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# WHAT IS A MARKETPLACE?

Article from [Revalsys Technologies](#)

This article provides  
the information about  
the marketplace



In the online industry, a marketplace is basically an e-commerce website. With the introduction of new technologies in the past few years, the concept of the traditional marketplace has been redefined. A traditional marketplace is where buyers and sellers interact with each other for the exchange of products or services directly or indirectly. E-commerce has offered businesses a wonderful way to make better their businesses.

An e-commerce marketplace or online marketplace is an online store that enables consumers to shop for a variety of products of different brands that come from multiple shops, vendors or person. The owner of the marketplace is responsible to attract customers and to process the transactions. While the third-party sellers fulfil and deliver the products.

## How does a marketplace work?

Unlike conventional e-commerce website, the e-commerce marketplace puts the load of maintaining inventories, product descriptions, product images, pricing and logistics to the seller. The entire e-commerce marketplace operates on a single software infrastructure that provides various third-party sellers an opportunity to sell their products under the same roof. An ultimate example of e-commerce marketplace is eBay where you can find everything and a wide option for products. There are other good e-commerce marketplaces, as well.

## Types of Marketplaces

Marketplace models are of three types:

- **Vertical marketplace:**

In a vertical marketplace, you'll find products of different sellers but the products are of same type.

- **Horizontal marketplace:**

In a horizontal marketplace, you'll find products of many types but all the products have the same characteristics.

- **Global marketplace:**

In a global marketplace, you'll find everything.



## Why do sellers sell on the marketplace?

Many sellers who sell on e-commerce marketplace sell their products on their own website, as well. It's not that all the sellers sell only on marketplace. The main factor that makes the sellers attracted towards marketplace is the large chunk of traffic e-commerce marketplace tends to have. For a small-sized online store, attracting a fraction of the traffic is a daunting task.

When the sellers sell on an e-commerce marketplace, they save a whole lot of time and resources as they don't have the need of a website, hosting, accounting software, payment gateways and various other things needed to run an online store.

## Advantages of the Marketplace

Marketplace business model has the following advantages:

- Provide consumers with a plethora options.
- Without maintaining any inventory, it can sell a significant number of SKUs.
- As some overheads get transferred to the sellers, operational efficiencies get better.
- Marketplace provider gets an opportunity to develop e-commerce technologies.
- Margins get improved.

## Disadvantages of the Marketplace

Operating a marketplace model seems like a win-win situation, unlike a conventional e-commerce business. However, you may face challenges, as well. The potential worries of e-commerce marketplace include:

- As products are being provided by various sellers, the product information is not comparable most often.
- Price competition could be a problem.
- Quality assurance could be an issue as it is hard to implement quality control of the products.
- Problem with the timelines of delivery
- With a significant number of sellers, brand salience could be affected.

But there are ways to overcome these challenges.



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