



2024

The State of 3P Commerce Report

Unlock revenue growth with multichannel selling



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Executive Summary



E-commerce has entered a new era of disruption. Strategies that worked in the past can no longer keep up with consumer expectations. Today's consumer demands options – and retailers and brands must meet them where they're shopping online by adopting a multichannel selling strategy. Third-party (3P) commerce is a paradigm shift in online retail that can lead to substantial revenue growth. In this report, global retailer and brand executives identify why selling through multiple marketplaces is essential to their business success.



What is 3P commerce?

3P commerce is different for retailers compared with brands. For retailers, 3P commerce helps them access unowned inventory. This is a business model where brands sell products directly to consumers through a retailer's storefront, typically through a dropship or marketplace approach. This model shifts inventory risk away from retailers, who instead act as facilitators between brands and consumers. For brands, 3P commerce helps them extend their owned inventory to unowned channels. This allows brands to reach more consumers through a multichannel selling strategy.

Key Findings

Retailers and brands agree: 3P commerce is crucial to growth

Nearly every global retailer and brand executive surveyed (95%) say that sales from their companies' 3P commerce channels are important. 51% say sales from 3P channels are very important to their overall revenue, with 23% noting it is critical.

Three out of five executives say they plan to increase the use of 3P commerce over the next 12 months.

3P sales channels revenue accounts for more than half of total revenue

70% of global executives say that up to half of their total revenue comes through 3P selling. Nearly one-third (29%) say it's more than 50% of their total revenue.

Artificial intelligence (AI), cross-border commerce, social commerce, retail media, and supply chain issues are top of mind

- AI is allowing businesses to be more efficient by automating otherwise tedious and labor-intensive tasks. 71% of global executives say AI is very important to their business' ability to successfully manage e-commerce operations.
- 82% of executives heavily rely on **social commerce**, with many fully embracing its potential and others integrating it as part of their 3P commerce strategy.
- Retailers and brands are using **retail media advertising** to target consumers online. 85% say they are very or completely confident that retail media is an effective digital marketing channel.
- 56% of global executives "strongly agree" they would never be able to sell **cross-border** without third-party opportunities.
- **Supply chain** problems persist: 96% of executives say they will never be able to meet growth expectations without getting a handle on supply chain challenges.

Multi-platform dilemma: While 3P commerce boosts sales, managing an average of four platforms is cumbersome and erodes profits

A resounding 97% of retailers and brands agree that a single, unified commerce solution would revolutionize their operations. Otherwise, it is difficult to compare ROI across platforms and maintain consistency with product listings manually.



Retailers and brands agree: Third-party (3P) commerce is crucial to growth

Nearly every global executive at companies involved in 3P commerce (99% globally) says that lower margins have made it necessary for them to change their e-commerce selling strategy. From that group, 41% of global executives strongly agree that tighter margins are driving change while 58% somewhat agree.

Global executives agree lower margins have made it necessary to change sales models for e-commerce.

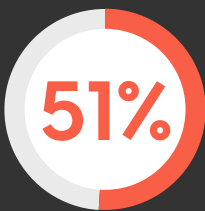
strongly agree

41%

somewhat agree

58%

Retailers and brands accelerate adoption of 3P commerce



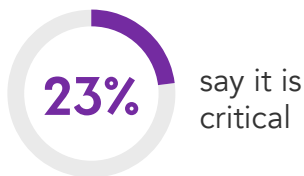
of businesses have used a 3P model for < 1 year



Why are more retailers and brands adding 3P commerce to their e-commerce strategy? More consumers are shopping online than ever before. When asked what the primary motivations are for using a 3P commerce business model, global retailers and brands say:



Nearly everyone (95%) polled says sales from 3P channels are important to their business' ability to achieve profitable growth.



3P commerce will continue to be in demand

With 3P commerce a decidedly important piece to retailers' and brands' overall multichannel selling strategy, executives also share whether they plan to increase or decrease use of 3P selling over the next 12 months.

Three out of five global executives say they plan to increase use of 3P commerce over the next year.

The rate at which they plan to expand varies, with 45% saying they plan to increase some 3P use, 38% plan to remain steady and 14% intend to increase 3P usage substantially over the next 12 months.



Here, it is interesting to note how different regions plan to expand or maintain their current use of a 3P commerce business model. In the US, 61% of executives plan to increase 3P selling over the next 12 months. Meanwhile, 20% of UK executives are planning a marked increase. German executives are in line with the US. 11% of German executives say they plan a considerable increase, while 53% plan to increase more gradually.

Only 3% of global executives say they plan to decrease use of a multichannel selling strategy. The possible reasons for this decline will be addressed later in this report.

59% of Retailers and Brands Plan to Increase 3P Selling in 12 Months

	COUNTRY			
	TOTAL	US	UK	GERMANY
Increase substantially	14%	12%	20%	11%
Increase some	45%	49%	37%	53%
Remain steady	38%	39%	43%	29%
Decrease some	3%	1%	1%	7%
Decrease substantially	-	-	-	-

3P sales channel revenue accounts for more than half of retailers' and brands' total revenue



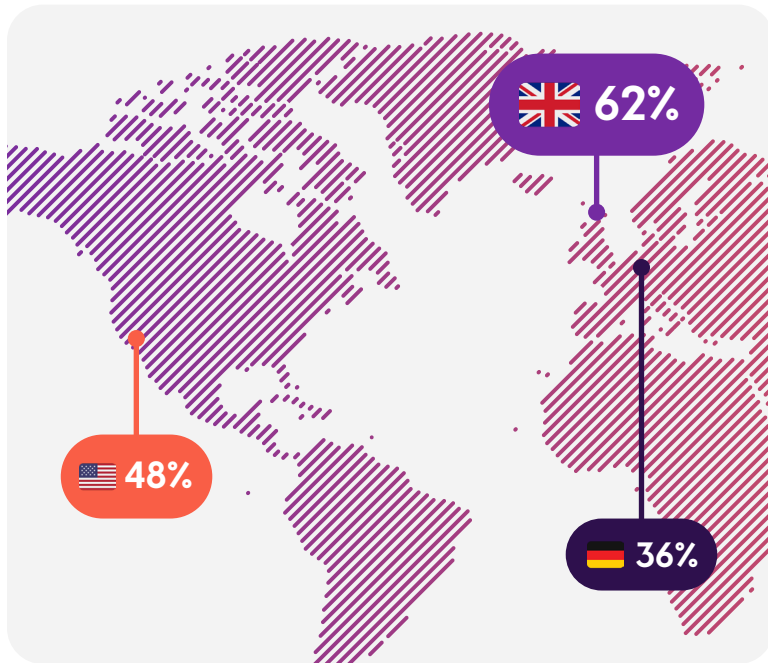
70% of global retailer and brand executives say that up to half of their total revenue comes from 3P selling.

3P sales channels are already a considerable portion of retailers' and brands' revenue streams. 29% say it's more than 50% of their total revenue, and 27% say that revenue from 3P sales channels account for between 51% – 75% of their total revenue.

Five Out of Six Executives Report 3P Channels Drive Significant Revenue

	COUNTRY			
	TOTAL	US	UK	GERMANY
Less than 25%	14%	10%	18%	16%
25-50%	56%	60%	53%	57%
51-75%	27%	29%	29%	24%
76-99%	1%	1%	1%	2%
100%	1%	1%	-	1%

Nearly everyone agrees that 3P commerce is the best business model for weathering economic volatility. The level of enthusiasm is split between 49% of global respondents who say they strongly agree, while 50% somewhat agree.



3P commerce is the most flexible business model for weathering economic volatility.

By region, 62% of brands and retailers in the UK strongly agree that 3P commerce is the best model to withstand market instability, followed by 48% of US executives and 36% of German executives, respectively.

Conversely, 62% of German executives somewhat agree that 3P selling is the best model to withstand economic pressures, followed by 52% of US respondents and 38% from the UK.

Consumers engage and purchase across multiple sales channels

Consumers continue to shop via multiple sales channels. This is reflected in respondents' 3P sales growth. In the last 12 months, 68% of retailers and brands globally say their revenue from 3P commerce has increased.

Growth is ongoing as over the last year, 77% of US brands and retailers say their revenue from 3P selling has increased. 70% of UK respondents and 54% of German respondents also experienced an increase in sales in the last year.

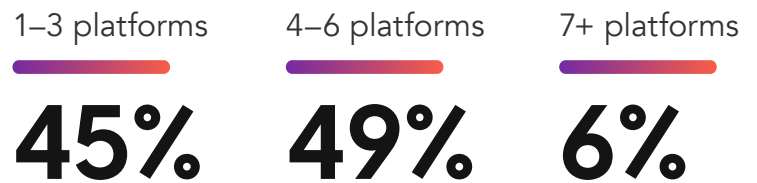
Retailers and brands say their revenue from 3P selling has increased.



Technology integral to successfully managing 3P commerce strategy

Surveyed retailers and brands agree that expanding into 3P commerce can provide significant benefits, including expanding their reach to more consumers and as a source of additional revenue. However, managing multiple sales channels requires the use of multiple e-commerce platforms. On average, surveyed global executives say they currently use four e-commerce platforms to manage their 3P commerce operations.

Businesses use an average of four e-commerce platforms to manage 3P commerce operations.



While it's an opportunity for additional sales, managing a 3P commerce strategy presents costly challenges that can chip away at already tightened margins. Global executives using multiple e-commerce platforms to drive their 3P commerce operations often face difficulty in comparing ROI across platforms, among other operational challenges.

Tracking ROI Top Challenge for Brands and Retailers Managing Multiple 3P E-Commerce Platforms

	COUNTRY			
	TOTAL	US	UK	GERMANY
Comparing ROI across platforms	50%	54%	47%	50%
Monitoring customer engagement	48%	47%	50%	47%
Keeping product information consistent across platforms	45%	48%	44%	42%
Inventory management	44%	43%	42%	47%
Inability to sync across platforms	42%	44%	42%	39%
Order fulfillment	39%	37%	36%	46%
Other	1%	-	-	3%
We don't face any challenges	-	-	-	-

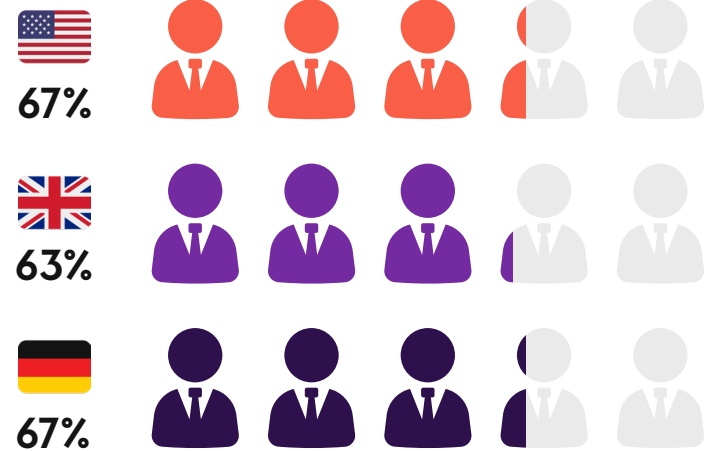
Multiple technology solutions can impact ROI

From an operations standpoint, retailers and brands must consider the additional resources needed when selling across multiple e-commerce platforms. Specialized labor topped the list with 65% of global executives noting it as the biggest negative business consequence. The sentiment is shared almost evenly among regions with 67% of US and German executives in agreement and 63% of UK executives, respectively.

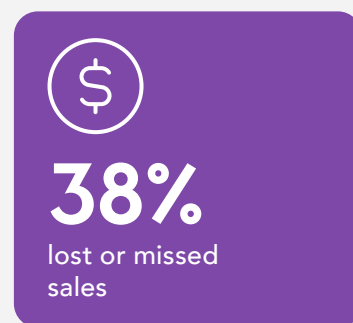
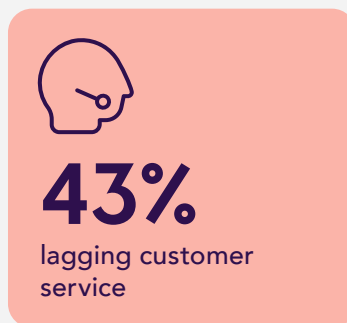
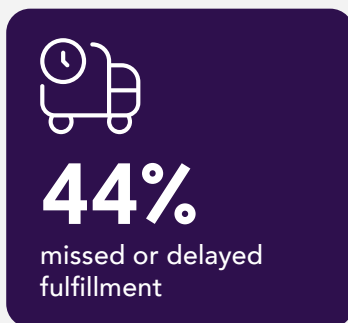
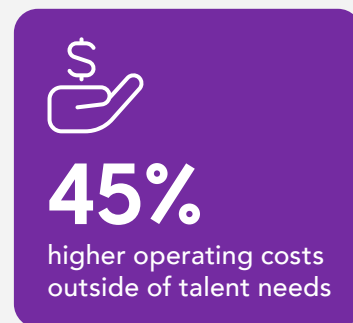
It also costs more to operate multiple e-commerce platforms with 45% saying higher operating costs in addition to specialized talent are cutting into their margins.

Speed to market is another consideration as the longer it takes to go to market, the potentially higher the labor costs. Implementing a new e-commerce platform can take weeks. On average, it takes six weeks for global retailers and brands to onboard a new platform for e-commerce operations.

Specialized labor is the biggest negative business consequence among all regions.



Higher Overhead Costs Biggest Drawback to Managing Multiple E-Commerce Platforms



Executives say: Benefits of 3P commerce outweigh challenges

Despite these difficulties, organizations still see the value in 3P selling and will leverage every competitive advantage to implement the model into their strategy. 25% of businesses plan to keep their current number of e-commerce platforms without plans to expand or reduce.

And only 4% of global executives say they will “pare back some” to make 3P selling more manageable.

71% of global executives say they plan to expand the number of platforms they use to some degree.

A unified commerce solution would be a ‘game-changer’

Survey respondents agree that managing multiple e-commerce platforms is time consuming and requires substantial resources to operate. A unified commerce solution would be a “game changer,” according to nearly all executives surveyed.

Consolidating 3P sales through a single tool would be pivotal for their company.

46%

strongly agree

51%

somewhat agree

3%

somewhat disagree



Emerging trends: AI, cross-border commerce, social commerce, retail media and supply chain challenges

3P commerce has quickly become an opportunity for retailers and brands to grow revenue. So, what's next for the industry? Here are five emerging trends that retailers and brands are actively investing in as part of their overall selling strategy.



Artificial Intelligence



Cross-Border Selling



Social Commerce



Retail Media Advertising



Supply Chain Challenges

AI is 'critical' to managing 3P commerce online operations

Each marketplace has its own rules and requirements. This can be difficult to manage manually, as indicated by this survey's responses. Artificial intelligence (AI) is allowing retailers and brands to be more efficient by automating otherwise tedious and labor-intensive tasks.

While nearly every executive (98%) says that AI is important to successfully manage their e-commerce operations, 20% across all regions agree: *"It's critical – we couldn't manage without it."*

71% say AI is "very important" to their business' ability to successfully manage e-commerce operations.



3P commerce is an integral part of cross-border selling strategy

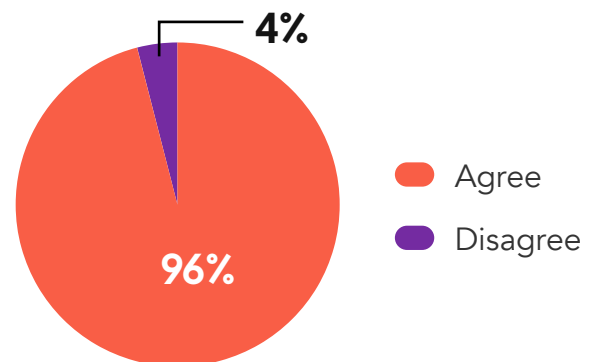
3P marketplaces like Amazon, Zalando, eBay and Target Plus already sell to a wide range of international consumers. Retailers and brands that choose to sell through 3P commerce can take advantage of that established global reach without needing to build their own global presence from scratch.

Selling beyond your home country's borders requires the ability to manage language translations, compare currency valuations and pricing in local currencies, track global logistics and shipping paths, understand legal requirements and comply with taxation and logistics requirements.

So, it's not surprising that nearly all (96%) executives agree that selling cross-border would not be possible without 3P commerce. Globally, 56% of executives say they strongly agree that their business would never be able to sell cross-border without 3P opportunities, and 41% somewhat agree.

Regionally, German executives have a more muted response with 37% strongly agreeing that their businesses could not sell cross-border without using a 3P commerce business model, while 63% of US and 62% of UK executives said without 3P, they would "never be able to sell cross-border."

Nearly all executives agree that selling cross-border would not be possible without 3P selling.



Social commerce is another 3P selling opportunity



Consumers are spending more time online for entertainment as well as for shopping. Another way retailers and brands can expand their consumer reach is by considering social commerce as another sales channel. Many 3P marketplaces offer integrations with social media platforms such as TikTok, Instagram and Facebook. Through social commerce, retailers and brands can sell products on social media platforms where consumers can convert while scrolling through social media apps. Consumers can complete purchases through shoppable ads, which link to products or through links on posts published by social media influencers they follow and often trust.

This is a growing part of retailers' and brands' multichannel selling strategy. 82% of executives rely on social commerce as part of their 3P selling strategy, with 29% relying on it "a great deal."

Retail media advertising serves as an effective marketing channel and additional source of revenue

Retail media advertising is another way retailers and brands can target consumers online. Retail media networks (RMNs) are where retailers sell ad space on their own digital platforms. A brand places retail media ads on a retailer's e-commerce site or app to appeal to consumers at the point of purchase. Brands also connect with retailers to create ad campaigns, allowing for increased visibility and the potential to increase online sales.

Global executives are confident that retail media is an effective marketing channel.

very or completely confident

85%

somewhat confident

15%



Supply chain challenges prompt retailers and brands to shift to 3P commerce business model

3P commerce allows retailers and brands to be flexible and sell beyond their owned e-commerce platform or brick-and-mortar stores. However, shipping costs and managing logistics can be burdensome. It can also be difficult to be agile should supply chain bottlenecks delay merchandise shipments. Sellers can pivot when needed, including shifting to available products so consumers have a positive online shopping experience.

96% of executives say they will never be able to meet growth expectations without getting a handle on supply chain challenges.

Nearly half of global retailers and brands strongly agree:

"My company will never be able to meet our growth expectations if we cannot get a handle on our supply chain challenges."



50%



62%



28%

Conclusion



Traditional retail business models are being outpaced by more agile, risk-distributed strategies. 3P commerce is an opportunity for retailers and brands to adapt to market pressures, expand consumer reach and drive profitable growth. E-commerce continues to evolve with AI and unified technological solutions are key developments likely to play a pivotal role in optimizing 3P commerce operations and unlocking its full potential.

Report methodology

The Rithum Survey was conducted by Wakefield Research (www.wakefieldresearch.com) among 550 executives at retailers offering 3P models and brands selling via 3P models, with 200 respondents in the US and UK, and 150 in Germany, between August 20th and August 29th, 2024.

