

YMA FSF Business Submission 2017

How the Etsy-Macy's collaboration can fulfill the
millennial adult's desire for functionality and
innovation

Etsy's marketplace boasts over 36 million items in sales with 1.5 million active sellers and 22.6 million active buyers, as per 2015 (Etsy, 2015). With shopping habits shifting to the digital world and fast-fashion chains consuming Macy's shoppers, innovative collaborations can help the company engage a younger audience more effectively. Today's young adult wants convenience, functionality and most importantly, innovation. The Etsy-Macy's collaboration helps build an online and offline experience that ushers in a new retail experience for the new millennial.

Part I: SWOT Analysis

Strengths:

- For Etsy's most popular artisans, this partnership allows them to reach a wider pool of buyers owing to Macy's legacy and vast number of locations. Macy's currently operates over 850 department stores around the world, which can provide Etsy with the beneficial offline presence they can take advantage of (Macy's Inc., 2015). Macy's flagship store in New York is considered a tourist attraction, bringing in millions of shoppers every year (Wahba, 2016).
- One of Etsy's core values is to empower artists, designers and curators to start and grow businesses, which this partnership allows them to stay true to. It helps sellers establish their footing with large-scale orders. This serves to engage the sellers that started their business on Etsy and helps continue their own entrepreneurial story with the company.
- For Macy's, this allows the addition of unique product lines to their entire collection, giving them a differentiating, competitive edge amongst the plethora of department stores they compete with.
- Etsy Manufacturing works with pre-approved merchants who emphasize the fair treatment of workers. As a form of publicity and corporate social responsibility, this works in the company's favor. Furthermore, Macy's can establish itself as a company that empowers the small business owner who started and grew their business on Etsy.
- Changing collections at Macy's stores every two months allows both brands to keep pace with evolving consumer shopping habits and preferences.
- Since it is unlikely that the Etsy seller will use other offline channels to distribute their product, there is guaranteed seller loyalty.
- Offers consumers the rare opportunity to see online goods in-person
- Ability to not only buy Etsy products but also engage in an inclusive in-store experience with refined customer service
- Greater chance for Etsy as a brand and company to engage directly with their consumers
- Hand-picked stores ensure that the buyer is not overwhelmed by choice

Weaknesses:

- For Etsy, this policy of allowing sellers to work with outside manufacturers disengages the smaller vendors of handmade products who helped make the brand what it is today.
- Poses a barrier to entry (must be a popular shop on the website) that goes against Etsy's democratic and open process.

- While handmade goods are appreciated, retail shoppers value brands. Among the plethora recognizable brands housed in Macy's stores worldwide, Etsy products might not engage
- Smaller vendors on Etsy now compete with larger vendors on distribution as opposed to quality.
- Etsy grew as a marketplace for handmade goods and small-batch manufacturing and increased distribution might undermine the authenticity of the products.
- Community aspect that Etsy built on online is lost.

Opportunities:

- If the Etsy product lines are stocked in the global stores of Macy's, international expansion for the brand is possible.
- Amazon fees discourage vendors from selling their products on the site, which incentivizes them to continue working with Etsy.
- Changes in what consumers are spending money on in terms of retail. Today, there is a greater forecast
- In 2015, Macy's unveiled the "One Below" area in the basement of its flagship store aimed specifically at millennial shoppers with technology, apparel, accessories, cosmetics and house music (Wahba, 2016).
- This partnership provides an opportunity for both brands to engage the **millennial adult** as an end-use consumer. Below is a consumer profile built from in-depth, self-led focus groups conducted on 15 millennial consumers, 10 of which were rising seniors at UC Berkeley and 5 had recently graduated and were working in the corporate world. 8 were female and 7 were male and had been recruited through personal social networks.
 - Consumer Profile: Millennial Adult
 - Part of the millennial generation (born between 1982 and 2002) that has replaced the retired baby boomer generation.
 - Greater disposable income to spend on novelty items, however they are sensitive to price as they are worried about job security and unemployment rates.
 - At the upper bound of the millennial generation, either about to graduate or have already graduated university.
 - Upper-middle class millennial willing to spend money on quality
 - Unlikely to be married and is a full-time working professional.
 - Emphasis on functionality and innovation
 - Values uniqueness and one-of-a-kind products either for themselves or as gifts to loved ones and friends.
 - Preference for a unified online and offline experience (what is sold in the store should be similar to what is sold online)
 - Gender differences arise when choosing who to buy the product for. Women are more likely to buy them for themselves but men are likely to buy them as gifts.
 - Urban and likely to be city-bred.
 - Entrepreneurial spirit mirrors purchasing decisions (conscious spending on socially responsible brands).

- Increased dependency on mobile devices means that they prefer apps to search through product catalogs and are likely to place orders on them either for delivery or pick up at the physical store.
- Good customer service and quick response is greatly appreciated
- Conduct a lot of research before making purchases
- Going through major life transitions and choose brands that stick with them through these exciting changes
- Plugged into the mobile and social world displaying novel, unique purchases on their social networks
- Prefer products with high return and longevity

Threats:

- Declining department store sales - Macy's reported, in May, a 5.6% decline in store sales and the worst quarterly performance since the second quarter of 2009 (Kapner, 2016).
- Discount chains, such as TJ Maxx and fast-fashion retailers, like H&M, are hurting Macy's sales.
- Stiff competition from other online retailers, such as Amazon with Handmade (Reuters article), diversifying into handmade crafts with faster shipping and lower prices.
- While Macy's stocks have grown since August (Pisani, 2016), Etsy's shares have fallen by more than 50% since its initial public offering in April (Saito, 2015). There is this constant struggle for Etsy between being a platform for small, independent sellers of handmade goods and a public company dealing with the growth and scale shareholders want.
- Dynamic change in consumer preferences and tastes.

Part II: Merchandising and Marketing

INSIDEGift (Appendix, Figure 1)

Started by Aleksandr and Mary in 2014 on Etsy, this shop sells handmade leather bags and accessories. Most importantly, they sell accessories that can be used with electronics such as iPhones, headphones and iPads. For example, they have travel sized leather cases for iPads that contain pockets for a person's passport, small notebooks and pens. They create an integrated travel and storage solution for the millennial adult who values functionality and durability. Made with high quality leather, the products have been positively reviewed for their longevity as well as unique design. Furthermore, with a sleek design, it is suitable for both males and females.

With Macy's new "One Below" initiative to create a space for millennial products, this product line would perfectly fit with their company vision. As an innovative and highly functional brand, INSIDEGift provides Macy's with products that the millennial adult could use on a daily basis for all their storage and travel needs. Furthermore, each product is unique, making the consumer feel like they are buying something novel, special and unique. With the high value placed on functionality, this brand creates products that can be used for multiple purposes. For example, they created a business card holder that can double up as storage for iPhone headphones. Macy's currently does not focus on electronics accessories, specifically linked to storage and travel. Furthermore, with the ability to customize each product with name engravings and

multiple pockets, the shop allows Macy's to create the unified online and offline experience millennial adults gravitate towards. For example, products can be customized on the Macy's website or Etsy app and then picked up at the store once it is ready. Increased expenditure on technology products (Deloitte, 2016) creates a demand for complementary goods such as cases and travel bags, which this product line can fill. Finally, with a price range of \$8 to \$173, this is conveniently priced for the millennial adult who values good quality for a good price.

Proposed Launch Plan

Pre-Launch:

- Market and consumer insight by Macy's store location: research consumer technology preferences to determine product line to be placed at each location. Determine online and offline unified experience for each store. In the larger flagship store, the experience would be more hands-on with the capability to create engravings on the leather cases at the store itself either through the customer service or through a touch screen display that lets you customize products with engravings. In the smaller and medium flagship stores, this would be changed to a system that allows consumers to buy products off of the Macy's website and pick it up in the store. Smaller stores can emphasize made-to-order aspects of the product line with the website being the main portal for the orders to be made.
- Coordinate the pieces: Complete product displays inside each store and ensure product lines are well stocked with each item. In bigger stores, display concept should be a "store within store" with 'The Etsy Shop'. This shop will be placed in the "One Below" basement of the flagship store to capitalize on the joint promotion of the space and the new collaboration. Additionally, it creates a separate space for millennial to shop at. In medium and smaller stores, display could be reduced to a shelf with the 'Etsy' logo on top in the accessories section. It should be ensured that the displays are not arranged in the sale section.
- Product acquisition: Acquire the product lines for each store from manufacturers, suited to consumer preferences. Flagship store should display the entire product range with all prices, sizes and functionalities. Smaller and medium stores should focus on core product line: iPad case, iPhone case, business card holders and travel bags. Establish constant communication lines with manufacturers to ensure that made-to-orders products are efficiently created and shipped.
- Social media boosts: on both Etsy's and Macy's social network, particularly a countdown starting a week before the launch event at the Macy's stores.
- Secure media/influencer relations: engage travel bloggers to try out the product line and post on their social networks about their experience with it. Furthermore, lifestyle and fashion bloggers of both genders could be involved in the promotion of products.
- Create tailored offers to existing Macy's online and offline customers - track real-time shopping behavior at the stores and online to understand shopping behaviors. For example, creating email marketing tactics that target product items to the consumer. If the consumer normally views backpack, they could receive an email about INSIDEGift's leather backpacks.

Launch:

- Organize a launch party for 'The Etsy Shop' at the flagship Herald Square store with the influencer bloggers and celebrities. The event should be open to the public and allow shoppers to sample the entire product line. Furthermore, a personalization station will be set up where shoppers can get custom products, including luggage tags and travel cosmetic cases, with their initials engraved on it.
- Include pop-up shops on the street in front of the iconic store.
- Launch the #EasyAsEtsy hash tag to showcase the functionality of the product line, encouraging users to post it on their social media networks to receive discounts for future purchases.
- Include goody bags with smaller samples of products, such as a personalized luggage tag with engraved initials of each customer.
- Draft press releases about the launch party and the product line.
- Send product samples to YouTube influencers for reviews and product impressions.

Post-launch:

- Create loyalty programs for the product line on both offline and online experiences to engage Etsy and Macy's customers.
- Draft product reviews and case studies for each line.
- Engage Etsy ambassadors for advertising material: showcase the small business owners and their stories in print and online adverts.
- Develop integrated products with Etsy and Macy's product lines: bundles packages for travellers with Macy's collections for travel products (apparel and cosmetics) and Etsy's travel line with INSIDEGift.

Marketing Campaign

#EasyAsEtsy

This hash tag campaign will be launched within two weeks of the launch event to encourage shoppers who have tried the product line to post on Instagram, Facebook and Twitter about how easy the product has made their life. As easy as it is to set up a store on Etsy, the product line has made their everyday commute or storage of their everyday technology simpler. In return, they can receive a discount on their next purchase of their product line. This campaign can be spearheaded by travel and lifestyle bloggers with a prominent social media presence to sample the product line and post about it as well.

Targeted traditional advertising - Travel Easy with Etsy

Pitch a native advertising and sponsored story to major media outlets, like TIME and Vogue, about how to pack for different types of vacations or storage tips to make everyday activities simpler and more convenient. For print advertising methods, the time frame between pitching the story and getting it published should be about 2 to 3 months. On the other hand, for online media, the time frame is about 2 weeks. The goal would be to the story published a week before the launch event

Building Buzz on Social Media

Once the seeds have been planted with the influencers and traditional marketing, Etsy and Macy's social media presence can boost the event launch party. Apart from a Facebook event page, a 2-week countdown before the event featuring small business success stories on Etsy can be posted on the Etsy Facebook page and shared on the Macy's page.

Guerilla Marketing- Etsy Pop-Ups

An interesting marketing campaign would be setting up random Etsy pop-up stores at prominent New York City tourist sites. These stores would feature in-demand product samples that people passing by can purchase or try, while also pre ordering their INSIDEGift launch party products that they can pick up at the event. These stores can be displayed as kiosks with Etsy employees manning them along with the blogger influencers making appearances at them and promoting them on their social media.

Financial Plan (January 2017 to June 2017)

| | Jan 2017 | Feb 2017 | Mar 2017 | Apr 2017 | May 2017 | Jun 2017 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Expected Sales | | | | | | |
| Online Etsy | \$3,825 | \$3,825 | \$3,825 | \$3,825 | \$3,825 | \$3,825 |
| Sales with Macy's | \$2,781,137 | \$2,781,137 | \$2,781,137 | \$2,781,137 | \$2,781,137 | \$2,781,137 |
| Total | \$2,784,962 | \$2,784,962 | \$2,784,962 | \$2,784,962 | \$2,784,962 | \$2,784,962 |
| Inventory | | | | | | |
| Average | 48,000 units | 48,000 units | 48,000 units | 48,000 units | 48,000 units | 48,000 units |
| Marketing Expenses | | | | | | |
| Facebook Newsfeed ads (two weeks in the month) | \$759.24 | \$759.24 | \$759.24 | \$759.24 | \$759.24 | \$759.24 |
| Influencer Marketing | \$156,864 | \$156,864 | \$156,864 | \$156,864 | \$156,864 | \$156,864 |

| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Instagram Posts (two weeks per month) | \$17,794 | \$17,794 | \$17,794 | \$17,794 | \$17,794 | \$17,794 |
| Total | \$174,817 | \$174,817 | \$174,817 | \$174,817 | \$174,817 | \$174,817 |
| Margins | 0.94 | 0.94 | 0.94 | 0.94 | 0.94 | 0.94 |

INSIDEGift has sold 663 sales in the from December 2014 to December 2015 (INSIDEGift, 2016). With an average price of \$57.7 for 84 items, that amounts to \$38,248 in revenue in one year, with an average of \$3,187 per month. Etsy had 22.6 million active buyers last year which accounts for INSIDEGift having a penetration rate of 0.003% (Etsy, 2015). Macy's has 870 stores and accrued \$27,079,000 in net sales last year, out of which 16% of sales came from home and accessories (Macy's Inc., 2015), the categories INSIDEGift would be placed in. Therefore, \$4,332,640 came from home and accessories last year. Macy's sales are forecasted to drop by 3.65%, resulting in potential sales of \$4,174,498 in the next year for home and accessories. Etsy, on the other hand, has forecasted sales growth of 20% (Cao, 2016), which would increase INSIDEGift's revenue to \$45,897 (Etsy, 2016). The millennial population in the U.S. has reached 75.4 million, accounting for about 24% of the population (Fry, 2016). The millennial adult would be from 21 to 35, therefore removing 20% of that population, resulting in an addressable market of 60.3 million. Assuming a 40% penetration rate with this market, the potential buyer for this product at a Macy's would account to 24.1 million potential buyers. With 16% of sales coming from home and accessories, the buyers would account for 3,856,000 shoppers for home and accessories. At the same average price as on Etsy, with a penetration rate of 15%, this accounts for 48,199 buyers and total sales of \$2,781,137. Expenses of the marketing come from the social media costs per engagement. Etsy has 2,580,863 Facebook likes with a weekly engagement of 513. Posts by beauty bloggers on Instagram and Facebook can be \$0.74 per engagement. Taking Judy Gutierrez, for example a prominent lifestyle blogger, who has 1,288,392 likes on Facebook, with a weekly engagement of 211,979. Etsy's Instagram page has 1,100,000. Average engagement per post can be gauged by looking at the comments and likes from the last 12 posts, which accounts for a week of posts on the account, and averaging them out, which is 12,023.

Scaling Up

In the future, 'The Etsy Shop' will feature several other product lines in addition to INSIDEGift. Particularly, they will focus on the top-selling products with greater customer engagement in the process through customer recommendations and reviews. Themed shops can be present in different store locations with the theme being reflected in the product lines available and decor. These themes can change with the seasons and with the store. Additionally, excess inventory will be liquidated through bundle packages with existing Macy's collections to create series of themes and collaborations.

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Appendix

Figure 1: INSIDEGift product offerings

Sort: Most Recent ▾

iPad Pro 9.7 inch Leather case. iPad Ai...
\$173.00

iPad mini Leather case. Zipper leather...
\$163.00

iPad mini leather folio. iPad and docu...
\$123.00

Leather Cord holder. iPhone cable org...
\$8.00

Leather iPhone 7 / 6 case. Dark Brown...
\$32.00

Pocket notebooks set of 3. Field Notes...
\$12.00