers

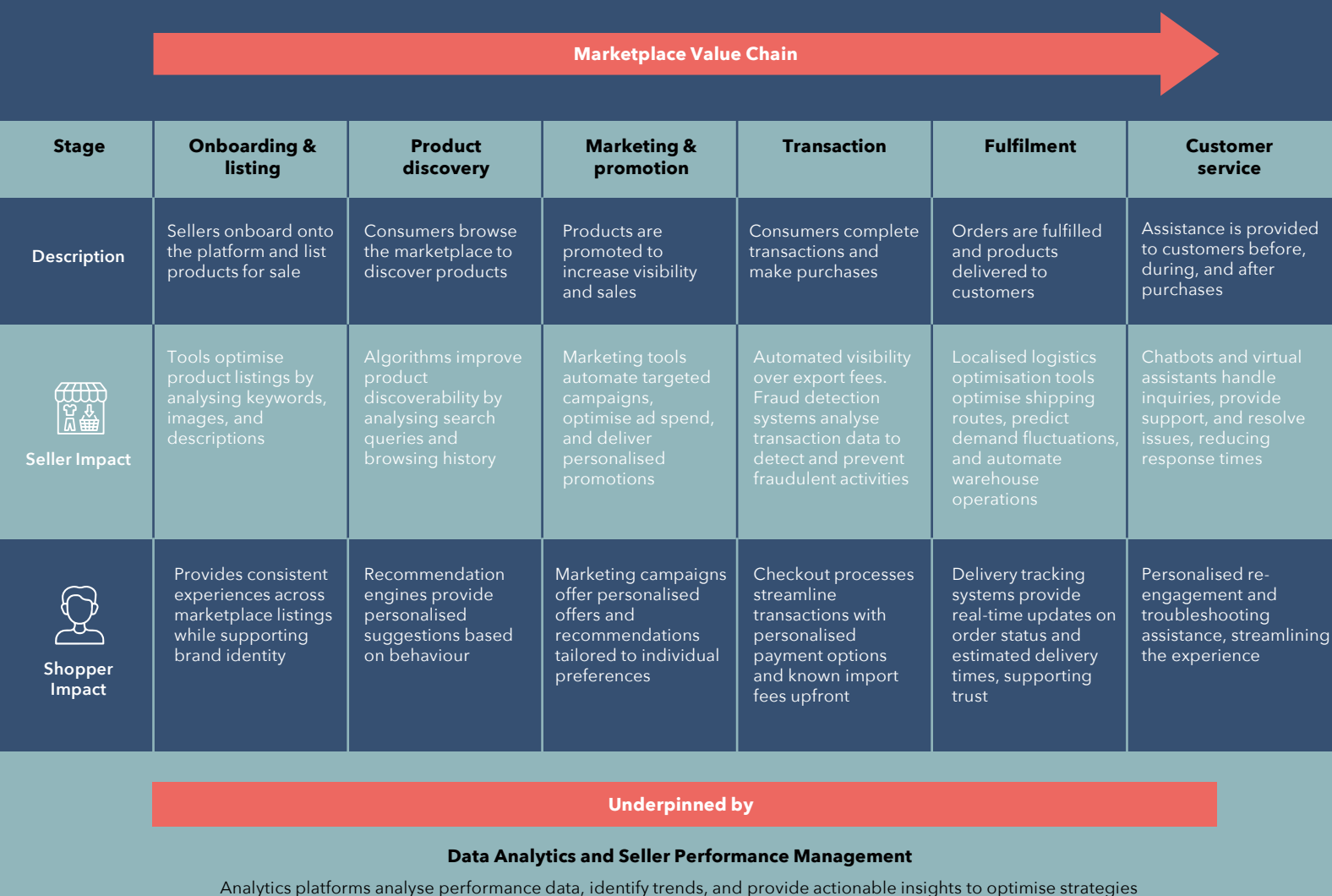
Consumers expect a rich, multi-layered shopping experience on marketplaces, focusing on easy comparison, impactful marketing, reliable fulfilment, diverse payment options, and solid after-sales support. Marketplaces enable sellers to quickly advance their retail presence, improving product discovery, research, fulfilment, and after-sales processes to meet these consumer expectations. Additionally, the platforms provide sellers with crucial insights into product performance, competitive pricing, and market trends, alongside digital marketing tools to enhance shopper engagement (e.g. Zalando Marketing Services).



AI innovation

Artificial Intelligence (AI) stands as the game-changer, having made its mark in 2023 with generative AI and large language models. Its burgeoning capabilities promise a new dawn for e-commerce, inviting businesses to envision substantial investments in AI's future. With innovations like Google Labs leading the charge in retail search and discovery, AI's application in shaping shopping experiences is not merely foreseeable, it's imminent.

Figure 11: AI integration in the marketplace value chain



Source: Retail Economics, Tradebyte

The power of AI stretches across the entire marketplace value chain (Fig. 11), offering to redefine retail from the ground up. Imagine a marketplace where AI-infused operations not only streamline the buying process, but also open doors to monetising data in ways previously untapped! Retail media, powered by AI's precise targeting, could turn customer interactions into new revenue streams, offering personalised adverts that resonate more deeply with consumers. Such advancements underscore a rapidly approaching era where data isn't just information, it's a currency.

Yet, the adoption of AI is as diverse as the consumer base it serves. Tech-savvy youths and prosperous shoppers are already aligning with trailblazing platforms like ChatGPT, setting the pace for market expectations. Brands and retailers must now recalibrate strategies that resonate with a digital-first audience while remaining accessible to all. In doing so, marketplaces will not only enhance their relevance, but will also catalyse a sustainable, profitable growth trajectory that harmonises innovation with consumer demand in the digital era.



THE CIRCULAR ECONOMY

Marketplaces take centre stage when it comes to transitioning towards a more circular economy. They offer opportunities for reselling, recycling, providing sustainable services, and driving consideration. In the wake of Europe's push for net-zero goals and post-pandemic economic shifts, consumers are increasingly turning to second-hand marketplaces which offer an eco-friendly and value-driven alternative.

The recommerce market (excluding automotive) is valued at £165 billion globally (excluding China) in 2023 (Retail Economics and MPB) and is tipped to accelerate over the next few years. In the UK alone, the resale market is expected to nearly double in size to £12.4bn in 2028, according to Retail Economics and MPB.

Apparel has been at the forefront of recommerce, given consumer pressure to replenish wardrobes with fast-paced trends. But other lifestyle categories such as home-related products and technology also have a strong presence, supported by product lifecycles and slowing innovation in some cases (e.g. mobile phones), meaning products stay relevant for longer.

A combination of societal shifts and other key factors lie at the heart of recommerce growth. Figure 12 outlines the principle drivers here.

£165bn

Global recommerce
market in 2023

£12.4bn

Estimated value of
UK resale market
in 2028

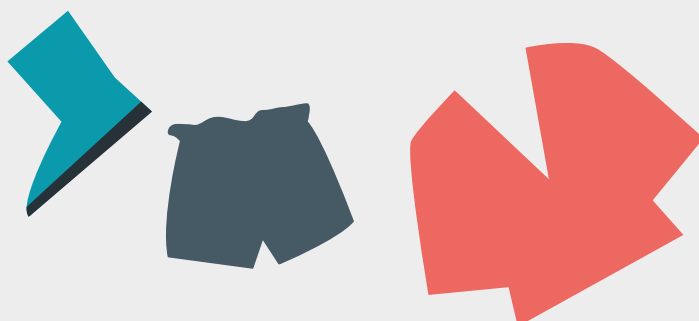


Figure 12: Societal shifts driving recommerce marketplace growth



Driving innovation and collaboration

Marketplaces are important for driving innovation and sustainability in the supply chain, offering sellers a stage to promote eco-friendly products and sustainable practices. This not only motivates brands to adopt greener methods, but also inspires the entire supply chain to act more sustainable, lessening the environmental impact and enhancing consumer awareness of sustainable choices.

Moreover, these platforms are leading sustainability efforts by partnering with green brands, introducing eco-friendly packaging, and helping to reduce carbon emissions. Such proactive measures cement their role as 'sustainability champions' in retail.

As the demand for sustainable goods grows, marketplaces are becoming community hubs that promote both resale and new eco-conscious products, arguably making it easier for consumers to act in ways toward a more sustainable future.



ASK YOURSELF THIS

- ✓ **Am I leveraging marketplaces to navigate complexities in cross-border trade and expand our international presence?**
- ✓ **Do we have strategies in place to differentiate our assortment on marketplaces strategically?**
- ✓ **How can I capitalise on technological advancements and invest in digital transformation to elevate customer experiences?**
- ✓ **Is my business actively participating in sustainability efforts and leveraging marketplaces as Europe sets net zero targets?**



CONCLUSION

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In the digital, post-Brexit era, online marketplaces have become highly important for driving innovation, achieving sustainability goals, and enabling international expansion within the retail landscape. By using AI and aligning with the demand for sustainable and ethical shopping, these platforms are set to transform retail. They simplify international trade and consumer engagement, support a circular economy, and allow brands to discover new growth opportunities to meet the varied expectations of consumers.

Brexit and the pandemic have significantly altered the UK-EU retail trade landscape, marked by a steep increase in net imports since 2019 and a notable decline in non-food exports to the EU in 2023. These shifts underscore the challenges UK brands and retailers face, illustrating how online marketplaces are crucial for managing cross-border commerce and shifts in global markets.

Furthermore, the report's insights into digital transformation, the growth of re-commerce, and the shift towards value-driven consumer experiences highlight how socioeconomic trends are reshaping retail. Marketplaces offer a strategic approach for retail brands to leverage digital capabilities for innovation, sustainability, and growth in the global market. By adopting these platforms, brands can expand in a flexible way, adapting to trends, and better manage post-Brexit operations to boost their competitiveness and resilience in an ever-changing sector.





Tradebyte is the leading European integrator to achieve e-commerce success. We facilitate connections between brands and marketplaces through end-to-end integrations, networking and knowledge sharing. Our ecosystem consists of more than 90+ marketplaces and 1.000+ brands covering over 30+ different markets. Our partners include industry leaders like Bestseller Group, Welford, PUMA, Amazon, Otto, and Zalando. At Tradebyte, we offer tailored services and a strong network of 30+ selected solution providers. We're not just a bridge to the marketplace; we're your partner in success.

www.tradebyte.com



Retail Economics is an independent economics research consultancy focused on the consumer and retail industry. We analyse the complex retail economic landscape and draw out actionable insight for our clients. Leveraging our own proprietary retail data and applying rigorous economic analysis, we transform information into points of action. Our service provides unbiased research and analysis on the key economic and social drivers behind the retail sector, helping to inform critical business decisions, giving you a competitive edge through deeper insights.

www.retaileconomics.co.uk

Methodology

Modelling and analysis undertaken by Retail Economics. It draws on proprietary data and third-party sources including national statistics.

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