



Success is a Double-Edged Sword: Examining the Implications of Growth for Community-based Online Retailers

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Integrating community with consumption is a growing trend within online retailing, especially in terms of how some sites approach the sale of goods (Adams, Hosken, & Newberry, 2011). This is the case within consumer-to-consumer retail sites that encourage a community-based approach rather than one that is driven by competition. That is, electronic markets like Etsy, Artfire, and BigCartel focus on helping sellers form a community around the selling process; an approach that has proven successful for these sites. Such success has particularly been the case for Etsy, which was among the first to foster this community-based electronic market environment. Indeed, in the last two years alone, Etsy has experienced revenue growth of approximately 50% (Etsy, 2017). Understanding whether there are challenges inherent to such rapid growth, and the extent to which this growth may alter the community-driven ethos that has made Etsy so successful, form the two-fold purpose of this study. While literature exists on consumer-to-consumer electronic markets like eBay and Amazon (Adams, Hosken, & Newberry, 2011; Gregg & Walczak, 2008) very little research has specifically examined the community-based approach to consumer-to-consumer electronic markets. Moreover, to date, no research has explored the implications of growth for this relatively new online retailing format, thereby positioning the present study as among the first to examine this issue.

A qualitative approach that combined an ethnographic and netnographic research design was employed (Kozinets, 2006). To focus the investigation, Etsy was selected as the research “site,” as it has been very successful as an online, community-based market where individuals not only buy and sell handmade products, but share a common interest in handcrafts which, in turn, has created a sense of community that is integral to its online marketplace (Etsy, 2017). Upon IRB approval from the researchers’ university, data were collected using participant observation and in-depth interviews. Observation occurred online over a three-month period and focused on text-based interactions and posts made on Etsy blogs, forums, and reviews. In-depth interviews were conducted with a total of twenty individuals recruited via the snowball sampling method and representing one or more of three primary roles relative to Etsy: buyers, sellers, and Etsy administrators (those who manage the Etsy site). Interviews were audio-recorded with participants’ consent, lasted between one and two hours, and transcribed verbatim. After the completion of data collection, Spiggle’s (1994) suggestions for qualitative data analysis and interpretation were followed. A set of categories was established and relationships across these categories were identified to further develop characteristics and dimensions of emergent themes. From this iterative process, three primary themes were identified and used to structure the interpretation: (a) *To Manufacture or Not Manufacture, That is the Question*, (b) *One Seller’s Trash is Another Seller’s Treasure*, and (c) *Drowning in Competition*.

To Manufacture or Not Manufacture, That is the Question reflects participants' struggles with shop growth. Sellers that experienced significant increases in sales found that they needed to either expand the business or change production practices to keep up with orders. Indeed, several participants experienced this particular growing pain and one was even considering closing her shop because she was selling more than she could produce. In an attempt to remedy the situation, in 2014 Etsy deviated from its purely handmade focus by allowing sellers to seek out production assistance (i.e., manufacturers), provided these manufacturers were approved through Etsy's Production Assistance approval process.

One Seller's Trash is Another Seller's Treasure reveals an emerging drawback to Etsy's free-spirited selling policy: a lack of quality control. For instance, the definition of the product category *handmade* is anything "not mass-produced or resold." There is nothing to regulate the quality of products that are produced and sold. Although the idea of being able to create and manage one's own shop is what drew participants who are sellers to Etsy in the first place, most expressed frustration about the fact that this approach has eventually led to extreme variations in levels of product quality. This consequence was not lost on participants that purchase items on Etsy either. For example, Chrissy stated, "Something that I don't like as much, is the quality control...I guess it is all a scavenger hunt, and I guess that is also the beauty of it."

Drowning in Competition builds on the previous two themes, calling attention to how the growth of Etsy has resulted in an oversaturated electronic marketplace. For instance, as Lilly, a long-time buyer and one-time seller shared, "[Y]ou have a ton of choice! But sometimes when you have too much choice, it's like, 'I don't even want to go through all this.'" Buyers and sellers mentioned that Etsy's growth is good for shop revenues, but its market is flooded with an overwhelming number of products, thereby making it challenging for buyers to wade through and for sellers to stand out.

The growth of Etsy signals that a community-based market approach can result in success for those looking to sell their products online. Yet, as the results of this study indicate, there are challenges that come with this growth, including quality control issues and an oversaturated market. Moreover, findings indicate that while growth may be welcomed in terms of revenues, it has not been as beneficial for maintaining the community ethos that attracted sellers to Etsy in the first place. Further research is needed, as it is likely that these community-based electronic marketplaces will continue to grow, thereby necessitating innovative methods for managing growth without compromising the benefits that come from this approach to online retailing.

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