

The Honey Case: Responding to a Change in Etsy's Shipping Policy

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ABSTRACT

Amy and Mike Farmer operate a beekeeping business located in the Midwest. They have been selling their honey for almost twenty years. They began selling their honey products at farmers markets, local groceries and pharmacies. As their business grew, they added an online store and then began selling on the popular platform, Etsy. Soon the majority of their sales were from their online Etsy store. Recently, Etsy made a policy change that will impact both their promotional and pricing strategies. Etsy's policy change will impact both their pricing and promotional strategies. With the new policy change only sellers that offered free shipping would be given priority placement in Etsy's search results. Amy and Mike are facing the difficult decision on how to best respond to Etsy's new policy change.

This case gives students the opportunity to analyze a real-world case and evaluate promotional and pricing strategies in an online environment. It is appropriate for undergraduate or graduate classes and is based on a real-world situation although the names have been changed.

Keywords: ecommerce, shipping fees, pricing strategies, online shopping, promotional strategies



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INTRODUCTION

As Amy sat at her kitchen table, she thought about the conversation she had just had with her husband. Had it really been almost 16 years since they started their beekeeping business? She remembered how excited they were to begin their adventure. They never imagined that one day they would be full-time beekeepers and what had begun as a hobby would become a full-time business supporting their growing family. As small business owners, they had faced many hard decisions. Now they were facing a decision that might make or break the business.

HISTORY

Amy and Mike started beekeeping as a hobby when Amy bought Mike his first beekeeping equipment. Soon they were selling their honey at local farmers markets. It wasn't unusual for them to set up at three different farmers market on some busy weekends. In addition to honey, Amy began offering other honey-related products. She enjoyed making her own soaps, beeswax candles, lotions, and lip balm and products made with beeswax sold well at the farmers market. Customers liked that the products were natural and pesticide free. As their business grew setting up at different locations became challenging and they welcomed the opportunity to sell their products in local grocery and pharmacy stores. They found local grocery and pharmacy stores were more efficient than setting up booths at farmers markets even if they had to price the products at a lower price point to remain competitive.

Within a few years customers began asking to buy their products online and so they opened an online store. Soon they decided to expand their online presence by selling their products on the popular shopping platform, Etsy. Etsy (2022) describes itself as "a global online marketplace, where people come together to make, sell, buy, and collect unique items". Before long the sales from their Etsy store represented a sizeable share of their revenue. Amy contributed their success to their excellent products and customer service. If a customer was unhappy for whatever reason, Amy promptly refunded their money or shipped out another product. Customer satisfaction was an important part of their business, and they always received the highest online ratings. Their products were priced competitively, and their storefront was always listed on the first page when someone searched for "honey" on Etsy. The cost of shipping was added to the customer's cart during the checkout process. Although Etsy encouraged sellers to offer free shipping, Amy had never offered free shipping and only charged customers the true cost of shipping because she didn't want to overcharge or undercharge her customers.

THE INDUSTRY

People have been harvesting honey for centuries. Cave paintings in Spain show honey being harvested over 7,500 years ago (Saed, 2021). Beekeepers collect the excess honey and sell it for its value as a sweetener and for medicinal purposes. Honey is 25% sweeter than sugar so consumers can use less of it as a sweetener (Samarghandian, Farkhondeh, & Samini, 2017). Honey also has a long history of being used to treat a wide variety of ailments. These include allergies, coughs, and wound treatments due to its antimicrobial, antibacterial, anti-inflammatory, and antioxidant properties (Eteraf-Oskouei, and Najafi, 2013). A meta-analysis study found honey was better for treating the symptoms of upper respiratory tract infections than

the usual care methods (Abuelgasim, Albury, and Lee, 2021). Although researchers agree more studies are needed, honey is often promoted as a home remedy for coughs and allergies.

According to the National Honey Board, per capita consumption of honey in the United States is approximately 1.51 pounds per year. In 2021, over 126 million pounds of honey was harvested in the United States with a value of \$321 million dollars (NASS, 2021). There are an estimated 115,000 to 125,000 beekeepers in the United States with over 2.71 million honey-producing colonies that generated 1.48 million pounds of raw honey (National Honey Board, 2022). Honey is sold in grocery stores throughout the world and there is a growing market for local, pesticide free, raw honey.

PRODUCTS

There are over 300 different types of honey (Samarghandian, Farkhondeh, and Samini, 2017). Varieties are determined by the different type of flowers that bees visit which influence the color, taste, aroma, and texture of the honey. Amy and Mike sell different varieties of their honey such as Spring, Summer and Fall based on the flowers the bees visit during those seasons. They also sell infused honey and other honey-related products such as candles, lip balm, soaps and lotions. They promote their products as being natural and pesticide free.

THE DECISION

Amy and Mike had been selling on Etsy for over ten years when they were notified of a change in Etsy's shipping policy. Beginning in July 2019, only sellers who offered free shipping on sales over \$35 would be showcased on the first page of the search results. If a seller didn't offer free shipping, their storefront would be located further down in the results section. Etsy's research showed that customers were less likely to abandon their shopping carts if shipping was free and customers were more likely to purchase more product to reach the \$35 free shipping minimum purchase (Etsy, 2019). The National Retail Board (2019) reported that 75% of online consumers want free shipping even for orders under \$50.

Amy knew how important that first page placement was to her business, but offering free shipping had its own drawbacks. Honey is heavy and she wondered if she would be able to cover the cost of free shipping. She would have to increase the price for her products to offset the cost of shipping. Would she lose sales because of higher prices, or would she lose more sales because she would lose her first page placement on Etsy's website? Her husband agreed with her that Etsy was more than just another outlet to sell their products. It represented over half of their sales, and it served as a promotional tool. Many of her loyal, repeat customers had first found out about her honey on Etsy and she was worried about losing sales if her store wasn't listed on the first page.

As Amy sat at her kitchen table, she knew she needed to make a decision. Should she raise her prices so she could offer free shipping on purchases of over \$35? Or should she continue doing what she had been doing for years, calculating the cost of shipping, and adding it to the product as a separate cost. She wondered if she raised prices to cover the cost of free shipping, would her products be too expensive? And what if any would the impact be to sales if her Etsy shop was no longer on the first page when customers searched for honey? Would her current customers scroll down to find her store, or would they purchase from another seller? As Amy

pondered over these questions, Mike joined Amy at the kitchen table, and they began to discuss their options.

1. What are the advantages of offering free shipping?
2. What are the disadvantages of offering free shipping?
3. What are the implications if Amy does nothing?
4. What are the implications if Amy decides to offer free shipping along with raising prices?
5. What options do Amy and Mike have? Which option do you think they should choose and why?



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