Breaking the mould: How Etsy and online craft marketplaces are changing the nature of business

Benedict Dellot
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About the RSA

The RSA (Royal Society for the encouragement of Arts, Manufactures and Commerce) believes that everyone should have the freedom and power to turn their ideas into reality – something we call the Power to Create. Through our research and 27,000-strong Fellowship, we seek to realise a society where creative power is distributed, where concentrations of power are confronted, and where creative values are nurtured. The RSA’s Action and Research Centre combines practical experimentation with rigorous research to achieve these goals.

About Etsy

Etsy is an online marketplace for handmade goods and vintage items. Founded in New York City in 2005, it allows people around the world to buy and sell unique goods directly from each other – anything from food to furniture. In 2013, Etsy sellers sold more than $1.3bn worth of goods and 14 million new members joined the marketplace, making their global community 36 million strong.

Etsy offers a meaningful and personal shopping experience to consumers and gives independent, creative businesses around the world the tools to be successful. Their mission is to reimagine commerce in ways that build a more fulfilling and lasting world.
Acknowledgements

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Photographs taken by: Toby Coulson (pp.24 and 37), Neil Harrison (p.19), Jennifer Clare (p.33) and Jon Parker Lee (p.29).
Executive summary

The UK’s microbusiness community is expanding rapidly. Since the turn of the century there has been a 40 percent increase in the number of firms with fewer than 10 employees, and a growth of over 600,000 since the economic downturn began in 2008. Yet one of the most interesting trends lies behind the headline figures – namely the growth in part-time self-employment. The number of people working for themselves for less than 30 hours a week has grown by almost 65 percent since 2000, compared with a 20 percent growth in the number of full-time self-employed. Many of these are running hobby-like ‘ventures’ on just a few hours a week. According to one survey, around 20 percent of adults in the UK use their spare time to earn extra income from a hobby.¹

While the exact reasons behind the growth in part-time self-employment are unclear, it is likely that the emergence of new ecommerce marketplaces has played some role. The likes of eBay and Amazon remain the most well-known platforms, but in recent years a large number of new marketplaces have come to the fore – most notably ones enabling people to buy and sell handmade and vintage items. The existence of these platforms is partly owed to the advent of Web 2.0 technologies, which have enabled people not only to consume broadcast content on the Internet, but also to create it as active participants. Another reason for the proliferation of online craft marketplaces is the growing popularity of making, selling and buying handmade goods. This has been fuelled in part by a new breed of makers and in part by consumer desires for more authentic products.

Despite the growth of online craft marketplaces, however, there is still much that we do not know about the people using them and the impact they have had on people’s lives. In a bid to plug this gap, the RSA chose to conduct an in-depth study of people selling on Etsy, one the largest ecommerce marketplaces for handmade items and vintage goods. In the space of a few years the platform has grown to amass a global membership of over 36 million users, with one million shops worldwide – the majority of which are run on a part-time basis. As well as helping us to better understand the impact of online craft marketplaces, by examining the motivations and behaviours of Etsy sellers we also sought to reveal something about how the nature of business more broadly might change in the coming years. For instance, what peer-to-peer platforms might mean for people’s ability to start a business, and how social media could change the relationship between consumer and producer.

Our research – based on an original survey and semi-structured interviews – shows that people using online craft marketplaces appear to differ from business owners in the conventional sense. While the average self-employed person is male, middle-aged and relatively asset-rich, the typical person selling on Etsy is female, young and without significant amounts of capital to their name. While some are full-time

¹. RBS Group (2013) RBS Enterprise Tracker, in association with Unltd.
on the website, half spend less than 10 hours a week on their shop. Indeed, more than a fifth have a full-time day job in addition to their Etsy venture, mirroring a wider trend in our economy of 9–5rs becoming ‘5–9rs’. This different business demographic is in part explained by the low cost of using the platform, which provides an ‘off-the-shelf’ business that requires little financial outlay in the first instance. 47 percent of sellers said they were able to rely on their own savings to get their business off the ground, while 40 percent required no funding whatsoever.

Moreover, one of the defining characteristics of platforms like Etsy is that they diminish the need for people to commit to a minimum level of business activity. The plug-and-play nature of online craft marketplaces where people are charged per item sold mean that sellers can spend as much or as little time on them as they wish. As such, these platforms may exemplify a more profound shift in our economy where it has never been easier to make the most of a worthwhile idea – thanks in large part to new technologies. Anyone with basic skills and a reliable Internet connection can access Wordpres to write blogs about their business, Twitter and Facebook to connect with customers, Google to find business support, Amazon and Alibaba to find supplies, and new platforms like Verb to set up a basic website. The effect of Etsy and other online marketplaces has therefore been to reveal entrepreneurial behaviours that were once hidden beneath the surface by minimum obligations. This may be one reason why 36 percent of those we surveyed said they would not have been able to start their business without platforms like Etsy.

As well as opening up new pathways into business, online craft marketplaces may also be demonstrating new ways of doing business, especially when it comes to the interactions between producers and consumers. Our research highlights that people selling on ecommerce platforms like Etsy are at the forefront of three shifts in particular – the first being around creating experiences for buyers. Whereas 10 or 15 years ago businesses were able to rely on price, quality and availability to set themselves apart from the crowd, today many must compete on their ability to make customers ‘feel’ something, in the words of business guru Nicholas Lovell. By talking with buyers via social media, offering custom-made services and creating goods with authenticity and a personal connection, Etsy sellers show how these changing consumer demands can be met while simultaneously retaining a business model that generates a profit.

Just as sellers on online craft marketplaces are demonstrating a new way of interacting with customers, so too are they revealing a different type of good that can be sold – namely highly niche product ranges. At the time of writing there are shops on Etsy specialising in everything from masquerade ball masks to antique key chains to 1950s poodle skirts. These outlets are able to thrive in part because of Etsy’s global reach, which means sellers can find a critical mass of buyers with highly specialised tastes. Finally there is the lean shift, part of which involves sellers making products ‘on demand’ as and when orders come in, as well as continually evolving product designs based on the real-time information they receive on page views and sales. It also entails shop owners making the most of their buyers’ loyalty by asking them to provide feedback, including tips for new product ranges. This is indicative of wider changes
in the world of commerce, where buyers are no longer being treated just as consumers to sell things to, but also as co-producers to make things with.

However, this still leaves the question of how online craft marketplaces impact upon the lives of those who use them. For the majority of sellers who work part-time on Etsy, their shops make a modest but meaningful contribution to their earnings. More than half have shops that add upwards of 5 percent to household income. Yet while the money people earn through platforms like Etsy is a welcome boost to their finances, it is clear from our conversations with shop owners that they derive equal if not greater satisfaction from the very act of selling. A number of the people we met spoke of a feeling of ‘validation’ whenever they sold an item, while others talked of how their shops gave them a sense of purpose that was absent in their day job. This speaks to a fundamental human trait: that the path to happiness and fulfilment comes from an active life rather than a passive one. It also helps to explain why many people choose to run part-time businesses when there may not always be a clear financial incentive.

None of this is to say that people do not face challenges when using online marketplaces. It can often take time for a shop to get noticed by customers, and the number of competitors listing similar items can be daunting for those new to the world of business. One way Etsy approaches this is by trying to create a trusting and open environment where sellers feel they can collaborate for mutual benefit. Ultimately sellers run shops that must compete with those of others for the attention of buyers. Yet many on Etsy appear to recognise that business is not a zero-sum game, and that by working together they can improve their offer and attract more buyers to the platform. 48 percent of sellers said they try to recommend the products of other sellers to their buyers, while 37 percent said that where possible they will source materials and supplies from other shops on the site. Moreover, many sellers connect with others for social reasons and to form genuine friendships, with 37 percent saying that emotional support from other sellers is important to them.

Taken together, this report shows that those using online craft marketplaces appear to differ from conventional business owners in many ways – not just in terms of who they are and where they come from, but also how they run their businesses and interact with customers and other shop owners. Yet while these behaviours may currently be more prevalent on online craft marketplaces, it is not difficult to imagine them becoming more commonplace beyond the arts and crafts sphere. Indeed, the tendency of sellers on Etsy to start up for creative reasons, offer customised and niche products, have deep interactions with customers and provide subtle peer support may be indicative of what is to come in the wider world of business. Moreover, the fact that many sellers say their shops are as much a source of therapy as income may have implications for what we consider the very purpose of running a business to be.

With this in mind, it is worth considering how the lessons learned from Etsy and related platforms might be used to inform our approach to delivering business support more generally – especially when it comes to recognising and helping the growing numbers of people running
hobby-like ventures. Below we lay out a number of recommendations for government and others seeking to support businesses in the UK (more detail can be found in the last chapter):

- **Recognise ventures in official measurements** – The government should update its measurement techniques so that people who run businesses on less than a few hours a week are recognised in official statistics, and the value they create quantified. Alongside improving survey techniques, this could mean creating a new statistical category of ‘venture’ to track and analyse the numbers running a business on less than 10 hours a week.

- **Create a new tier of business support for part-time business owners** – The government and the wider business support community should consider revising their support programmes so they take into account the needs of people running hobby-like ventures. In practice this could mean partnering with the Post Office to train up Subpostmasters in how to support part-time business owners, or working with StartUp Loans to establish a ‘micro-loan’ package alongside its typical credit programme.

- **Make business support part of the BBC’s public purpose** – The BBC should alter its charter so that it takes on responsibility to support people starting up in business, just as it has a remit to ‘promote education and learning’. Not only does the BBC have the resources to fund such long-term commitments, it is also widely trusted, has the benefit of longevity and is already used on a daily basis by business owners across the country. This would be particularly useful to those new to the world of business, who may be unsure of where to access conventional assistance.

- **Promote the importance of having a personal ‘brand’ from an early age** – Educators should help young people develop a personal brand that enables them to stand out from the crowd – something that will become increasingly important as experiences, entertainment and services become more central to our economy. As part of this we should promote the idea of having a ‘Creative Year’ after studies, where young people engage in activities like starting a business or organising a movement where they can express themselves in a meaningful way.

- **Tweak search engine algorithms to highlight smaller businesses** – At present search engines use algorithms that tend to favour larger businesses, with the result that competition is stifled and choices limited for customers. Search engine providers should consider tweaking their algorithms to highlight the products of smaller firms, if not permanently then temporarily for a short period every year, for example around Small Business Saturday.
• Deepen our knowledge of the therapeutic effects of selling – ESRC and academics with a remit to look at entrepreneurship or mental health should explore whether the act of selling delivers health and healing effects, as suggested by our research. The findings could help to inform the work of GPs treating patients with mental illness, or prisons looking for more effective ways of rehabilitating inmates.

Box 1: Key findings from our survey

Our survey of over 600 Etsy sellers based in the UK revealed that:

• The vast majority (91 percent) of sellers are female
• 20 percent of sellers report their Etsy business to be full-time, compared with 65 percent who are part-time
• 22 percent are employed in a full-time job on top of their Etsy business, 15 percent are in a part-time job and 15 percent are at home looking after dependents
• 40 percent of sellers required no funding to get their business started
• 42 percent said Etsy was the first place they had sold their goods, while 36 percent said they would not have been able to start were it not for a platform like Etsy
• Close to three quarters (71 percent) said providing customised products is an important part of their offer
• A third said buyers help by suggesting ideas for entirely new products, and 72 percent said they help by spreading word of their goods
• Nearly a third (31 percent) said they use their earnings to cover household expenses, and 26 percent to buy things they otherwise would not
• Close to half (48 percent) said they try to recommend the products of other sellers to their buyers, while 37 percent try to source materials and supplies from other shops
• 37 percent agreed that emotional support and friendship from other sellers is important to them
Introduction

The surge in part-time self-employment
The UK’s small business community is rapidly expanding. Since the turn of the century the number of microbusinesses, defined as firms with 0–9 employees, has grown by almost 40 percent.¹ Over the course of the recession alone the microbusiness population increased by 600,000. This phenomenon is mirrored in the self-employment figures, which show that the number of people working for themselves has expanded by close to a third since 2000. Indeed, self-employment accounts for 90 percent of all jobs growth over the past five years, with the result that one in seven of the workforce now answer to themselves.

Figure 1: Growth in full-time and part-time self-employment

While this boom is notable in itself, one of the more interesting trends hidden beneath the headline figures has been the proliferation of part-time self-employment. The number of people working for themselves for less than 30 hours a week has grown by almost 65 percent since 2000, compared with a 20 percent increase in the number of full-time self-employed (see Figure 1). Part-timers account for close to half the rise in self-employment since the turn of the century, and over 60 percent of that took place following the economic crash in 2008. Nor does this trend

¹. Unless otherwise stated, the figures on self-employment and microbusinesses are taken from Dellot, B. (2014) Salvation in a Start-Up. London: RSA.
show any sign of abating. Since the start of 2014 alone the number of people working for themselves part-time grew by 10 percent – the equivalent of an extra 100,000 people.3

More interesting still is the fact that many of these newly self-employed will be running their part-time business on top of a full time job. Analysis of the government’s Labour Force Survey data shows that the number of people running their own business in addition to being a conventional employee has increased by around a third since 2000. While some of these will consider their part-time business to be a fully-fledged venture, many others will treat it as a pastime that earns them additional income. Recent polling by RBS and Populus, for instance, found that one in five adults use their spare time to earn extra money from a hobby.4

**The emergence of online craft marketplaces**

While there are many drivers of part-time self-employment, one important factor behind the latest boom is the emergence of ecommerce marketplaces, which have enabled more people to turn hobbies into moneymaking ventures. Ebay was one of the first such platforms to be formed during the dot-com period, and has since become a multi-billion dollar business with a brand that is known throughout the world. Yet tens if not hundreds of other ecommerce marketplaces have emerged in recent years, including ones that help people sell items they have made themselves, rather than simply auction what they own. Some of the best examples are Etsy, Folksy, Not On The High Street and DaWanda, all of which provide a platform for craft makers to sell a variety of handmade goods to customers around the world – from vintage clothing to custom-made furniture to illustrations and artwork.

Each of these craft marketplaces forms part of the growing peer-to-peer economy, where people share, exchange and trade goods that once lay latent. Through new online platforms it is now relatively simple to rent out driveways (JustPark), lease spare rooms (Airbnb), share garden tools (Streetbank), lend money to others (Zopa) and make money from unused time and talents (PeoplePerHour). While there are important distinctions between the platforms that enable people to share things and those that involve payments, the common feature that binds them together is their ability to put spare assets to use by connecting those who want with those who have – and online craft marketplaces are no different. One estimate puts the value of the consumer peer-to-peer rental market at $26bn worldwide – a figure that is set to rise in the coming years.5

The arrival of these new platforms is in large part owed to the development of ‘Web 2.0’ functions, which have invited everyday users not only to passively consume broadcast content on the internet but also to create it as active participants. The first beneficiaries of the internet were arguably more established firms, many of which saw their costs shrink as the need for bricks and mortar premises and conventional marketing spending

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However, with the advent of Web 2.0 platforms these same entrepreneurial opportunities have been opened up to the masses. In creating ecommerce platforms with low barriers to entry, Etsy, Folksy and DaWanda may have done for craft makers what Elance has done for freelancers, and what sites like Ebay have done for small retailers. Namely, to help more people enter the world of business who might otherwise not have.

**A movement of makers**

Yet there is another major factor that lies behind the growth of online craft marketplaces. While the aforementioned platforms owe much of their functionality to developments in Web 2.0, they would not be where they are today without the increasing numbers of people who want to make, sell and buy handmade goods. In the last decade the UK has witnessed a resurgence in the arts and crafts movement, fuelled in part by a new breed of makers and in part by consumer desires for more authentic products. According to Google, searches for terms such as “handmade craft ideas” grew by 70 percent in 2012 alone, while new shows like The Great British Bake Off and The Great British Sewing Bee are testament to people’s heightened interest in all things homemade. The Crafts Council estimates that makers now turn over £457m annually and add £220m to the economy in terms of Gross Value Added (GVA). 7

Not only is making becoming more popular, it is also becoming more feasible as new technologies come to the fore – in particular additive and digital fabrication tools such as laser cutters and 3D printers. While these machines are still in their early stages of development, many commentators predict they will eventually become part of everyday life, not just for large manufacturers but for households up and down the country. 8 The research firm Gartner estimates that global shipments of 3D printers increased by nearly 50 percent in 2013, and predicts a further rise of 75 percent this year. 9 Moreover, while 3D printers were once only ever able to make prototypes of goods, today around 20 percent of printer output comes in the form of a final product, and this figure is expected to rise to 50 percent by 2020. 10

The growing enthusiasm for making as a personal hobby, combined with technological developments that have reduced the need for scale in production, may be one explanation for the growth in the number of ‘one-person makers’. The graph below shows that the population of manufacturing firms with zero employees (ie just the owner) has increased by over 35 percent over the past three years. 11 In contrast, the population of manufacturing businesses under all the other firm sizes has fallen. In the past these micro makers would have typically turned to market stalls or shops to sell their wares, but platforms like Etsy and Folksy have

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opened up the possibility to reach new customers online. Indeed, the Crafts Council calculate that the percentage of craft makers selling over the internet has more than doubled since 2004.  

**Figure 2: Manufacturing growth by firm size**

![Graph showing manufacturing growth by firm size](image)

Source: Business Population Estimates 2010 - 2013

**Examining the Etsy community**

Whatever the reasons for their popularity, online craft marketplaces look set to continue growing apace well into the future. In the period of less than a few years some have already expanded into global communities of millions, and many are well on the way to becoming household names. However, beyond the basic facts and figures there is still much that we do not know about the impact these platforms have on the lives of those who use them. What types of people sell on craft marketplaces and what do they make? How do their businesses sit alongside their other commitments? What does selling on these platforms mean for their financial situation and personal wellbeing? And how do users interact with one another, as well as with their buyers?

In a bid to answer these questions the RSA chose to conduct a study of people selling items on Etsy, the vast majority of whom are running what might be termed a ‘venture’ on just a few hours a week. Beginning in 2005, Etsy has since grown into a global crafts community of 36 million buyers and sellers, with a million shops worldwide. Last year more than $1.3bn worth of goods were bought and sold on the site. Our research – part of a wider project called the Power of Small looking at the rise of self-employment – involved a survey of over 600 shop owners, as well as semi-structured interviews with 15 Etsy sellers (see Box 3 for more detail).

One of the main purposes of this research was to explore how online craft marketplaces create social and economic value for their users.

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However, it has also been to understand what the advent of these platforms might signal about how the nature of business more broadly might change in the coming years. For instance, what it suggests about the type of people that will enter the world of business, how business owners will interact with their customers, how they will use social media to their advantage, and where business owners will access support. As this report shows, Etsy and similar ecommerce platforms may be a harbinger of what is to come in the future of business and work.

We begin the next chapter by examining the types of people that use Etsy, and how these differ from the wider self-employed community.

Box 2: The Power of Small

The Power of Small is a project exploring the boom in microbusinesses and self-employment seen in recent years. Through a combination of original surveys, data mining and desk research, our aim is to better understand the reasons why so many people are starting up in business, and what this growing community might mean for the economy and society as a whole. Our first report, Salvation in a Start-up, argued that while self-employment can often leave people financially worse-off, people who work for themselves tend to be happier and more satisfied in their working lives. Future phases of the project will consider the broader macroeconomic implications of a growing number of microbusinesses, such as what it means for jobs growth, innovation and productivity.

Box 3: Methodology

Our analysis of the Etsy community was based on a combination of qualitative and quantitative research, including a survey and several semi-structured interviews with sellers. To undertake the survey the RSA first worked with Etsy to collect a random sample of 10,000 sellers based in the UK. 643 of these completed our survey, and the answers they provided were subsequently weighted based on the number of sales made (top sellers are more likely to respond to questionnaires than bottom sellers). The survey asked respondents about their motivations for starting up on Etsy, what it means to their financial situation and personal wellbeing, how they interact with their customers, and the extent to which they support other shop owners. Part of the survey also included several ‘network questions’, which asked respondents to specifically name other sellers they had a relationship with and how they interacted with them.

To complement and add texture to the survey findings, we also conducted semi-structured interviews with 15 sellers. These were chosen in such a way as to ensure we heard the views of individuals from a range of backgrounds, differing in terms of the products they sold, where they came from and the number of items they had listed. While the survey helped us to shed light on ‘known unknowns’, the interviews were important in enabling us to identify issues that we had previously been unaware of – the ‘unknown unknowns’. Alongside this we undertook desk research looking at topics relating to the growth of Etsy, for instance the emergence of the maker movement, the popularity of niche products, the health and healing effects of craft, and the barriers preventing women in particular from starting up in business. Finally, we drew upon previous RSA research into small businesses and self-employment. This includes the work already undertaken for the Power of Small project (see Box 2).
Disrupting stereotypes

“Entrepreneurship is not the particular feature of a special group or class of men; it is inherent in every action and burdenns every actor.”
Ludwig von Mises

Going against the grain

Type the term ‘entrepreneur’ or ‘business owner’ into an image search engine and you are likely to be presented with a number of cliché pictures, predominantly of middle-aged males sitting behind an office desk. While these images may seem like exaggerations, they are closer to the reality than might be expected. Government figures show that the average self-employed person by some margin is between the ages of 45–54, and that the number of men working for themselves is twice that of women.13

Online craft communities appear to run counter to the broader business demographic in a number of ways, with users that come from unconventional backgrounds. One of the most striking findings from our survey of Etsy sellers is that over 90 percent of shop owners are women. While it is well known that women dominate the craft community, this figure still far exceeds the Crafts Council estimate that two-thirds of maker businesses are female-led.14 That an online platform might help to bridge the gender divide in business could be significant. As findings from the Global Entrepreneurship Monitor show, women are half as likely as men to say they will start a venture in the next three years.15 Other polling finds that women score themselves lower than men on several measures of entrepreneurial attitudes, including their fear of failure, perceived abilities and knowledge of support.16

As well as directly benefiting the women who use online craft marketplaces, these platforms may also help to change the broader image of business away from one that is heavily masculine. At present many women are expected to fit the mould of a male business owner, for instance by adopting a certain attitude, dress sense or language. Moreover, when women are successful they are often hailed as ‘exceptional’, which counter productively positions business as beyond their reach.17 One study of news articles and media coverage, for instance, found that women’s roles as housewives and mothers were continual referral points.18 By show-

casing the true stories of thousands of women business owners, platforms like Etsy may go some way towards changing this narrative.

Alongside women, online craft marketplaces also appear to resonate with a younger demographic. As the graph above shows, the average Etsy seller is between the ages of 35–44, and over a third are younger than this. In contrast, the wider self-employed community is notably older, with a larger number who are over 55 years old. The significance is that platforms like Etsy may be enabling and encouraging more young people to enter the world of business. Likewise, these platforms may also be opening up opportunities for people in lower income brackets, an important development since business entry is often tied to home ownership and
Our survey indicates that Etsy sellers can be found all along the income spectrum, with around a third having household incomes that are less than the £23,000 UK median average.

The three tribes
Each person selling through an online marketplace will have his or her own unique motivations, ambitions and business styles. However, based on our survey and conversations with shop owners using Etsy, their community appears to be home to three main tribes – Visionaries, Independents and Dabblers. These are three of the six types of business owners identified by the RSA in a recent typology exercise, and all appear to be in ascendance in the wider self-employed population. Visionaries are growth-oriented business owners who are led by a passion to change their industry through their own product innovations. They are keen to grow as rapidly as possible, and are willing to take on staff and work long hours to do so.

Independents are defined as freedom-loving, internet-dependent business owners who are driven by the desire to leave their creative mark on the world. They care deeply about the products they make, and value the flexibility of working for themselves. While keen to grow their business, unlike some of the other tribes they are unwilling to take on staff to do so. Indeed, this is a defining characteristic of many Etsy sellers, less than 15 percent of whom plan to hire any help in the coming years. The very nature of making handmade goods means that they require a level of authorship that does not lend itself to teamwork. Many of our interviewees, for instance, spoke of being perfectionists who need to be involved in every aspect of the making process. This is likely to be true of those selling on other online marketplaces.

Yet the vast majority of people selling on Etsy appear to have more in common with the Dabbler tribe. These are part-time business owners who start up a small venture to earn additional income or make better use of their spare time. While 20 percent of sellers say they work on their shop full-time, 65 percent report being part-time on the website. More than half of sellers spend just one to 10 hours a week on their shop. Many of these part-timers will have another form of work in addition to their Etsy business, such as the jeweller we met who is also a factory worker in his day job, or the photographer who works full-time as a teacher. Our survey found that 22 percent of sellers work in a full-time job, 15 percent in a part-time job, and 15 percent at home looking after dependents such as children. Others still are students, or run another business on the side.

As noted in the introductory chapter, these numbers mirror a wider trend in the UK economy of 9–5rs becoming ‘5–9rs’. Analysis of the Labour Force Survey shows that the number of people working for themselves in addition to being a conventional employee has increased by

20. This figure is derived from the government’s Households Below Average Income (HBAI) report.
21. The segmentation was formed using a statistical method called Latent Class (LC) Analysis. More information about each of the tribes can be found in Dellot, B. (2014) Op cit.
31 percent since 2000 – and many believe this figure is underestimated.\textsuperscript{22} Recent polling by Aviva found that nearly half (44 percent) of part-time business owners are running their firm to supplement existing income from a full-time job, many of which will be based on hobbies from photography to painting to sewing.\textsuperscript{23} Seen in this way, the predominance of part-timers on Etsy and other platforms may exemplify a much bigger phenomenon occurring in our economy.

\begin{figure}
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\includegraphics[width=\textwidth]{six_tribes.png}
\caption{The six tribes of self-employment}
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\begin{tabular}{|l|}
\hline
\textbf{Visionaries}  \\
Optimistic, growth-oriented business owners who are usually driven by a mission and a sense of purpose. They are more likely to be younger and male, and to employ many employees.  \\
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\hline
\textbf{Classicals}  \\
Generally older, these embody the popular image of the entrepreneur. They are largely driven by the pursuit of profit, and think the business is the be all and end all.  \\
\hline
\hline
\textbf{Independents}  \\
Freedom-loving, internet-dependent business owners who are driven by the opportunity to vent their creative talents. They are typically younger and left-leaning.  \\
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\hline
\textbf{Locals}  \\
Relaxed and generally free from stress, these operate low-tech businesses which serve only their local community. They earn a modest income and many are close to retirement.  \\
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\hline
\textbf{Survivors}  \\
Reluctant but hard-working individuals who are struggling to make ends meet, in part due to the competitive markets they operate in. They earn less from their business, and are more likely to be younger.  \\
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\hline
\textbf{Dabblers}  \\
Usually part-timers, their business is more of a hobby than a necessity. A large number are retirees seeking to do something interesting in their spare time.  \\
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\textsuperscript{*Percentages refer to the proportion of the self-employed community who fall into these tribes}

\section*{A creative outlet}

One of the main reasons people join online craft marketplaces is to boost their income, particularly those who spend just a few hours a week on their shops. Our survey found that over a third (34 percent) of Etsy sellers said the desire to supplement their income from elsewhere was a deciding factor in starting their business. Young people may use such platforms to generate income during their studies, while older users may create shops to top up their pensions. Etsy is perhaps most important for those heavily affected by the sharp contraction in living standards, where wages have been unable to keep pace with inflation. According to the Institute for Fiscal Studies, between 2008 and 2013 real wages fell by more than in any other five-year period, and household income is still below its pre-crisis levels.\textsuperscript{24}

\begin{footnotesize}
\bibitem{ibid}
Ibid.

\bibitem{aviva}

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Institute for Fiscal Studies (2013) Workers keep their jobs but one third faced nominal wage freezes or cuts. London: IFS.
\end{footnotesize}
Yet money is clearly only one part of the explanation as to why people choose to sell items on craft websites. More appealing than this appears to be the opportunity to be creative and make the most of a good idea – something that nearly 80 percent of Etsy sellers said was a major driver in signing up. During our interviews we came across many people who saw Etsy as a place to vent creative talents that they were unable to make use of in their day job. On top of this, close to half (46 percent) of sellers said they are simply looking for something more interesting to do in their spare time, with making and selling handmade goods often being the ideal pastime. Later in the report we will flesh out in more detail the impact Etsy has had on the finances and well-being of those who use it.

The key message of this chapter is that people using online craft marketplaces are unlike business owners in the conventional sense. Whereas the average self-employed person is male, middle-aged and relatively asset-rich, the average Etsy seller is female, young and without significant amounts of capital to their name. Moreover, Etsy sellers demonstrate that it is viable to run a business on a part-time basis, with just a few hours committed each week. In the next chapter we will explore how platforms like Etsy enable more people to start up and grow a business, including their effect in lowering start-up costs and giving people access to ready made markets with global audiences.

Box 4: Judith Kimber, Judith Kimber Photography

Like many sellers, Judith began her journey on Etsy as a buyer. It was only after her 60th or 70th purchase that she decided to start her own photography shop, making money from a hobby that she had been pursuing for many years. Judith runs this business on top of a day-job as a music teacher at a school in Belfast – a double act she said she couldn’t do were it not for the low costs of using Etsy. One of the by-products of selling on the platform is that the competition has pushed her to become more technically proficient as a photographer. Access to support groups such as the Female Photographers of Etsy has also been invaluable, particularly in the early stages of the business. Judith says her ambition over the coming months is to triple the number of items listed in her shop.
Stepping stones and springboards

Reducing the risk and cost of doing business
Part of the reason Etsy is populated by a different type of business owner is down to the cost of using the platform. It is free to set up an account, list products and find buyers, and the only time Etsy will charge the seller is when they take a small stipend from the price of items sold. There is also relatively little time and effort required to set up a shop in the first instance, with a basic design template and payment system virtually ready to go. Our survey found that 47 percent of sellers were able to rely on their own savings to get their Etsy shop up and running, while 40 percent did not require any start-up capital at all. The same is true of many other craft websites, most of which pride themselves on the fact that minimal resources and technical skills are necessary when setting up a shop.

In contrast, renting out physical premises would require a notable financial outlay, and even a pop-up market stall would cost somewhere in the region of £100 to £150 a day to man. A particularly strong draw for many people using peer to peer platforms is that they provide an alternative to having their own website, which would require initial expense but also subsequent time and effort to continue modernising. 67 percent of those we surveyed said that not having to create their own website was an extremely or very important factor in choosing the platform as a place to sell their goods. Indeed, research by Lloyds and Go On UK found that website design and maintenance were two areas where small businesses needed the greatest advice and help.25 Other research by the Crafts Council suggests that only 30 percent of craft businesses sell through a website, despite this being the most important area of sales growth.26

As well as reducing costs for existing business owners, this ‘off-the-shelf’ model enables would-be entrepreneurs to dip their toe in the water without the financial risk associated with running a bricks and mortar outfit. As one of our interviewees put it, “you just give it a go and see how you get on.” One of the sellers we spoke with recalled that he started with a shop selling bookmarks, but faced with limited sales decided to switch and make jewellery instead – with little money wasted bar a few materials and tools. By de-risking the act of starting up in business, platforms like Etsy appear to have removed not just a financial hurdle but also a mental one – particularly for groups less confident about their own abilities. The

latest results from the RBS/Populus Enterprise Tracker found that 44 percent of 18–30 year olds believe starting a business is too risky, compared with 34 percent of the wider population.\(^\text{27}\)

**Minimum efficient scale**

Another defining feature of platforms like Etsy is that they diminish the need for business owners to commit to a minimum level of business activity. The nature of ecommerce platforms mean sellers can spend as much or as little time on their shops as they can spare. This is in large part because they operate on a ‘plug and play’ model where the user is charged per item sold, just as Google charges per advert clicked and Skype charges per call made. This stands in contrast to the traditional rental business model, which sees owners pay a fixed fee on premises and utilities – a cost that requires them to reach a given number of sales in order to cover it. The requirement to sell a certain amount of items on a platform like Etsy is only there is the sense of maintaining brand awareness and a relationship with buyers.

Without the removal of this minimum efficient scale, many of our Etsy sellers said they would not have been able to start their business – particularly those with a full-time job or who make custom made items that do not lend themselves to physical premises. As such, craft marketplaces may be revealing entrepreneurial behaviours that were previously held beneath the surface by the minimum costs, scale and time once required to run a business. This may explain why 36 percent of those we surveyed said they would not have been able to start their business without platforms like Etsy, and why another 50 percent said they could have done but that their venture would have been less successful. Indeed, 42 percent said Etsy was the very first place they had sold their items.

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**Figure 6: Which of the following best describes how important platforms such as Etsy are to your business?**

<table>
<thead>
<tr>
<th>Description</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would NOT have been able to start and run my business were it not for platforms such as Etsy</td>
<td>60</td>
</tr>
<tr>
<td>I would have been able to start and run my business without platforms such as Etsy, BUT it would have been more costly and less successful</td>
<td>40</td>
</tr>
<tr>
<td>I would have been able to start and run my business without platforms such as Etsy, and it would have been just as successful</td>
<td>10</td>
</tr>
</tbody>
</table>

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Yet craft marketplaces are not alone of course in bringing down the costs of doing business. Rather they exemplify a more profound shift in our economy where it has never been easier to make the most of a worthwhile idea – thanks in large part to new technologies. Anyone with basic skills and a reliable Internet connection can access Wordpress to write blogs about their business, Twitter and Facebook to connect with customers, Google to find business support, Amazon and Alibaba to find cheap supplies, and new platforms like Verb to set up basic a website. This is to say nothing of peer-to-peer platforms, which have nearly all the infrastructure a person needs to get started in one place. As the CEO of Airbnb put it recently, “we’re living in a world where people can become businesses in 60 seconds”. 28

A springboard to growth

Alongside providing a stepping stone into business, platforms like Etsy also appear to offer people a springboard to growth. As other RSA research has shown, the real challenge facing many fledgling business owners is not start-up but scale-up – namely the basic but profoundly important matter of finding people willing to buy what you sell. 29 Just as with Ebay and Elance, Etsy and other craft marketplaces help to address this issue by connecting sellers to an audience of millions of potential customers, tapping them into markets they may not have reached on their own. One of our interviewees making clutch handbags, for example, recalled her surprise at the large number of orders she received from people looking for wedding items, a market she had not previously been aware of.

As well as finding new customers at home, online craft marketplaces also play a role in connecting shop owners with buyers from abroad – whether that is the US, Australia or non-English speaking countries such as Germany and Poland where the Etsy platform in particular proves popular. Most of the Etsy sellers we interviewed export items abroad, and a handful have more sales overseas than they do in the UK. Yet this is rarely a conscious decision, with many viewing themselves as ‘accidental’ exporters. As one seller told us, “there’s no difference to me sending a bag to Bristol or sending a bag to New York”. Regardless of whether their behaviour is deliberate, the fact that sellers are exporting at all is a positive step for the craft sector, and bucks the emphasis on domestic sales in the broader business community. The Crafts Council calculates that only 30 percent of craft makers sell items abroad, 30 while government surveys estimate that barely a fifth of small businesses engage in exporting. 31

Taken together, it is unsurprising that many sellers expect their business to grow in the future. More than 75 percent think it is likely they will substantially increase the sales of their goods in the next three to five years, with some planning to start new shops or manufacture items outside of their home. However their aspirations are not just for quantitative

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growth but also for qualitative improvements, with around half of shop owners planning to substantially improve the quality of the goods they sell. This may be the result of operating in a highly competitive marketplace where the need to differentiate one’s products is a constant pressure. On top of this, a large proportion of sellers plan to expand their business beyond the realms of Etsy. While many conventional businesses are busy making the move from ‘bricks’ to ‘clicks’, nearly half of Etsy sellers are planning to do the opposite by finding physical shops in which to stock their products.

**Figure 7: How likely is it that you would do the following over the next 3–5 years? (Highly and somewhat likely)**

![Bar chart showing likelihood of various actions over the next 3–5 years]?

To summarise, online marketplaces like Etsy appear to offer both a stepping-stone into business as well as a springboard to becoming a more ‘serious’ venture. People can start a business with just a handful of items on sale, but with access to a global audience of customers some may find their shop expanding rapidly with limited planning involved. As one Etsy seller put it, “it really has happened by accident and grown into a monster; but a good monster at that.” Indeed, the case of Etsy and similar websites suggests that the rapid expansion in part-time self-employment in the wider economy may be partly explained by the growth of internet platforms, which have opened up business to those with limited resources, time and inclination for risk-taking. As these platforms grow and become more sophisticated, it may be that part-time businesses become even more commonplace – particularly those relating to the sharing economy.

In the next chapter we will look at the other side of the equation and consider why platforms like Etsy have proven popular with customers, as well as what the buyer-seller dynamic seen on the platform might tell us about where the future of business more generally is heading.
Box 5: Michael Sapoval

Michael Sapoval describes selling on Etsy as his first foray into the world of business. He began tentatively by listing a small number of the antique prints he makes, and after these sold quickly decided to commit more seriously to developing his shop. Due to the success of his business, Michael has over the course of the last few years been able to reduce the number of hours he spends in his daytime factory job, which pays less per hour than he earns through Etsy. Michael has even considered returning to his home country of Lithuania, where the income from his shop would amount to a relatively good wage. Despite working long hours on his Etsy business, he says it rarely makes him feel tired because he “feels more in the present”. Yet he says the best thing about selling on Etsy is that it gives him a sense of progress in life.
A trailblazer for three shifts

“The ideas that animate the emerging economy are about service; empathy and emotional intelligence; consumer voice; and providing things with people rather than only to and for them.”

Geoff Mulgan

The experience shift

As well as opening up new pathways into business, online craft marketplaces may also be demonstrating new ways of doing business, particularly when it comes to the interactions had between buyers and sellers. One of the defining features of platforms like Etsy is that they give customers a different kind of experience – one that is founded on authenticity, meaning and transparency. Buyers are able to purchase items designed with care, made by hand, and that are often unique. Through the shop pages on Etsy, for example, customers also have the opportunity to find out about sellers, including what they look like, where they come from, and what their backstory is. As one of our interviewees put it, “When you’re selling something handmade, you’re not just selling a commodity. You’re selling a little bit of yourself, your story.”

However, the relationship is not always a static one where sellers just broadcast details of themselves and their products to buyers. Many of those running shops on Etsy engage in two-way conversations with their patrons, who enquire about everything from the materials that products are made from, to whether or not a certain item will be in stock soon. One seller making jewellery spoke of sending photos of his items to buyers as they were being made, while another said she drops handwritten letters of thanks into every parcel she sends out. 73 percent of sellers said that interacting with buyers in this way – usually via Etsy but increasingly through social media sites such as Twitter and Facebook – is a useful way for them to increase their sales.

Indeed, several studies have shown that people derive greater value from, and are therefore willing to pay more for, experiences than just products on their own. In a survey undertaken by researchers at Colorado and Cornell Universities, when asked about their spending habits respondents overwhelmingly reported that experiential purchases made
them happier than basic material purchases. Yet not everyone is evangelical about businesses who engage with customers in this way. The feminist Arlie Hochschild, for instance, has expressed concern about what she describes as the “commercialisation of intimacy”. However, as Geoff Mulgan and others have argued, intense relationships between buyers and sellers are only filling the gap that is the desire for social connectedness, rather than corrupting something that already exists.

Notwithstanding these viewpoints, it is clear that the ability to heighten the experiences of consumers will be become a critical weapon for many firms in the years ahead, at least those in B2C markets. At present the kinds of buyer-seller relationships seen on online craft marketplaces are a rare occurrence in the wider economy, hence why Etsy CEO Chad Dickerson describes the platform as “a personal shopping experience in a sea of impersonal retail.” Yet the tide is slowly beginning to turn, in part because many of the everyday material needs of consumers have been satiated. In his latest book The Curve Nicholas Lovell argues that in a world where affordability, availability and quality is almost guaranteed, the only way for businesses to set themselves apart from the crowd is to make people feel something. Moreover, the fact that providing experiences can often be done with limited resources means that a different type of business owner can participate, which may be another factor behind the growth in part-time self-employment.

### Figure 8: To what extent do you agree or disagree with the following statements regarding your interactions with buyers on Etsy?

![Figure 8: Bar chart showing the extent of agreement with various statements about interactions with buyers on Etsy.](chart.png)

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34. Ibid.


The niche shift

Just as sellers on ecommerce platforms are demonstrating a new way of interacting with customers, so too are they revealing a different type of good that can be sold – namely highly niche product ranges. At the time of writing there are shops on Etsy specialising in everything from masquerade ball masks to antique key chains to 1950s poodle skirts. There is even a shop dedicated to selling designs inspired by Game of Thrones. These outlets are able to thrive in part because of the global reach of Etsy, which means that sellers can find a critical mass of buyers with a very specific taste in their products. This is a good example of how Internet platforms can enable businesses to harvest what technology expert Chris Anderson calls ‘diffused demand’. Moreover, one of the effects of having so many niche players on ecommerce platforms may be to push sellers to become even more specialised, so as to differentiate themselves from the crowd.

Specialisation also happens at the level of the individual buyer, with sellers on platforms like Etsy often creating bespoke goods for their customers. This ranges from the seller we spoke with who makes tailor-made baby quilts with dates of births and names stitched into the fabric, all the way through to the shop owner we met who designs custom-made furniture made out of used industrial materials. 71 percent of those we surveyed agreed that providing bespoke products is an important part of their offer in attracting customers, many of whom are willing to pay extra for something that is unique to them. In one study by Dan Ariely and Michael Norton, people were consistently found to be willing to pay more for items they had a hand in creating – something the researchers call the ‘IKEA effect’.

Just as before with their attention to experiences, the tendency of Etsy sellers to cater to niche tastes is indicative of a growing trend in the wider economy. The economist Eric Beinhocker estimates that we now have access to around 12bn different products, with Amazon alone offering 1.32bn types of item on its UK website. Chris Anderson argues that this ‘long tail’ of niche goods has been made possible partly due to technological developments in production, but also advances in distribution. This is particularly true of digital products, which can be streamed from their source rather than stored in boxes on shelves. The end result is that consumer desires once held back by the ‘tyranny of the physical’ are finally being satisfied – whether in music, film or literature. One study by Erik Brynjolfsson and colleagues at MIT, for example, found that 30–40 percent of Amazon book sales were of titles that were not usually available in a bricks and mortar store.

The lean shift

The third defining feature of those selling on online craft marketplaces is their adherence to a lean business model. Advocated by Eric Ries and other entrepreneurship experts, this approach to business involves testing products at the earliest opportunity, and subsequently improving them through rapid iterations based on continuous customer feedback. This method of trial and error stands in contrast to the typical route to start-up, which sees business owners attempt to perfect their offer before taking it to market, often with an elaborate business plan. The fundamental distinction between the two approaches is that the latter is geared towards executing a proven business model, while the former is dedicated to identifying a feasible one.

As explained in the last chapter, the nature of Etsy and similar platforms means that sellers are able to list items with little financial outlay, allowing them to upload basic iterations of their goods and to gauge buyer reactions without financial risk. Given that sellers are able to access information about their shops in real-time, including sales and shop views, they can experiment with different items, photos or ways of describing their goods and see the immediate effect on buyer behaviour. As with other businesses following the lean start up approach, many of those using ecommerce platforms will invite their customers to give them feedback, including tips for new product ranges. For example, one of our interviewees making accessories for weddings said that one of her customers contacted her to suggest making a line of goods for same sex couples. A third of Etsy sellers in our survey said that buyers help by suggesting improvements for entirely new products.

Another way that shop owners adhere to a lean approach is by sticking to a ‘just in time’ model of production. This involves keeping costs and waste to a minimum by only making products as and when orders are received from customers. 45 percent of Etsy sellers said they produce their items on-demand in this way. They are able to do this in part because they run an online shop that requires only images to tempt customers, rather than a suite of products to line physical shelves. This approach is increasingly important for other businesses in the wider economy as the churn in consumer tastes becomes greater, and turnaround times are squeezed. Nowhere is this more apparent than in the fashion industry, where a chain like Zara produces up to 40,000 designs each year. The nimble nature of microbusinesses in particular means they are well placed to weather these consumer forces. A survey undertaken by Vodafone found that half of small businesses see their ability to be agile in tailoring services to clients as crucial in competing with larger firms.

This chapter has shown that the emergence of ecommerce platforms like Etsy is not only a story about a changing type of business owner, it is also a tale of a different kind of consumer emerging. Each of the three shifts described above are founded on a closer relationship between the

A trailblazer for three shifts

buyer and seller, where none has excessive power over the other. Crucially, the buyer is not treated just as a consumer to sell things to, but rather as a co-producer to make things with. This more inclusive relationship leads to what the RSA has called ‘self-generated value’ – with both sides having something to gain.46 Buyers benefit from a better quality product that is more meaningful to them, while sellers profit from repeat and loyal customers who support their shop. Indeed, 72 percent of Etsy shop owners said that buyers help by spreading word of their goods. Other ecommerce platforms have even established features where buyers can donate or make loans to shops.

So far this report has looked at the practical features of craft marketplaces like Etsy, for instance how these platforms enable different types of people to enter the world of business, and how they are interacting with customers in new ways. In the next chapter we will examine the personal implications of selling online, including what it means for people’s financial situation and mental wellbeing.

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Box 6: Carla Muncaster, Inspirit

Carla Muncaster runs a shop on Etsy selling bespoke furniture using old industrial components. An interior designer by trade, Carla decided to sell on Etsy after realising that the type of custom-made dressing table she made for a client might prove popular on the website. Since joining the platform in 2011 her business has expanded into international markets, with approximately 20 percent of her sales coming from abroad – something she says that is partly due to the exposure Etsy has given her. Carla now has a workshop in the East of Manchester, with four freelancers working part-time to support her. Having built a solid customer base online, her next ambition is to try and find a major retailer willing to stock their products and use their designs. Carla also plans to concentrate on making her range of goods more specialist, with a better USP.
“The hand is the window on to the mind.”

Immanuel Kant

Boosting the bottom line

In the rush to make sense of why people sell on Etsy and similar platforms, it is easy to overlook the one force that drives nearly every business owner: the pursuit of profit. For the majority of sellers who work part-time on Etsy, their shops appear to make a modest but meaningful contribution to their earnings. Around half have shops that add upwards of 5 percent to family income. Unsurprisingly, sellers spending more than 30 hours a week on their business contribute more to their household finances, with around a fifth adding more than 40 percent to the family bottom line.

In terms of how that money is spent, the vast majority (85 percent) of sellers said they put their profits back into the business. However, 31 percent reported using their earnings to cover household expenses and 26 percent to buy things they otherwise could not. For part-timers at least, it may therefore be that the extra income people earn through Etsy is used to plug gaps in household finances that have emerged as a combined result of declining wages and higher utility bills elsewhere.

A financial boost of this kind is particularly important for those who cannot find conventional employment for whatever reason, whether that is because they are disabled or caring for a younger or older dependent. Our survey indicates that 15 percent of Etsy sellers are looking after children or someone else in need at home, while six percent are retired, seven percent are unemployed and a further six percent are students. Indeed, one of the reasons for the rise in part-time self-employment in the wider economy is that of changing demographics. The UK is currently seeing a boom in birth rates, and many of these new mothers and fathers will start up a business part-time so they can earn income while working around the needs of their new-borns. Another significant demographic factor is an ageing population, which means there are a greater number of healthy retirees looking for work. Many of these will choose to start a part-time business in order to keep their minds active or top-up their pension income.
For money and mind

Figure 9: How do you spend your Etsy income?

Tonic for the mind

While the income people earn through platforms like Etsy is a welcome boost to their finances, it is clear from our conversations with sellers that they derive equal if not greater satisfaction from the process of making the product itself. A number of studies have shown the power of craft in health and healing, from the way that knitting can temper addictions such as smoking to how working with old materials can support dementia patients by triggering memories of forgotten times. More generally, as William Morris argued over a century ago, the very act of creating may help to empower people by imbuing them with a sense that they can change the world around them – whether you make high-end sculptures or low cost beaded jewellery. As one of our sellers put it:

“You have an idea, you make it, and you have a product that you can actually show and say, ‘I made this, I designed this,’ and it’s really empowering.”

Yet it is not only making things by hand that appears to boost people’s spirits. The attraction of using platforms like Etsy also appears to lie in the very act of selling. Many shop owners spoke of feeling a sense of achievement – almost validation – when a buyer had bought an item they made. One of our sellers recalled “leaping around the house” when an email came in noting they had rung up a sale, while another spoke more thoughtfully of being given a “lift” when someone had ‘favourited’ their product. More profoundly, a number of those we met talked of how their shop gave them a sense of purpose where their day job had not. “I always have something to improve; I always have somewhere to go”, said one seller. This speaks to a fundamental human trait: that the path to

happiness and fulfilment comes from an active life rather than a passive one.\textsuperscript{48}

It also helps to explain why so many people choose to run part-time businesses when there may not always be a clear financial incentive.

**Economic spillovers**

To focus only on the impact of ecommerce platforms on those who use them, however, would be to ignore the effects had on the communities in which their businesses operate. Online marketplaces may help to generate income for people in deprived areas where conventional economic activity is low, and part of the earnings from their shops will undoubtedly trickle into these communities. This is particularly important for rural localities where businesses can be few and far between. Some Etsy sellers take a conscious decision to use their business to help their immediate community, for instance by sourcing materials from local firms. One shop owner making felt slippers recalled spending time and effort looking for cutting knives she could buy in the UK rather than abroad. Likewise, Makerhood, a community of makers operating in South London, works with its members to negotiate deals with local shops, for instance discounts in stores selling paper, art supplies and frames.

The economic spillovers that sellers appear to bring to their areas is one reason why Etsy recently established its Craft Entrepreneurship initiative, whereby residents in particular places are encouraged and taught how to become Etsy sellers.\textsuperscript{49} The curriculum was first established in the US city of Rockford, but is now being rolled out to eight cities worldwide, including in Oldham, which has a history of cotton spinning and hat making. On top of the economic benefits generated, there is also an important environmental element that should be recognised. Many Etsy shops specialise in using recycled materials, while others source their parts from ethical suppliers. This mirrors the behaviours seen in the wider community of craft businesses, a third of which are reported to have changed their practices in the last three years in response to environmental concerns.\textsuperscript{50}

The central message of this chapter is that selling on platforms like Etsy can provide a boost not only to people’s financial situation but also their personal wellbeing, with the very act of selling being particularly important to people’s sense of self-worth. This is a benefit of business that is often sidelined by the discussions around earnings, and yet it may be one of the biggest motivators for people to start up a venture – particularly a part-time one where the owner has other channels of income to rely on. In future it may be that businesses are seen just as much as a source of human fulfilment as they are a way of earning a living – a public attitude that would serve to further boost the numbers entering part-time self-employment. In the next chapter we will turn our attention to a related matter: how Etsy sellers support one another – both emotionally and practically – and what this might tell us about the future nature of business support.


\textsuperscript{49} For more information see http://craftentrepreneurship.com/

\textsuperscript{50} Crafts Council (2012) Op cit.
Box 7: Einar Parker, CaleJoia

Einar Parker sells aluminium bracelets through his Etsy shop CaleJoia. Having made several trips to jewellery galleries in his home country of Poland, Einar decided to enrol on a jewellery-making course, which he says “hooked” him almost instantly. Before long he was listing items on Etsy, and began developing his shop alongside his day-job in a factory making car seats. Today Einar sells his creations all around the world and has developed a strong rapport with many customers, sending them photos of items as they are being made. He describes his main motivation for starting a business to “get his hands dirty”, and says there is no better satisfaction than selling something that you have made by hand. As he puts it, “If I’ve created something and the customers are happy with that then it’s just perfect”.
Self-made support

“Creativity is a gift, not in the sense of it being a talent, but in the sense that it is a way of sharing meaningful things, ideas, or wisdom, which form bridges between people and communities.”

David Gauntlett

From competitors to collaborators
This report has so far highlighted the opportunities that platforms like Etsy can open up for their users. Yet there are also challenges that unmistakably face people selling online. Some will arrive on sites with previous experience of running a shop, and will therefore know how to attract customers, grow their business and turn a reasonable profit. Many others, however, will be new to the world of business and find it takes time for their shop to fully take root. One Etsy seller reported asking herself several questions at the outset: “Why am I doing this?” ‘How are people going to find me?’ ‘Why would people buy my things?’ That many in the world of craft are inherently uncomfortable with ‘sales’ only serves to exacerbate this challenge.

There is also the problem of unfair competition posed by a small minority who try to abuse the rules, for instance those who copy the designs of others or who manufacture products on mass. Etsy has sought to address these issues by creating an environment where the majority of sellers not only compete but collaborate. Ultimately people run online shops that must contend with those of others for the attention of customers. Yet many of the Etsy sellers we spoke with appeared to recognise that business is not a zero-sum game, and that by supporting one another they can improve their offer and attract more visitors to the platform. While our survey found that 27 percent believe price competition is harmful to their shop’s success, and that 22 percent said the same of shops selling similar items to theirs, the economic theory of perfect competition and hard-nosed business suggest these figures should be far higher.

One of the ways in which craft marketplaces attempt to foster collaboration is by promoting formal support initiatives. For Etsy this means schemes such as the Etsy Teams, which see sellers coming together face-to-face to share advice, or the online Forums that enable shop owners to discuss issues online – from how to photograph products to where to find supplies. These sources of support are particularly important for those less comfortable with approaching traditional outlets. A recent government survey found that over a quarter of microbusinesses were not aware

of any services offering business support in England. And of those who are, there is often a sense that these services are ‘not for them’ – a problem that is particularly prevalent in the craft business community, and among part-time business owners more generally.

However, our study of Etsy indicates that much of the real collaboration that takes place between people using online platforms is under the radar and so subtle as to be almost invisible. For example, 48 percent of Etsy shop owners said they try to recommend the products of other sellers to their buyers, while 37 percent said that where possible they will source materials and supplies from other shops on the website. Some even share their workload when they are faced with a surge of requests from customers. One of our sellers recalled delegating her dress making to another person while she was away from work due to illness – a partnership she described not as an “employer-employee relationship” but something “far more equal.”

Figure 10: To what extent do you agree with the following statements regarding your interactions with other sellers on Etsy?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Slightly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advice and information from other sellers is important</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Emotional support and friendship from other sellers is important</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Wherever possible I try to source materials and supplies from other sellers</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Wherever possible I try to recommend the products of other sellers to my buyers</td>
<td>37%</td>
<td>20%</td>
</tr>
<tr>
<td>Wherever possible I try to source materials and supplies from other sellers on the website</td>
<td>48%</td>
<td>37%</td>
</tr>
</tbody>
</table>

As well as providing a space where business owners can communicate with one another freely, platforms like Etsy also try to foster the atmosphere of trust and openness that is the essential lubricant enabling conversations to take place. Viewed in this way, online craft marketplaces may exemplify the historian Peter Hall’s concept of the ‘milieux’, a place – in this case virtual – where constructive criticism, friendly debate and the free sharing of ideas come together to enable creativity to flourish. This in turn acts as a magnet attracting more minds to the mix, which

further boosts the ‘collective genius’ of the group. One of the best examples of such a community is the British shipbuilding industry of the 19th century, where there was a culture of openness and a fierce hostility to unwarranted IP protection. Another is of the RSA’s founding members, who were learned individuals with a common ambition to address the pressing social issues of the day in the 18th century. In addition to openness, a thread running throughout all these communities is that of a common purpose or cause. With the emergence of new platforms like Etsy, as well as social media sites like LinkedIn and Twitter, it is now relatively simple for business owners to come together and form clusters around particular fields and sectors – from craft making to social enterprise to gaming.

Make do and befriend

While many of the interactions taking place on platforms like Etsy are of a practical nature, a large number also appear to be driven by the desire to connect with others. 33 percent of sellers said they talk with other shop owners for ‘fun and social’ reasons, while 37 percent agreed that emotional support from other sellers is important to them (one in 10 strongly so). In many cases these interactions result in genuine and intimate friendships – even between sellers and their customers. One shop owner recalled receiving the wedding photos of a buyer he had formed a bond with, and who had worn the bracelets the seller had made for their wedding day. Significantly, we found that the satisfaction of sellers with Etsy is positively correlated with the number of connections they have on the platform.

We may not think of commerce as being a force for social connectedness, but a combination of continuing austerity and an ageing society poses the need for increasingly imaginative approaches to combating relational issues such as isolation. Research by John Cacioppo has found that as many as one in five people experience a degree of loneliness that is detrimental to both their health and happiness, while our own research at the RSA has revealed that a worrying minority in society have virtually no meaningful connections.

Running an online business is certainly not a guaranteed antidote to these social ailments, and it may even exacerbate isolation for some. But the collaborative nature of running a business and the friendships formed on new craft marketplaces suggest that the spillovers of entrepreneurship can be as much social in nature as they are economic.

Moreover, ecommerce platforms may be a bridge builder between different groups who would seldom come into contact. For example, more than half (53 percent) of the Etsy sellers who told us about their interactions reported having ties to other shop owners in different regions across the UK. The same cross-connections are also seen in the relationships between sellers of different age groups. 71 percent of those who provided

information said they have ties with at least one person of a different age group, while 45 percent connect with at least one person one ‘jump’ away in age (e.g., an 18–24 year old associating with a 35–44 year old). Each individual connection may not seem significant on its own, but the cumulative social impact of having thousands of sellers connect with people from different social strata could be substantial. As the philosopher Michael Sandel lamented, ‘Institutions that once gathered people together and served as informal schools of virtue are now few and far between’.59

The next and final chapter summarises our analysis of the Etsy community, and considers what it might mean for the way we support business more broadly in future. In doing so we put forward a number of principles aimed at government and the wider enterprise support system.

**Box 8: Makerhood, South London**

Makerhood is a volunteer-led group in South London that seeks to connect local makers with each other and with local businesses and others in the community. It started in Brixton in 2011 and now covers the borough of Lambeth, with more than 100 members. Makerhood regularly organises networking and business development events, arranges selling opportunities with local retailers and markets, promotes makers and their work through social media and offers discounts with local businesses - for example, on art supplies, website building, car hire or adult education courses. Last year they were one of three groups nationally who helped coordinate Etsy’s first Mentor Month, which involved them pairing up sellers to provide each other with mentoring advice and support.

Conclusion

Online marketplaces are becoming increasingly popular, both with people looking to sell handmade items and those seeking to buy them. Yet there is still much that we do not know about the attitudes, motivations and behaviours of people who use such platforms. Our study of the Etsy seller community has sought to fill in some of the blanks, and provide a richer understanding of the social and economic value that ecommerce platforms can make. Our findings indicate that those using Etsy and related platforms are unlike conventional business owners in many ways – not just in terms of who they are and where they come from, but also how they run their businesses and interact with one another and their customers.

Yet as our study suggests, the growth of platforms like Etsy may also reveal something about how the broader nature of business is changing, not least because they already speak to a significant trend of rising part-time self-employment. The tendency of Etsy sellers to start up for creative reasons, offer customised and niche products, have deep interactions with customers and provide subtle peer support may be indicative of what is to come in the wider world of business. Moreover, the fact that sellers say their shops are as much a source of therapy as income may have implications for what we consider the very purpose of running a business to be.

With this in mind, it is worth considering how the lessons learned from Etsy and related platforms might be used to inform our approach to delivering business support more generally – especially when it comes to recognising and helping the growing numbers of people running hobby-like ventures. Below we lay out a number of recommendations for government and others seeking to support businesses in the UK.

- **Recognise ventures in official measurements** – On their own the types of part-time business run on platforms like Etsy have little effect on our economy, yet cumulatively the impact of thousands of ‘ventures’ is likely to be substantial. At present, however, the way government departments collect business data tends to overlook small entities, in part because of the methodological issues around self-reporting in surveys. Yet even when the government does adequately collect data on people running very small outfits, there is little distinction made between a person running a business on five hours a week and someone on 20 hours. All are put under the banner of the ‘part-time self-employed’, which distorts government statistics. Alongside improving its survey techniques, the government should therefore consider creating a new category of ‘venture’ when conducting analysis and reporting findings. This could describe someone running a business
taking less than 10 hours a week, and would be distinct from the wider ‘part-time’ and ‘full-time’ self-employed categories.

- **Create a new tier of business support for part-timers** – In addition to updating measurement and reporting techniques, the government and the business support community should consider revising their support programmes so they cater to the needs of people running businesses on just a few hours a week. Despite the substantial increase in part-time self-employment since the recession, the majority of current initiatives are aimed at those hoping to start and grow conventional businesses, where the owner is usually full-time. Redressing this imbalance in practice could mean working with StartUp Loans to establish a ‘micro-loan’ package alongside its typical credit programme, or partnering with the Post Office to train up Subpostmasters in how to support Dabblers – whether that is someone starting a food venture, a gardening business or renting out their spare room on Airbnb. The government could also play a role in investing in new sharing economy platforms, given the role they play in helping people create businesses in a short period of time and with an instant market to sell to.

- **Make business support part of the BBC’s public purpose** – Another significant step would be for a major institution like the BBC to alter its charter so that it takes on a responsibility to support people starting up in business. Currently the BBC has a remit to ‘promote education and learning’, and it fulfils this with services such as Bitesize, which supports young people as they study for their GCSEs, as well as iWonder, which provides interactive guides on various topics from history to science. However, in a country where one in seven people now work for themselves, and where an even greater number run hobby ventures, there is a strong rationale for the BBC to do more in supporting entrepreneurship. In practice, this could mean ‘broadcasting’ advice and information, but a more substantial ambition would be to create an interactive platform enabling business owners to support one another, as they do on Etsy. Not only does the BBC have the resources to fund such long-term commitments, it is also widely trusted, has the benefit of longevity and is used on a daily basis by business owners across the country. This would be particularly useful to part-time business owners who may be unsure of where to access conventional assistance.

- **Promote the importance of having a personal ‘brand’ from an early age** – As this report has shown, the ability of businesses to win over clients will be increasingly dependent on having a strong rapport with customers and giving them experiences they are unlikely to find elsewhere. In truth, these traits are likely to be just as important for typical workers as those running businesses. Therefore educators should seek to help young people build personal brands that enable them to stand out from the crowd.
In short, to build not only their human capital but also their symbolic capital. One option is to encourage young people to express themselves more readily through social media platforms, for instance by writing regular blog posts on issues that interest them. Another is to promote the idea of having a ‘Creative Year’ after their studies, rather than the classic gap year of travelling. This would involve young people committing to starting a venture, honing their expertise in a particular issue or tackling a social problem that matters to them – all activities that would enable them to express themselves in a meaningful way.

- **Tweak search engine algorithms to highlight smaller businesses** – One of the major reasons why makers join platforms like Etsy is because they immediately connect them to an audience of millions and raise the profile of their business. Most ventures, however, are reliant on being found primarily through search engines, which are based on algorithms that tend to favour major corporations such as Amazon, Tesco or Argos. In one sense this is understandable given that people have these outlets in mind when searching for items. Yet in another it stifles competition and means that smaller firms lack visibility, even if they offer goods at a high quality and at competitive rates. By adjusting algorithms to highlight smaller businesses, search engine providers could have a major impact in supporting healthy competition and opening up choice for the consumer. If permanent changes are not feasible, one option is to have a day or week of temporary adjustment every year, for instance around Small Business Saturday.

- **Deepen our knowledge of the therapeutic effects of selling** – While the health and healing effects of craft making are well documented, the shop owners we met were more likely to speak of the joy they gained from selling their items. Many spoke of the feeling of validation they had when someone purchased their goods, while others said their shops had given them a sense of purpose and a feeling that they were making progress. If our research is correct in suggesting that the act of selling is therapeutic, this raises a number of questions for our approach to tackling mental health issues. For instance, would it ever be appropriate for GPs to encourage their patients to start a venture in their spare time? Or could prisons make starting an online business a key component of their approach to rehabilitating prisoners? We recommend that ESRC and academics with a remit to study entrepreneurship or mental health aim to conduct further research that could shine a light on this phenomenon.
The RSA: an enlightenment organisation committed to finding innovative practical solutions to today’s social challenges. Through its ideas, research and 27,000-strong Fellowship it seeks to understand and enhance human capability so we can close the gap between today’s reality and people’s hopes for a better world.