2017 FASHION SCHOLARSHIP FUND CASE STUDY

Design Project

THE MAKER- An Apparel Line that Connects the Designer with the Artisan, the Artisan with the End-user Customer, and Traditional Handicraft with Modern Technology
PART 1. Etsy and its new partnership with Macy’s SWOT analysis

This case investigates the possibilities of harnessing strengths and capturing opportunities presented by small batch manufacturing and in-store retailing for the Millennial customer. By identifying targeted strategies based on end-use customer characteristics, a product line is presented that would make the Etsy and Macy’s partnership successful for all stakeholders.

Millenials and Handmade Trend. Etsy to Connect Handmade Buyers and Sellers

Millennials, born after 1980 and before the early 2000s, make up 25% of the U.S. population with a median income of about $35,000 (Pew, 2010; Thompson, 2016). A generation of confidence, creativity, adventure and openness to new things, this demographic is changing many aspects of the retail industry including the shopping experience, technology, interface, and the way customers view and select retailers, impacting strategies retailers employ to attract and communicate with customers (McPherson, Retrieved 8-10-16; Pew, 2010). Millennials want to see, feel and try on merchandise (Hellwig, 2016). Craving authenticity, they are attracted to true artisan goods and services, not only for the quality and limited availability, but also for uniqueness and a human connection beyond what lies in the box, often missing from mass-produced goods (Cone Communications, 2015; Katz, 2015; Rand, 2015).

Taking advantage of the Millennial demand for unique goods along with the continuous growth of craft entrepreneurship, in 2005, Rob Kalin founded Etsy to tap into the “Maker Movement,” providing a platform for new artists to make their products known and turn a profit while facilitating buyers to find quality handmade products (Benitez-Eves, 2015; Bloomberg, 2016). Etsy’s 800,000 active sellers offer diverse categories from all over the world, trustful online payment methods, mobile apps, and digital tutorials (Bloomberg, 2016; Etsy, 2015). Certified as B-Corp for alignment with social and environmental values (Bloomberg, 2016), the
company has proven to be an exciting marketplace visited mostly by Millennials (Katz, 2015). More than 14 million customers have purchased over 100 million items since Etsy’s launch and in 2012, sales jumped 70% with 16.7 billion page views, an increase of 28% over 2011 (Bednarz, 2013) (Appendix A). Etsy sellers are ambitious; 90% want to grow their business and 54% would consider selling goods wholesale (Etsy, 2015).

However, Etsy is facing difficulties from both buyers and sellers (Appendix B). Customers find Etsy’s e-commerce not interactive enough and, in an environment of “free shipping,” perceive delivery costs to be unreasonable (Bloomberg, 2016; Zaccaria, 2014). Successful sellers gradually leave because of challenges in increasing business scale without violating Etsy’s guiding rule: the notion of “handmade goods.” (Bloomberg, 2016; Dobush, 2015). To solve this paradox, Etsy has adopted a new core value, “humanizing each piece of the supply chain, including manufacturing,” launching Etsy Manufacturing, which enables sellers to use 700 approved factories (Bloomberg, 2016, para. 2; Etsy, 2015).

Macy’s and Etsy - Opportunities and the Team-up

“Companies that don’t evolve don’t grow”- Lise Buyer, IPO advisor (Bloomberg, 2015)

Ranked one of most valuable US retail brands, Macy’s has provided American middle-class consumers with quality products at reasonable prices for more than 100 years (Bailey, 2015). The department store features strong brand equity with 850 different locations, extensive omni-channel resources, and flexible delivery options (Macy’s, 2016). However, in recent years, Macy’s has encountered challenges in an ever-changing retail landscape, experiencing a continuous decline in sales resulting in a nationwide store closures (Egan, 2016). In an effort to improve, the company began outlining a multi-year plan to develop business among shoppers age 13 to 30 (Little, 2012). At the end of 2015, Macy’s opened a 53,000 square-foot basement
called One Below at the flagship Herald Square store featuring a 3D-printer, custom jean laser etcher, blow dry bar, fitness trackers, and selfie wall to attract Millennials (Nazario, 2015).

According to the Wall Street Journal, the number-one competitive strategy for large retailers is carrying local artisan goods and rare global products (Simon, 2015). In 2016, One Below added an Etsy store with unique handmade items designed exclusively for Macy’s. This is “not just an exciting opportunity for sellers, but also for customers searching for one-of-a-kind goods” (Mastronardi, 2016, para. 6). This partnership has several competitors such as Handmade at Amazon, which opened last year with 80,000 products from 5,000 sellers (Bloomberg, 2016).

Both Etsy and Macy have individually and collectively identified challenges and taken steps to address them. Small-scale manufacturing, brick-and-mortar stores, and a more interactive customer experience are essential actions for Etsy. Macy’s development plan including the “One Below” concept is a positive step towards growing their business among young shoppers (Little, 2012). An Etsy store at Macy’s Herald Square flagship using small batch manufacturing is a mutually beneficial solution for both parties. Etsy and its sellers can address scalability and profit margins while increasing exposure. Macy’s gets new and younger customers, providing both companies with solutions and opportunities to grow.

Macy’s and Etsy Partnership SWOT Analysis.

The following section summarizes and outlines four strategic components for positioning the Macy’s and Etsy partnership arrangement.

**Strengths:** Both come to the partnership with an established track record and resources.

- Macy’s is an experienced retailer with many locations/strong omni-channel presence
- Etsy supports online purchasing of diverse and unique items from all over the world
- Etsy Manufacturing helps merchants increase scale to meet Macy’s larger customer base
THE MAKER- AN APPAREL LINE
PART 2. THE MAKER- An Apparel Line that Value the Artisans and the Customers

As demonstrated in the SWOT analysis, the Etsy-Macy’s partnership targets the Millennial customer who responds to authenticity, sustainability, and social responsibility (Appendix C), preferring purchasing experiences. This was confirmed in a survey of 260 undergraduate students (Appendix D) and informed product development. Most Millennials were born into the age of e-commerce, while they embrace a brand and its value, they can be even more loyal to brands with an interesting narrative. By using data and technology, brand value can be communicated in a more effective way (Marks, Zaczkiewicz, 2016).

“The Maker” is an apparel line that connects the designer with the artisan, the artisan with the end-user customer, and traditional handicraft with modern technology, presenting key multi-use items together with basic garments for multi-purpose daily wear. Solid fabrics sourced from craft villages in Southeast Asia through an Etsy craft supply wholesaler such as Little Vietnam (Appendix E) are processed (screen printing, digital printing, dyeing, embroidery) by an Etsy Manufacturer such as Metaware (Appendix F). Products are displayed and sold through Etsy at Macy’s, featuring customer-interactive technology through tablet screens on the retail floor. Customers can see how the fabrics are woven, processed, and worn in different ways (Appendix G). Tablet screens also interface with existing One Below technology like the selfie wall along with social media channels (Facebook, Twitter, Instagram, Etsy App). Customers can follow makers, express themselves, and tag friends on the spot.

This business model can be effective for all stakeholders. Macy’s increases their young customer base, providing a human connection with quality artisan products; Etsy sellers and manufacturers benefit from collaboration; and artisans grow their market while preserving their heritage. The Millennial customer’s needs are met and all can succeed into the future.
SUBURBAN URBAN tells the story about a solo sojourner who brings the idyllic countryside and moody cityscapes together. She makes a fast-paced holiday become a contemplative, slower trip, providing the perfect backdrop for beautiful solitude.

THE MAKER
THE MAKER is an apparel line that connects the designer with the artisan, the artisan with the end-user customer, and traditional handicraft with modern technology. The line values sustainability; its labels and hang tags are made of recycled materials. THE MAKER logo symbolizes the shape of Southeast Asian mountains where the artisans live, harvest and weave. It also mimics the typical weaving patterns of fabrics made by highland artisans.

THE MAKER
MEDIUM
100% COTTON
HAND WASH SEPARATELY
DO NOT TUMBLE DRY
DO NOT BLEACH

...connects the artisans and you

www.themaker.com

MADE IN THE U.S.A.
OUTFIT 1
+Item 1: Multiwear blouse - The blouse can be worn in two ways:
   * Zipping down to wear like a blouse with two layers
   * Zipping up to wear like a blouse with scarf wrapped around neck
+Item 2: Basic skinny trousers
OUTFIT 2
+ Item 1: Multiwear coat/jacket - The coat/jacket can be worn in three ways:
  *Wearing inner layer alone as a long vest jacket
  *Wearing outer layer alone as a short jacket with long sleeves
  *Wearing the whole set as a complete coat
+ Item 2: Basic long sleeve sweater
+ Item 3: Basic flare skirt

Fall 2017 - SUBURBAN URBAN
OUTFIT 3
+Item 1: Multiwear tunic/dress- The tunic/dress can be worn in two ways:
  * Wearing without zipper as a tunic
  * Zipping the skirt to the tunic to wear as a low-waist dress
+Item 2: Basic A-line skirt

THE MAKER
Fall 2017- SUBURBAN URBAN
References


Macy’s, Inc. (2016, March 3). *Company Profile*, p.3


Since its start, more than 14 million shoppers have purchased over 100 million items. In 2012, sales jumped 70% with 16.7 billion page views, an increase of 28% over 2011. The company has nearly 400 employees, In 2012 it raised $40 million in Series F venturefinancing. There are 800,000 active sellers and 40 million-plus monthly visitors to the site (Bednarz, 2013).
Appendix B- Handmade Trouble- Etsy Decline in Active Sellers

Handmade Trouble

28% Amount shares fell after the second straight quarterly loss

Price almost doubles on the first day of trading

Most analysts say the stock will stay below $10 for the next year

Etsy’s share price since its initial public offering


Growth in active sellers* since prior quarter

2Q '14 4Q '15

Growth in active buyers* since prior quarter

2Q '14 4Q '15

DATA: COMPANY FILINGS; BLOOMBERG. *ACTIVE SELLERS INCURRED AT LEAST ONE CHARGE IN THE LAST 12 MONTHS; ACTIVE BUYERS MADE AT LEAST ONE PURCHASE IN THE LAST 12 MONTHS

Appendix C- Handmade Trouble- Etsy Decline in Active Sellers

Summary Findings

When purchasing a product, which of the following sustainability practices is most important to you?

N=149 (millennials who selected a sustainability practice)

<table>
<thead>
<tr>
<th>Practice</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product is inherently sustainable</td>
<td>47%</td>
</tr>
<tr>
<td>Product is manufactured in a sustainable way</td>
<td>32%</td>
</tr>
<tr>
<td>The company is socially responsible</td>
<td>21%</td>
</tr>
</tbody>
</table>

Sources: A.T. Kearney analysis
Appendix D- Survey of Millennials (College Students)

1. I prefer knowing the story behind the brands I purchase.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>0.77%</td>
<td>2</td>
</tr>
<tr>
<td>Disagree</td>
<td>11.54%</td>
<td>30</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>39.23%</td>
<td>102</td>
</tr>
<tr>
<td>Agree</td>
<td>39.62%</td>
<td>103</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>8.85%</td>
<td>23</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>100%</strong></td>
<td><strong>260</strong></td>
</tr>
</tbody>
</table>

Close to half of Millennials surveyed had a favorable attitude towards a brand authenticity. This supports the demographic research. As The Maker creates a connection between humans in the supply chain, it will reinforce the target customers’ characteristics.
2. I prefer sustainability in the brands I purchase.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>1.53%</td>
<td>4</td>
</tr>
<tr>
<td>Disagree</td>
<td>1.91%</td>
<td>5</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>19.85%</td>
<td>52</td>
</tr>
<tr>
<td>Agree</td>
<td>54.58%</td>
<td>143</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>22.14%</td>
<td>58</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>100%</strong></td>
<td><strong>262</strong></td>
</tr>
</tbody>
</table>

More than two-thirds of the Millennials surveyed had a preference for sustainability in their purchase decisions. Constructed of natural, organic textiles with environmentally-friendly processes, The Maker’s products meet this criteria.
3. I prefer social responsibility in the brands I purchase. (Multiple Choice)

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>0.76%</td>
<td>2</td>
</tr>
<tr>
<td>Disagree</td>
<td>4.96%</td>
<td>13</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>34.73%</td>
<td>91</td>
</tr>
<tr>
<td>Agree</td>
<td>43.51%</td>
<td>114</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>16.03%</td>
<td>42</td>
</tr>
<tr>
<td>Totals</td>
<td>100%</td>
<td>262</td>
</tr>
</tbody>
</table>

Research shows Millennials prefer products that support socially responsible practices. More than 60% of respondents agreed or strongly agreed to this statement, validating The Maker’s premise.
Appendix D- Survey of Millennials (College Students) (Cont.)

4. I prefer an interactive shopping experience (in store or online). (Multiple Choice)

<table>
<thead>
<tr>
<th>Responses</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>0.75%</td>
<td>2</td>
</tr>
<tr>
<td>Disagree</td>
<td>10.53%</td>
<td>28</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>15.79%</td>
<td>42</td>
</tr>
<tr>
<td>Agree</td>
<td>34.21%</td>
<td>91</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>38.72%</td>
<td>103</td>
</tr>
<tr>
<td>Totals</td>
<td>100%</td>
<td>266</td>
</tr>
</tbody>
</table>

Close to 40% of Millennials surveyed strongly agreed and another 34% agreed that an interactive in-store or online shopping experience was preferable. The Maker’s in-store tablet with details of how the fabrics are woven, processed, and worn in different ways will connect with Millennial customers.
5. I prefer products with quality and limited availability to mass produced goods.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>0.76%</td>
<td>2</td>
</tr>
<tr>
<td>Disagree</td>
<td>10.98%</td>
<td>29</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>33.33%</td>
<td>88</td>
</tr>
<tr>
<td>Agree</td>
<td>39.77%</td>
<td>105</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>15.15%</td>
<td>40</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>100%</strong></td>
<td><strong>264</strong></td>
</tr>
</tbody>
</table>

Fifty-five percent of the 264 Millennials surveyed prefer products with quality and limited availability. This supports research on the target demographic. The Maker concept will be successful for Etsy and Macy’s.
Little Vietnam aims to bring the handmade, the rare, unique, dying arts and crafts of the tribe people and artisans of Vietnam to the rest of the world. Little Vietnam currently employs two elderly ladies of the Blue Hmong and Red Dzao tribes, and a jewellery maker of the Black Hmong as well as other Kinh Vietnamese staff in Ha Noi.

All the products are sourced from ethnic tribe people. The materials are hand produced, using traditional methods, and sourced from predominantly the Hmong and Dzao ethnic groups of Northern Vietnam.

https://www.etsy.com/people/LittleVietnam
For quick, easy and turnkey cut, sew, garment dye & screen-print production.

The entire production from farm to finished fashion (materials/cut & sew/dye & print) is GOTS Certified-Global Organic Textile Standard, as well as Cradle to Cradle Silver Certified, measuring material health, material reuse, water stewardship, renewable energy & social justice. Metaware’s proprietary seaweed based printing process prints without any harmful chemicals (formaldehyde, PVC, resins.). The water is heated with solar energy.

Metaware’s in-house art studio and team of experts assist with product development needs, and their full service private label contract manufacturing facility produces turnkey ready-to-wear, yoga/lounge apparel, and other custom goods faster and more efficiently than overseas production.

https://www.etsy.com/manufacturing/10314/metawear
Appendix G- In-store Tablet Screen

This is an example of an in-store tablet screen. This tablet is displayed together with the merchandise on the retail floor.

This screen shows the narrative behind The Maker fabrics and helps customers to interact with the brand in a more thoughtful way. Customers can visually meet the artisan, hear her story, know her daily tasks, learn how she weaves, and gain a knowledge of how she is helped by supplying textiles to environmentally-friendly brands such as The Maker.

All tablet pages display social media channels at the bottom, helping customers easily log in/record their videos, interact with friends, and follow The Maker page. This technology also interfaces with the existing One Below selfie wall.
This is an example of an in-store tablet screen displaying The Maker’s product line. It is displayed together with the merchandise on the retail selling floor.

This screen shows customers how a multiple-wear garment can be worn in different ways. It also provides customers with the option to record videos with The Maker items in store so their friends can see and interact.

All tablet pages display social media channels at the bottom, helping customers easily log in/ record their videos, interact with friends, and follow The Maker page. This technology also interfaces with the existing One Below selfie wall.