

Culture clash as hip online firm Etsy hits Wall Street

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Cultures will clash this week as Etsy, the online marketplace known for artisan goods and strong social values, makes its Wall Street debut.

Etsy is expected to raise between \$233 and \$307 million in its initial public offering (IPO) market to be priced Wednesday, which would push its valuation as high as \$1.78 billion.

The stock is set to trade on the Nasdaq market Thursday under the symbol "ETSY."

Etsy, a Brooklyn-based firm which was founded in 2005 and pegs itself as the "antidote to mass manufacturing" by selling handmade and vintage goods, says hitting the stock market won't mean selling its soul.

"I intend to keep our unconventional operating philosophy as we become a public [company](#)," said chief executive Chad Dickerson in a letter included with the Etsy regulatory filing.

"We eat on compostable plates, and employees sign up to deliver our compost by bike to a local farm in Red Hook, Brooklyn, where it is turned back into the soil that produces the food we enjoy together."

Etsy plans to maintain its status as "a certified B Corporation," which seeks to contribute to solving social and environmental problems.

The company is one of 1,200 certified by the B Lab by showing "the positive impact the company has on its workers, its suppliers, its customers, the community in which it operates and the environment," according to B Lab co-founder Jay Coen Gilbert.

Only two B corporations, however, are publicly traded, reflecting the apparent contradiction between social values and responsibility to shareholders.

"Investors want a company to do good, but they don't want too much at the expense of getting the profit they are looking for," says Kathleen Smith at Renaissance Capital, a research firm which specializes in IPOs.

"There could be a little bit of contention between the investors' constituency and social responsibility."

In the past year, Etsy reported a loss of \$15 million as it ramped up marketing efforts. But it has generated sales on the platform of \$1.93 billion, one-third of which came from outside the US market.

Last year Etsy boosted its international presence with the acquisition of its French-based rival, "A Little Market."

Potential 'negatives'

Etsy itself acknowledged in its filing that investors should expect to see a different kind of company.

"Adherence to our values and our focus on long-term sustainability may negatively influence our short- or medium-term financial performance," the company said in its Securities and Exchange Commission filing.

It added that "we may choose to prohibit the sale of items in our marketplace that we believe are inconsistent with our values even though we could benefit financially from the sale of those items."

Etsy also noted that it may take actions "such as investing in alternative forms of shipping or locating our servers in low-impact data centers, that reduce our environmental footprint even though these actions may be more costly than other alternatives."

Etsy has gained a reputation as a hipster, artisanal version of eBay, featuring a large number of

vintage and handmade items. But critics say mass-produced goods from China and counterfeit items make their way onto Etsy despite the company's efforts.

Some analysts say the company has been successful enough to generate investor interest.

Smith at Renaissance Capital told AFP that Etsy has "a good, growing business" as well as a "high retention rate" of buyers and sellers and a large percentage of women using the platform.

"They have a nice niche, they're growing it," Smith said.

As of December 31, Etsy had 1.4 million active sellers and 19.8 million active buyers, with a large number of both coming back to the platform.

Sucharita Mulpuru, a retail analyst with Forrester Research, said Etsy has the potential to be "highly lucrative."

"The fundamentals of the business are solid," she told AFP.

"Marketplaces are extremely lucrative especially once you have a brand and that brand is reinforced by the products that you produce. Etsy has done a great job at that. It's a fine place to shop, a lot of people know about it, and they don't have to own any inventory. It's a great model."

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