

2017 | UNITED KINGDOM

Crafting the future of work: the big impact of microbusinesses



Etsy

2017 Seller census report

Etsy is a global creative commerce platform that builds markets, services, and economic opportunities for creative entrepreneurs. Within Etsy markets, millions of people around the world connect, both online and offline, to make, sell, and buy unique goods. We believe that we're creating a new economy—the Etsy Economy—that is powered by the spirit and passion of millions of creative entrepreneurs.

Our 2016 survey of Etsy sellers in the United Kingdom, coupled with ongoing dialogue with our seller community, bring to light a nuanced look at the changing nature of work. The global economy is shifting in ways that make it easier for anyone with an idea and an internet connection to start and grow a global business. Today, more people than ever work independently, combine income from multiple sources, and pursue work they are passionate about.¹

Powered by technology, these fundamental shifts allow for the emergence of the unlikeliest of entrepreneurs to truly transform not only the way we work, but our basic assumptions about what it means to start and run a business. Certainly, small businesses garner plenty of attention, but microbusinesses (those with under ten employees), and in Etsy sellers' case often only a single employee, experience significantly different challenges from even a ten- or fifty-person business.

While individually their businesses may be small, together these microbusinesses represent significant economic and societal impact. By understanding Etsy sellers' motivations and challenges, we can design policies, programmes, and technologies that better prepare us for the future of work and entrepreneurship in the UK.

Etsy sellers challenge conventional notions of entrepreneurship. Most Etsy sellers are women (86%), and are more likely to be younger than the typical business owner. Nearly half are operating microbusinesses for the first time on Etsy, and many (32%) are from rural communities.

Etsy sellers want to achieve success on their own terms. Most Etsy sellers (65%) consider their shop a business, yet they don't conform to typical stereotypes of independently run shops on the High Street. Etsy sellers prioritise flexibility and creativity in addition to the bottom line.

They may be microbusinesses, but they create meaningful economic impact. For 36% of Etsy sellers, their creative business, both on and off Etsy, is their sole occupation. For the rest, their creative business supplements income from other jobs or sources, and supports local manufacturing and retail partners.

Etsy sellers are emblematic of larger changes in the economy. Today, more people than ever are choosing to work outside of the traditional full-time employment model and combine income from multiple sources. The majority of Etsy sellers (62%) are part of the independent workforce, and only 21% have traditional full-time jobs.

Etsy sellers' experiences shed light on the challenges of the new economy. As internet-enabled microbusinesses, Etsy sellers face unique challenges that, while common among independent professionals and the self-employed, differ from small businesses who may have up to 49 employees.

It's time to support the microbusinesses who are driving the new economy. Policy makers can help by supporting the issues that matter most to microbusinesses, and enable the broader creative economy to flourish.

Crafting the future of work in the UK: the big impact of microbusinesses

Etsy sellers challenge conventional notions of entrepreneurship, and don't conform to traditional images evoked by terms like **startup**, **business owner**, and **entrepreneur**. Instead of the conventional notion of a startup—a tech company in London, for example—or a High Street business owner, Etsy sellers are tech-enabled microbusinesses, crafting a new face of entrepreneurship.

Most Etsy sellers are women. In the UK, 86% of Etsy sellers are women, which is in stark comparison to only 20% of SME business owners nationally,² and 57% of the independent professionals who identify as women.³

86%
of Etsy sellers are women

Across the country, the median age of a business owner is 47 years old.⁴ The median age of an Etsy seller however, is 38 years old. In aggregate, Etsy sellers are considerably younger than other business owners, with 67% of Etsy sellers under the age of 45.

Etsy allows creative entrepreneurs in rural areas to connect with buyers all over the world. Nationwide, 32% of Etsy sellers are from rural areas, compared to 26% of UK businesses.⁵

Etsy has long functioned as an enabler of entrepreneurship by creating opportunities for many people who might not have started a business

otherwise. For 45% of Etsy sellers, Etsy was the first place they sold their goods. Among Etsy sellers with children at home, this number is 46%. Roughly two-thirds of the youngest cohort of Etsy sellers (those under 35 years old) reported selling their goods on Etsy first. These young, creative entrepreneurs are coming of age in a borderless world where traditional barriers to launching a business are greatly reduced, and more would-be entrepreneurs get their start online.

These creative entrepreneurs gravitate towards Etsy because, as a platform, Etsy has minimised many of the inherent risks associated with starting a business, and in doing so, has allowed creative entrepreneurs to start and grow businesses on their own terms.

Etsy sellers want to achieve success on their own terms.

While most Etsy sellers (65%) consider their shop a business, they don't conform to typical stereotypes of High Street shop owners. Most Etsy sellers (84%) are businesses of one, and 94% operate out of their homes. Half of Etsy sellers prefer to run their creative businesses from home, rather than seek a larger production space.

Etsy sellers are motivated to start their businesses for both financial and non-financial reasons. For fewer than half of sellers (47%), a financial challenge contributed to their decision to start a creative business, but 63% said they were motivated to start their business as a creative outlet. Other motivations included doing something they enjoy with their spare time (54%), and doing work that allows them to have a flexible schedule (42%). These findings align with broader trends among microbusiness and the self-employed in the UK as discussed by the RSA in their 2017 Entrepreneurial Audit.⁶

84%
are businesses of one

Etsy sellers also define success differently. The majority (82%) of sellers want to grow, but three out of five sellers would not want to grow so big that they would need to hire more help.

Rather than growth for growth's sake, growth strategies reflect their unique ambitions. Etsy sellers rank launching a new product line or brand and purchasing new equipment as their top goals for the next two years. Only 5% of sellers say they want to apply for a loan to expand their business.

In their microbusiness operations, Etsy sellers prioritise more than just the bottom line. Running a creative business contributes to the overall balance of Etsy sellers' lives, with 63% maintaining that having a creative outlet helps

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Running an Etsy shop has allowed me to have complete control of my life. I can choose my hours and days I work which offers flexibility. We're never really quiet now, and recently my wife has come on board full-time, so to be able to offer this lifestyle to her as well is a massive thing. I genuinely love my work, hence why I find I could work all the hours in the day (although I do realise that's not always a good thing!).

Etsy was where we started and has been a big part of our journey. Having recently worked as an Etsy mentor and interviewed on Etsy Success, the business has grown. We've upped the amount of trade shows we do – in the U.K. this year we have six and we also have our first one in New York this May. I'd say my main goal for the business is to make the wholesale side much bigger abroad (primarily the U.S., Canada, and Australia) and we're heading in the right direction to do this. Success to me is succeeding in your goals, being happy, having enjoyment and passion for what you do and having security in it too.



Catherine & Jamie Douglas

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Etsy seemed like the most logical place for us to get our work out there to a wide audience at a very low risk and cost. It's also synonymous with fresh talent and creativity and it offers a platform to hone your brand, testing new products and ideas. Incidentally, Etsy still provides all the right tools now that we've grown a little – we're now in our fifth year. We've been fortunate to have buyers from all corners of the globe, and as a direct result of our Etsy presence we bagged our biggest international stockist based in the USA. This has allowed us to grow faster and given us credibility.

Managing the business is a challenge – you truly have to be all things to all men/women at all times. You end up working all hours and sometimes at the dinner table (we're a married couple). We're steadily learning to let go and delegate to staff (and each other), which allows us to be more focused in the areas we want to work in. We work for ourselves so that we can spend as much time as possible with our family. We can manage our storefront remotely and from any location, it has meant that we can travel with our girls to far flung corners of the globe and not worry too much about missing sales or enquiries.

them be a happier person. The vast majority believe that running a socially and environmentally responsible creative business is important (86% and 88% respectively). One-third of Etsy sellers always know the country of origin of their raw materials, implying that they take an active interest in their supply chains. In this, Etsy sellers are a reflection of larger trends towards more socially responsible business.

They may be microbusinesses, but they create meaningful impact.

In 2016, Etsy sellers across the world generated £2.2 billion in gross merchandise sales, which is more than the GDP of 29 other nations. This represents significant economic impact from the 1.7 million active Etsy sellers—primarily microbusinesses—that operate across the world.

Etsy sellers support themselves and their families with income from their creative business. For 36%, their creative business (both on and off of Etsy) is their sole occupation. In fact, Etsy sellers' creative businesses provide an important source of supplemental income, contributing 15%, on average, to total household income. In total, 43% of sellers use this income to pay for necessary household expenses, including utility bills and rent.

Income from these creative businesses has a significant impact on individuals and families, and is valued differently during different stages of life. For example, Etsy sellers under the age of 35 are more likely to prioritise savings, as 29% reported putting the income towards savings accounts.

Beyond individual households, Etsy sellers contribute to the broader economy by creating jobs and supporting traditional manufacturing and retail business. While the majority of Etsy sellers work alone, 16% have people (paid and unpaid) who help with their creative business. The number of job creating microbusinesses is expected to grow, as 8% of Etsy sellers would like to hire additional paid staff in the next two years.

Creative microbusinesses are supporting manufacturing as well. More than a fifth (23%) of Etsy sellers used outside help to produce their items. These Etsy sellers are supporting production partners—75% of whom were small operators.⁹

The majority (69%) of Etsy sellers promote or sell their goods in other venues, including in-person events like craft fairs and flea markets, trade shows, retail stores, and to friends and family. Fifteen percent of these sellers sell their wares through wholesale partners, making locally created products available to retailers and consumers. Only 3% of Etsy sellers currently sell their goods in a brick and mortar business they own or operate, but 22% of

£2.2B
in gross merchandise sales

sellers hope to do so in the next five years.

These tech-enabled microbusinesses are contributing to sustainable local economies, from small towns to big cities. While cities in the south of the UK consistently outpace job and business growth on average,¹⁰ Etsy sellers are evenly distributed throughout the UK, and more are outside of the big cities than within them. In fact, only 30% of Etsy sellers are located in urban centres with 32% running their business from a rural area and 38% from a suburban town.

78%
of sellers ship
internationally

The economic impact generated by Etsy sellers reverberates beyond the United Kingdom, as 78% of Etsy sellers are international exporters in their own right. Nearly nine out of ten (88%) sellers that focus on their creative business as their sole occupation ship internationally. In doing so, Etsy sellers' economic impact contributes to the global economy.

Etsy sellers are emblematic of larger changes in the economy.

Today, more people than ever are choosing to work outside of the traditional full-time employment model and combine income from multiple sources. While some people in the shifting economy work independently out of necessity, the majority (74%) work independently by choice.¹¹

A recent study by McKinsey showed that 26% of the UK workforce today is comprised of independent workers, combining income from multiple sources. The study further showed that one in six workers in traditional full time employment would like to become primary independent earners.

In some ways, Etsy sellers are emblematic of these larger economic shifts. The majority (65%) are part of the independent workforce either through their creative business, other self-employment, part-time or temporary work. Only 21% of Etsy sellers have traditional full time jobs. Across the UK, 8% of Etsy sellers are retirees, full-time care givers, or students, all of whom benefit from the flexibility that creative entrepreneurship offers.

65%
are part of the
independent workforce

Etsy sellers reflect larger economic trends towards diversified income streams and finding fulfillment in rewarding side businesses. In total, half of Etsy sellers have jobs outside of their creative businesses, and more than two thirds of Etsy sellers (68%) report they are comfortable combining income from multiple sources.

As work continues to shift, the ability to diversify income streams and generate supplemental income will become even more important.

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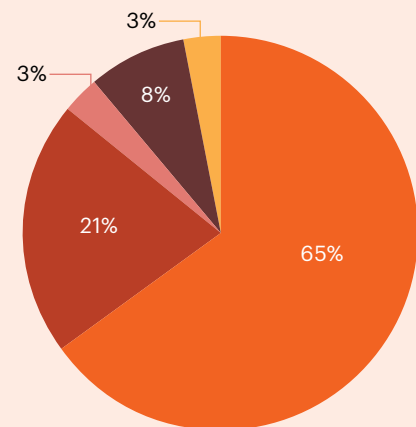
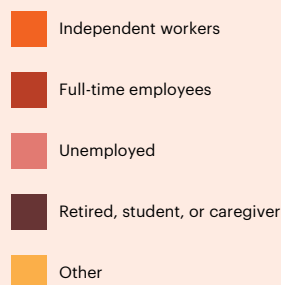
Jodie Bond

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In 2015 we relaunched our business with all our own products and a new, British handmade ethos, and you couldn't have got me on Etsy quick enough! I knew it would be a good fit – it's totally changed my business and is now an integral part of it. I dreamed of this for 20 years – I never wanted to work for someone else; working for someone else's passion. I love the lifestyle of selling online and working from home and of course, being creative. It's hard work and you never really switch off, but, for me, it isn't like the hard work of a commute or difficult colleagues or having a bad boss – it's all on your own terms and you can mould the life you want. I am so grateful it's working out! Etsy and its customers 'get me' and value the items they buy. They appreciate the small details and efforts made. The system is also user-friendly, which is a godsend when you're a small team. I can have a new listing whipped up in a minute. It isn't a guessing game with Etsy – you can see what people search for with full statistics – Etsy wants you to grow and gives you the creative freedom to do that. For me, success is being able to work solely on my business, without having to get another job. It now pays for me and my Dad, so that's a double success!

EMPLOYMENT AMONG ETSY SELLERS



INDEPENDENT WORKERS	65%
Creative business	36%
Part-time	15%
Self-employed	12%
Temps	2%

Etsy sellers' experiences shed light on the challenges of the new economy.

As microbusinesses, Etsy sellers face unique challenges that, while common among independent professionals and the self-employed, often differ from even a ten- or twenty-person small business.

Income volatility

While unpredictable income is widespread and affects more than independent professionals alone, Etsy sellers cite income volatility—predicting future sales and dealing with inconsistent sales—as the top barrier to achieving their business goals. These month-to-month income fluctuations complicate the overall financial security of those who earn income outside of traditional full time employment.

Without a steady paycheck, Etsy sellers must manage short-term income volatility over the course of the year. The need to manage income fluctuations also prevents many independent professionals from saving for the future.

Access to benefits

Unlike traditional employees, Etsy sellers and other independent professionals do not have the same access to a conventional safety net offering like Statutory Sick Pay and parental leave.

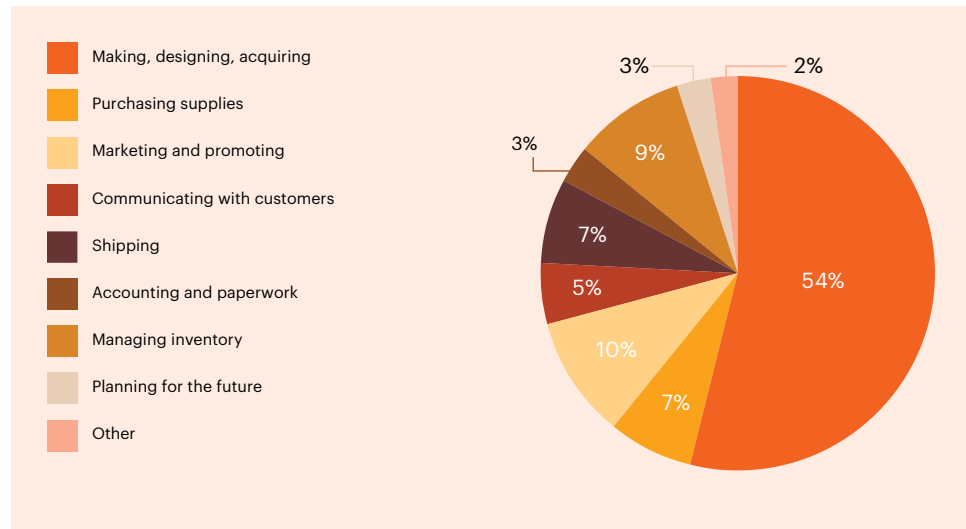
Statutory Sick Pay and parental leave are vital to the health of the economy, and the individuals that allow it to thrive. Yet, over one-fifth of Etsy sellers (23%) say they would not be able to take time off their creative business for the birth or adoption of a child, and over a quarter (26%) say they would not be able to take off for a long term illness or injury. This figure jumps significantly for those who focus on their creative business as their sole occupation, with nearly a third (32%) reporting they would not be able to take off for a long term illness or injury.

Administrative burdens

Time is the scarcest resource for all entrepreneurs, but it's especially valuable for Etsy sellers, many of whom manage every task related to their

business. For roughly every hour an Etsy seller spends making or designing their products, they spend another hour on all the other aspects of running a creative business.

HOW AN ETSY SELLER SPENDS HER TIME



After income volatility, Etsy sellers rank tasks related to microbusiness management, like time management and expanding their creative business acumen as the next biggest barriers to achieving their goals.

Etsy offers a wide range of services and tools that help creative entrepreneurs start, manage, and scale their microbusinesses. But, cumbersome and confusing tax and regulatory structures still present administrative challenges that make it difficult for microbusinesses to focus on making.

International shipping

Etsy makes it possible for sellers to start exporting goods to other countries from the moment they open their shops. Aside from the cost of shipping, sellers with customers in other countries report frustrations with understanding customs fees and tariffs (19%) and providing accurate tracking information (37%). Etsy sellers also worry about the differing consumer protection regulations that apply to certain products in other countries.

It's time to support the microbusinesses who are driving the new economy.

As the economy continues to shift in ways that make independent work more commonplace and desirable, Etsy sellers' experiences should inform and shape our understanding of the future of work. Many Etsy sellers and independent makers are business of one, and face very different challenges from either a five or ten-person company. Yet, most government

programmes for small businesses tend to be siloed and overlook the needs of these creative businesses, focusing instead on helping small businesses become big businesses, and overlooking the specific needs of one or two people businesses.

Helping businesses to scale is important, but less relevant to a microbusiness owner who wants to increase their sales and improve the efficiency of their business operations. Many microbusiness define success on their own terms, while helping their local economies grow. It is our hope that a deeper understanding of Etsy sellers' experiences provides greater insight into the many opportunities policy makers have to support microbusinesses and the creative economy.

Economic security and portable benefits

According to the Department for Business, Energy & Industrial Strategy, four out of five self-employed or independent workers would not take time off of work for an injury or illness.¹² Pensions and benefits systems also leave out independent workers and microbusinesses working beyond traditional employment. While advances in worker protections have benefited traditional employees, there are many improvements to be made to help those working independently.

Policy makers can help by exploring new opportunities to help microbusinesses weather income volatility and build economic security, for example by reimagining the way we fund benefits in order to help people save for retirement, or enabling them take time off to care for new children or aging family members. That way, no matter how you earn income, you'll be able to plan and build for the long term.

Tax and regulatory simplification

Microbusinesses often struggle to learn about and comply with their tax and regulatory obligations, yet are hungry to comply with rules. As businesses of one, the bookkeeping, accounting, and regulatory burden falls on their shoulders.

Policy makers can help by considering the implications that any new administrative burdens would have on the smallest of businesses. Etsy sellers can be an instrumental voice in demonstrating the intricacies and nuances that accompany running a tech-enabled microbusiness, and their knowledge and experiences can help shape a more streamlined tax system for all. Policy makers should also increase resources devoted to outreach and education, in order to save on enforcement efforts down the line.

International trade for microbusinesses

The internet has made it possible for creative entrepreneurs across the globe to connect with buyers who value their craftsmanship, but global trade laws and regulations have not kept pace with the rapid growth of peer-to-peer trade.

SELLER STORIES



Kate Sayer

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I set up Little Knitted Stars so I could do something that fitted better around looking after my young kids. Etsy has been key to my creative business, as it has allowed me to reach customers across the globe. As a creator of primarily lambswool knitted accessories, my busiest period is obviously winter time. So when it comes to spring and summer the orders invariably decrease considerably. I spend my time designing new patterns, taking lots of new product photography and reordering my shop, and looking at all my product titles and tags to make sure they're still relevant. I also start making stock for autumn so that when the orders start flowing in I can react quicker and reduce my lead times.

Running an Etsy shop definitely enables me to have a flexible work-life balance. I'm able to create and sell products, at a level that suits me, without running behind or feeling overwhelmed. I can drop the kids off at school, work until 3pm then pick them up and spend time with them (or ferry them to whichever clubs and activities they are doing on that day). After their bedtime I can get back to it for a few hours, packing up orders to send the next day. Having the Sell on Etsy app on my phone is great too as I can see orders coming in and reply to Etsy Conversations wherever I am. The 'ker-ching' noise is also very welcome when an order comes through!

In trade policy negotiations ahead, policymakers should prioritise a universal low-value customs exemption, and aim to harmonise the customs, duties, and consumer protections to allow for microbusinesses to thrive. Further, policymakers should make customs and duties information easily accessible, for example through an open API, making it easier for microbusinesses to navigate existing rules and regulations.

Entrepreneurial skills and training for microbusinesses

Etsy sellers and makers are often self-taught in their craft. While the majority of Etsy sellers are university educated, they often seek training to best optimise their online shop, or expand their skill set in the new economy. Current workforce development programmes rarely offer training and support for those looking to become self-employed, focusing exclusively on job training and placement programmes.

Policy makers should continue to expand the training and support services they provide to help more people to move into self-employment and experiment with microbusiness. Governments could help microbusinesses start and grow by creating opportunities to connect with local consumers, providing access to space to make or sell goods, and offering educational resources and services that specifically target the needs of the self-employed. Workforce development programmes should expand their offerings to include microbusiness support and training, ensuring these opportunities are available to the unemployed and underemployed.

Access to the internet

For the price of an internet connection, anyone can spread new ideas or start a business—even spark a new industry. It is this democratic access that makes the internet so revolutionary and allows Etsy sellers to compete with much bigger and more established brands. It's what allows a microbusiness from a rural village to take pride in being an international exporter in their own right.

Policy makers should protect a free and open internet and protect the rules that allow any business, including microbusinesses, to compete on an even playing field online. Further, governments should invest in broadband infrastructure that prioritises rural access to the internet.

Methodology

A total of 4,797 Etsy sellers across six markets (the US, the UK, Canada, Germany, France, and Australia) participated in an online interview from November 10 to December 5, 2016. Unless otherwise noted, the survey data in this report includes Etsy sellers in the United Kingdom only. The sample was taken from a database of sellers who had sold at least one item in the previous 12 months. Sellers from our database were randomly contacted and invited to take part in the survey via email. The survey was developed by Etsy and GfK, and the research and writing was conducted by Etsy.

End notes

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- ³ McKinsey Global Institute. *Independent Work: Choice, Necessity, and the Gig Economy*. 2016.
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- ⁷ Bank of England as of 31 December 2017.
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- ⁹ Small operations employ less than 10 people. Internal Etsy data.
- ¹⁰ Centre for Cities. *Cities Outlook 2015*. 2015.
- ¹¹ Mckinsey Global Institute.
- ¹² BEIS. *Understanding Self-employment: BIS Enterprise Analysis Research Report*. 2016.

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