

CHAPTER 10 E-COMMERCE: DIGITAL MARKETS, DIGITAL GOODS

CASE 2 **Etsy: A Marketplace and a Community**



SUMMARY Etsy is an online marketplace for handmade items and art and craft supplies and strives to build a sense of community among buyers and sellers. L=10:07.

URL <http://www.youtube.com/watch?v=0hCSdmpdJuE>

CASE Etsy is more than a marketplace: it's a community of artists, creators, collectors, thinkers and doers. This e-commerce Web site focuses on handmade or vintage items as well as art and craft supplies, including art, photography, clothing, jewelry, edibles, bath & beauty products, quilts, knick-knacks, and toys. The site follows in the tradition of open craft fairs, giving sellers personal storefronts where they list their goods for a fee of \$0.20 plus a sales commission of 3.5% for each item. Etsy has been described as "a crafty cross between Amazon and eBay," to "your grandma's basement" and as "one of the largest, most chaotic flea markets the world has ever known."

Etsy says its mission is to "empower people to change the way the global economy works. We see a world in which very-very small businesses have much-much more sway in shaping the economy, local living economies are thriving everywhere, and people value authorship and provenance as much as price and convenience. We are bringing heart to commerce and making the world more fair, more sustainable, and more fun."

Etsy is headquartered in DUMBO, Brooklyn, and also has offices in Hudson, New York, San Francisco, CA, and Berlin, Germany. The Hudson, New York location is an old cannonball factory housing Etsy's call center and Web site design facilities for Etsy's CEO. The goal is to treat Etsy sellers with the same level of attention that Zappos lavishes on shoe buyers.

Etsy's head office in Brooklyn houses the company's technology, customer support, public relations, business, and communications teams as well as "Etsy Labs," where employees can experiment with handmade projects themselves. It also features a Monday craft night where Etsy Labs are open to the public.

Etsy has 230 employees, 15 million members, and estimated revenue of over \$70 million. About 800,000 active sellers sell on Etsy, and in 2011, these sellers moved \$525 million worth of merchandise. Etsy offers multiple options for paying for items, including credit card, money order, and PayPal.

Very few of these sellers make a living solely through Etsy. Perhaps a thousand sellers make \$30,000 a year or more, and a only mere handful who make more than \$100,000 annually. Most sellers use Etsy as a part-time source of income.

Etsy requires that all new products listed on the site be made by the people selling them—the use of mass production is prohibited. "Etsy has made it possible for a lot of small businesses to get off the ground," says Dale Dougherty, the publisher of *Make* magazine, which covers the do-it-yourself economy. "But even the most successful crafters run up against the limits of their own labor. Handmade can be a limited idea. That means that the most successful Etsy sellers are in an awkward position: They must stay small and offer only handmade goods or abandon Etsy.

Meanwhile, the site has been adding features at a furious pace. For instance, Etsy now provides social networking functions similar to those of Facebook that allow users to make friends with other Etsy members and keep track of their friends' favorite shops and purchases. There's also a new gift service, which looks at the Facebook profiles of your friends and suggests items they might like, and something called Taste Test, which asks you to rate a smattering of random items and then suggests things to buy. You are invited, of course, to share the recommendations with your friends on Facebook and Twitter and with other Etsy members.

Etsy's founder and former CEO Rob Kalin hopes that these moves will make it easier for buyers to discover new products, but he also sees the new emphasis on social networking as part of a deepening of Etsy's mission that goes beyond buying and selling.

1. What is Etsy's business model and revenue model?
2. How does Etsy's Brooklyn headquarters depicted in the video reflect the culture and values of the company?
3. How important is "community" at Etsy? Visit Etsy's Web site and describe all of its community-building features.

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