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Building online marketplaces

TUNNEL TALK | by Paul Ryan

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Building a marketplace is a lot simpler than it used to be. Once, you had to purchase a plot of land, subdivide it into stalls, rent these out to proprietors, gain a government permit, advertise, then sit back and watch capitalism bloom. However, since the early days of eBay and Amazon, much of this can happen virtually, between people who might very well be wearing pyjamas. With renewed confidence in monetising the web, we look at three Australians who are well in the market for virtual success.

Interviews by Paul Ryan

MARTIN HOSKING – RedBubble.com

LookSmart co-founder Martin Hosking has a new online baby and it's quite different to the digital marketplaces we are used to. Along with co-founders Paul Vanzella and Peter Styles, Hosking has created RedBubble, an online marketplace for artists and art lovers. Membership of the site is free, artists retain their copyright, set their own prices and choose which products they want to sell (prints, t-shirts and gift cards). In keeping with the evolution of the web, RedBubble is fostering community above and beyond transactional interaction. Since launching in February 2007, RedBubble has become one of the fastest growing websites in Australia, and recently opened US and UK offices.



RedBubble.com founders Martin Hosking, Peter Styles and Paul Vanzella

In one sense we wouldn't call ourselves a marketplace. It's only a small part of what we do. Ninety-nine percent of people who come to RedBubble don't shop. We are trying to do something that is broader than a marketplace. It's social commerce. It's like a swap meet or an art gallery opening, where most people don't actually buy.

The marketplace provides a monetisation engine. We could have had advertising all around the site. On YouTube or MySpace, the content is essentially created by the users and the value is captured by the site owners, who exchange it for advertising. We wanted to have alignment, where users capture the majority of the value when selling the content they've created. Obviously, we have to capture some of that -- our economic engine has to work. But there is complete alignment there. We want to have the economics of an e-commerce site, but the customer acquisition costs of a social network.

I have not thought about industry-wide dynamics or abstract theories about the way things should work. Only when we understand the customer at a deep visceral level can we really build something that will thrill them.

We are now approaching 10 million page views per month on RedBubble. We're the largest art site in Australia and one of the fastest growing websites in Australia. We started off 100 percent in Australia. Now only about one-third of our users are Australian, with about 40 percent from the US and the remainder largely from Europe.

Elite artists have always been given the privilege in our society of being allowed to create important cultural objects. The fact is, other people create important cultural objects. RedBubble allows people to create those important cultural objects and engage around them in a way that is meaningful for them.

Twelve hours ago I offered \$200 to our community to come up with the new tagline for the site. Now there are over 200 responses. The community is creating and defining who we are, and not in some kind of abstract, grafted-on way. You can't do that within a typical media organisation or with an e-commerce site.

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STEVE SHERLOCK – [Oodles.com](#)

Steve Sherlock wants “Oodles” to be the first word you think of when you want rent a car. For Sherlock, building online marketplaces is all about having a deep understanding of a market, identifying a diversion and exploiting it with speed and exceptional technology. Look after the customers and the rest will look after itself.

What we're trying to do with Oodles is a little bit like mining. We've done some speculation, staked out some land, started digging and we think we've hit a vein. Now it's a matter of gaining the funding to excavate the vein and take out the riches.

In the US, Starbucks simply took coffee out of the roadhouse. Pizza Hut just took the pizza out. And Subway just took the sandwiches out. Marketplace diversion is very important. We've just taken car rental out of the travel agency, like Wotif.com has taken hotels out of the travel agency.



I sold car rentals for 10 years. I was a travel agent back in 1997, selling tours to Germans visiting Australia. I built a website, which started to do well, and when I translated it, it took off. I got some software developers in to help on the database system.

When someone does a search, we actually hit the systems of the big five car rental companies with a message and bring back their live prices and availability to the one screen. They pay us 10 percent commission. Effectively, they connect their reservation systems to our marketplace. It's seamless. They just have to keep their systems up to date, which we read live.

The market in Australia for online car rentals in 2006 was \$180 million. It's going to be worth \$360 million in 2009. Last year, 85 percent of all bookings online were made through the car rental companies. That's because people trust those brands. Our model has come out of the belief that people are fed up with having to skip from site to site to source the best deals. They'll book direct, but they don't want to have to go through that comparison process. As far as the consumer is concerned, they want the best prices and as little hassle as possible when making the booking.

You need to do one new thing, and do it well. You need to try to define the category. Choose an engaging name. Marry what users want with what suppliers want to sell. Do lots of low-cost testing to get user feedback and integrate that feedback into the design of systems and marketing.

Obviously people want to share their experience with car rental companies. So the next step in our evolution is building in community feedback channels. We're totally independent of the car rental companies. In creating a portal to the best, up-to-date car rental deals, we have an excellent platform for user-generated content, which should help to improve the services car rental companies provide.

JAMES MASINI – [Hippo Jobs](#)

Like many Gen Y entrepreneurs, James Masini has faced his fair share of doubters. But he has an ace up his sleeve, for his target market is comprised of his contemporaries. Earlier this year, Masini breathed life into his one-time uni project, raising capital and launching hippo.com.au, an online job website targeting the 15-24 year old demographic.



I developed the concept for Hippo as part of my entrepreneurship course at RMIT. At uni, my friends and I found it unnecessarily difficult to find appropriate work. Hippo is a very similar business to Seek, MyCareer and CareerOne, but we target purely the youth market. It's about matching 15-24-year-olds up with appropriate job opportunities, without the heavy emphasis on experience and education that traditional employment websites rely on. The jobs listed are predominantly part-time and casual. We've built something completely relevant to our audience, so they don't have to go sifting through thousands of irrelevant job opportunities.

I introduced the ideas to Jeff and Janine Allis from Boost Juice, who loved it and introduced us to some of the investors in Boost Juice, many of whom came on board.

We've seen some of our larger competitors start to echo our youth focus and some of the innovative features on our site, which tells us that we must be doing something right. It's about connecting with our target market and continually refining our offering to service those needs.

The first key to building an online marketplace from scratch is finding a good development partner. There are many people who can develop a website, but few can develop a functional website that really displays what you're trying to do and won't fall over. Once you've worked at the product and the market itself you need to establish various revenue streams and manage the risks as far as possible. Then, it's about attracting the audience to your product, and keeping them there. It's vital that you connect to your audience in order to leverage off the product or service you are offering.

There are 2.8 million 15-24 year olds in Australia – 1.8 million of them are employed. It's the most transient professional demographic in society, and they're looking for a place they can rely on to find jobs that are right for them. We're trying to build a community and a brand that they associate with

and feel comfortable with. But if we're to stay in business, we need to build revenue. It's great to build community, and I think it would be fabulous if we could do this for them for free, but we need that money coming in. We have to prove to our investors that this is going to work for all concerned.

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