MARKETPLACE GOVERNANCE MATURITY MODEL

A board-level framework for PE-backed consumer and ecommerce companies

The governing question

Has the company moved beyond managing marketplace activity to governing marketplace economics, risk and accountability as an integrated system?

Why this matters

As Amazon and other marketplaces become material to revenue, they begin affecting more than ecommerce. They influence pricing, inventory, advertising, distributor behaviour, retailer relationships, working capital and customer acquisition. That is where marketplace performance becomes a governance issue.

The maturity model helps PE sponsors and boards distinguish four very different operating states: Reactive, Managed, Governed and Diligence-Ready. The purpose is not to award a score. It is to identify what the company can reliably control today, where enterprise value is exposed, and what evidence would justify moving to the next stage.

The four stages

Stage	Operating reality	How decisions get made	Board risk	What advancement requires
1. Reactive	Marketplace issues are handled one at a time.	Functional firefighting; no owner of total economics.	High: hidden leakage, conflicting incentives, weak visibility.	Basic ownership, reliable reporting and root-cause discipline.
2. Managed	Functions have owners, SOPs and reporting.	Teams manage their own pieces more consistently.	Moderate-high: local optimization can still damage enterprise economics.	Shared economic metrics, cross-functional decision rights and escalation.
3. Governed	Marketplace decisions are treated as an integrated business system.	Cross-functional choices use shared economic objectives.	Moderate-low: risks are visible and actively managed.	Evidence, documentation, transferability and buyer-ready controls.
4. Diligence-Ready	The marketplace operating system can be explained, evidenced and transferred.	Decisions are repeatable, documented and linked to enterprise value.	Lower: problems may exist, but they are known, quantified and owned.	Maintain discipline; avoid regression as scale and complexity increase.

Important

A company can be strong in one marketplace capability and still be immature overall. The maturity stage should reflect the weakest material control that could impair the investment thesis.

What Each Stage Looks Like in Practice

1. Reactive

What it looks like	Board questions
• Marketplace problems are discussed as isolated incidents. • Unauthorized sellers, pricing issues or stockouts trigger tactical responses without a root-cause review. • Sales, ecommerce, marketing, finance and operations use different definitions of success. • Management cannot reliably reconcile marketplace activity to channel contribution. • Critical knowledge may sit with one employee, agency or founder.	• Who owns total marketplace economics? • Which recurring issue have we treated more than once without fixing the underlying cause? • What marketplace risk could surprise us in the next board meeting?

2. Managed

What it looks like	Board questions
• Functional ownership is clear and SOPs exist. • Marketplace reporting is more reliable and recurring issues are tracked. • The company knows who owns key accounts, advertising and operational processes. • But functions can still optimize their own KPIs while damaging total enterprise economics. • Board reporting may still be activity-heavy rather than decision-oriented.	• Can one function hit its target while lowering total contribution? • Which marketplace decisions require cross-functional approval? • Do incentives reward revenue, contribution and working capital consistently?

3. Governed

What it looks like	Board questions
• The company manages marketplaces as a cross-functional economic system. • Channel contribution, inventory, seller authorization, pricing and advertising are connected in decision-making. • Material exceptions escalate through defined governance processes. • Board reporting focuses on economics, concentration, risk and decisions rather than operating detail. • Management can explain which marketplace dependencies it is deliberately accepting.	• What risks are we knowingly taking because the economics justify them? • Which marketplace dependency has become more material since the last board meeting? • What evidence tells us governance is working rather than merely documented?

4. Diligence-Ready

What it looks like	Board questions
• The marketplace operating system can be explained to a sophisticated buyer quickly. • Account ownership, data rights, distributor policies, channel economics and key processes are documented. • Financial reporting reconciles cleanly to marketplace operating data. • Key-person and agency dependencies are understood and reduced where practical. • Known risks have owners, remediation history and evidence.	• What would still be hardest to explain if diligence began next month? • Could a new owner operate the system without heroic support from current management? • Which controls are most vulnerable to regression as the business scales?

This progression reflects a theme I have written about in both The Amazon Marketplace Dilemma and Controlling Your Brand in the Age of Amazon: marketplace outcomes are rarely created by one ecommerce team. They are produced by incentives and decisions distributed across sales, operations, finance, marketing and the broader distribution system.

How PE Sponsors and Boards Should Use the Model

1. During diligence

Use the model to test whether the target's marketplace performance is supported by a durable operating system or by individual heroics, favourable platform conditions or undocumented workarounds.

- Ask management to self-assess its stage and provide evidence.
- Challenge any 'Governed' or 'Diligence-Ready' rating that cannot be supported with reconciled economics, clear account ownership, documented decision rights and operating evidence.
- Identify which marketplace weakness belongs in purchase-price risk, deal protection, the first-100-days plan or ordinary operating improvement.

2. In the first 100 days

The immediate objective should be to move the business out of Reactive behaviour, not to force it prematurely into Diligence-Ready status.

Days	Priority	Board output
1-30	Establish economic truth: channel contribution, inventory, paid-media dependency, account/data ownership.	Baseline maturity stage and data gaps.
31-60	Clarify cross-functional decision rights, seller/distributor controls and material concentrations.	Risk map and accountable owners.
61-100	Create board reporting and remediation milestones.	Agreed path from current stage to next stage.

3. In recurring board oversight

Reassess the stage semiannually, or quarterly when the company is still Reactive or Managed. The discussion should focus on evidence of behavioural change, not whether new policies have been written.

Evidence required to move up a stage

Transition	Evidence	Board interpretation	Common false positive
Reactive → Managed	Named owners, recurring reporting, basic SOPs, known material sellers/accounts.	The company can see and respond to problems consistently.	More dashboards but no better accountability.
Managed → Governed	Shared contribution metrics, cross-functional decision rights, escalation thresholds, quantified channel-control issues.	Functions are optimizing enterprise economics rather than local KPIs.	Committees exist, but incentives still conflict.
Governed → Diligence-Ready	Reconciled data, company-controlled accounts, documented contracts/processes, reduced key-person risk, remediation history.	A buyer can verify and transfer the system.	A clean data room hiding operational dependency.

Board scorecard

For each material marketplace, the board should record:

- Current maturity stage
- Evidence supporting the stage
- Weakest control preventing advancement
- Owner of the next-stage remediation
- Target date
- Board evidence required before the stage is changed

The objective is not 'Stage 4 at all costs.'

A company should invest in governance in proportion to marketplace materiality and the investment thesis. The model is valuable because it makes the tradeoff explicit: what are we choosing to control, what are we choosing to accept, and what will a future buyer expect us to prove?

About the framework

The Marketplace Governance Maturity Model was developed by James Thomson through Equity Value Advisors. It draws on experience as a former Amazon executive, entrepreneur, investor and independent board member, as well as themes developed in The Amazon Marketplace Dilemma and Controlling Your Brand in the Age of Amazon.