

# Chapter 2: Marketplace Maturity Model (MMM)

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*“If I have seen further than others, it is because I was standing on the shoulders of giants.”*

Sir Isaac Newton

## Introduction

The Marketplace Maturity Model (MMM) is the industry standard for assessing and planning the capabilities of a marketplace. Like the Capability Maturity Model Integration (CMMI), the Marketplace Maturity Model consists of five stages of digital commerce. This objective framework guides marketplace operators through consistent iterative scaling.

### MARKETPLACE MATURITY MODEL

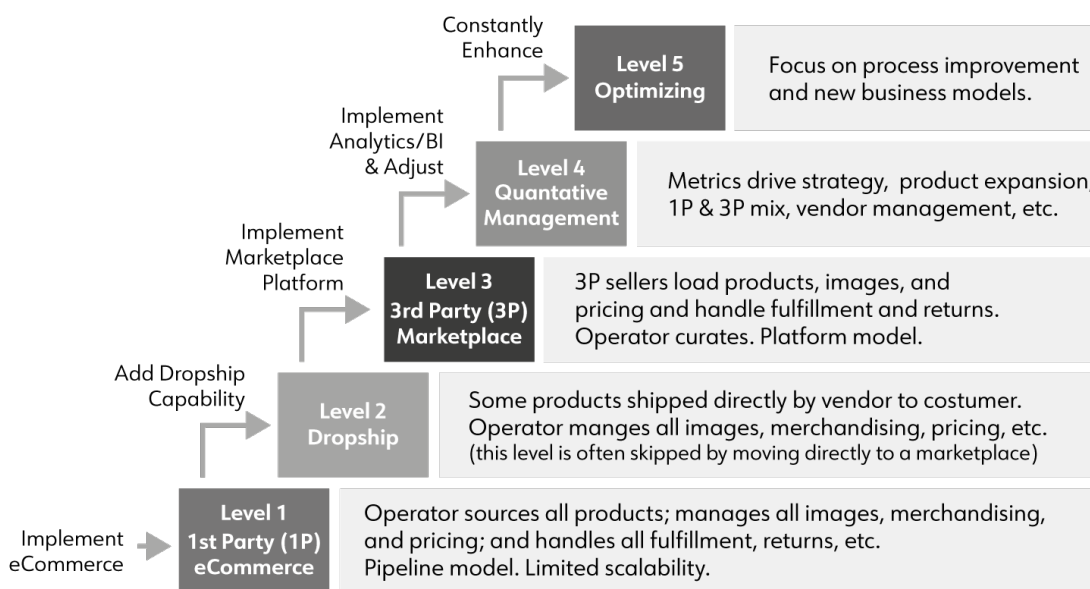


Figure 1: The Marketplace Maturity Model

The five stages of the marketplace maturity model are:

### Stage 1: First Party (1P) eCommerce

The site operator sources all products; manages all images, merchandising, pricing, etc.; and handles all fulfillment and returns. First-party eCommerce operates in a linear pipeline model which limits scalability and profitability.

### **Stage 2: Dropship**

Some products are shipped directly from a third-party vendor to the customer. The site operator still has to manage all images, merchandising, pricing, etc. This phase is sometimes skipped, moving directly from Stage 1 to Stage 3.

### **Stage 3: Third Party (3P) Marketplace**

At this stage the platform model focuses on connecting third party sellers with buyers for a commission. Third-party sellers are added en masse. The sellers load products, images, merchandising, and pricing, and handle fulfillment and returns. The site operator can curate categories and products.

### **Stage 4: Quantitative Management**

At this stage, the site manager has an operating and growing marketplace and uses metrics to drive strategy, product expansion, sourcing, store inventory, vendor management, etc.

### **Stage 5: Optimizing**

The thriving marketplace runs with well-defined processes and metrics while the site operator focuses on process improvements by fine-tuning elements such as functionality enhancements, vendor promotions, financial automation, onboarding automation, etc.

The Marketplace Maturity Model is based in a decade of experience creating marketplace solutions plus detailed assessments of dozens of other marketplaces.

This chapter will discuss the characteristics and challenges of each level and provide examples of these levels at work. Additionally, these levels will be examined in terms of strategy, technical considerations, and business models in order to highlight necessary marketplace enablement steps (MES) described in chapter 28.