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Service Marketplaces

A Business Blueprint

An Introduction to Service Marketplaces

Just as online marketplaces have reshaped the way people buy and sell tangible products, digital service marketplaces are revolutionizing the way people and companies buy and sell services. Marketplaces like Upwork and Fiverr have made it possible for businesses to source talent for writing, design, and data entry and for consumers to find resources for small tasks. Online service marketplaces are already substantial—but they have only scratched the surface of the opportunity.

What makes for a successful service marketplace? At one level, success looks a lot like a great product marketplace.

A solid service marketplace will feature a strong array of offerings, enable sellers and buyers to find each other, and facilitate fast, reliable, and safe transactions.

But successful service marketplaces require special considerations, capabilities and functionalities.

First, marketing and selling services is more complex than selling products. To be a good service marketplace provider, you need a deep understanding of the complexities of service offerings, definitions, and modeling. For example, most service marketplaces operate using one of two models: a bidding model, where providers compete for work with tailored proposals, or a direct hire model, which enables clients to choose a provider based on detailed profiles and explicit service offerings. The platform must have the ability to manage those complexities with your technology architecture.

Second, trust and transparency are critical to any kind of marketplace, but they are even more important for service marketplaces, which means that functionalities like provider ratings and customer feedback are paramount. You'll need a system capable of managing reputation to ensure marketplace integrity, inform buyer decision-making, and foster public accountability.

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Finally, successful service marketplaces tend to be more specialized. A more niche approach is generally better, particularly for higher-end services. Most clients seeking services will gravitate towards a marketplace with a high degree of focus, which makes it easier for them to find the precise set of skills they require and gives them more confidence in the process.

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Getting Started

You start by recognizing how a product marketplace differs from a service marketplace. Product marketplaces require merchants, products, and logistics from ordering to fulfillment. Service marketplaces require service providers and service execution, which is more complex:

- Services involves more significant time considerations including the business/operating hours of the provider, expected response time, lead time and scheduling, and the time required to deliver.

- Services generally involve multiple variants that must be considered for each engagement, such as seasonality, geography/geofencing, and product requirements, all of which make service modeling much more complex.

So when designing, building, and managing a service marketplace, you need to focus on the following three elements and best practices to deliver a quality experience and optimal performance:

01

Clear Service Definition and Modeling.

02

Attract and Support the Best Service Providers.

03

Facilitate Service Execution.

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Elements & Best Practices

01

Clear Service Definition and Modeling

As noted, service engagements involve a web of complex variables, including the diversity of service models (discrete services, rentals, subscriptions, and provisioning) and demand a more sophisticated system for matching clients with providers and managing their interactions. This means that service definition and modeling is paramount to the creation of a successful service marketplace. Understanding the dynamics of service time mapping and conversion, especially for national service providers, is vital.

Best practices include:

- **Build a proficient team:** You'll want a team with experience in the complexity of service modelling.

- **Consistency in the business model:** Another component of the partners you choose is ensure some degree of consistency in terms of the services

they offer. It's difficult, and may be impossible, to customize the service model for each provider, and buyers want to be able to make meaningful comparisons between service providers.

- **Matching algorithms:** A successful service marketplace will use AI and data analytics to create robust algorithms that successfully match customers with appropriate service providers.

- **Clarity and confidence:** To build lasting client engagement and satisfaction, you'll want to ensure clarity in terms of the offering and confidence in terms of delivery and execution. When terms are convoluted or uncertain, clients may simply hesitate to engage at all.

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Elements & Best Practices

02

Attract and Support the Best Service Providers

This is clear and obvious: You need excellent service providers to make your service marketplace successful. So choose your partnerships wisely to ensure quality and efficiency, prerequisites for building trust. Remember clients will use your marketplace because they trust you as an operator to enable them to find good providers. It also means you should design your marketplace platform in a way that makes the best service providers want to use it.

Best practices include:

- **Automate the onboarding process:** A smooth and efficient onboarding process can make or break the service provider's experience. You'll want to streamline the onboarding journey with automated checks and a minimal number of steps without compromising on the rigorousness needed for trust and safety on the platform.

- **Meet the needs of large service providers:** In many marketplaces, larger providers are better, so your service marketplace model should be able to handle an intricate configuration of multiple entities under the same provider banner. A large provider will typically need to maintain distinct profiles for different locations and different service tiers, each with its unique pricing, availability, and offerings.

- **Subscription and payout structure:** Most service marketplaces will need to be able to support single-transaction services as well as subscription-based models with recurring monthly orders. Automated subscription setups have to be carefully designed to manage first order fee, recurring fees, and the associated payout calculations.

- **Payout system:** It's crucial to establish a transparent and reliable payout system that can handle various scenario (such as mid-cycle changes, refunds, or service credits) to maintain provider trust and satisfaction.

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Elements & Best Practices

02

Attract and Support the Best Service Providers (continued)

- **Robust scheduling functionality:** Marketplaces need to be flexible, giving providers the tools to indicate their availability accurately while ensuring that customers have access to timely services. A dynamic scheduling system that can handle real-time updates and can integrate with providers' external calendars is a key component of a successful marketplace.

- **Allocation:** Most service marketplaces operate on a "first in, first served" (FIFS) booking principle, which can potentially lead to scheduling conflicts and overbooking if not managed properly. Providers must be able to list all their available slots while the marketplace must possess the capability to prevent double-bookings. Well-executed and reliable scheduling is a key component of a positive experience for providers and customers.

- **Regulatory and compliance:** We noted earlier the incredible importance of trust when it comes to service marketplaces.

Marketplaces should invest in automated verification systems that can efficiently validate (initially and as needed) the credentials of providers. A good service marketplace must be able to ascertain and uphold licensing requirements and industry-specific regulations—configured for every service provider and offering—to mitigate risks and ensure marketplace integrity of the marketplace.

- **Incentive strategy:** Another key to attracting and retaining high-quality service providers—and boosting provider participation—is designing valuable incentives, such as waiving marketplace fees, a service provider success program, or ways to leverage the network effect. Incentives must be carefully designed to promote marketplace growth without sacrificing profitability.

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Elements & Best Practices

03

Facilitate Service Execution

Clients expect services to be rendered promptly and competently. Hiccups in scheduling, delivery, or quality will tarnish a platform's reputation and reliability. Furthermore, the marketplace must provide tangible proof of service completion that satisfies both the provider and the client, safeguarding against disputes and ensuring trust in the platform.

Best practices include:

- **Effective bundling of services with products:** The interplay between services and associated products can be complicated by factors such as inventory management, variable pricing, and service quality assurance. For example, consider a service marketplace providing home maintenance. When a provider needs physical products—say, a water filter—this adds a logistical complexity to service delivery. A good service marketplace should enable the creation of linked orders and allow synchronization across payments and returns. This integration reduces the risk of discrepancies and enhances the overall customer experience.

- **Encourage the use of the platform:** You naturally want to encourage transactions within the platform by making it easy to change the scope of a service engagement. Direct engagements between service providers and clients (negotiated outside the platform) may be valuable in terms of personalized service delivery, they can result in missed revenue opportunities for the marketplace. So create mechanisms and incentives that make it easy to book additional services through the platform itself.

- **Enable stackable services:** To capitalize on the time spent on service execution, marketplaces could allow for the stacking of compatible services, thus maximizing efficiency and customer value.

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Elements & Best Practices

03

Facilitate Service Execution (continued)

- **Service completion evidence:** Platforms must establish a straightforward and accessible method for documenting and verifying the completion of services.

- **Quality assurance:** Given the high premium clients place on consistent, high-quality service, marketplaces must implement strict quality control measures. This could include customer feedback systems.
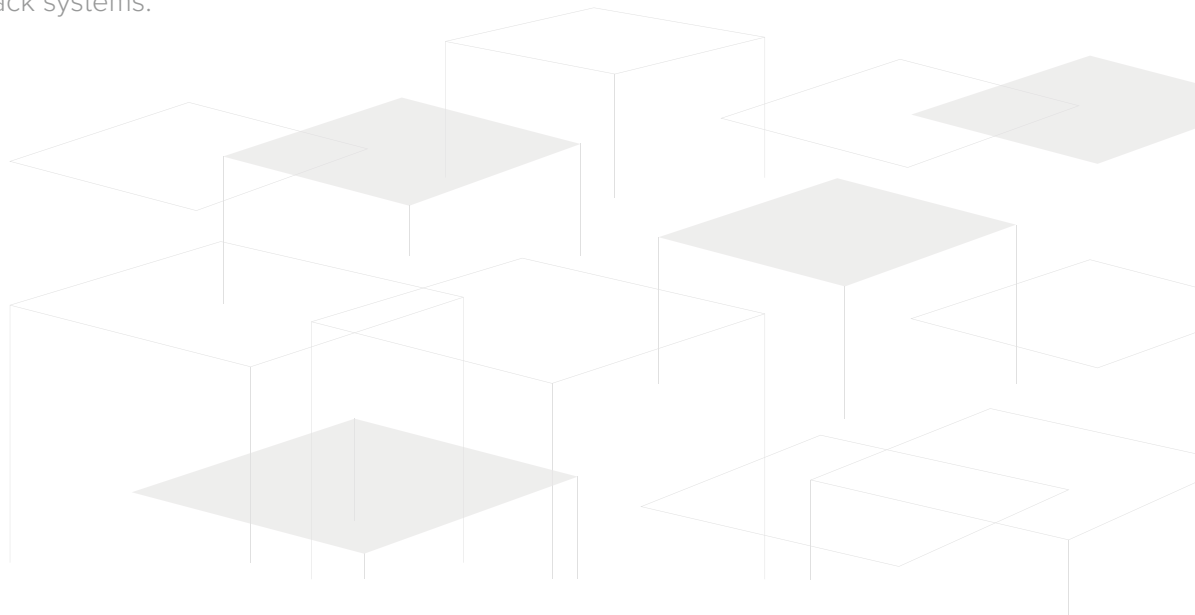
Next Steps

Service marketplaces offer tremendous opportunities for platform operators who understand the nuances and best practices of service marketplaces. Start by thinking carefully about what the needs of the market you want to serve, then work on developing a technology architecture that provides the agility and scalability to go to market and—just as important—to evolve with that market.

If your brand is looking to learn more about Service Marketplaces and BORN Group's proven approach, we would love to walk you through it.

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