

Redefining Entrepreneurship: Etsy Sellers' Economic Impact



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Etsy is an online marketplace where artists and collectors sell their handmade goods, vintage items and craft supplies. Founded in June 2005, Etsy now includes more than 20 million products and over one million sellers worldwide. In the last year alone, they generated over \$895 million in sales.

A survey of 5,500 U.S. sellers reveals a unique population of Internet-enabled entrepreneurs who are building businesses on their own terms – prioritizing flexibility and independence over rapid growth, and using Etsy income to build resilience in the face of declining job security. Though inadequately captured by traditional data sets, Etsy sellers join millions of workers worldwide who are supporting themselves and their families by starting micro-businesses, and transforming the U.S. economy in the process.

ETSY SELLERS ARE PREDOMINANTLY WOMEN.

While just 29% of all enterprises are women-owned,¹ 88% of U.S. Etsy sellers are women. 42% had never sold their goods before opening an Etsy shop. By making it easy to market and transact, Etsy has enabled many more aspiring female entrepreneurs to start and manage independent, creative businesses.

ETSY SELLERS IDENTIFY AS BUSINESS OWNERS.

Nearly three quarters of surveyed sellers - 74% - consider their Etsy shops businesses. They are entrepreneurs who commit significant time and personal resources to their shops, and 91% aspire to grow their sales in the future.

ETSY SELLERS ARE INDEPENDENT, SELF-SUFFICIENT AND WANT TO STAY THAT WAY.

Nearly all survey respondents - 97% - run their businesses from their homes, and most - 83% - manage their shops without help. 56% relied on their own savings for start-up capital and 35% reported they didn't need any investment to launch their businesses. Despite their growth aspirations, the strong majority of respondents - 61% - want their shops to remain "a size I can manage myself." For most sellers, growth isn't just about making money, but is balanced with business independence, flexibility and personal well-being.

ETSY INCOME MAKES A DIFFERENCE IN SELLERS' LIVES.

18% of respondents sell goods on Etsy full time. For the remainder, Etsy sales supplement their other income and contribute to financial security. 36% use the money to cover household expenses, 24% for discretionary spending, and 20% contribute to savings. 54% of respondents say they would try to supplement their income in other ways if their Etsy income disappeared.

ETSY SELLERS ARE CHARACTERISTIC OF A CHANGING ECONOMY.

Etsy sellers are part of the shift in the U.S. economy toward flexible work. Just 26% of U.S.-based Etsy sellers are full-time employees, while 48% are independent, part time, or temporary workers. With a median household income of \$44,900, 10.2% lower than the national average, Etsy sellers are combining income from both salaried jobs and entrepreneurial efforts to make a living. In an economy where middle-skill, middle-wage jobs have declined dramatically,² the Etsy seller experience points to new opportunities to bolster the middle class through micro-business and the peer economy.

The New Face of Women-Owned Business

The vast majority of Etsy sellers – 88% – are women. This is triple the number of women-owned businesses documented by U.S. Census’s Survey of Business Owners (SBO), where just 28.7% of home-based businesses were female owned.³

By providing new opportunities to start and grow a creative business, Etsy empowers women who are not served by traditional entrepreneurial models. On Etsy, women can create flexible businesses that fit their lives, balancing creative passions, need for income and family obligations. For 42% of sellers, Etsy was the first place they sold their goods. How many of these sellers would have started their creative businesses in the absence of these resources?



Thinking and Acting Like Entrepreneurs

Despite the fact that they may have started out as hobbyists or continue to hold day jobs, Etsy sellers are entrepreneurs in their own right.

NEARLY THREE QUARTERS OF ETSY SELLERS - 74% - CONSIDER THEIR ETSY SHOP A BUSINESS.

This view holds true across a range of seller characteristics. For instance, 65% of sellers whose Etsy shops earned less than \$100 last year consider their shops businesses.

ETSY SELLERS COMMIT SIGNIFICANT PERSONAL TIME TO THEIR SHOPS.

Etsy sellers, on average, invest about 12 hours a week in their shops. For 58% of sellers, this is in addition



Etsy sellers report higher levels of education and lower household income than the general population. The majority of respondents – 52% – are college educated, yet average median income for Etsy sellers is just \$44,900, 10% lower than the national average. Twenty-six percent of Etsy sellers earn under \$25,000 in annual household income.

U.S. ETSY SELLER DEMOGRAPHICS

KEY DEMOGRAPHICS	ETSY SELLERS	GENERAL POP ⁴
Median age (years)	39	37.3
Gender (% female)	88%	51%
Education (% college or more)	52%	30%
Median household income	\$44,9000	\$50,000
Metro (%)	85%	81%

to another job. Top performing sellers spend about 33 hours a week on their shops, while sellers who earn 20% or more of their income from their creative businesses spend about 28 hours per week.

ETSY SELLERS STRIVE FOR GROWTH IN THE FUTURE.

Asked to look forward five years, 91% of Etsy sellers wish to grow their sales, while only 3% want to stop selling altogether.



“While working full time from home, I’m able to earn the same income that I did outside of the home, and I also have the flexible schedule, reduced stress, and sense of achievement that comes with being my own boss. As my husband and I are expecting our first child in a few months, I am more thankful for Etsy than ever before. I will be able to contribute to our family’s bills and savings, but also have the freedom to arrange my schedule so that I can be present with my family. The beauty of selling on Etsy is that I can take a day or weekend away from working, and my items are still online, being seen and purchased by buyers all over the world.”

– Melissa Grice, WellRavelled on Etsy, Tampa, FL

Building Businesses on their Own Terms

By many measures, Etsy sellers are like other entrepreneurs: they identify as business owners, and commit significant time and personal resources to make their shops succeed. But Etsy sellers differ from traditional small businesses in several key ways, most notably in their self-reliance.

MOST ETSY SELLERS ARE SOLE PROPRIETORS OPERATING FROM HOME.

90% of U.S.-based Etsy sellers are sole-proprietors, while just 2% are incorporated and 8% are organized as LLCs. Nearly all Etsy sellers - 97% - run their creative businesses from their homes. This is much higher than U.S. Census's SBO, which found that slightly more than half (58.2%) of female-owned businesses in the U.S. were operated primarily from someone's home.⁵

MOST ETSY SELLERS—83%—RUN THEIR BUSINESS ALONE.

Of the 17% of U.S.-based sellers who do have help, nearly three-quarters recruit an unpaid family member or friend. Just 6% of Etsy sellers hire paid help, significantly lower than the national figure of 13.3% for U.S. home-based businesses.⁶ Unsurprisingly, Etsy sellers spend significant time on business operations. For every hour they spend making their products, they spend another hour doing business-related tasks, including inventory management, shipping, customer service, marketing, and accounting.

ETSY SELLERS HAVE BYPASSED TRADITIONAL BARRIERS TO ENTRY.

When asked about start-up costs, a full 35% reported not needing much investment to establish their businesses. Compare this with the U.S. Census's 2007 SBO, which found that only 20.8% of small businesses launched without start-up capital.⁷

Of the respondents who did need money to start up their Etsy shops, 56% said that they tapped their own savings, while 13% relied on credit, and 10% on friends and family, or a combination of sources. These align with the sources of capital reported by small business owners in the 2007 SBO with one major difference: just 1% of Etsy sellers took out a bank loan to start up their shops.⁸

ETSY SHOPS REQUIRE LITTLE START-UP CAPITAL

SOURCES OF START-UP CAPITAL	ETSY SELLERS	CENSUS SBO
Did not need much investment	35%	21%
Did need investment	65%	79%
My own savings	56%	60%
Credit card	13%	10%
Friends and family	10%	10%
Crowdfunding	1%	N/A
Bank loan	1%	11%
Other	4%	2%

The fact that so many Etsy sellers have successfully launched shops without outside investment reflects the low-cost nature of their businesses. Etsy also reduces costs by making it simple and affordable to create an online shop and by providing a global market of motivated buyers. As a result, many creative people have launched shops without relying on bank loans or outside investment.

The scarcity of traditional financing among Etsy businesses also reflects the value sellers place on autonomy. Responses throughout the survey describe a community that takes pride in their ability to flourish without relying on conventional business tools or measures of success. Like many micro-businesses, Etsy sellers embrace self-reliance and small-scale growth.

Success on Their Own Terms

When it comes to ambition, Etsy sellers aspire to make not just a living, but a life.

ETSY SELLERS DON'T MEASURE BUSINESS

SUCCESS BY BUSINESS SIZE.

The vast majority of Etsy sellers – 91% – want to increase their sales in the future. But when asked about the size of their shops in five years, very few aspire to be “as big as possible”; the strong majority of sellers - 61% - want their future shops to be “a size I can manage myself.” They prioritize independence and long-term sustainability over growth for growth’s sake.

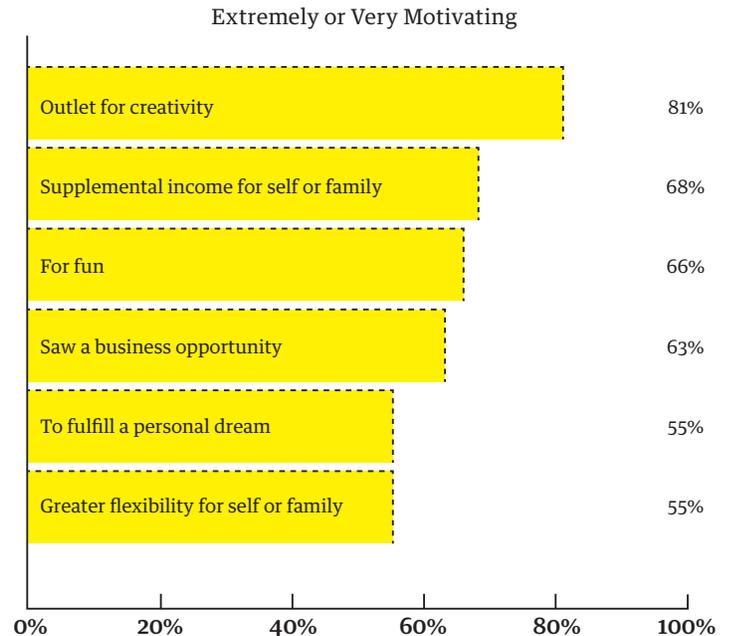
ETSY SELLERS MANAGE GROWTH IN

UNCONVENTIONAL WAYS.

When faced with unexpected demand for their products, only 7% of those Etsy sellers hired help, while 76% expanded their own working hours. Similarly, when Etsy sellers who strive to expand their businesses list their greatest barriers to growth, 32% rank “lack of time” as their number one challenge, followed by “lack of customer demand.” Only 1% believe their primary barrier to growth is “not enough help,” and 11% cite “insufficient cash on hand.”

In many ways, sellers’ choices reflect their motivations for starting their businesses in the first place. When considering their motivations for starting an Etsy shop, personal reasons outweigh business and income considerations.

SELLERS’ MOTIVATION FOR STARTING AN ETSY SHOP.



MORE ETSY SELLERS ARE MOTIVATED BY CREATIVITY (81%) THAN INCOME (68%).

Yet on balance, sellers are motivated by both financial and personal factors. While many started their shops for fun, to fulfill a personal dream or for greater flexibility, 63% “saw a business opportunity,” and 68% said that Etsy “provides supplemental income for themselves or their family.”

These findings reflect broader trends. In 2012, Harvard Business School faculty surveyed 2,000 business founders about their entrepreneurial ambitions and found that, amongst all age cohorts and either gender, “autonomy” was a top motivation.⁹ A 2011 Career Advisory Board study found that millennial workers ranked “meaningful work” over “high pay,”¹⁰ mirroring Etsy sellers’ priorities. While some see their Etsy shops as a source of income or a business opportunity, many sellers are equally - if not more - motivated by creativity, flexibility and fun.



“I think you can measure how much a person wants something by what they’re willing to give up. For me, that meant giving up a secure job in New York City to paint wood bowls in Minnesota. Thanks to Etsy, I’m in the process of expanding my business, opening a workshop, and hiring craftspeople. In my mid-20s, there was a period when I was sleeping in my car after losing my job and my apartment in the same month. Today, I have a lot of the stability that I was craving that I didn’t have through traditional employment.”

– Nicole Porter, NicolePorterDesign on Etsy, Saint Paul, MN

Bolstering Financial Security

Etsy sellers are on track to generate over \$1 billion in sales in 2013, a remarkable demonstration of the economic power of this community. But looking beyond the aggregate numbers, Etsy income makes a meaningful difference in the everyday lives of Etsy sellers.

FOR NEARLY ONE-FIFTH OF SELLERS, THEIR CREATIVE BUSINESSES ARE FULL-TIME JOBS.

For 18% of Etsy entrepreneurs, selling creative goods is their full-time occupation. This ratio grows substantially among seller tiers: 47% of top-performing sellers consider their creative businesses their full-time jobs.

ETSY SALES SUPPLEMENT OTHER HOUSEHOLD INCOME.

For most Etsy sellers, shops supplement other jobs, contributing 7.6% to household income. For the average Etsy seller earning \$44,900 in household income, the impact of this supplemental income is meaningful, enough to cover the cost of annual car payments or several months' rent.

Shaping the New Economy

Etsy sellers personify larger shifts in the economy, most notably the recent dramatic increase in flexible forms of work, the rise of Internet-enabled, peer-to-peer businesses, and declining economic security within the middle class.

SELF-EMPLOYMENT IS ON THE RISE.

Though government data is outdated and fragmented, the Government Accountability Office estimated in 2006 that 31% of the U.S. workforce is comprised of non-traditional contract, self-employed or freelance workers.¹¹ Over the last several years, non-employer firms have increased from

ETSY INCOME SUSTAINS BUSINESSES, ENHANCES PERSONAL SECURITY.

Sixty-nine percent of Etsy sellers say that they reinvest their Etsy income in the business, but sellers also use the money to cover household expenses (36%), make mortgage payments (5%), put away in savings (20%), or for discretionary spending (24%).

IF ETSY INCOME DISAPPEARED, IT WOULD BE MISSED.

If Etsy income vanished, the majority of sellers would try to find some way to replace it, whether by “looking for another job” (19%), “reducing spending” (27%), or “trying to supplement my income in another way” (54%). The sellers who would “do nothing” to replace their Etsy income are concentrated mostly among those with low sales volume.

“18% sell creative goods full time.”

about 14 million in 1992 to more than 22 million in 2010.¹² Meanwhile, the number of employer businesses has remained relatively constant.¹³

NEARLY HALF – 48% – OF U.S. ETSY SELLERS ARE INDEPENDENT WORKERS.

In addition to the 18% who sell goods full time, 16% are self employed in other capacities, 11% work part time, and 4% are temporary workers. Just 26% of U.S. sellers are full-time employees, compared to 45% of the U.S. population.¹⁴



“When I started my business, we were really struggling, and the income from my business has allowed me to provide a better quality of life for us. From laptops for my boys for school to weekend trips to the mountains to recharge and bond as a family, I have relied on my business to provide the things we would never have had otherwise. This has a ripple effect for my community, as I’m now able to afford, for example, to choose to buy hormone-free milk from a local dairy. For many of us, especially mothers of young children, entrepreneurship is a necessity, something that keeps food on the table and our children in shoes. I couldn’t afford not to have my business! We’re improving our family’s lives every day, and I see Etsy as an incredible tool in doing that.”

– Brandi Arnold, PuurBody on Etsy, Boise, ID

Implications for Public Policy

Etsy sellers are part of a burgeoning micro-business sector, typically defined by businesses that employ fewer than five people and require little start-up capital. Individually, their impact on traditional economic measures may be limited, but taken together they are reshaping the U.S. economy. Yet public policy either ignores these entrepreneurs or subjects them to the same rules and regulations as much larger entities. Policymakers must not only acknowledge the economic power of micro-business, but also adapt public policies to support and promote them.

QUANTIFY MICRO-BUSINESSES AND THEIR ECONOMIC IMPACT.

A recent Wall Street Journal article notes that government surveys fail to capture individuals working in these informal economies, thus excluding them from the monthly tally of U.S. workers.¹⁹ The U.S. government should update its metrics to track “work” taking place outside formal employment, instead of merely measuring “jobs” and “employment” to gauge the strength of the economy.

ADAPT REGULATIONS, TRADE LAWS AND TAXES TO THE UNIQUE NEEDS OF MICRO-BUSINESSES.

Clearly, no business should be exempt from operating safely or paying its share of taxes, but the vast majority of rules and regulations were designed for companies with sufficient staff and resources to ensure compliance. We urge policymakers to limit the burden these laws place on micro-businesses by shifting resources from enforcement and penalties to education and training for first-time infractions.

ADJUST ENTREPRENEURSHIP SUPPORT AND TRAINING TO ACCOMMODATE MICRO-BUSINESSES.

Etsy sellers typify a new model of entrepreneur. They can launch a shop without a business plan and often learn business skills as they go. Small business services need to reflect these changes by offering training and support that are relevant to this more informal, Internet-powered sector.

INCORPORATE MICRO-ENTREPRENEURSHIP INTO LOCAL ECONOMIC DEVELOPMENT STRATEGIES.

Many public officials spend considerable resources enticing big companies to move jobs into their municipalities or finding the next high-growth startup. Yet these strategies depend on companies creating jobs for people in the community, rather than investing in the community itself. Policy makers should expand workforce development and unemployment programs to incorporate micro-business development and training.

UPDATE SOCIAL PROTECTIONS TO INCLUDE AND ACCOMMODATE THIS SECTOR OF THE ECONOMY.

Flexible forms of work lack many of the social protections we have traditionally associated with a full-time job, including health insurance, retirement security, and unemployment protection. Policy makers should develop new policies to bolster financial security in the new economy.

Etsy sellers represent a growing sector of the U.S. economy: independent, flexible solo-entrepreneurs who are taking their economic and social well-being into their own hands. Together, they offer a new way forward - a path that relies not on the actions of a few big businesses, but on the proliferation of many small ones to build the capacity and resilience of the U.S. economy.



“I consider my Etsy shop one part of my full-time job as an artist. The income from my Etsy shop helps pay my bills, although I wear many hats: I am a full-time painter and a freelance textile designer. Additionally, when times are tough, I do a lot of other odd jobs, like: shop sitting for a vintage shop here in Hudson, garden and lawn mowing at another friend’s home, helping an artist clean his studio and organize his artistic life.”

– Gretchen Kelly, GretchenKellyStudio on Etsy, Hudson, NY

Survey Methodology

The Etsy Sellers Survey was an online survey, conducted from November 13 - 27, 2012. The sample was drawn from U.S. sellers with at least one sale in the previous 12 months. 94,000 sellers were randomly selected from this pool and invited by email to participate. The survey was developed by Etsy and conducted by the research firm GfK, Custom Research, LLC. Participation was anonymous and confidential.

End notes

¹ The American Express OPEN State of Women-Owned Business Report, March, 2011.

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⁴ General population data from the US Census, American Community Survey and Current Population. Most figures based on 2011 data.

⁵ Statistics for All U.S. Firms That Were Home-Based by Industry, Gender, Ethnicity, Race, and Veteran Status for the U.S.: 2007 Survey of Business Owners, US Census, table SB0700CSCB19.

⁶ Statistics for All U.S. Firms That Were Home-Based by Industry, Gender, Ethnicity, Race, and Veteran Status for the U.S.: 2007 Survey of Business Owners, US Census, table SB0700CSCB19.

⁷ Half of U.S. Respondent Businesses Were Home-Based, Majority Self-Financed, Census Bureau Reports, US Census, June 14, 2011.

⁸ Statistics for All U.S. Firms by Sources of Capital Used to Start or Acquire the Business by Industry, Gender, Ethnicity, Race, and Veteran Status for the U.S.: 2007 Survey of Business Owners, US Census table SB0700CSCB13.

⁹ The Founder's Dilemma: Anticipating and Avoiding the Pitfalls That Can Sink a Startup, Noam Wasserman, 2012, pages 30-34. What Drives Entrepreneurs? Leigh Buchanan, Inc. com, February 28, 2012.

¹⁰ How the Recession Shaped Millennial and Hiring Manager Attitudes about Millennials' Future Careers Alexandra Levit and Dr. Sanja Licina, Career Advisory Board, 2011, page 18.

¹¹ Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification, US Government Accountability Office, July 11, 2006. Note that the government has no recent data or analysis on this shift in employment arrangements.

¹² The Small Business Economy 2012. Small Business Administration, 2012. Table A1.

¹³ SBA Frequently Asked Questions, Small Business Administration, September 2012. Note that the SBA's formal definition of "small business" is an "independent business having fewer than 500 employees."

¹⁴ U.S. Payroll to Population employment rate, June 2013.

¹⁵ Income Patching Among Microentrepreneurs. The Aspen Institute Field Trendline Series, January 2013.

¹⁶ Income Patching Among Microentrepreneurs. The Aspen Institute Field Trendline Series, January 2013.

¹⁷ Census: Middle class shrinks to an all-time low, Washington Post, September 12, 2012.

¹⁸ The Morose Middle Class, New York Times, April 26, 2013.

¹⁹ In the TaskRabbit Economy, Freelancers Are Hard to Measure, Wall Street Journal, May 29, 2013.