

**Building an Etsy Economy:
The New Face of Creative
Entrepreneurship**

Etsy

Cover Photo by: Shop Clementine
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Etsy is a marketplace where millions of people around the world connect, both online and offline, to make, sell and buy unique goods. Etsy was founded in June 2005 in Brooklyn, New York and now connects buyers and sellers in nearly every country.

Our 2014 survey of more than 4,000 US Etsy sellers, coupled with ongoing interactions with our seller community, demonstrates that Etsy supports an emerging type of creative entrepreneur. These sellers pursue their passions, work for themselves, and define success on their own terms. Individually their businesses may be small, but together they offer the promise of a more values-led, people-centered approach to life, business and the broader economy.

Etsy democratizes access to entrepreneurship.

Etsy sellers are predominantly female—86% are women. They are twice as likely to be young adults (under age 35) as other US business owners. Many are parents with children at home and 17% have household income under \$25,000 annually. Nearly half (45%) had never sold their goods until they sold them on Etsy. By making it easy to buy and sell goods, Etsy makes entrepreneurship lower-risk and accessible for these populations.

Etsy sellers run businesses in their own right.

Fully 76% of Etsy sellers consider their shops to be businesses, and 30% focus on their creative businesses as their sole occupation. This business mindset is also reflected in Etsy sellers' aspirations—90% wish to grow their sales in the future.

Etsy sellers are self-reliant.

Most Etsy sellers manage every part of their business themselves. The vast majority of sellers work alone from home, and most handmade sellers are self-taught. Of the 65% who required capital to start their businesses, 83% relied on their own personal savings, and only 1% obtained a loan.

Etsy sellers personify a new paradigm for business.

Etsy sellers have ambitions to grow their businesses, yet they wish to do so in a way that furthers their personal values. Personal fulfilment and enjoyment often play a key role in the decision to start a creative business. They also want their business to have a positive impact on the world—71% of sellers agree that growing their businesses sustainably and responsibly is important to them.

Income from their creative business matters.

For 30% of Etsy sellers, their creative business—both on and off Etsy—is their sole occupation.¹ For the rest, their creative business supplements other jobs, contributing an average of 15% to total household income overall. This money makes a difference—44% use this income for necessary household expenses.

Implications for public policy.

Although Etsy sellers differ from traditional entrepreneurs in many ways, they are emblematic of larger shifts in the economy towards self-employment and micro-business. Most are businesses of one, and face very different challenges from even a five- or ten-person enterprise. Government and regulatory agencies should enact policies that support sellers' efforts to start and grow their creative businesses, enabling the broader maker economy to thrive.

Etsy sellers represent a new face of entrepreneurship

Unlike the majority of traditional US enterprises, the Etsy seller community is predominantly female, with women accounting for 86% of all Etsy sellers. This is more than double the number of women-owned businesses in the US, where just over a third are female owned.² Etsy helps women create businesses that not only enable them to earn income, but also offer flexibility and an outlet for their creative passions.

While in aggregate, sellers are more likely than the general population to be college educated (56%) and have slightly higher than average household income (\$56,180), Etsy creates opportunities for populations who may not be as well served by traditional entrepreneurial models. More than a third (37%)

of Etsy sellers are under 35, twice that of other US business owners.³ Further, nearly a sixth of sellers (17%) have household income less than \$25,000.

Etsy enables sellers to get their creative businesses off the ground without the barriers traditionally associated with launching a business. For 45% of sellers, Etsy was the first place they sold their goods, a figure that rises to over half among parents with kids at home, and to 60% among those under 35. In this sense, Etsy functions as an on-ramp to entrepreneurship, creating opportunities for many people who might not otherwise have started a business.

U.S. ETSY SELLER DEMOGRAPHICS

Key Demographics	Etsy Sellers	General Population ⁴
Median age (years)	39	37.5
Gender (% female)	86%	51%
Education (% college grad or more)	56%	27%
Median household income	\$56,180	\$52,250
Rural (%)	39%	21% ⁵

Etsy sellers run businesses in their own right

While many Etsy sellers started their businesses as an outlet for creativity or continue to hold day jobs, their entrepreneurial spirit is undeniable—76% consider their Etsy shop a business.

To support their creative business, nearly half of all sellers (46%) have applied for a business tax ID and 41% have opened a business bank account. For 30%,

their creative business—both on and off Etsy—is their sole occupation.

This business mindset is also reflected in a desire for future growth among Etsy sellers. The overwhelming majority—90%—would like to grow their creative business in the future, and nearly 8 in 10 reinvest a portion of their earnings back into their businesses.



Photo by: Andie and Jason Moore

Jason & Andie Moore of Andie's Specialty Sweets
andiespecialtysweets.etsy.com
Dallas, TX

"I, Andie, originally opened our Etsy shop as a hobby to scratch an artistic itch while our youngest children took afternoon naps. Immersed in motherhood, a real business was the furthest thing from my mind. But creativity, in a steady and energetic stream, led to discovery!

We realized we were serving a niche market with potential to scale. Jason sold our current business and we joined efforts in creating a viable business together. We've always found that artisan skills are sought after regardless of market and economic conditions. Although punching a clock has seemed appealing to us at different stages, we know the sacrifices we're making today will outweigh decades of weekends off.

Etsy has been a valuable tool and platform for us to test the market, advance our craft, hone our skills, evolve our brand, and make adjustments to our future plans, with very little overhead and risk."

Etsy sellers are self-reliant

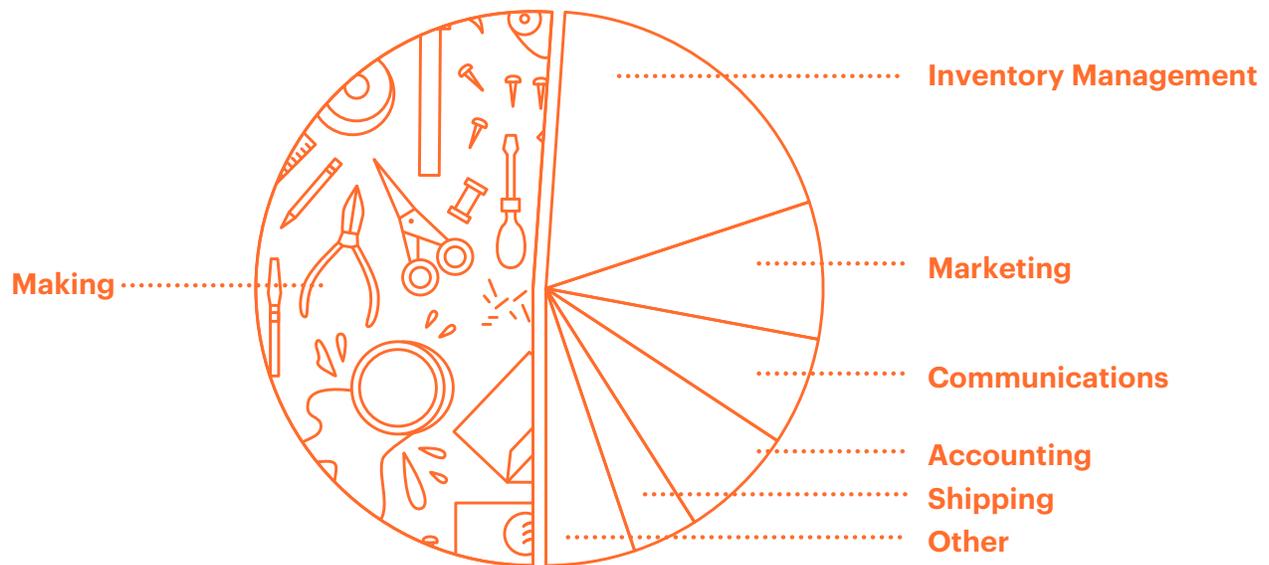
The majority of Etsy sellers start their creative businesses without help. They don't need formal training or conventional financing to get off the ground—83% of handmade sellers are self-taught in their craft, and of the 65% who needed some startup capital, 83% relied on their own savings. Only 1% of all sellers took out a loan.

Once launched, most Etsy sellers continue to manage their creative businesses on their own—88% run their Etsy shop alone, and 95% operate their businesses from their homes, compared to 52% of small

businesses nationwide.⁶ Only 12% of Etsy sellers have help running their business, much of which is from unpaid friends or family—just 5% of Etsy sellers have paid help.

Working alone, many Etsy sellers manage every aspect of running a business, including marketing, bookkeeping, and customer service. For every hour that they spend making and designing their products, they spend almost another hour on business and administrative tasks.

HOW AN ETSY SELLER SPENDS HER TIME





Soo Son of Pale Fish NY
palefishny.etsy.com
New Orleans, LA

“5 years ago I moved to New Orleans, my husband’s hometown, and transitioned to jewelry design. I decided to open my shop up on Etsy because, practically, it allowed me to explore a new medium with low overhead and very low risk.

I was able to learn about jewelry business, while making money and learning market trends, materials and store models. With Etsy’s great resources and social network of sellers, it was very easy and encouraging to enter into my new business. Etsy allows me to directly connect with customers from all over the world and get real-time direct feedback on what I am making.

Above all, Etsy offers flexibility to accommodate my nomad lifestyle. So far my life has taken me from Seoul to Tokyo, Manhattan to New Orleans, and soon to Ithaca, New York. I am able to pick up and move my business without affecting my visibility or my customer base. Wherever I decide to move tomorrow, as long as I have my tools, a mailing address, and an Internet connection, I have an Etsy shop.”

Etsy sellers personify a new paradigm for business

For many years, the conventional and dominant retail model has prioritized delivering goods at the lowest possible price and growth at any cost.⁷ Etsy offers an alternative model that celebrates sellers' success on their own terms and supports sustainable growth.

In many ways, Etsy sellers represent a new approach to business, where autonomy and independence matter just as much as, if not more than, the bottom line. Many want to keep their business at a scale they are able to manage themselves, with 69% saying they are not looking to employ any more people and 65% saying they would not consider taking out a loan to expand their business.

Yet they are ambitious—90% of Etsy sellers want to grow their business, and 54% would consider selling goods wholesale or on consignment. One in two (56%) would consider scaling their business operations, for example by purchasing new equipment (30%), using outside manufacturing (20%), or renting or acquiring additional space (38%). At the same time, they wish to grow responsibly. Of those who wish to grow their business, 75% agree that being sustainable and responsible is important to them.

Additional studies demonstrate that trends in small-batch manufacturing are making it easier for creative entrepreneurs to scale their operations in a sustainable way. New technologies such as 3D printing, computer assisted design, and computer-controlled routers make more complex production possible, while the growth of shared maker spaces in libraries and other community spaces make these technologies accessible to many more people.⁸ In 2012, the market for maker services and products reached \$2.2 billion and this figure is expected to grow to \$8.41 billion by 2020.⁹ Meanwhile, manufacturing is moving back to the US from overseas,¹⁰ and is increasingly housed in smaller facilities that can accommodate smaller orders and the customized production that individual makers need.¹¹

These trends bear out in Etsy's own experience. Of the more than 3,000 sellers worldwide who have been approved to work with outside manufacturing partners on Etsy, 86% are working with partners in their home country.¹²



Jennifer Judd-McGee of Swallowfield
swallowfield.etsy.com
Northeast Harbor, ME

“I used to manage a women’s health clinic, a job I loved. When the 70-hour work weeks started to take a toll on my stress levels and family time, I started drawing and collaging to calm my nerves. With encouragement from friends, I opened an Etsy shop. Eventually I left my job in the healthcare field to focus on making art full time. When diagnosed with multiple sclerosis in 2010, I was having trouble holding my pens to draw — and I started freaking out. I discovered that the pressure of holding a cutting knife in my hand felt good, so I began to explore papercutting.

These days, it’s a key part of my repertoire. While taking a printmaking workshop last year, I stumbled into a lab full of high-tech tools for fabrication. Here, I first laid eyes on a laser cutter in action. The possibilities excited me so much that I bought my own with a loan from the bank, the first debt I have ever taken on as a business owner. After the laser cutter was delivered, it sat in my studio for several months, unused. I was really scared of it.

Since learning the ropes, the machine has opened up new opportunities for my business. I now make laser-cut versions of my hand-cut artwork and have landed work making laser-cut signs for other businesses, something I hadn’t even considered when making the purchase.”

Etsy sellers are building mindful, responsible, values-driven businesses

While income plays an important role in Etsy sellers' decisions to start a creative business, more sellers cite personal factors than financial drivers as their main motivation.

When asked about motivations for starting their creative business, 65% of sellers said supplemental income was a motivating factor. Further, 26% cited a desire for greater financial independence, 21% wanted to provide financial support for their families, and 13% had plans to save for the future.

Yet personal fulfilment plays an even larger role in Etsy sellers' motivations. In total, 79% cited creativity as a motivating factor. In addition, three-quarters (74%) of sellers said they were motivated to start their creative business because they wanted to do something they enjoy either as a main job or in their spare time, and a third (33%) of sellers started their creative business to fulfill a personal dream. Overall, almost two-thirds (64%) agreed that doing something they enjoy is more important than making money.

Sellers are driven by more than personal opportunities. Almost three-fifths (59%) of Etsy sellers say it is important that their business has a positive impact on the world. This translates to real opportunities on a local level, with 54% saying that local manufacturing and sourcing of materials is important to their business.

Etsy sellers also take a collaborative approach to building their businesses. Over 8 in 10 (81%) have interacted with other Etsy sellers, citing factors including business advice, networking, and emotional support among the reasons they connect with others in the community. Etsy sellers also self-organize into mutual support groups online, forming over 10,000 Etsy Teams around the world. A quarter of Etsy sellers worldwide are on a Team, providing local support and opportunities to collaborate with each other.¹³



Chris and Katie Francis, Lee Goodwin, Olivia Turrell of Docksmith
docksmith.etsy.com
Brunswick, ME

“My boyfriend Lee, his sister Katie, Katie’s husband Chris and I, Olivia, were on a mission to move up to Maine. We kept scheming and trying to think of what we could do in Maine to make a living.

We started making docking stations, and we were getting great feedback on Etsy. We found a 1700s barn that was up for rent with an apartment above and a woodshop below, so we moved and quit our jobs. We all came from parents who were entrepreneurs. We’ve all been taught from a young age that if you work hard and you have a vision that you can really see it through.

Chris and Lee are the driftwood scavengers. They work with parks in our area, camp out in the wilderness without cell service, and come back with loads of wood. Then they figure out the functional design, I photograph each piece, and Katie designs all the packaging. We’re all in business together. This is another level of our love.”

Creative business income matters

For 30% of sellers, their creative business is their sole occupation. For the rest, Etsy shops provide a meaningful source of supplemental income. On average, sellers report that their creative business—both on and off Etsy—contributes 15% of their yearly household income. Notably, 44% of sellers use creative business income to pay for household expenses, and 17% for rent or mortgage payments.

This income matters, particularly to the 17% of Etsy sellers who earn less than \$25,000 per year. For this group, income from their creative business makes up 21% of their entire household income. While the latest census data shows that the percentage of Americans living under the poverty line decreased from 15% in 2012 to 14.5% in 2013, this is still well above the pre-recession figure of 12.3% in 2006.¹⁴ With a considerable proportion of the US population still living below this threshold, enabling lower earning households to supplement their income through their own business ventures is an important step in helping them achieve financial stability.

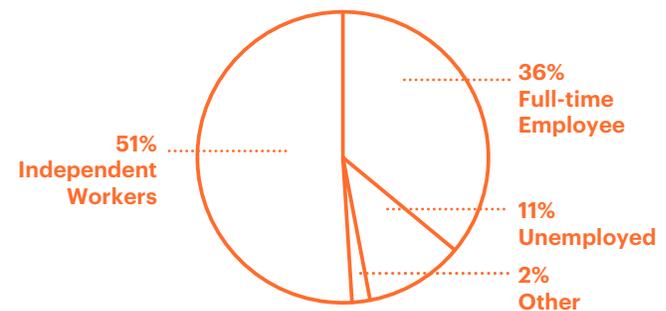
Supplemental income makes a difference in sellers' lives, but its value changes depending on their circumstances. Younger sellers aged 18-24 are more likely to save income from their creative business, with over 40% putting their earnings into savings (compared to 25% of sellers generally), and around a fifth (19%) using it to fund their education. Meanwhile, sellers with children at home are more likely to say that their creative businesses enable them to support their family financially (27%) and to use their Etsy income to pay for household expenses (49%).

For the 26% of sellers who had no paid employment prior to starting their business, or currently lack paid employment,¹⁵ entrepreneurship could be their best opportunity to earn income. These sellers are diverse:

38% of this group are homemakers, 23% are retirees, 15% are students, 12% are unemployed, and 7% are ill or disabled.

In many ways, Etsy sellers are also part of a larger trend towards independent work and self-employment. According to a Freelancers Union, Elance/Odesk study, 34% of the US workforce is made up of individuals who have engaged in supplemental, temporary, or project- or contract-based work in the past 12 months, and they account for \$715 billion in economic activity each year.¹⁶ The majority of Etsy sellers (51%) also 'work independently' (either their creative business is their sole occupation, they are self-employed in other ways, they work part-time, or they are temps). Like many 'independent workers', Etsy sellers are combining income from multiple sources. The majority—57%—have a job outside of their creative business, and only 36% of all Etsy sellers have full-time employment.

2014 EMPLOYMENT AMONG ETSY SELLERS



Independent Workers	51%
Creative Business	30%
Self-employed	10%
Part-time	10%
Temps	2%

Etsy sellers represent an encouraging response to these economic trends, establishing independent creative businesses that diversify sources of income and help build resilience in the face of broader insecurities.



Photo by: Erik Valind

Jody Rice of Satsuma Street
satsumastreet.etsy.com
Los Angeles, CA

“I opened my Etsy shop because I was at a point in my life where I was looking for a fulfilling, creative career and at the same time I saw a need that wasn’t being met in the needlework market. The great thing about Etsy and the digital marketplace is how quickly and easily you can set up shop and act on an impulse like that, with very little capital or business know-how necessary. I think that really increases the odds that fresh ideas and products will actually make it in front of customers.

I went from being somebody who worked 75 hours a week outside the home to being somebody who works that much at home. All my friends who still work in the film industry say that I have found some secret password into a different life.

Running a creative business has completely changed how I value my creative energy and time; I now consider those things my greatest assets. When I used to work for other people, I was investing my creativity in making someone else’s dreams come true. Now I’m investing in myself. It can be scary because that investment doesn’t always pay you in a weekly paycheck like a normal job, but you see the rewards in the long term.”

Opportunities to Support the Maker Economy

Although Etsy sellers differ from traditional entrepreneurs in many ways, they are emblematic of larger shifts in the economy. Most are businesses of one, and face very different challenges from even a five- or ten-person enterprise. Operating in gray areas between amateur and professional, business and worker, consumer and provider, they are inconsistently captured in government statistics and poorly understood by policy makers.

This study, coupled with Etsy's ongoing interactions with its seller community, has deepened our understanding of the particular challenges creative entrepreneurs face. To enable a people-powered economy to flourish, governments should enable micro-entrepreneurship, support small-scale commerce, and foster economic security for all.

A Micro-Advocate in Every Agency

Makers often struggle to learn about the regulations that govern their businesses, yet they are hungry to comply with the rules. Regulatory agencies should establish a Micro-Advocate to conduct direct outreach to micro-businesses, create user-friendly educational tools, and make formal recommendations to ease compliance burdens.

Entrepreneurship Training in Every Jobs Program

Most workforce development programs focus on job training and job placement, overlooking the opportunities that self-employment and entrepreneurship offer unemployed and underemployed populations. Workforce development programs should expand their offerings to include micro-business support and training.

Peer-to-Peer Trade Between Every Country:

The maker economy is global, yet trade laws have not kept up with the advent of peer-to-peer marketplaces, where individuals ship small quantities of goods from one home to another. Countries should negotiate a universal low-value customs exemption, and harmonize the customs, duties, and consumer protection regulations that apply to these products.

Small-Batch Manufacturing in Every Community

Consumer demand for local, unique goods creates opportunities for makers to reach bigger markets, yet these designers face several challenges when scaling their home-based operations. Governments should expand manufacturing support services to help small-batch manufacturers source materials, update designs, and locate suitable production partners.

Economic Security for Every Entrepreneur

Lacking the security and benefits that come with a full-time job, micro-businesses must manage unpredictable income fluctuations without the benefits of social insurance. Government should invest in programs to help micro-entrepreneurs weather unexpected income shocks and manage their personal and business finances.

A Free and Open Internet for All

The Internet has democratized access to entrepreneurship for millions of people, enabling makers access a global customers base and compete with much bigger brands. Governments should establish clear, bright line rules to prevent discrimination and preserve an even playing field online.

Methodology

More than 4,000 U.S. Etsy sellers answered an online survey from November 24, 2014-January 5, 2015. The sample was taken from a database of US 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 Kantar Media, and the research was conducted by Kantar Media.

Due to methodology and survey text changes, some data in this report is not directly comparable to data in our 2012 report, *Redefining Entrepreneurship: Etsy Sellers' Economic Impact*. These changes were implemented to help better align 2014 survey data with other national and international industry surveys.

End Notes

¹ Due to changes in methodology, this stat is not directly comparable to the data in our 2012 report. See Methodology section for more details.

² Demographic Characteristics of Business Owners, 2012. US Small Business Administration, Office of Advocacy.

³ Demographic Characteristics of Business Owners, 2012. US Small Business Administration, Office of Advocacy.

⁴ American Communities Survey, 2013.

⁵ American Communities Survey, 2010.

⁶ US Census Bureau, SBO, SUSB, 2007.

⁷ Bruce Upbin, Artisanal Manufacturing: Creating Jobs to Produce Things in America Again, <http://www.forbes.com/sites/bruceupbin/2013/12/11/artisanal-manufacturing-creating-jobs-to-produce-things-in-america-again/>

⁸ Gary Price, Results from Makerspaces in Library Study Released, <http://www.infodocket.com/2013/12/16/results-of-makerspaces-in-libraries-study-released/>

⁹ Tim Bjarin, Why the Maker Movement is Important to America's Future, <http://time.com/104210/maker-faire-maker-movement/>

¹⁰ Made in America, Again, Why Manufacturing will Return to the U.S., <http://www.bcg.com/documents/file84471.pdf>, Boston Consulting Group

¹¹ Joshua Sophy, Small Business Manufacturing is Up. One Reason: Reinvention, <http://smallbiztrends.com/2013/05/small-business-manufacturing-growth.html>

¹² Etsy internal data

¹³ Etsy internal data

¹⁴ US Census Bureau, Income and Poverty in the United States: 2013.

¹⁵ Data calculated based on aggregate of full-time sellers who had no paid employment prior to starting their business and part-time sellers who currently have no paid employment.

¹⁶ Freelancing in America, A National Survey of the New Workforce, http://fu-web-storage-prod.s3.amazonaws.com/content/filer_public/c2/06/c2065a8a-7f00-46db-915a-2122965df7d9/fu_freelancinginamericareport_v3-rgb.pdf, Freelancers Union, Elance-oDesk

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