

**VISA**

Reshaping  
Online  
Marketplaces  
with  
Real-Time\*  
Seller  
Payouts

July 2021



\* Actual fund availability depends on receiving financial institution and region.

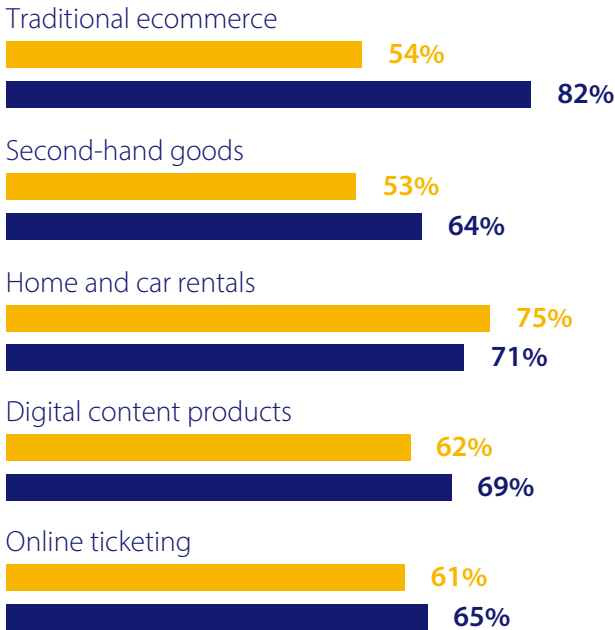


# Online marketplaces aren't just where people sell items on the side anymore. They make up half of global e-commerce.

We've come a long way since Amazon first started selling books on the internet. Online marketplaces accounted for a significant portion of global e-commerce, even before the Covid-19 pandemic fundamentally shifted the way merchants - from global brands to individuals - sold products online. Marketplace providers worldwide show no signs of slowing in coming years.

For marketplaces to continue growing, attracting not only buyers but sellers too may be key as more options become available to them to sell on. Making the seller experience, including payouts, as attractive as possible and showing how they can fuel growth for sellers on their platforms can help them to achieve ongoing growth.

Today's marketplace sellers are entrepreneurs who depend on fast access to their earnings. But waiting for payouts can have a negative impact:



- Sellers who have missed or delayed a payment obligation due to delayed payouts<sup>1</sup>
- Sellers that say waiting for payouts slows business growth<sup>2</sup>



# An emerging category of micro-entrepreneurs

In July 2020, with the world a few months into a pandemic that has radically reshaped consumer behavior, Visa commissioned a study on online marketplace sellers across the US. This study sought to better understand seller finances, payment needs and what role payouts play in their experience and perception of marketplaces. Conducted online with agency partner, alan., from the 6th - 24th July 2020, 750 sellers in the United States were surveyed on their motivations, marketplace engagement and attitudes towards payouts.

Nowadays consumers can expect to find almost any product or service, for sale online on a variety of marketplaces. That same convenience is drawing in more sellers who are capitalizing on easy access to these consumers, on a far greater scale than before, reaching potential buyers from a nearby neighborhood or halfway around the world. This scale of global access makes international marketplaces particularly appealing to sellers in the Visa survey discussed in this document - **32%** of them say the ability to make cross-border sales is a key consideration in deciding which marketplace to list on<sup>1</sup>.

Beyond access to buyers, marketplaces have provided additional conveniences to a new set of entrepreneurs, sellers, who may have previously been put off by the idea of

having to build a website, or choose an online payment enabler, or adopt a digital marketing strategy in order to sell online. Now they have the opportunity to create an account on a number of user-friendly platforms that provide assistance across these areas. They can take their pick from a variety of marketplaces targeting different segments, including but not limited to traditional ecommerce, second hand goods, digital content products, online ticketing, and home and car rentals.

It's given many sellers more potential to make their online business their primary source of income, as opposed to simply an additional one. It also means that the ability for sellers to have fast and flexible access to their income may become an increasingly important factor in how much they can grow their business, and which marketplace they'll choose to do so on.

## Marketplaces may need to compete for these entrepreneurs

As they grow increasingly popular, it's likely online marketplaces will need to work towards keeping existing sellers and attracting new ones, as more and more options for selling online become available to them.

Differences across listing costs, tech support, cross-border reach, payout options and more may all play a role in which marketplaces sellers choose to sell on.



Sources: [1] Marketplace Seller Research. This research was commissioned by Visa and conducted online by alan. Agency between 6th-24th July 2020. We surveyed 750 online sellers in the US on their motivations, marketplace engagement and thoughts towards payouts. Q16. What is most important to you when considering which online marketplace to use?

## Today's marketplace seller

For many, selling on marketplaces is now a full-time gig

A lot of sellers see online marketplaces as a means of making additional income. However, this is not to say that they see it purely as a side-hustle. The survey data tells us that over half of online marketplace sellers (**56%**) are selling on online marketplaces as their primary source of income<sup>2</sup>. Moreover, this is likely to be the case going forward - for 2021, these sellers expect **55%** of their total income to come from online marketplace sales on average<sup>3</sup>. Marketplaces are increasingly serving as platforms for entrepreneurs to boost their online income.

Beyond providing their main, or additional source of income, many sellers are highly motivated by the opportunity to set their own hours (**62%** of them) and to be their own boss (**49%**)<sup>4</sup>. Amongst the many new ways of working that are emerging from the Covid-19 pandemic, from hybrid office hours to flexible work, online marketplaces are empowering more and more people to embark on their own entrepreneurial endeavors.

### Cross-border sales are increasingly desirable for sellers

The international scale of online marketplaces appears to be a key benefit to sellers. Previously sellers may have faced greater obstacles to reach a global audience for their products, and now many consider it a key consideration in choosing where to sell online.

A solid majority of survey respondents reported cross-border sales in the past year<sup>5</sup>. This was seen across almost all segments except for home and car rental marketplace sellers, with only half of these sellers reporting cross-border sales - most likely due to ongoing widespread disruption to travel during the pandemic. Moving forward, marketplaces that offer a seamless international selling experience - including cross-border payments - may be in a better position to attract and retain more sellers to their platform.

Offering real-time payouts can help win loyalty – engaging existing sellers and attracting new ones.



**3 in 4**

sellers would be very or extremely interested in a real-time payout capability.



**56%**

would switch marketplaces to get faster payouts.

### Sellers are likely to be selling on multiple marketplaces, and across segments

With a growing number of sellers focusing on their online marketplace businesses, they are becoming increasingly opportunistic. Surveyed sellers want to reach as many buyers as possible, and won't necessarily restrict themselves to a single platform to achieve this. Visa's survey data shows an average of **95%** of sellers across all segments to be listing on more than one marketplace<sup>6</sup>, with **44%** of them already considering listing on an additional marketplace in the next year<sup>7</sup>. Furthermore, the data shows that many sellers aren't selling on only one type of marketplace. Many of the survey respondents sell via multiple marketplaces targeting different segments, which may help them to reach a greater audience<sup>8</sup>.

As more sellers look to make online marketplaces the main focus of their business, many of them are actively looking for the marketplaces that can provide the best opportunities to meet demand, and meet their own business goals. Marketplaces will need to pay close attention to what sellers need to meet these goals in order to attract them and win their loyalty to their platforms.

Sources: [2] Marketplace Seller Research. Q14. Is selling on online marketplace(s) your primary source of income, or is it supplemental income? [3] Marketplace Seller Research. Q11. Next year, what percent of your total annual income do you think will come from selling on online marketplaces? [4] Marketplace Seller Research. Q15. What are your primary reasons for selling through online marketplaces? [5] Marketplace Seller Research. Q17. Prior to 2020, what percent of your total marketplace income came from selling to countries outside of the United States? [6] Marketplace Seller Research. Q21. You mentioned selling on (category) marketplaces. How many online marketplaces within this category do you currently sell on? [7] Marketplace Seller Research. Q23. Are you planning to continue selling on the same online marketplace(s) next year? [8] Marketplace Seller Research. Q3. What type of online marketplaces do you use to sell products or services?

## Marketplace seller finances and payment

These micro-entrepreneurs generally work with tight cash flows

Across industries, many respondents are optimistic about the potential for their businesses on marketplaces, with **64%** expecting their income in 2021 to be higher than the previous year<sup>9</sup>. The average income for surveyed sellers was \$45k in 2019<sup>10</sup>, but on average their expected income for 2021 is approximately **30%** more at \$59k<sup>11</sup>.

This being said, surveyed online marketplace sellers are similar to other types of small merchants in that they depend on fast marketplace payments to manage their business - and this is largely felt across all categories. The survey data reveals that **80%** of sellers urgently need access to money at all times - and **53%** were in this position even before the pandemic<sup>12</sup>. These are, for the most part, lean operations in terms of cash flow, without the luxury of being able to wait to access their earnings.

## Payout offerings can play a role in their growth and satisfaction with marketplaces

**67%** of surveyed sellers feel delayed payment significantly or moderately impacts their business growth<sup>13</sup>. **68%** of surveyed sellers say they missed or delayed a payment obligation specifically due to a delayed marketplace payout in the last year<sup>14</sup>. This is due to a combination of needing additional income for personal necessities, as well as needing these earnings to pay for what's needed to meet demand and grow sales - such as additional materials or manufacturing costs.

As a result, payout offerings on marketplace platforms play into sellers' professional well-being, and their experience on these platforms. With slower payouts potentially slowing growth for sellers, marketplaces themselves may begin to feel an impact on their growth, too. But this shared downside can also be a shared opportunity - if marketplaces address payout needs, there's potential for growth for sellers and for the marketplaces themselves.

## Real-time\* payments can provide a win-win opportunity

Faster payment could be reason enough to switch marketplaces

Visa's marketplace survey tells us that most sellers (**75%**) would be very interested in real-time\* payouts if an online marketplace were to offer them<sup>15</sup>. So much so, that over half (**56%**) on average across industries would switch to a marketplace that offers this payout option over others. A further third of them would at least consider switching<sup>16</sup>.

This is particularly felt amongst traditional ecommerce marketplace sellers, **62%** of whom would switch to a marketplace that offers real-time\* payouts<sup>16</sup> and 91% of whom say they would make more sales on a marketplace that offers it<sup>17</sup>. Overall, the survey data tells us that the majority of sellers - across industries - agree that faster payouts would help them grow their businesses<sup>13</sup>.

More growth for sellers may help to drive more growth for marketplaces too. Marketplaces have an opportunity to meet this demand for faster payouts to attract and retain sellers ahead of the next phase of marketplace growth.

Online marketplaces that offer real-time payouts are more likely to attract and engage sellers that want to grow their business and increase premium account subscriptions.



**86%**

of sellers say faster payouts would increase sales.



**68%**

of sellers say real-time payouts would incentivize them to sign up for a premium subscription.

Sources: [9] Marketplace Seller Research. Q19. Next year, how much do you plan to sell through online marketplaces? [10] Marketplace Seller Research. Q8i. Prior to 2020, what annual income did you make through selling on online marketplaces? If you were selling for less than a year, please try to provide an estimate for the full year. [11] Marketplace Seller Research. Q8ii. In the next 12 months, what annual income do you anticipate you will make through selling on online marketplaces? [12] Marketplace Seller Research. Q12. Are there times when you urgently need money? [13] Marketplace Seller Research. Q29. Do you feel waiting to receive your payouts impacts the growth of your business or the ability to sell more? [14] Marketplace Seller Research. Q30. Over the past 12 months, has the delay in receiving payouts from the online marketplace caused you to miss or delay a payment obligation? [15] Marketplace Seller Research. Q34. How interested would you be in this payout capability? \* Actual fund availability depends on receiving financial institution and region. [16] Marketplace Seller Research. Q24. How important is it to receive payouts easily from a marketplace? [17] Marketplace Seller Research. Q35. Would this impact your engagement with the online marketplace?

Real-time\* payouts could drive uptake for a paid premium seller subscription model, or additional seller revenue from fees.

Many sellers, particularly those for whom marketplaces are their single, or primary source of income, are potentially already paying some type of subscription for a professional account on the marketplaces they sell on. **94%** of them want real-time\* payouts included in their subscription<sup>18</sup>, making a real-time\* payout offering a potential opportunity for marketplaces to retain sellers. For respondents who aren't currently paying a premium subscription, **68%** of them say a real-time\* payout offering would incentivize them to, thus creating additional revenue potential for marketplaces through this uptick in subscribers. This is particularly felt amongst digital content product and home and rental marketplace sellers - **78%** and **73%** of them respectively<sup>19</sup>.

Visa's survey also looked at how their industry, and the monetary value of the sales they are making, play a role in whether sellers would pay a percentage or flat fee per sale for real-time\* payment. On average for all industries, a percentage of the sales fee is preferable for a smaller payout, like a \$100 sale. **95%** of surveyed sellers say they would be willing to pay a fee equal to at least **1%** of the value of their sale<sup>20</sup>. As the monetary value of the sale grows however, they are much more open to a flat fee with **92%** willing to pay \$1.50 or more on a \$500 payout<sup>21</sup>. Across the board, it's clear that the great majority of sellers feel paying an additional cost to access real-time\* payment is worth it.

## The Visa brand can help to improve trust in real-time\* payouts

Overall, the survey data tells us faster payouts are top of mind for many sellers. And whether it's as a percentage, or flat fee model, they are largely willing to pay more for real-time\* access to payouts. Moreover, Visa-branded payouts could increase positive perception of a real-time\* payout offering. The majority of surveyed sellers say that Visa-branded payouts feel more secure<sup>22</sup> and trustworthy<sup>23</sup>, and **96%** say the brand alone would encourage greater use of a real-time\* payout offering<sup>24</sup>.

Sources: [18] Marketplace Seller Research. Q36. Do you want this feature included as part of your premium seller subscription? [19] Marketplace Seller Research. Q37. Would this option incentivize you to sign up for a premium subscription service? [20] Marketplace Seller Research. Q38a. You sold several listings on the marketplace and can now collect the (\$100) payout. It's Friday night and you need the funds by early Saturday morning. What is the most you would be willing to pay for this service? [21] Marketplace Seller Research. Q38b. You sold several listings on the marketplace and can now collect the (\$500) payout. It's Friday night and you need the funds by early Saturday morning. What is the most you would be willing to pay for this service? \* Actual fund availability depends on receiving financial institution and region. [22] Marketplace Seller Research. Q39c. Your online marketplace can send payouts instantly, within 30 minutes, to your bank account at any time - including weekdays, nights, weekends and holidays. If you knew this service was powered by Visa would it. [23] Marketplace Seller Research. Q39b. Your online marketplace can send payouts instantly, within 30 minutes, to your bank account at any time - including weekdays, nights, weekends and holidays. If you knew this service was powered by Visa would it. [24] Marketplace Seller Research. Q39a. Your online marketplace can send payouts instantly, within 30 minutes, to your bank account at any time - including weekdays, nights, weekends and holidays. If you knew this service was powered by Visa would it. \* Actual fund availability varies by receiving financial institution, receiving account type, region, and whether transaction is domestic or cross-border.

Real-time payouts can help sellers access earnings they rely on to pay bills and invest in their online business.



**61%**

of sellers missed or delayed a payment obligation in 2019 due to delayed payouts.



**67%**

of sellers say waiting to receive payouts affects their ability to grow their business.

## Conclusion

Marketplace sellers are increasingly seeking better options for their businesses online. More and more, they're able to switch between marketplace platforms with the same ease that their potential shoppers do. While marketplaces are already making their lives easier in many ways, when it comes to payments the survey data tells us there is still much room for improvement.

New entrepreneurs and existing sellers want to take advantage of the global consumer base marketplaces can offer. Fast, flexible access to their earnings from marketplace sales can help sellers gain better control over their cash flow and grow their business. Marketplaces can help address this and grow their revenue in the process, through increased platform usage and payment fees for providing fast, flexible earnings access. Additionally, seller loyalty and increased seller attraction with improved payouts can also help grow revenue for marketplaces through premium subscriptions. If marketplaces can deliver this for sellers, this will help grow their seller base and offer a better experience to potential shoppers.