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Growing Pains: An Exploration of Etsy Policy and Seller Satisfaction

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P2P, online marketplaces, microbusinesses

Online craft marketplaces (including apparel and accessories), where microbusinesses sell their designs and products, blossomed in 2005 with the entrance of Etsy. Etsy captured the market's readiness for a makers' movement and consumers' growing desire for distinctive and authentic products not found in typical retail outlets (D'innocenzio, 2017). Today, Etsy remains the largest online marketplace with the greatest number of sellers and buyers. When the company launched its initial public offering (IPO) in 2015, Etsy had 1.56 million sellers, and 24 million buyers (Weinswig, 2016). According to an Etsy survey, most sellers (97%) had home-based operations, 74% considered their Etsy enterprise a business venture, not a hobby, and 18% reported that their shop was their full-time occupation ("The Art and Craft", 2014).

Online marketplaces, such as Etsy, have flourished with the rise of the "peer-to-peer" (P2P) economy—the sharing of access to goods and services among individuals—and offer tremendous opportunities for small business owners. These online marketplaces typically have lower entry and overhead costs, and no location-based limitations, which allow sellers to offer their creations at competitive prices. Whereas the P2P economy provides apparel-related microbusinesses a means of market entry and a venue for brand exposure and distribution, the growing number of sellers in these online marketplaces indicates growing competition (Weinswig, 2016). Research by Gherhes, Williams, Vorley, and Vasconcelos (2016) suggests that microbusiness growth depends on a set of factors including: business capabilities and practices, owner characteristics, owner growth ambitions, and the business environment. However, it is not known if Etsy provides the resources needed for sellers to grow their businesses or the level of seller satisfaction with services provided.

Objectives. A qualitative exploratory approach was used to investigate Etsy policies and seller satisfaction with Etsy services. To gain a holistic understanding of the issue under study (Creswell, 2014), data sources representing differing viewpoints were content analyzed. The first data source captured positive and negative viewpoints of sellers on Etsy.com and consisted of 140 reviews posted between 2015 and 2017 on two consumer review sites: Consumeraffairs.com and Sitejabber.com. The second data source included a selection of industry and scholarly materials, such as the Etsy 2014 and 2015 Transparency Reports, to gain the Etsy perspective. The data were coded by three researchers, and an inter-coder reliability of 87% was achieved.

Emergent themes. Although some of the sellers (4%) reported positive aspects to selling on Etsy.com, a majority of the sellers (99%) reported overall dissatisfaction. Major areas of concern included: store termination, communication with Etsy, loss of income, and competitor fraud. Over half of the sellers (57%) reported that Etsy had terminated their store and many received no explanation (33%) and no warning (18%). For the sellers that did receive notice,

Etsy cited policy violations for the termination, including charges that items were not handmade or were copyrighted. Many of the sellers denied the charges. Samantha wrote, "My mom helped my 80 year old grandpa open a store [...]. His items were 100% his own and handmade." Sellers attempted to contact Etsy regarding the termination with proof of innocence; however, they reported that there was no phone number to call and emails went unanswered or were dismissed. When sellers did receive an email from Etsy, the seller was asked, "not to contact them again." The sellers reported loss of income and resources from store termination. Sellers lost product images and descriptions, listing fees, and Etsy held funds in their account for months. Many sellers (23%) also wrote about Etsy's policy of shutting down stores without a detailed investigation. J. K. wrote, "Competitors will flag your listings [...] and your shop will be closed for no reason!" Finally, the sellers felt that their dissatisfaction came from recent changes within the company. As D. wrote, "They used to be great, and now they don't seem to care."

This apparent capriciousness towards sellers contradicts Etsy's social mission--connecting local sellers with global buyers to enrich local communities. Etsy's B Corp rating provides external confirmation of its rigorous social and environmental standards. The company has endeavored to provide sellers with ample information (i.e., a 14,000- word document) outlining the parameters for compliance to out-sourcing of mass-produced components. Moreover, Etsy recognizes the culling of resellers is its "largest problem and concern" (Orsini, 2013), which requires the balance of seller satisfaction with alleviating the threat of intellectual property infringement lawsuits from outside firms. Its Transparency Reports itemize steps taken to ensure fairness in suspension decisions, such as following the Digital Millennium Copyright Act. Sellers should know to back up information in case of suspension of services, as they must sign an agreement outlining Etsy's House Rules that state it may suspend access to the service without advance notice resulting in loss of account information and content.

Conclusions. Although Etsy provided documentation outlining its "House Rules," sellers were extremely dissatisfied with Etsy's policies on store termination and communication with sellers. For sellers whom Etsy is their primary source of income, store termination came at a significant cost. To reduce risk, sellers should (a) confirm with Etsy legal representatives the legitimacy of planned out-sourcing processes, (b) back up their content (e.g., customer information), (c) collect photos of the step-by-step crafting of goods, workspaces, and raw materials in case their stores are suspended, and (d) diversify across selling platforms. Given, Etsy's social mission, it would also be advisable for Etsy to improve communication with sellers and provide more transparent investigations of wrongful termination and competitor fraud in order to foster healthier relationships with microbusinesses. Future research could triangulate the current results and further investigate avenues for microbusiness growth in P2P marketplaces.

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