

A Forrester Consulting
Thought Leadership Paper
Commissioned By Stripe

July 2018

The Platform Economy: Serving Sellers Is The Key To Success

Heightened Competition Between Platforms
Makes Attracting And Supporting Sellers A
Crucial Differentiator

Table Of Contents

- 1 Executive Summary
- 2 Complexity Compounds In A Platform Business
- 3 Sellers Will Abandon Platforms That Fail To Make Selling Easier
- 7 Service-Minded Platforms Will Attract Higher Quality Sellers
- 10 Key Recommendations
- 11 Appendix

Project Director:

Rudy Hernandez,
Senior Market Impact Consultant

Contributing Research:

Forrester's eBusiness & Channel
Strategy research group

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

© 2019, Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to forrester.com. [E-36147]



Platforms that rely on vendors to fill their service gap — rather than using limited in-house services — report higher user satisfaction and reduced over-head costs.



Executive Summary

Platform businesses are reshaping our economy by dramatically improving ecosystem collaboration and disrupting entire markets through the task of seamlessly connecting buyers and sellers. Executives implementing platform or marketplace business strategies find that payments and the processes that surround the exchange of value on the platform can become a quagmire. To pull off great platform user experiences, platform executives must take the path of empowering sellers and overhauling processes that create friction, beginning with seller onboarding all the way through to seller reporting and analytics.

In April 2018, Stripe commissioned Forrester Consulting to evaluate the challenges both online platforms and the sellers who use them face, as well as the solutions they seek to succeed in the platform economy. In conducting an online survey, with 2,030 platform sellers across the globe and four in-depth interviews with platform executives, Forrester found that platforms struggle to provide their sellers with much needed payment capabilities, reporting, and customer support services with in-house resources alone. Meanwhile, sellers demand that platforms provide these services and are eager to use platforms that are service-rich over platforms that are service-poor.

KEY FINDINGS

- › **The complexities of managing a platform force executives to divert resources — stalling growth.** Despite growing demand, many platform companies lack the resources to keep pace. Most platforms do not have the headcount, expertise, and processes in place to manage the nuances of multi-party transactions, global tax law, or compliance mandates.
- › **Going global is easier said than done.** Platforms must successfully facilitate transactions between both sellers and their customers, far beyond the shores of the country where the platform company is based; global transactions are de rigueur. But without a trusted partner, platforms struggle to navigate global payment acceptance and disbursement, provide local language support, and meet local customer demands.
- › **Sellers will flock to platforms that simplify the process of selling.** Sellers use platforms to make the online selling process simple and seamless for both their customers and themselves. Platform companies that are service-minded — offering services that help sellers sell more and ease the transaction process — operate at a competitive advantage. Indeed, more than half of sellers will leave a platform for another that offers faster payments, better customer insights, a better seller interface, increased privacy, help with taxes, legal advice, or integration with tax/accounting software/services.

Complexity Compounds In A Platform Business

Platforms have multiple constituents to satisfy: the sellers offering their goods and services on the platform, the partners or developers providing resources, and the customers who often only see the platform itself as the provider of the good or service. Platform executives must meet all their stakeholders' rising expectations; it's not simply a path to growth, it's a matter of survival.

This study examined the most urgent challenges that platforms must face, including:

- › **Onboarding new sellers.** The manual processes involved with onboarding new sellers and partners, particularly in collecting financial and tax information to facilitate disbursements, is cumbersome for platform businesses. Difficulties in the onboarding process can harm the platform seller/partner with a negative initial impression. A Chief Digital Officer at a US-based software-as-a-service (SaaS) platform company noted that the seller onboarding process was prolonged due to the manual elements associated with ID verification and ensuring both payment and tax documentation were collected — swallowing up time and critical resources.
- › **Expanding internationally.** Sellers are attracted to platforms that help them reach new international markets. Too often, compliance documentation requirements are compounded when expanding globally. As platforms expand globally, they must navigate a sea of different legal and compliance regulations — again, a time- and money-consuming effort. And for emerging platforms, the effort required can stall international expansion entirely.
- › **Optimizing scarce resources.** For most platforms, speed-to-market is the most important value. Diverting development resources from your core mission to build payment and platform management functionality is not a good use of investment resources or developer time.

“[Managing payments] was just a grotesquely complex process that took [our head of business operations] and four engineers and eight customer service people all day, every week.”

Chief Digital Officer, US-based SaaS company

“Onboard[ing] [sellers] took us about two to three weeks because it was a very manual process. So, even though it's still under our processing accounts, we still had to underwrite each of our customers and then it was very manual with them submitting W-9s and bank account information.”

Chief Digital Officer, US-based SaaS company



“I don't think that it [would be] possible to negotiate separate legal agreements with separate [sub] merchants in different countries by ourselves. It was two people for a long time — me and our one developer.”

CEO, APAC-based crowdfunding company



Sellers Will Abandon Platforms That Fail To Make Selling Easier

While business operations challenges abound for platforms, the sellers — small businesses and individuals alike — increasingly demand a better experience. Making the selling experience as seamless as possible means sellers can spend more time on more important tasks in their businesses. Ultimately, sellers who encounter too much friction will either seek out competing platforms or quit selling altogether.



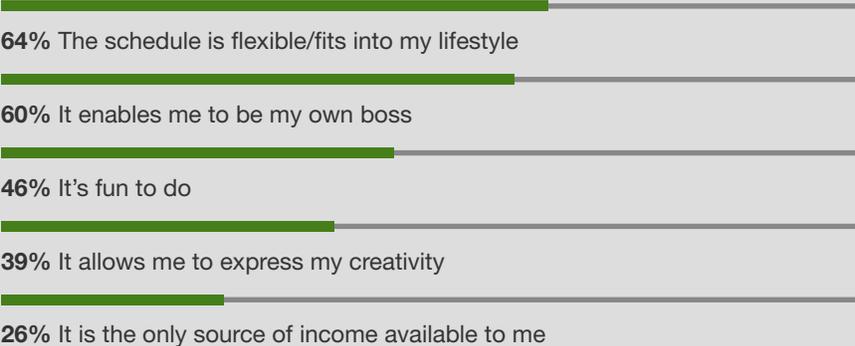
Data from a sample of platform sellers in this study confirm that:

- › **Platform sellers sell online primarily to enhance their lifestyles.** Sixty-four percent sell online to generate a source of income that fits into their lifestyles, and 60% sell online for the empowerment that comes from being their own bosses. Over half struggle through the process of setting up payment systems (57%), receiving payments from their customers (55%), providing customer service (57%), and even keeping track of their income (55%) (see Figure 1).

Figure 1

“Which of the following are the top reasons that you are selling goods or services, generally?”

(Showing those ranking first, second, or third)



“How challenging are the following aspects of selling goods or services online, generally?”

(Showing those selecting “Moderately” or “Extremely challenging”)



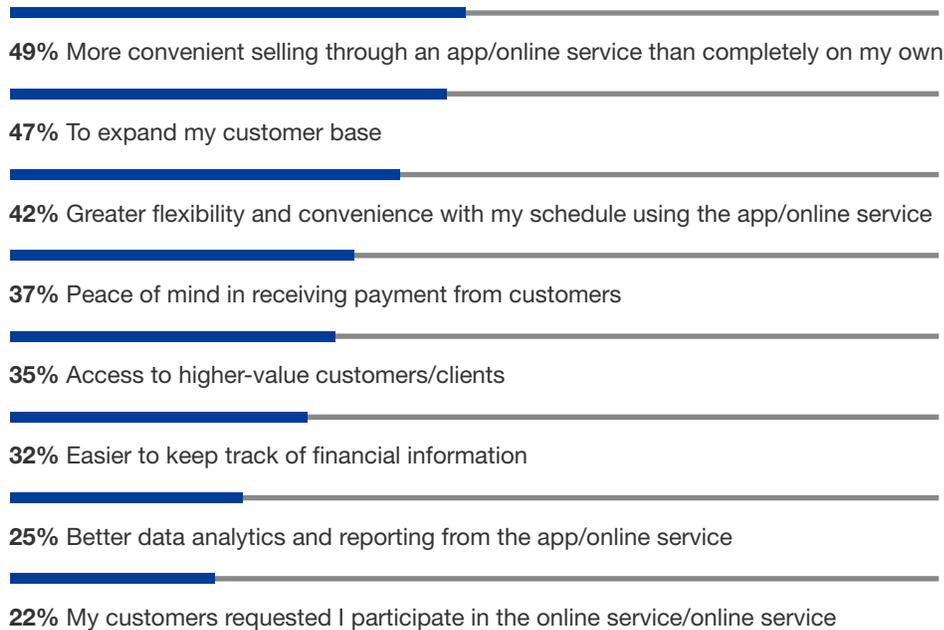
Base: 2,030 global respondents who sell goods or services through online platforms and marketplaces
 Source: A commissioned study conducted by Forrester Consulting on behalf of Stripe, March 2018

› **Sellers turn to platforms to ease the stress of selling.**

Convenience is the No. 1 reason sellers turn to platforms (see Figure 2). Although access to customers will always remain the chief reason sellers will turn to any platform, a platform's ability to ease the sellers' burden of receiving payments from their customers closely follows (see Figure 3).

Figure 2

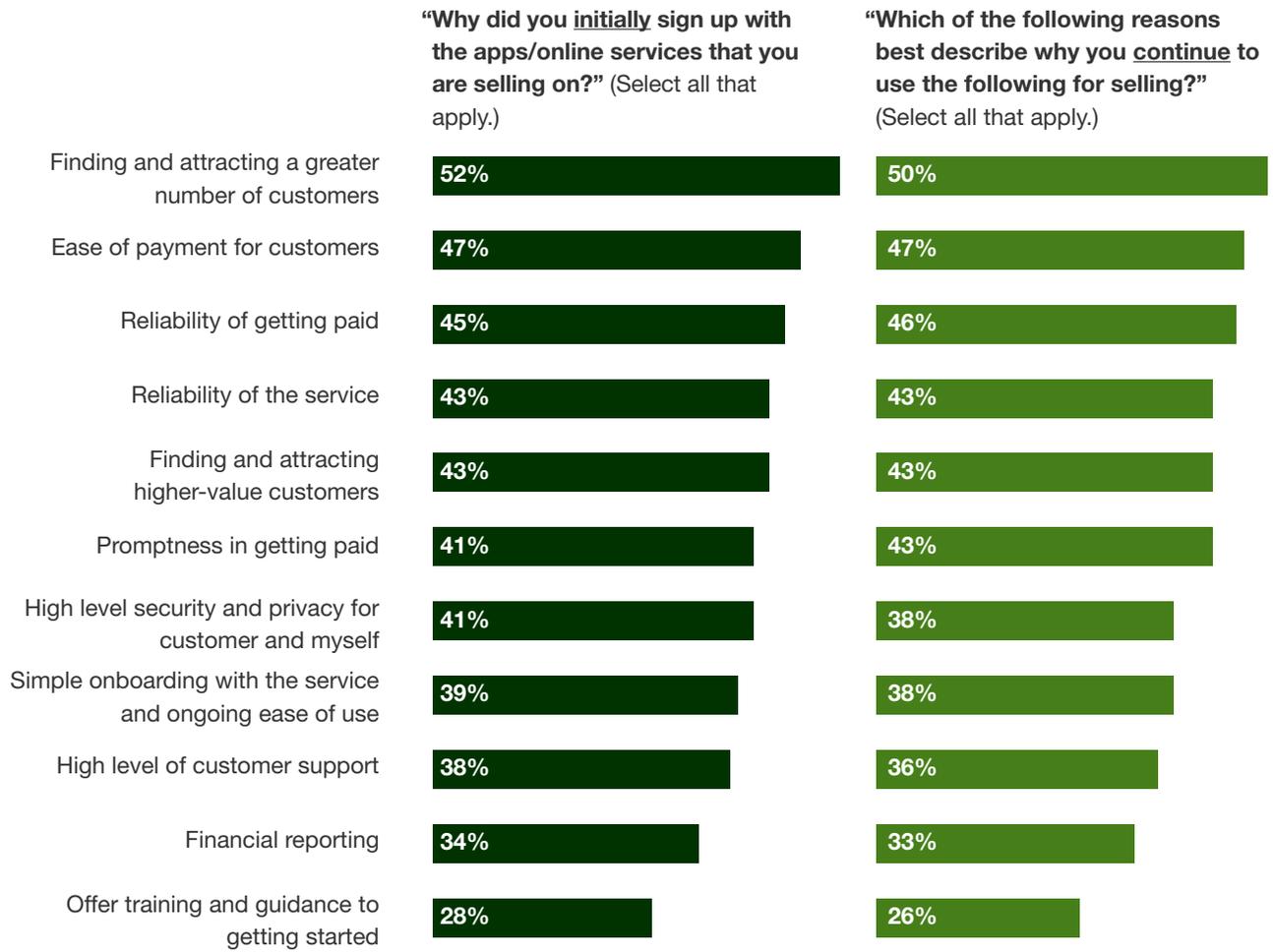
“Which of the following are the top reasons you use an app or online service for income/revenue selling goods or services?” (Showing those ranking either first, second, or third)



Base: 2,030 global respondents who sell goods or services through online platforms and marketplaces
Source: A commissioned study conducted by Forrester Consulting on behalf of Stripe, March 2018



Figure 3

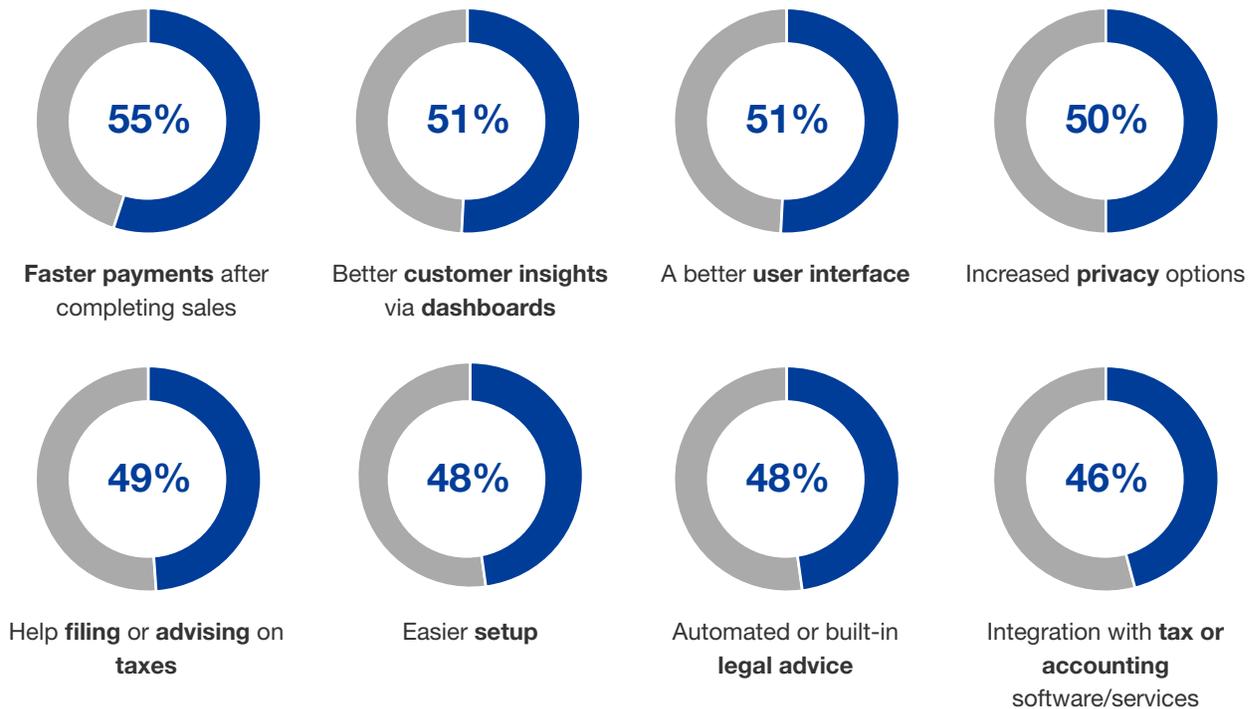


Base: 2,030 global respondents who sell goods or services through online platforms and marketplaces
 Source: A commissioned study conducted by Forrester Consulting on behalf of Stripe, March 2018

› **Sellers will switch to platforms that deliver the best selling experience.** Platform sellers will stop selling on their current platform and switch to another one if it can offer faster payments (55%), customer insights via dashboards (51%), a better seller interface (51%), increased privacy options (50%), tax advice (49%), a better onboarding experience (48%), legal advice (48%), or integration with tax/accounting services (46%). Delivering superior service then becomes a critical differentiator instead of an optional amenity (see Figure 4).

Figure 4

“What could a potential competing app/online service offer that would make you more likely to stop using your current app and switch over?” (Showing those selecting “Very much more” or “Extremely more likely”)



Base: 612 global respondents who sell goods or services through online platforms and marketplaces using only one app to sell
 Source: A commissioned study conducted by Forrester Consulting on behalf of Stripe, March 2018

Service-Minded Platforms Will Attract Higher Quality Sellers

Sellers expect platforms to grease the wheels of online commerce. If platforms fail to make the selling process easier, sellers will simply switch to a different platform. The best platform businesses have deep empathy for their sellers' aims and issues, and embed value-added services that help sellers either sell more or ease the transaction process.¹ The result is a win-win for the seller and for the platform: the seller is satisfied and is better able to sell, while the platform increases seller retention and can focus on growth.

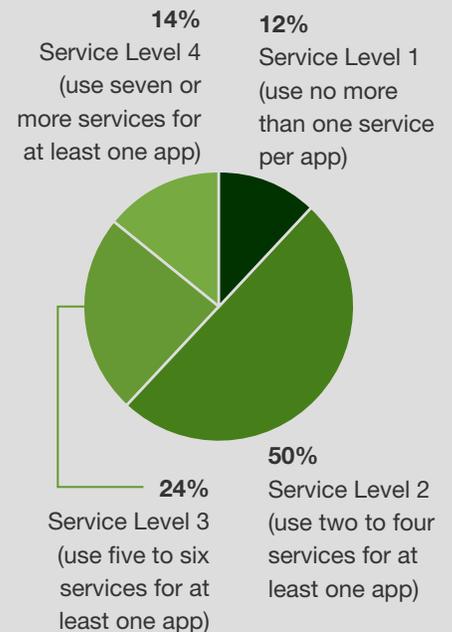
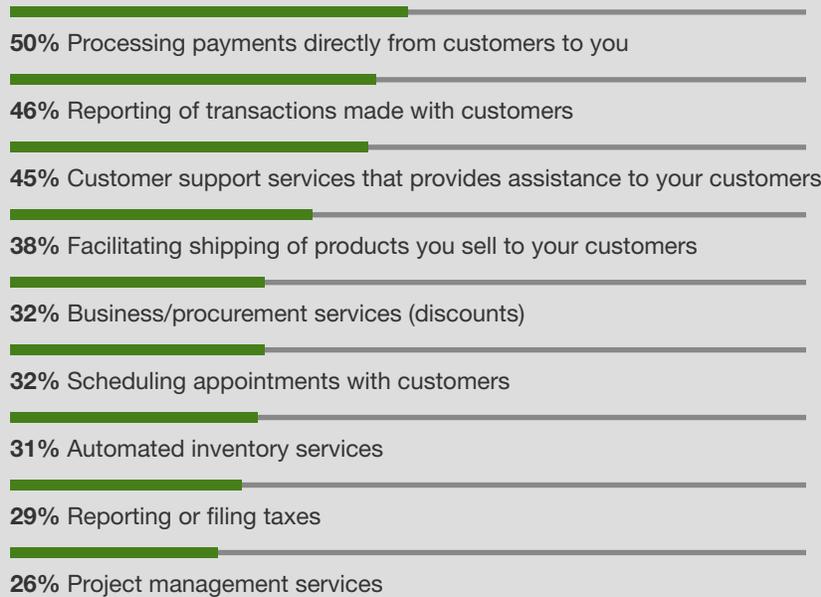


This study evaluated platform maturity based on the number of payment and customer support services platforms offered their sellers — ranging from payment processing and transaction reporting to scheduling appointments and project management services. The more of these services a platform offered, the more mature the platform; the least mature platforms (Service Level 1 platforms) offer only one or no service to their sellers, while the most mature platforms (Service Level 4 platforms) give sellers a wide array of tools. The most mature platforms provide sellers with the ability to create frictionless interaction between the seller and the customer, as well as simplify back-end reporting and project management (see Figure 5). Results based on this maturity model confirm that:

Figure 5

“Which of the following services do each of the apps/online services offer to help you/give you support for when you’re selling through them?”

(Select all that apply.)



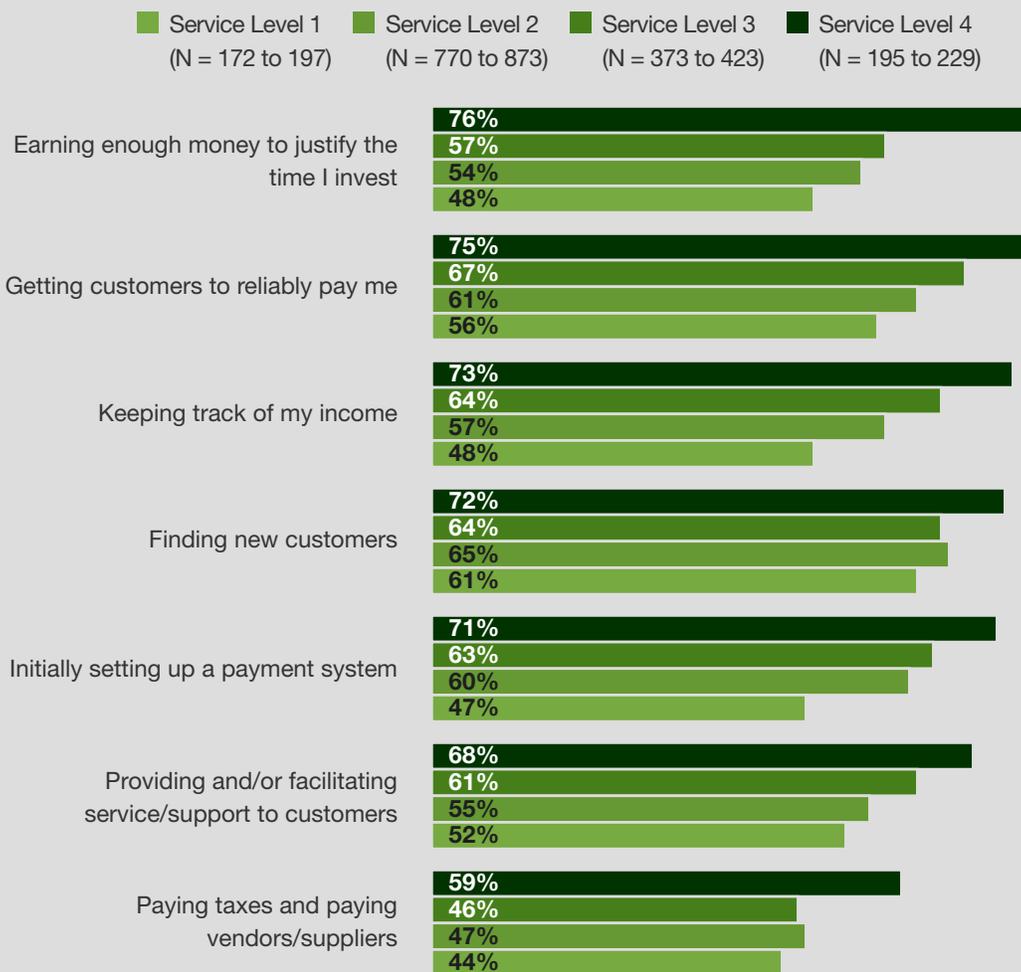
Base: 2,030 global respondents who sell goods or services through online platforms and marketplaces
 Source: A commissioned study conducted by Forrester Consulting on behalf of Stripe, March 2018

- › **Sellers prefer platforms that offer a variety of services to address their needs.** In addition to receiving the explicit services themselves, platform sellers on the most mature platforms — Service Level 4 — are more likely to state that those platforms find them new customers and earn them more money (see Figure 6).
- › **Sellers on the most mature platforms report higher levels of satisfaction, trust, and ease of use.** Service Level 4 platforms are 36% more likely than Service Level 1 platforms to have highly satisfied sellers, 45% more likely to have the most trusting sellers, and 27% more likely to have sellers reporting the easiest onboarding experiences (see Figure 7).

Figure 6

“How helpful are apps/online services generally in solving the challenges you face?”

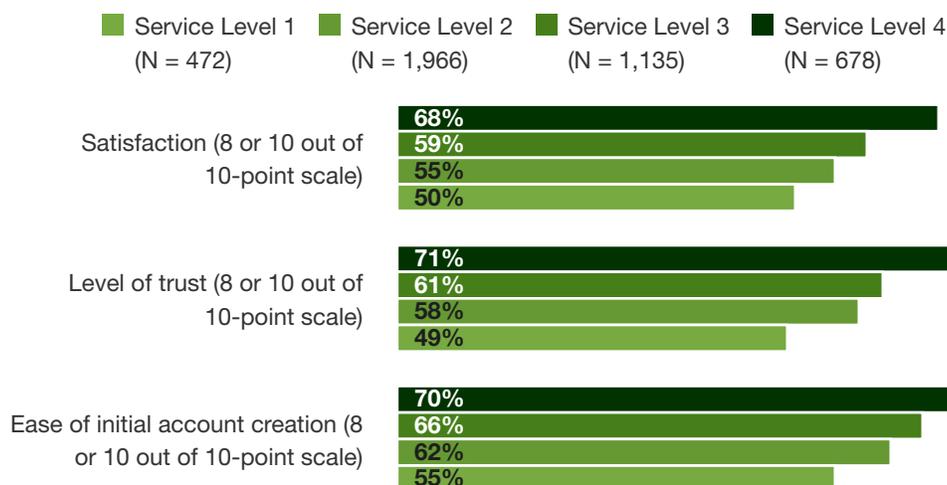
(Showing those selecting “Very” or “Extremely helpful”)



Base: Global respondents who sell goods or services through online platforms and marketplaces
 Source: A commissioned study conducted by Forrester Consulting on behalf of Stripe, April 2018

Figure 7

Sellers' Ratings Of Apps By Satisfaction, Trust, And Ease Of Initial Account Creation



Base: Responses (observations) per app among global respondents who sell goods or services through online platforms and marketplaces

Source: A commissioned study conducted by Forrester Consulting on behalf of Stripe, March 2018

PLATFORMS MUST PARTNER WITH A VENDOR TO FILL THE SERVICE GAP

In the platform economy, retaining sellers requires agility. Yet platforms consistently struggle when attempting to build out these capabilities themselves, resulting in slow onboarding experiences and higher costs to serve sellers. Working with a vendor that can help provide payment and customer support services becomes less of a “nice to have” and more of a “must have” capability. Platform decision makers interviewed for this study all agree that working with such a vendor has allowed them to successfully bridge the service gap — freeing up resources and allowing them to get back to their core mission.



“With our old processor, we spent more time troubleshooting problems, and we had double charging problems, and [our new vendor] eliminated all that. The administrative issues actually got easier, which allowed us to go from having two full-time engineers, devoted to payments, to roughly one part-time engineer, devoted to payments.”

CDO, US-based SaaS company

“The ability to do dynamic descriptors on credit cards [so customers understand what the charge is for] is actually really important. I think it’s pretty overlooked even though it has led to fewer calls, fewer chargebacks. The fewer refunds and chargebacks we have, the better our clients do in fundraising, which means we make more money.”

Product manager/CTO, US-based donations company

“[Working with a vendor] gives us an advantage because they can [help sellers who are] building their own applications, and can get up and running and integrated literally in days, instead of months.”

COO, US-based interactive voice response (IVR) SaaS company

Key Recommendations

Platforms that wish to attract new sellers and retain existing sellers must support them and ease the burdens they experience in selling online. Surrounding sellers with an array of business services not only empowers them, but it also increases their loyalty and retention rate.

To build an ecosystem of business services for your sellers, Forrester recommends that you:



Help sellers expand globally. The complexity of navigating international laws and converting multiple currencies often stymies the plans of sellers who wish to reach customers abroad. Help sellers by making international transactions an invisible and seamless process. Further, onboard international sellers with forms that are in their language and are customized to the requirements of each country.



Reduce their administrative burden. This study confirms that sellers highly value a frictionless experience when choosing a platform, and that they will migrate to a different platform that reduces the burden of selling online. Offer time-saving services such as inventory automation, transaction reporting, automated tax filing, and project management features; highlight them prominently to reinforce the ease in working with your platform over others.



Help sellers grow their business. Sellers sign up on your platform to expand their customer base. Show them that you understand this by making customer acquisition features front and center. This may include offering services such as search engine optimization or marketing support to help your sellers better reach their customers.

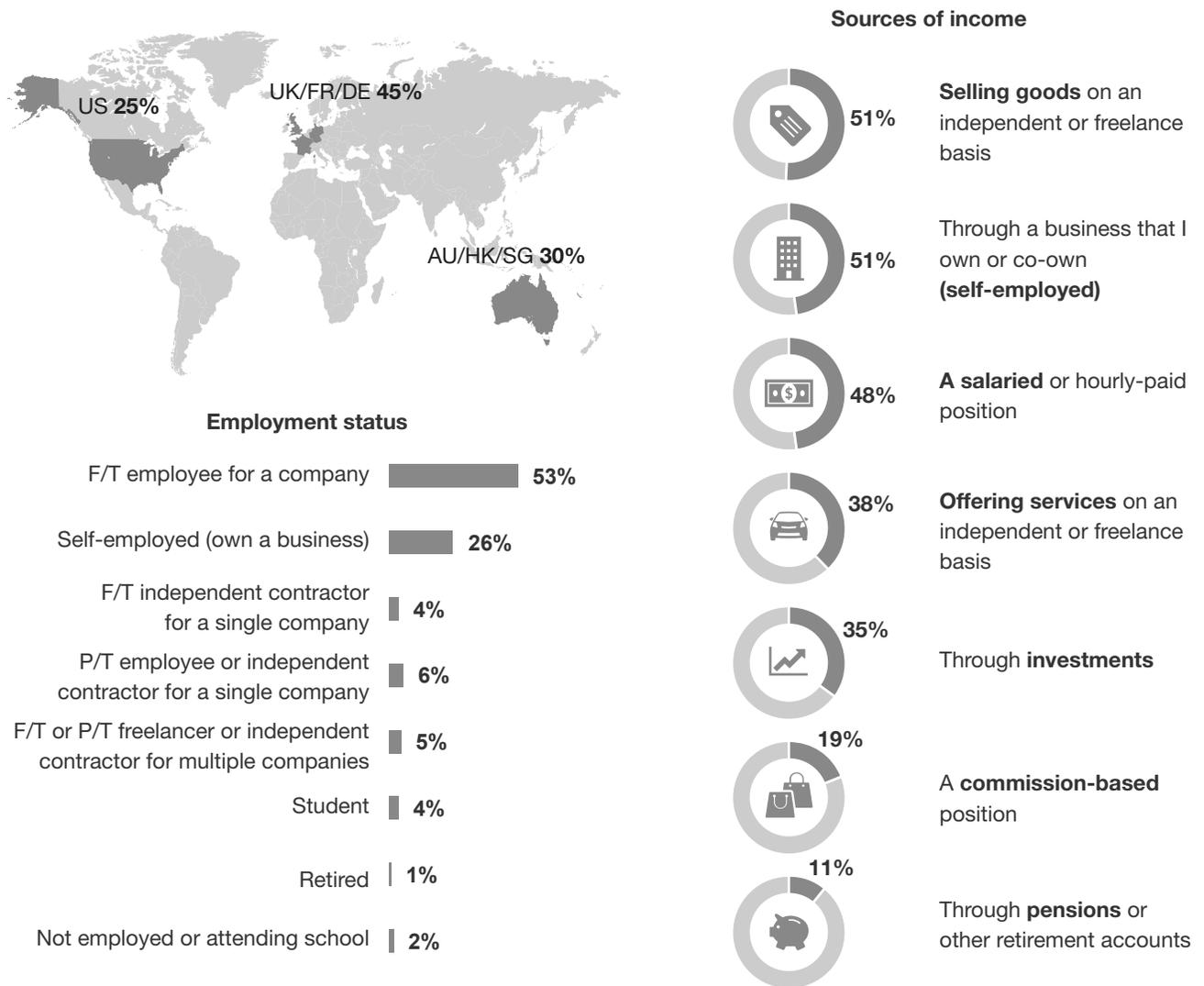


Pay sellers faster. Payments are core to platform and marketplace success — playing an integral role in creating trust between sellers and their customers by removing any potential for tension. Make payments a priority; reduce the amount of time between customers making payments and sellers receiving them. When possible, make payment disbursements near-real-time.

Appendix A: Methodology

In this study, Forrester conducted: 1) an online survey of 2,030 online merchants in Australia, France, Germany, Hong Kong, Singapore, United Kingdom, and the United States and 2) qualitative interviews with four platform business decision makers based in the United Kingdom, Australia, and the United States to evaluate the importance of the seller experience, platform management, and international expansion tools for online commerce. Participants included individuals and small businesses who sold goods or services through online platforms and marketplaces. Questions provided to the participants asked about their general selling motivations and experiences as an online merchant, their experiences with specific platforms, and the most influential factors in their decision to sell via a specific platform. The study began in February 2018 and was completed in March 2018.

Appendix B: Demographics/Data



Note: Percentages may not total 100 because of rounding.
 Base: 2,030 global respondents who sell goods or services through online platforms and marketplaces
 Source: A commissioned study conducted by Forrester Consulting on behalf of Stripe, March 2018

Appendix C: Endnotes

¹ Source: "Earn Your Place In The Platform Economy," Forrester Research, Inc., May 8, 2018.