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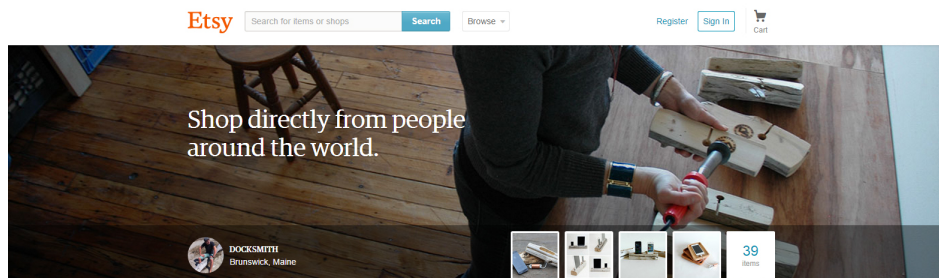
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The End Of Etsy? IPO May Lead To Downfall

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[Etsy](#) (NASDAQ: ETSY), the online marketplace for handcrafted and vintage goods, sold more than 13 million shares on its first day of trading as a public company, raising \$267 million and enjoying a valuation of \$1.8 billion. It has been called the largest initial public offering ever for a venture-backed, New York-based start-up. Not bad for an e-commerce platform that has yet to post a profit.

Yet, for however impressive its IPO might have been, going public is just the latest in a series of moves the company has taken that may lead to its downfall.



Credit: Etsy.com

Brilliant Beginnings

Etsy's hipster beginnings is just one reason why the brand has so much potential. Back in 2005, Brooklynite [Rob Kalin](#) and his friends created an online bulletin board for arts and crafts. Their timing was excellent, as the indie craft scene was just starting up.

Etsy quickly became a marketplace for people around the world to buy and sell unique handcrafted goods. Its mission — “to reimagine commerce in ways that build a more fulfilling and lasting world” — guided the development of the business and the brand. It attracted people who valued craftsmanship, rejected mass production, and wanted a more thoughtful, values-based shopping experience.

In 2012, Etsy advanced its status as an alternative to corporate America by becoming a Certified B Corp, pledging to adhere to social, environmental, and transparency guidelines set by an independent non-profit. It took actions to express its values, such as launching the [Etsy Craft Entrepreneurship Program](#) which teaches people in under-resourced, struggling communities a craft skill, thus giving them access to entrepreneurship and economic opportunity.

The Unraveling

As Etsy grew in popularity and attracted more and varied demand, the company tried to stick to its commitment that everything sold on its site was handmade or vintage and that its sellers were independent businesses. But some sellers bristled under the site's strict guidelines and many potential sellers were turned away. Etsy understood that handmade businesses, by definition, aren't easily scalable, and it too saw the opportunity for more growth. Although Kalin strongly advocated for keeping the brand's original values and standards, he was fired in July 2011 — and that may have been the beginning of the end.

In late 2013, Etsy, under its new chief executive, [Chad Dickerson](#), relaxed its standards and allowed sellers to hire workers and outsource the production to small scale manufacturers. Although the manufacturers had to meet certain criteria, including labor and ecological standards, the change seemed to open Etsy to a wave of mass produced trinkets and lower-quality goods.

Then after eyeing the potential volume to be had by expanding into offline retail, Etsy decided to allow its sellers to take wholesale orders. It also engaged in partnerships with major retailers like Nordstrom and West Elm and started to sponsor major tradeshow. These changes provided Etsy and its sellers greater exposure, but it also moved the brand further from its cachet as personal, independent, and anti-corporate.

IPO = Initial Public Offering and Imminent Push Off (the Cliff)



(Credit: Spencer Platt/Getty Images)

On April 16, 2015, Etsy went public to great fanfare. One of just seven technology-driven companies to go public so far this year, it attracted investors looking for fast-growing companies. Its market value was set at over eight times its 2014 revenue — more than twice the multiple fetched by other Internet retailers like Amazon.com and Zulily. It also garnered attention for being only the third B Corp to go public.

But the IPO doesn't necessarily signal a rosy future for the brand. There is question whether the company's loyalties will shift from sellers to shareholders. Since other socially-minded, "conscious capitalism" brands like Container Store and Whole Foods went public, their leaders have seemed to struggle integrating the principles and values that have guided their brands and attracted like-minded customers with the demands of investors whose demands for quick, profitable returns threatens them. In addition to customers who fear Etsy might be selling out, the company must ensure its loyal following of small-scale merchants still earn a profit.

Beyond that general concern, many view Etsy's IPO as a run up to an acquisition. Analysts observed that Etsy's extraordinary valuation reflected an "M&A premium" and speculated that eBay is a potential buyer. While being acquired would give Etsy a new avenue for expansion, it would most certainly further dilute the brand's indie appeal — and change not only its operations but also the standards that guide them.

Others see the IPO as fuel for the company's plans to expand in international markets. The growth afforded by such expansion would be difficult and come with significant costs. It would require Etsy to compete with the likes of eBay and Amazon who already have established a presence in many international markets, as well as with local players like Flipkart who enjoy a natural advantage. Moreover, the company would take on increased expenses on marketing and product development and face more difficulty in enforcing its guidelines and expressing its unique brand personality.

Etsy's IPO also seems a threat to its B Corp status and values. The company says it will use \$300,000 of the proceeds from the public offering to partially fund Etsy.org, a nonprofit organization the company formed to educate and help women and other underrepresented groups build businesses. But critics can't be blamed for wondering if this is simply a concession to make the IPO seem more palatable to its socially-minded stakeholders — and if it will continue to prioritize its social mission in the face of investor pressure.

Etsy's Story Is Still Being Written

It's too early to predict whether Etsy will flourish with its new influx of cash or if it will go down in history books as a victim of its own growth aspirations. It's quite appropriate, then, to simply defer to the company's origin. The name Etsy came from the movie "Fellini's 8 1/2." Kalin heard the characters saying what he thought was "etsi." In Italian, it means "oh, yes;" in Latin, it means "and if." Only time will tell whether Etsy's story will be summed by "oh yes!" or "if only..."

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