MARKETPLACES AND PLATFORMS

A playbook for businesses that connect buyers and sellers: solving the "chicken-and-egg" problem, take rates, trust and growth.

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AT A GLANCE

- A **marketplace** connects two groups, like customers and service providers, and earns a fee on transactions.
- The hardest part is the **chicken-and-egg problem**: buyers won't come without sellers, and sellers won't come without buyers.
- Start **small and focused**: one city, one category, or one community, and make it work there first.

WATCH OUT

Marketplaces raise legal questions about worker classification, payments, licensing of providers, liability and consumer protection. Talk to a lawyer early.

How marketplaces make money

Model	How it works
Commission (take rate)	A percentage of each transaction, from one or both sides
Listing fees	Sellers pay to list
Subscriptions	Sellers or buyers pay monthly for access or premium features
Lead fees	Providers pay for each customer lead
Advertising	Sellers pay for better placement

The **take rate**, the share of each transaction the marketplace keeps, varies widely by industry, often from under 10% to about 25% or more.

Key terms

Term	What it means
GMV (gross merchandise value)	Total value of transactions on your platform
Take rate	Your revenue as a share of GMV
Liquidity	How often buyers find what they want, and sellers make sales
Disintermediation	Buyers and sellers meeting on your platform, then dealing directly to avoid fees

Example: a tutoring marketplace

> EXAMPLE
>
> **Kai** built a marketplace connecting families with bilingual tutors in one city. Tutors set their own rates, averaging **$50 an hour**. Kai takes **15%**. In one month, families booked **1,200 hours**: **$60,000 GMV** and **$9,000** in revenue for Kai. To stop families and tutors from going around the platform, he added scheduling, payments, reviews and a satisfaction guarantee that only work through the app.

Solving the chicken-and-egg problem

1. **Start with the harder side**, often supply. Recruit your first sellers or providers by hand.
2. **Focus narrowly**: one city, one category, one community you know well.
3. **Do things that don't scale**: match people manually at first. See **I-07 Building Your First Version (Tech)**.
4. **Make one side valuable on its own**, such as free booking tools for providers.
5. **Seed demand** through partnerships and community groups.
6. **Expand** only once one market works well.

Numbers to track

KPI	What it tells you
GMV and growth	Size and momentum
Take rate and revenue	Your earnings
Repeat rate (both sides)	Whether the marketplace delivers value
Match or fill rate	Liquidity
Time to first transaction	How quickly new users find value
Customer and provider acquisition costs	Efficiency
Disputes and ratings	Trust and quality

Trust and safety

- **Verify providers**: identity, licenses and background checks where appropriate
- **Reviews and ratings** on both sides
- **Secure payments** through the platform
- **Clear policies** for cancellations, refunds and disputes
- **Worker classification**: understand how laws treat your providers. See **O-02 Employees vs. Contractors**.

Funding

- Angel investors and SAFEs. See **R-10 Angel Investors** and **R-14 SAFEs and Convertible Notes Explained**.
- Venture capital for marketplaces with large markets. See **R-11 Venture Capital: How It Works and Whether It Fits**.
- Revenue from a focused first market, before raising

Common mistakes

- **Launching everywhere at once**
- **Too high a take rate** before the platform delivers real value
- **No plan for disintermediation**
- **Neglecting trust and safety**
- **Ignoring legal questions about providers**

Launch checklist

- ☐ Choose one city, category or community
- ☐ Recruit your first 20 to 50 providers by hand
- ☐ Match the first transactions manually
- ☐ Build payments, reviews and scheduling into the platform
- ☐ Talk to a lawyer about provider classification and liability

Where to go next

- **P-11 Software and Apps**
- **I-07 Building Your First Version (Tech)**
- **G-03 Growth Numbers Investors Watch**

IMPORTANT
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