Certification, Clusters, and Creativity: An Analysis of Etsy as a Platform Firm

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Introduction

With the continuous advances in manufacturing methods, shipping options, and digital communication, domestic and global markets have become inundated with cheap, mass produced items and goods. This ‘race to the bottom’ has led to a consumer culture where customers and firms have steadily demanded lower and lower prices, leading to even more aggressive pushes in outsourced and offshored work, re-locating of production to lower wage countries, and stricter time limits on shipping. Resulting goods offered in the market are typically cheaply made and of lower quality, which has in turn re-emphasized an increasing desire for “authentic” goods.

This growing corner of the market, where quality is valued over price, is what has contributed to Etsy’s success. Etsy, an online platform and mobile application, allows for the buying and selling of handmade goods to take place. While many firms create success by offering low prices, standardized goods, and easy access to merchandise, Etsy’s business strategy is quite different. Operating as a peer-to-peer business, like EBay, yet focusing on originality and uniqueness, Etsy was able to create a “market where there wasn’t one before,” allowing sellers to conduct business in a previously nonexistent market, where buyers shop for goods that are distinctive and embody values quite different from those that are commodities. By enabling such a market online, Etsy has grown to become a large firm whose business model is to provide an online marketing platform (Larocca 2016). As Etsy typically targets the young upper-middle class consumer, price is not the only factor or selling point, but instead is a market driven by an emphasis on “uniqueness, sustainability, and craftsmanship” (Reader 2015). On the Etsy platform, interested buyers can browse a wide variety of handmade jewelry, clothing, furniture, art, craft supplies, toys, and much more, from personal vendors and artists in 90 countries and
counting. Etsy not only encourages the appreciation and purchasing of creative products, it also encourages this creativity by providing a global marketplace.

In this paper, a closer analysis of Etsy’s foundation, business strategy, and continued growth is undertaken in order to gain a deeper understanding of its operations and reasons for success. As a company that emphasizes creativity and innovation, both in its clients and its employees, Etsy has taken multiple initiatives to bolster its identity as value-oriented, including its decision to become B-Corp certified. From its beginning in a Brooklyn, N.Y. apartment, to its spread into various global clusters such as the Brooklyn Dumbo Tech Triangle, the San Francisco SoMa creative cluster, and Dublin’s Digital Hub, Etsy has profited from the diversification, along with the multiple positive feedback loops as a result of collaboration and competition. Between Etsy’s continuous investment into the software that underlies its platform and its emphasis on upgrading its platform design, Etsy exemplifies the contemporary online marketplace platform. By examining these topics more closely, a better understanding can be developed of how platform-economy firms, such as Etsy, are transforming the global market.

History

Etsy, originally named Iospace, was started by Rob Kalin, Chris Maguire, and Haim Schoppik in a small Brooklyn, New York apartment in 2005 (Reader 2015; Wayback Machine 2007). Their goal was to create an online platform for homemade goods that would allow independent artists to expand their selling networks and increase their customer bases (Reader 2015). By operating “within converging trends of online commerce, employment, and consumption”, Etsy founders hoped to provide easy access to unique goods in an otherwise fragmented market (United States Securities and Exchange Commission [US SEC] 2016). In this sense, Etsy was not created to sell and distribute products themselves, but to act as a basis for
other small businesses and individuals to do so. In other words, they would simply be a platform for other businesses or what Kenney and Zysman (2016) term a “digital consignment” platform firm. Effectively, Etsy would be an eBay-like platform for unique craft-like goods. However, to accomplish this the site would have to be redesigned from the commodity-like eBay model to one with a greater emphasis on creativity, authenticity and personalization.

As Etsy began as a private company, it had to develop revenue sources which were the following. The first was charging a listing fee to the sellers for listing items on Etsy’s website. For each handmade good posted on a seller’s profile, a $.20 fee was charged, regardless of whether or not the item sold. Then, for every successful sale, an additional 3.5% transaction fee was collected from the seller. In addition to these standard fees, sellers could also choose to upgrade to other services that would ease checkout or increase customer exposure to their page. For example, Etsy offered services such as prominent placement of sellers’ advertisements on the home page and in email announcements, the ability for the seller to print out customized shipping labels, and a direct-checkout option at the time of payment – all of which made sellers pay more for these upgrades (US SEC 2016).

While these fees seem miniscule on a small scale, within two years of creating its website, Etsy had 450,000 sellers generating twenty-six million dollars in annual sales (US SEC 2016). This success in the global marketplace has continued. In 2015, Etsy had 1.6 million active sellers generating over $2.4 billion in annual sales, of which 30% was derived from international sales. An important factor in this growth has been Etsy’s presence in a global-local marketplace, as its usage in over 90 countries has given the company a competitive advantage because Etsy’s success is not reliant on its performance in a single country (US SEC 2016). Etsy
is increasingly reliant on the global community of buyers and sellers, including creative entrepreneurs and shoppers looking for unique goods.

During Etsy’s first four years, the company underwent major changes, both in its code design and in its executive business structure. By responding to buyer and seller feedback, Etsy made changes such as incorporating Flash animations for a better visual experience, and such as adding a messenger function that allowed buyers and sellers to interact (Maxwell, Gevarter, and Young 2014). Another large shift, which would become instrumental in Etsy’s innovative endeavors, was the replacement of CEO Rob Kalin by Chad Dickerson, former Senior Director of Product at Yahoo. Dickerson proved to be exactly what Etsy needed to expand its presence in the marketplace, as his main focus was on building out Etsy’s technological engineering team for the development of new website functions (Maxwell, Gevarter, and Young 2014).

One of Dickerson’s more controversial implementations, however, was the tweaking of the Terms and Conditions in 2013 in order to allow sellers to list manufactured goods in addition to handmade goods. This move, dubbed Reimaging Manufacturing, “moved from grass root idealism to a more financially viable business model” (US SEC 2016; Reader 2015). This change required that sellers still had to design the products or personally hire the designers, but that production could be outsourced to another firm, as long as it was located within the United States or Canada (Maxwell, Gevarter, and Young 2014). Each seller that chose to list manufactured goods on Etsy had to disclose the factory name and comply with humane conditions, non-discrimination policies, be sustainable, and involve no child or involuntary labor; however, no data suggests that Etsy verifies these factory qualifications (US SEC 2016). This change in the Terms and Conditions then means that virtually any item can be listed as handmade, as the authenticity now lies in authorship instead of actual production.
This bold move caused some sellers to leave Etsy, but many others were forced to stay because they were unable to make the same profit on a personal site (Reader 2015). As large of an outcry as it was to many members of the Etsy marketplace, this change actually increased sales from 895 million dollars in 2013 to 1.34 billion dollars in 2014 (Reader 2015). This change in policy, along with Etsy’s choice to go public in 2015 and attract investors such as Sean Meenan, Union Square Ventures, and the founders of Flickr, has in many ways caused Etsy to lose its title as the “champion of small businesses” (Maxwell, Gevarter, and Young 2014), yet its operations continue to flourish.

**B-Corp Certification and Firm Evaluation**

One way that Etsy has attempted to bolster its identity as a globally committed and value-based company is through its choice to become a certified B-Corp company. According to B Lab’s website, “B-Corps are for-profit companies certified by non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency” (B Lab [1] 2016). While there are advantages and disadvantages to utilizing third-party certification methods, O’Rourke (2006) explains that this use of non-governmental regulation could lead to the exact outcomes that B Lab hopes to enforce, which are accountability, credibility, and transparency (p. 905). Through Etsy’s use of B Lab’s certification standards, O’Rourke (2006) explains that generally this means that B Lab’s evaluations should be unbiased, that liability then falls on them, and that consumers should trust its findings more than reports published internally by Etsy itself; however, limits still exist in that Etsy’s participation in the certification process is voluntary, that it might lead to reports trying to please the client, Etsy, and that there might be a lack of public access to some findings (Locke, Qin, and Brause 2007: 911). Despite the fact that
Etsy’s platform-based business model means that there are no factories to be audited, certification by B Lab still helps identify flaws and strengths within Etsy’s business operations.

Because Etsy believes that it has an obligation to “create value for people and the planet,” the B-Corp assessment acts as a tool to help direct the firm in this mission (B Lab [2] 2016). Etsy became B-Corp certified in 2012 as only the second US company to do so, and completed its reassessment in 2015, as the first company to do so (US SEC 2016). While its status as a B-Corp gives Etsy a values-oriented identity, this is more than just a title, and by examining the way that B Lab grades and categorizes its clients, insight can be gained as to how Etsy’s values align with its actual operations.

The way in which B Lab assesses Etsy is through a standard framework of third-party certification, as outlined by O’Rourke. The first step is for the client, Etsy, to apply to the third party, B Lab, which in this case is followed by a certification fee of anywhere between five hundred dollars and fifty-thousand dollars, depending on Etsy’s revenue. The third-party, B Lab, then conducts a pre-assessment of Etsy’s operations. After this, the third-party, B Lab, then completes its assessment, which occurs every two years and is financed by Etsy at their own expense. In order to become certified as a B Corp, Etsy must complete a variety of obligations, such as making its full IB Impact Assessment transparent, publishing a report of its social and environmental performance, and achieving a minimum score of 80/200 on the B Lab Impact Assessment (O’Rourke 2006; B Lab [3] 2016). While the median score of firms assessed through B Labs scored a 55/200, in Etsy’s most recent re-assessment for 2016 the firm scored a 127/200, scoring above the median in all categories, including environmental practices, worker benefits, customer products and services, community practices, and accountability and transparency (B Lab [2] 2016). One important distinction to note, however, is that while Etsy scored above
average in the “worker benefits” category, these benefits only extend to Etsy employees, not the producers of the products sold on the site.

In addition to what categories Etsy scored above the median in, reports of why Etsy scored so high in these categories were also made available. In the environmental practices section, Etsy excelled in tracking, reporting, and setting goals for reduced carbon emissions in all aspects of company usage, as well as set aggressive sustainability standards for furniture and office supplies sold on the site (B Lab [2] 2016). Etsy also showed concern for its employee benefits, in that health care insurance covered over 80% of medical expenses for the employee, as well as the employee’s spouse, children, family, or civil union (B Lab [2] 2016). Although not covered in the report, it is important to note that the composition of the workforce at Etsy differs from the typical Silicon Valley technology firm as it employs women for 51% of its workforce compared to Facebook with only 15%. Etsy is not as ethnically diverse, with over 79% of employees identifying as white (Reader 2015).

Etsy was also found to boast impressive statistics in its customer demographics, as a 2014 Seller Survey found that 31% of its sellers are from low-income households, 86% are women, and 95% run their businesses from their homes (B Corp [2] 2016; Reader 2015). These points, however, open the discussion to how this independent contractual work of Etsy sellers relates to Grossman and Woyke’s (2016) explanation of gig work and the role of platforms as accelerants of the unbundling of jobs. They suggest that the definition of the “job” is changing. Etsy’s sellers aren’t given access to traditional benefits such as a stable income, health benefits, or unemployment benefits, they provide consignment products that may or may not sell. Like many other platform firms, Etsy only provides affordable tools and resources. The sellers, independent artists and creators, bear all the risk and costs.
Global Clustering

One of the most important and influential reasons for Etsy’s technological and financial success is a result of the company’s strategic placement of certain tasks and functions in centralized global “industrial” clusters.

Etsy Headquarters: Dumbo, New York

While in principle, a platform firm could locate anywhere, in fact, most of the important platform firms are highly concentrated in a just a few locations. To better understand the advantages of cluster participation and the resulting positive feedback loops on Etsy’s operations, the locality of its headquarters in Dumbo, New York serves as an analytical reference. At the beginning of Etsy’s development in 2005, operations took place in a small Brooklyn apartment, and then in 2009 Etsy made the decision to relocate to the upcoming tech district in Dumbo, although not far from its original location (Dickerson 2014). The Dumbo District, which stands for “Down Under the Manhattan Bridge Overpass,” originated as an industrial center near the water that manufactured rope, boxes, and machinery, but became deindustrialized until the area was bought by Two Trees Management and remarshaled as an upscale residential and commercial community (Graham 2013). The developers provided incentives to artists in order to try and create culture in the area in the 1970’s, which in turn spurred the beginnings of a tech start-up hub (Graham 2013). Now, Dumbo houses New York’s largest concentration of tech firms by block, containing 25% of the city’s tech firms with over 500 tech and creative companies in a 10-block radius (see Figure One).
As a firm that sells creativity, it also emphasizes fostering and promoting creativity in its internal operations. For example, Etsy Vice President Matt Stinchcomb says that the company was attracted to Dumbo because it provides the “urban lifestyle that the creative class craves,” and that because of the area’s emphasis on creative people, Etsy’s headquarters “will never leave Dumbo” (Graham 2013). This zeal for authenticity and innovation was even instrumental in the choice of Etsy’s building, as Etsy is currently housed in the Old Gair Building, famous for being known as the location where the original cardboard box was created (Graham 2013). In 2013, Etsy’s Dumbo location employed 496 people, largely in corporate, member operations, and creative engineering (Graham 2013).
Etsy’s success in Dumbo has been reliant on the positive feedback loops in the surrounding regions. For Etsy, the Empire State Development and the City of New York provides incentives such as five million dollars in tax credits if Etsy fulfills its financial obligation and creates new jobs in the area (Graham 2013). New York University and the City of New York’s sponsorship of an incubator in Dumbo, which helps start-ups and young firms establish themselves through providing cheaper rent, demonstrates this investment by universities and the government into the cluster (Graham 2013). One way through which this engagement takes place in the Dumbo district is through firms’ investments in training programs and local involvements, which train individuals that, by their presence in the region provide collective benefit, thereby enforcing the region’s capabilities (Porter 1998).

One of Etsy’s most popular examples of community involvement is through what the company terms “Etsy Labs” (Graham 2013). Held at the Dumbo Headquarters, Etsy Labs hosts craft nights as well as beginner level training programs that are free to all members of the community (Graham 2013). Because of Etsy’s business as an online platform, the firm’s local engagement is important to its mission, which Senior Manager of Communications, Sarah Cohen, explains as: “Having a distinct presence and signage will give us a larger presence in our community’s acceptance of us” (Dickerson 2014).

Clusters also function to encourage new business growth, which is largely the case with the rising Dumbo tech triangle district (Porter 1998). As companies like Etsy, along with governments and universities, invest in local knowledge, similar firms become attracted to the region for reasons such as easier access to inputs, skills, and assets, as well as to take part in the reputation of that cluster identity on a global scale (Porter 1998; Beebe et al. 2013). Some start-ups that have joined Etsy in the Dumbo tech district include Drop.io, Tune Core, Sawhorse
Media, and Fan Feeder (Mosendez 2014). While Silicon Valley benefits from proximity to some of the largest venture capitalist investors, the Dumbo Tech Hub benefits from its close proximity to complementary industries such as finance, media, and advertising (Graham 2013). Specifically for Etsy, a mix of creative industries influences its location in Dumbo, such as nearby fashion and design hubs, which helps Etsy detect new trends and market to new sellers (Dickerson 2014).

Other Etsy Office Functions

As explained by Zysman and Kenney (2015), in the era of the Cloud and big data, “production and services are dispersed, but certain phases are increasingly centralized in certain regions.” This division of labor contributes to diversified employee knowledge depending on office locality. With offices in Brooklyn, San Francisco, Dublin, Melbourne, Tokyo, Paris, London, and Toronto, Etsy is able to draw upon a diverse pool of knowledge as a benefit of dispersed activities. While Etsy’s headquarters is reliant on its specific location to derive cluster benefits, some of its other offices such as Melbourne, Toronto, Tokyo, Paris, and London, are located in their areas for less specific reasons, such as customer support and public outreach. As for Etsy’s choice to include offices in San Francisco and Dublin, these offices participate directly in dispersed cultural clusters, and this diversification of functions allow Etsy to better harness different skills, innovations, and knowledge pertaining to each cluster’s strengths.

Etsy Coding Operations: San Francisco, California

As opposed to Etsy’s headquarters in Dumbo, which focuses on corporate management and creative functions, Etsy’s San Francisco office focuses specifically on its platform coding and software development (Maxwell, Gevarter, and Young 2014). Because Etsy made the decision to keep its data in its own Cloud computing operation in order to retain control over the
development of their code and software,\textsuperscript{1} Etsy’s computing is almost entirely done on its own physical servers in its own data center (Maxwell, Gevarter, and Young 2014). This is located near the SoMa tech center. Since this is also a dense cluster of innovative start-ups and platform application firms, the location not only allows Etsy to hire employees with specialized coding skills, but also allows Etsy to stay competitive by interacting with some of the most successful platform firms.

Location within this cluster situates Etsy near other innovative and creative tech firms such as Dropbox, LinkedIn, Mozilla, Pinterest, Yelp, Uber, and Airbnb (see Figure 2). Sarah Cohen describes this highly competitive and fast-paced cluster as the reason for choosing the locality for Etsy’s software and platform infrastructure operations. In order to attract and retain sellers and buyers, Etsy needs to ensure that its software responds to the users’ needs, runs smoothly, and stays up-to-date (Miller 2015). By locating the code development near similar platform services, Etsy can make sure that it develops the newest and most effective user experience (Miller 2015).

\textsuperscript{1} It is also worth noting that the foremost cloud service provider, Amazon, is a potential Etsy competitor.
The benefit of participating in such an advanced tech cluster is also enhanced through collaboration with other firms in ways that provide a collective benefit. An example of this is Etsy’s collaboration with Facebook to develop HHVM, which resulted in Etsy contributing their knowledge to the open source movement (Miller 2015). Etsy’s expertise and mastery of PHP allowed them to partner with Facebook, another large PHP platform contributor. Facebook was able to help Etsy transfer some of its internal functions to the Hip Hop Virtual Machine, or HHVM, which improves performance and speed. Facebook’s help enabled Etsy to in turn master HHVM, making Etsy one of the largest contributors to HHVM’s continuing development (Miller 2015). Publishing this knowledge as open source software allows others to use what Etsy has developed, as well as allows others to improve upon its functionality.

As Kenney and Zysman (2016) discuss, many of these platforms that have been mastered and contributed to “attract a myriad of other contributors that, when sufficiently rich, can result
in the formation of an ecosystem”. This collaboration with Facebook is just one example of Etsy’s contribution to public knowledge and becoming more embedded in the Bay Area ecosystem (Miller 2015). By utilizing collaboration to improve Etsy’s own business growth, as well as to invest in public goods, Etsy’s involvement in the San Francisco tech cluster is one way that a constructive method of private and public dialogue can be harnessed for collective cluster growth and success.

**Dublin, Ireland Etsy Headquarters: Tech Hub or Tax Haven?**

While Etsy’s Dumbo headquarters functions to handle corporate happenings, and its San Francisco office takes advantage of a highly innovative pre-existing cluster, the placement of Etsy’s international headquarters in Dublin, Ireland has been the focus of many inquiries and criticisms. By locating its headquarters for the Middle East, Ireland, and Africa in Dublin, skeptics have insisted that this was done as a strategy to evade US taxes, similar to the case of Apple and its Irish subsidiary (Permanent Subcommittee on Investigations 2013). Etsy insists that this choice was influenced by the benefits of locating in Dublin’s Digital Hub, and the region’s emphasis on creativity (Reilly 2013). As the international headquarters, Etsy Dublin mainly focuses on Human Resources, sales, law, and some engineering (Reilly 2013). As Etsy explains it, it is located in Dublin’s Digital Hub (see Figure 3), which can be described as a “hotbed of new ideas, tech innovations, and entrepreneurship,” Etsy is then able to “tap into a pre-existing pool of specialized and experienced employees,” which not only allows for better workers, but also reduces the cost of searching for qualified employees (Reilly 2013). Dublin also offers incentives, such as subsidies and tax breaks in order to attract global firms. One example of this investment into the region is support by the Irish Government Department of Jobs and IDA Ireland (Reilly 2013).
Some critics, however, have argued that some of these tax incentives offered by Dublin have allowed Etsy to dodge US taxes (Permanent Subcommittee on Investigations 2013). While details are not pertinent to the discussion surrounding Etsy’s actions, it shows how other tech firms are affected in similar controversies. Since Etsy has been a B-Corp as of 2012, when allegations against Etsy first surfaced, B Labs conducted an internal investigation to ensure that Etsy was living up to its standards. The issue revolved around whether Etsy was evading U.S. taxes by selling its intellectual property rights to its Irish subsidiary, which allowed Etsy to pay a lower tax rate of 12.5% compared to America’s 35% (B Lab [4] 2016). B Labs found that Etsy had sold some intellectual property rights, but that it had continued to pay US corporate taxes on sale and income accrued in the United States (B Lab [4] 2016). They also found that Etsy was not using a Double Irish tax strategy to “create an entity that is taxed nowhere,” as Etsy’s international headquarters was a “real” operation with 45 full-time employees (B-Lab [4] 2016).
This was differed from allegations against Apple, in which Apple was accused of conducting no real business functions in Ireland, yet claimed it did in order to qualify for a tax deduction (Permanent Subcommittee on Investigations 2013).

Although there is certain evidence to answer why Etsy chose Dublin as its international headquarters, one important characteristic that makes the issue of global tax evasion such a hard issue to determine is the fact that Etsy operates in a digital economy (Zysman and Kenney 2015; Permanent Subcommittee on Investigations 2013). This debate is exemplified by Senator Levin’s comment on Apple, in which he stated that “there are different ways of earning income that no longer have the kind of traditional physical nexus to countries as firms did before” (Permanent Subcommittee on Investigations 2013). With the rise of big data, Cloud services, and increased digital communication, firms are no longer restricted to operations in a bordered locality (Zysman and Kenney 2015). While Ireland’s low tax rate was a probable factor in Etsy’s choice of Dublin for its international headquarters, a variety of other factors were described as important by Etsy, such as concentration of skilled workers in an English speaking country that Dublin’s Digital Hub offers.

**Divisions of Labor and Value Chain Creation**

*Developing the Mobile App*

Firms such as Etsy must evolve quickly as technology changes. Today, it is evolving from a solely PC-based platform to a mobile one. Etsy’s path to adding valuable new features to its service was catalyzed by the hiring of Mike Grishaver, former Senior Vice President of Product for music-streaming service provider, Pandora (Reader 2015). As Grishaver noted, while the website was doing well for its original clients and buyers, society’s move towards an on-the-go and mobile lifestyle meant that Etsy wasn’t reaching as many customers as it could (Reader
While the app is similar to the website in that it is a virtual platform for the buying and selling of handmade goods, the app increases accessibility and user involvement; two of the website’s weaknesses. Within three years of the app’s release to Android and iOS users, it accounted for half of all Etsy’s traffic, having had 31.8 million downloads and accounting for 43% of total sales from 24 million mobile buyers, and having 5 billion pages viewed (US SEC 2016).

**Division of Labor for the App Development**

The development of the app required a completely different set of skills, and a separate team of engineers had to be hired and trained in order to build this extension of Etsy’s digital platform (Reader 2016). This created a new division of labor within Etsy’s coding and engineering base. These “small firm” values are further seen in Etsy’s software maintenance choices. In terms of its value chain pertaining to coding and software, Etsy tries to keep as much engineering in house as possible, which goes back to Etsy’s desire for control and mastery of the programs (Miller 2015). Instead of experimenting with new coding programs, Etsy prefers to use software that it can master, such as JavaScript, PHP, and Scala (Miller 2015). Etsy did, however, use Elastic Map Reducer for Hadoop by Amazon Web Services in order to process its bulk data. This incorporation helped simplify operations, but again, Etsy decided it would rather bring Hadoop in-house and master it (Miller 2015). This allowed for specialization of Hadoop’s functions and Etsy was able to speed up its prior processing speed x10 (Miller 2015).

The desire for control, anonymity, and mastery over its software does not come easily, however. Etsy uses Continuous Deployment to upkeep its software, which is a highly productive method that requires that the code be updated every twenty minutes, and up to seventy times a day (Miller 2015, US SEC 2016). This vast need for coding explains why 1/3 of Etsy employees
are engineers (Miller 2015). This extensive dedication to their platform is part of Etsy’s “Empowerment Loop”, which explains that “the more we invest in our platform, the more we enable Etsy sellers to pursue craft and grow their businesses, and the easier it is for Etsy buyers to find goods” (US SEC 2016). While Etsy takes pride in its codification of software taking place in-house, in order to provide the best service to its customers, many of Etsy’s more specialized functions rely on the services of other tech providers through its value chain.

**Etsy’s Value Chain**

By incorporating other technologies and features, Etsy is able to provide a more complete customer service that it would not otherwise have the capabilities to develop on its own. One example is the social sign up/in option available through Facebook and Google Messenger (US SEC 2016). This gives the customer the option of having a smoother, more seamless, and efficient way of logging in, while simultaneously letting Etsy benefit from access to user information such as “likes”, age, and gender. Facebook and Google also benefit from payments from Etsy. Etsy also allows usage of pre-existing payment platforms such as Apple Pay, Google Wallet, and PayPal (US SEC 2016). Etsy pays these platform-based firms for their usage, while providing buyers and sellers recognized and trusted forms of payment, therefore helping to establish Etsy as a service that is safe to use. Etsy thus utilizes and integrates in platforms that other firms have built to be part of its own platform (Kenney and Zysman 2016).

As is demonstrated through Etsy’s use of services such as Facebook sign in and Google Wallet, the fragmentation of certain aspects within the platform supply chain doesn’t hinder its innovation or creativity, but actually allows for better performance of its overall goals. This codependence between Etsy and other platform suppliers provides important insight into the way that Etsy and other platform firms organize their value chains. Etsy’s desire to provide reliable
and unique services creates a governance model where price is not the deciding focus, but is instead quality and accountability from other suppliers. This model has aspects of being a relational value chain relationship, even though it is all cyber and done through established APIs. Etsy’s placement of its coding and data center in San Francisco, close to its suppliers of other tech functions, makes it easier for Etsy to establish personal relationships with key components integrated into Etsy’s platform.

**Etsy Careers and the Creative Class**

Etsy’s entire business model is meant to foster and encourage creativity and innovation and it expects its workers to embody these traits as well. Because of increasing global emphasis on the value of human creativity, Florida’s concept of the creative class as a new group of workers offers significant insight into Etsy’s human resource policy. Etsy describes its work process as involving “Measuring, investigating, and experimenting in a continuous cycle of learning and development” (Florida, 2003). From Etsy’s targeting of a particular class of customers, to its engineers in its Continuous Deployment process, Etsy depends upon creative engineers and designers in its operations.

**Etsy Careers**

The importance of creative workers can be seen by examining the job openings on its Career page, in a variety of fields such as legal, management, creative, engineering, finance, and international relations (Etsy [1] 2016). These specific job descriptions are reminiscent of Robert Reich’s (1991) symbolic analysts. A sample of current jobs listed on Etsy’s hiring page include; User Experience Strategist, Seller Development Coordinator, Financial System Analyst, Product Marketing Manager and Senior Application Security Engineer (Etsy [1] 2016). Even more
indicative of Etsy’s emphasis on the creative class, are the actual job descriptions and qualifications for these openings.

I provide some of the job descriptions here to illustrate this point. For example, the Email and Push Marketing Specialist performs functions such as “supporting the team, planning calendars, creating manuals, collaborating with stakeholders, and compiling and analyzing reports,” whereas the Financial Systems Analyst fulfills functions along the lines of “collaboration, management, and analyzing software” (Etsy [2] 2016; Etsy [3] 2016). More interesting, though, are the listings of what qualifications these employees are expected to have. These two careers should be filled by employees that “are good at problem solving, are curious, have written skills, are results driven, are understanding of trends, adaptable, and work well in groups” (Etsy [2] 2016; Etsy [3] 2016). These are exactly the skills that Brynjolfsson and McAfee (2012: 55) state will stay in demand during the age of digitalization and computerization, such as applied math, group work, good writing, persuasion and human collaboration.

**Offshorability of Etsy’s Workforce**

It has been theorized that there are two factors that determine the potential offshorability of non-routine, creative jobs; the first being that the job doesn’t require completion in a certain location (Blinder 2007). At this time, this does not appear to apply to Etsy’s data engineers, who are restricted to Etsy’s San Francisco data center because of the company’s decision to not contract to an external firm to provide its cloud function. Many other corporate functions in HR, sales, and analytics are not tied to one certain location. The second factor to determining offshorability is that it doesn’t require person-to-person contact (Blinder 2007). This is pertinent to almost all of Etsy’s positions, for its status as an online platform firm requires almost no
interaction with its sellers and buyers. By these categorizations, many of Etsy’s jobs qualify as being potentially highly offshorable, and yet while some jobs have been relocated to global offices such as Dublin, Paris, and Melbourne, Etsy’s strong historical ties to its Dumbo office as well as its reliance on participating in the San Francisco tech cluster strongly indicates that Etsy is likely to maintain most of its operations within the U.S.

Conclusion

As a case study, the growth and transformation of Etsy reveals aspects of the operations of tech firms in the platform economy. Etsy’s services, although it does not produce or distribute any of its own products, is largely reliant on locating its operations in global clusters, and the benefits that Etsy receives from and contributes to these clusters was discussed. While Etsy has faced backlash over issues such as its decision to allow manufactured goods to be sold on its website, and its choice to locate its international headquarters in a low-tax area, Etsy’s involvement in its many communities, its dedication to mastering and improving code, and its reliance on the ‘creative class’ has allowed the company to construct an online market where its valuing of uniqueness, creativity, and quality can be utilized by many.
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