

FLIPPING THE SWITCH ON RURAL DIGITAL ENTREPRENEURSHIP

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FLIPPING THE SWITCH ON RURAL DIGITAL ENTREPRENEURSHIP

WEDNESDAY, MARCH 13, 2019

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to call, at 11:33 a.m., in Room 2360, Rayburn House Office Building. Hon. Nydia Velázquez [chairwoman of the committee] presiding.

Present: Representatives Velázquez, Finkenauer, Kim, Golden, Schneider, Delgado, Houlahan, Craig, Chabot, Balderson, Hern, Hagedorn, Stauber, Burchett, Spano and Joyce.

Chairwoman VELAZQUEZ. Good morning. The committee will come to order.

I thank everyone for joining us this morning, and I want to especially thank the witnesses for being here today.

In today's economy, there is no doubt that digital technology has revolutionized the way entrepreneurs are looking to build, grow, and manage a successful business.

Whether it is utilizing the latest app to advertise a product or engaging in the sharing economy by renting out a work space online, these type of inventions have been a catalyst for small businesses in just the last decade. In fact, three out of four American small businesses utilize tech platforms for sales, according to industry estimates. And, an even higher amount use at least one digital platform to display products and services, as well as advertise.

By harnessing the opportunities of digital platforms and marketplaces, many small businesses and entrepreneurs are experiencing growth and success. Look no further than the small businesses testifying here today.

It is also no secret that some of our country's most innovative ideas and successful small businesses are hatched within our rural communities. Yet, in many rural areas throughout this nation, the absence of reliable broadband threatens to hold back an entire subset of entrepreneurs.

Approximately 14 million rural Americans and 1.2 million Americans living on Tribal lands still lack mobile LTE broadband at speeds of 10 megabytes per second. Put another way, more than 30 percent of rural residents lack broadband, compared to just 2 percent of urban residents. Among rural tribal residents, the share increases to 66 percent.

The stories behind these numbers are of real entrepreneurs whose ability to secure affordable capital, expand into new mar-

kets, and hire workers, are all jeopardized without reliable internet access.

So, it is important that any technological leap to 5G or future investment in infrastructure from Congress secures access to reliable broadband, no matter where in the U.S. the next small business finds itself.

We cannot, however, encourage small businesses to adopt today's digital platforms without simultaneously ensuring they have the training and resources necessary to protect themselves against cyberattacks and bad actors.

Therefore, today's conversation about expanding digital opportunities for rural entrepreneurs must also consider how we as members of this committee, can work to make it easier and more affordable for the budding small business to not only utilize digital technology, but be smart about not exposing themselves to greater risks.

Government policies should also keep pace with technological innovations and empower rural entrepreneurs to look beyond geographic boundaries. In order to access new markets and customers all over the world, small businesses need policies that encourage digital growth, not hinder it.

Finding the right balance to expand the reach and capabilities of rural entrepreneurs while also keeping them safe is a priority for this committee.

It is my hope that today's discussion can help identify ways to support and expand the number of businesses utilizing digital platforms, particularly for those that are in more rural communities.

With that, I thank each of the witnesses for joining us today and I look forward to your testimony.

I now would like to yield to the Ranking Member, Mr. Chabot, for his opening statement.

Mr. CHABOT. Thank you, Madam Chairwoman, and good morning to all those that are here today. I want to thank the witnesses especially for taking the time out of their busy work day to be here with us.

And before I get into my truly stimulating and emotional and inspiring opening statement on digital opportunities for rural entrepreneurs, I would like to introduce, we have got three students here shadowing me today, so if you three could stand up. These three are from The Ohio State University. So we appreciate them being here.

So they have seen us discuss NATO in Foreign Affairs. They have seen us discuss VAWA, The Violence Against Women Act, and amendments on transgender issues and a whole range of issues, and so we are going to try to make the Small Business Committee just as interesting here today, and I am sure we will succeed. So I will get right into it. Here is my stimulating speech.

The use of digital technologies, including access to high speed internet and online tools is gaining popularity in rural areas because of the opportunities they create for small businesses throughout the countryside. Increasingly, digital tools and platforms form the foundation of success for the modern day American small business. Small businesses that use digital tools are more nimble, resourceful, and able to reach more potential customers.

It is no surprise that digitally-powered businesses earn twice the revenue and are three times more likely to create jobs. And that is, after all, what this Committee is about; trying to create more jobs for more Americans.

Unfortunately, there continues to be a lack of data about the rural aspect of the small business economy. What we do know, however, is that 27 percent of rural residents still do not have access to a high-speed internet connection. In addition to this lack of infrastructure, rural areas lack skilled IT professionals to assist in the adoption of more advanced digital technology. That is why this new report from the U.S. Chamber of Commerce is so timely and important. The Chamber surveyed over 5,000 small business owners across rural American about the economic impact to the online tools and technology on their businesses. Among other findings they discovered that while the ecommerce ecosystem boosts sales and reduces costs for rural small companies, such firms are adopting digital tools at a pace much slower than their urban counterparts.

The study also found that greater use of digital tools and technology could increase greater economic potential for rural small businesses across the country. With better access to digital tools and technology, the Chamber's analysis shows potential economic benefits in rural areas that is far reaching. For example, the study projects that gross sales for rural small firms could increase by more than 20 percent over the next 3 years, the equivalent of \$84.5 billion per year. Such increases would also lead to an additional \$46.9 billion to the U.S. gross domestic product and create over 360,000, so about a third of a million jobs.

I am looking forward to today's discussion and a further examination of these numbers and hearing suggestions about how we can increase the utilization of digital tools and technologies. The goal, of course, is to unlock the vast potential that is out there in the rural small businesses. And again, Ms. Velázquez, thank you very much for holding this hearing. I know that was pretty stimulating, and I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

And if committee members have an opening statement we would ask that they be submitted for the record.

I would like to take a minute to explain the timing rules. Each witness gets 5 minutes to testify and every member get 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, and the yellow light means that there is 1 minute remaining. The red light comes on when you are out of time, and I will ask that you please try to stay within the timeframe.

I would now like to yield to Mr. Golden from Maine to introduce our first witness.

Mr. GOLDEN. Thank you, Madam Chair.

I would like to introduce, I am very honored and happy to introduce first Mr. Dana F. Connors. Mr. Connors is the president of the Maine State Chamber of Commerce, where he oversees a broad range of activities including advocacy efforts, economic and workforce development initiatives in the State of Maine, and a wide variety of member services for the business community. He is a

Maine native who received a bachelor's degree in public management from the University of Maine in 1965. And I would just say as someone who worked for 4 years in the Main state legislature, I worked closely with Mr. Connors and his business advocacy inside the statehouse. He is a class act. In an age that can sometimes be somewhat divisive in our political world, this is exactly the kind of guy that you want representing businesses before state legislatures and Congress. He knows how to keep the focus on the business, on the community, and in pulling people together. So just want to thank you for that. You have always been someone that I look up to very much, so thank you, sir. I look forward to hearing your testimony.

Chairwoman VELÁZQUEZ. I now recognize Mr. Delgado from New York to introduce our second witness.

Mr. DELGADO. Thank you, Madam Chair. It is also my honor to introduce our second witness, Mr. Bill Ingersoll. He was raised in Sloansville in Schoharie County, which I just had a town hall in this weekend. He grew up racing motocross. As the son of a single mother, money was always tight. This led Bill and his grandfather and business partner to begin buying and selling ATVs and ATV parts to supplement the cost of racing. In 2008, Bill tragically suffered a severe spinal cord injury which confined him to a wheelchair. The accident marked a turning point in his life, catalyzing his eBay career and leading him to start an ecommerce business. Since 2010, Bill has been using his passion for motocross to sell ATV parts in his eBay store, Bikes, Trikes, and Quads. I look forward to hearing from Bill today. We had a greater conversation earlier in my office and he has a lot of wonderful insights as to what it means to be a business owner in a rural community like Schoharie and how critically important it is for us to focus on digital needs, particularly rural broadband. So thank you. I appreciate the time.

Chairwoman VELÁZQUEZ. Thank you, Mr. Delgado.

Now, I recognize Ms. Finkenauer from Iowa to introduce our next witness.

Ms. FINKENAUER. Thank you, Madam Chair.

I am very excited to have an Iowan here today and introduce Ms. Stout. Ms. Stout makes paper flowers from her home in State Center, Iowa. She started her Etsy shop back in 2010 and began gaining traction a few years later after her son was born. Living with fibromyalgia, her creative business allows her to do her work on her own schedule, which has benefitted her family greatly. Ms. Stout sells through multiple platforms, as well as through her own website. She manages every part of her shop, and her husband helps out occasionally. She has many international sales and hopes to be able to hire an employee soon to give back to her community. We are very happy to have you here and really look forward to your testimony today. Thank you, Ms. Stout.

And I yield back.

Chairwoman VELÁZQUEZ. Thank you.

Now I would like to yield to the Ranking Member, Mr. Chabot.

Mr. CHABOT. Thank you, Madam Chair.

Today's final witness is Mr. Jake Ward, president of the Connected Commerce Council, or 3C, a membership organization for

small businesses powered by digital. 3C works to provide small businesses with access to the market's most effective digital tools available, provides coaching to optimize growth and efficiency, and works to cultivate a policy environment that considers and respects the interests of small business. Jake is the cofounder and former CEO of Application Developers Alliance and Forward Strategies. We thank you for joining us here today and look forward to your testimony.

And I yield back.

Chairwoman VELÁZQUEZ. Thank you, Mr. Chabot.

Mr. Connors, you are recognized for 5 minutes.

**STATEMENTS OF DANA F. CONNORS, PRESIDENT & CEO,
MAINE STATE CHAMBER OF COMMERCE; BILL INGERSOLL,
OWNER, BIKES, TRIKES, AND QUADS; AFTON STOUT, OWNER,
MY DINOSAUR DREAMS; JAKE WARD, PRESIDENT, CON-
NECTED COMMERCE COUNCIL**

STATEMENT OF DANA F. CONNORS

Mr. CONNORS. Thank you. Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the Small Business Committee.

My name is Dana Connors. I am president of the Maine State Chamber of Commerce, and I thank you, Madam Chair, for the opportunity to appear before you today and for the privilege of doing so. This is an extremely important issue for the state of Maine, which is my perspective to this report, because it does show what we anecdotally have become aware of but puts proof behind the actual issue. And we are grateful for that opportunity.

And while I am at it, I want to be sure to express my appreciation to the Chamber, to NDP Analytics, as well as Amazon and the team that came together to put this report before you and to show the importance, the impact, and frankly, the necessity that it creates for states like Maine that is predominantly rural and small business. So I thank them for that.

My job is as the good congressman from Maine, which we miss in Maine and we are grateful that you are representing us in Washington, we do miss you in our state capital, you, too, are a class act, may I say. We, as you said, work hard to promote a positive business environment in Maine, and in doing that we represent a network of over 5,000 businesses of all sizes, representing all sectors, and from all regions of the state. We advocate on their behalf and we try to provide those types of programs and partnerships that allow them to do what they do best, which is to run their business and be successful at it.

You probably are aware somewhat of Maine because many of you perhaps have vacationed there because we have 38 million to 40 million a year that come to our beautiful state, and that is probably the reason our license plates bear the name "Vacationland." But I want you also to know that we are rich in history. We have vibrant communities and we are unparalleled in work ethic. And when people ask me about Maine and describe in one word I say it is quality. Quality of our people, our place, as well as our prod-

ucts. Our state is a fabulous place to vacation. It is also a fabulous place to live and work.

You also need to know that our population is about 1,350,000 spread over 33,000 squares miles. And by the way, that is the size of the rest of New England. You also need to know that our population, 60 percent lives in the rural areas. That makes us the most rural state in the country. But when you look at the size of our business, you also need to take into account that the Federal level describes small business as under 500. Seventy-five percent of our businesses are under 10. And when you consider we have 35,000 businesses, only 64 exceed that 500. So we are the subject in so many ways of this report. And that is why this report is so important to us because it opens the door to opportunity, it provides a direction, and it creates a necessity for us to move on it.

I would like to share with you that we have made progress. We are rural, we are small, but this state has been, as you have implied in your opening comments, moving in this direction. There is a lot left to do but we are moving in the right direction.

I want to give you a couple examples to bear this out. The first is a woman who left New York City to come to Maine. She did not go to Portland where most of our population is. It has a great reputation as a foodie city. She chose our least populated county in the state, Washington County. When she came there about 10 to 14 years ago, there was no high-speed broadband internet connection. But she made it her priority to do just that. And today, because of that commitment in that rural, most rural part of our state, I will give you two examples to bear out. Cranberry Isle is a group of islands. There are 141 people that live there. It is also now the residence of a renowned artist who came there for vacation but loved it like so many people do and wanted to move there. This high-speed internet connection now provides him to sell his art throughout the world and to live and work on Cranberry Isle.

There is another astrophysicist who lives on Roque Bluffs, another very small community, probably 250 at max. This aero physicist works with NASA, has connections to the University of Phoenix, established it as vacation, but he, too, is there.

I can see I am running out of time and I barely got started. I am hopeful that during the questions that it will bear out how important this is, and the report builds the case that in Maine it very certainly applies. And I hope the questions will give me the opportunity to expand as I would like to do. Thank you.

Chairwoman VELAZQUEZ. Thank you, Mr. Connors.

Mr. Ingersoll, you are now recognized for 5 minutes.

STATEMENT OF BILL INGERSOLL

Mr. INGERSOLL. Chairwoman Velázquez, Ranking Member Chabot, members of the Committee, thank you for inviting me to participate in this important hearing on how digital tools improve rural entrepreneurship.

My name is Bill Ingersoll. I own Bikes, Trikes, and Quads, a small business I started in rural Sloansville, New York. We sell motocross and ATV equipment on eBay to customers around the U.S. and increasingly around the world. I appreciate the opportunity to share my experience son some of the tools that make run-

ning my eBay business possible in rural America, including rural broadband access, universal and reliable Postal Service, and breaking down barriers through global trade.

I grew up racing motocross in upstate New York. My entire life changed when I was injured in a motocross crash and left paralyzed in 2008. After the accident, I could no longer work construction or do many of the other things I had done previously, but I was determined to move forward with my life. My grandfather and I had always fixed up old ATVs as a hobby, so I was looking for a way to turn that hobby into a business. Not long after, I was trying to find some parts to modify an ATV we had so that I could get around our property more easily. I ended up tracking them down on eBay. The process was so easy and convenient for me as a buyer that I began to look into selling parts on eBay. We already had a large stock of parts from ATVs and dirt bikes from years of racing so we decided to give it a try. We opened our eBay store in 2010 and have been selling since. I now have three employees and run my business out of a warehouse on my property.

I often look back today, 10 years later, and wonder what life might look like now without eBay and I really do not know. Being 23 years old with minimal education in a poor rural area never fostered good odds for an able-bodied person, let alone someone who was now disabled. eBay and being able to run a business online has given me a life that I may have not otherwise enjoyed.

Living in rural upstate New York, I would not be able to use eBay if I did not have access to high-speed internet and affordable broadband. Unfortunately, broadband reliance and even phone connectivity continue to be constant issues for our company. Rural broadband is essential to ensuring that rural small business owners and entrepreneurs can take advantage of the latest technologies and reach customers around the world no matter where they live in our country.

There used to be a few ATV dealers in my area who sold locally but were not online. Unfortunately, none of them are in business anymore. We need real investment in improving and expanding our rural communications infrastructure so that businesses like mine can take advantage of innovative tools and marketplaces like eBay. Even though my store is online, I still have to actually ship products to customers around the country and around the globe. I rely heavily on the U.S. Postal Service to reach my customers. Over 80 percent of our shipments go through USPS. I understand there are proposals that would make my package delivery to rural parts of the country like my hometown nonessential. I cannot imagine how anyone could consider small businesses like mine not essential by cutting access to Postal Services or raising prices for rural package delivery would be disastrous for rural small businesses. Most people do not know that private shippers charge surcharges to deliver to rural areas. If I had to rely only on private shippers or if package services went up dramatically, my costs would go through the roof. Like broadband, the U.S. Postal Service is essential for all Americans no matter where they live, and without it, rural small businesses will have a harder time competing with giant ecommerce companies that have their own warehouses and logis-

tics networks. Small ecommerce businesses depend on reliable, affordable, and universal Postal Service.

On top of selling to our customers in the U.S., selling globally has been key to our success. We have shipped thousands of orders globally to some countries where ATVs are their prime mode of transportation. Selling worldwide allowed us to reach customers and realize new opportunities that we would have otherwise not considered. These opportunities are a direct result of conducting business online and never would have existed before the internet. Small online businesses like mine across the U.S. in rural and urban areas need trade policies that cut red tape for low value shipments by supporting higher de minimis thresholds throughout the world. That way, small businesses like mine can truly take advantage of one of the best things the internet has to offer, hundreds of millions of buyers all over the world.

On behalf of rural businesses across the country, thank you again for holding this important hearing. I look forward to your questions.

Chairwoman VELÁZQUEZ. Thank you, Mr. Ingersoll.

And now, Ms. Stout, you are recognized for 5 minutes.

STATEMENT OF AFTON STOUT

Ms. STOUT. Good morning. My name is Afton Stout and I am a creative entrepreneur from rural Iowa. Before I begin, I want to thank everybody who has been a part of me being here today, my mom and my brother, and of course, my husband, Brian, and my 3-year-old son, Rhys. I also want to send a thank you to my dad, who passed away in 2006 because I know he would be super proud of me for being here today. Thank you, Chairwoman Velázquez, and Ranking Member Chabot, and members of the Committee for inviting me to speak with you today about my creative business.

I was born and raised in eastern Montana, in an even more isolated area than I live in now. My dad was diagnosed with systemic lupus the year that I was born, and I believe that my family's struggles with poverty have been a huge part of who I am today. Growing up with limited means instilled a sense of restraint when it comes to money and spending it wisely.

I have always been motivated by creating and selling, starting out in small craft shows in my hometown of Glendive, Montana. I can remember buying items from Etsy when I got my first bank card, which was pretty exciting. I had always planned to start a shop, despite being both intimidated and inspired by the success of others. I assumed that living in a small town would be a hardship for my creative ventures that I would have to struggle to overcome. However, I am certainly not alone in that space, as 27 percent of Etsy sellers are from rural areas like mine. After graduating from the local college, I worked two jobs and crafted on the side, selling through local online groups to keep my mother and me afloat after my Dad's life insurance ran out.

In 2013, my Mom remarried and I was able to kind of rethink my life and decide what I wanted to do. My stepdad was a huge help in getting me settled in Iowa, which I am super grateful for. That same year, I met my husband and went on to marry him in 2014. And for our wedding I handmade all of the flowers from

paper, which was kind of the spark that sent me on to my entrepreneurial journey. For the first year of our marriage, I made a few pieces of jewelry, some of which I did list on Etsy, and after my son was born in 2015, I decided that I would stay home with him and see if I could find a few more people who were interested in handmade flowers for their weddings or events. And from there, things just kind of took off.

Thanks to the internet, I am one of 2.1 million sellers on Etsy, many of whom like me are able to run our creative businesses from home, despite living in a rural area. This has improved my quality of life immensely. I was diagnosed with fibromyalgia in 2012, an illness that I have been fighting since middle school, which ultimately led to me dropping out of high school. I did not allow it to hold me back. I took my GED a few months later and went to a local college to get my associate's degree, and like many creative entrepreneurs, I did not set out to become a full-time microbusiness owner, but I am very, very happy that I am able to do this.

When I first started out, I started advertising on Facebook and listed custom-order handmade flowers on Etsy. My first year I had about \$37,000 in sales, which I thought was absolutely amazing. At the end of 2016, I started working with wooden flowers and the business just kind of exploded from there. After posting some of those on Etsy, my sales nearly tripled.

Starting out, most of my sales were online with roughly 10 percent being local, in-person sales. Since then I have had customers from all over the world, including France and Germany. With a platform like Etsy, I am able to ship beautiful flowers made in Iowa to international buyers that truly value my work.

Today, the bulk of my business is wedding related. I custom dye and arrange wooden flowers to match wedding themes and other events. I am able to work with very, very many lovely people that I would never know or even reach without the internet or online platforms like Etsy. I am making a push for a bigger local presence, and even Etsy helps with that by showing search results with local businesses closer to the top of the search. I work 12-hour days during wedding season, but I love what I do and I get to work with people who are absolutely amazing.

I am proud to say that I am projected to be 80 percent above where I was last year in views and sales, and I may have to hire my husband to help me run things once my 3-year-old starts preschool this fall. In 2016, my husband started staying home full time with our toddler so that I could work full time on my creative business. He has trauma-induced arthritis in both of his feet from an injury back in 2010, so being able to stay home has helped him out incredibly and vastly improved the quality of life of all of us. Like 97 percent of Etsy sellers, I run my shop from my home. In fact, we just finished building a studio onto our house to increase productivity.

My creative business allows me to pursue my creative passions in the comfort of my home, surrounded by my family. And while my story is unique, this pathway to rural entrepreneurship is not. There are over 2.1 million Etsy sellers across the globe, and together, we sold \$3.9 billion goods in 2018.

And I am about to run out of time, so I would appreciate any questions to follow up at the end of this. Thank you.

Chairwoman VELÁZQUEZ. Thank you, Ms. Stout.

And now, Mr. Ward, you are recognized for 5 minutes.

STATEMENT OF JAKE WARD

Mr. WARD. Good morning.

Madam Chairwoman, Ranking Member Chabot, on behalf of digitally-empowered small businesses across the country, thank you for holding this important hearing.

I am coincidentally also a Maine native, and I want to commend you for pulling together, though inadvertently, the most Maine-centric panel in the history of Congress. It is not often that small-town America gets a seat at the table, let alone two of them. I am grateful for the opportunity.

My hometown of Greenville, Maine, is small. It is fewer than 1,500 residents small. It is everybody knows everybody else small. There are no chain stores or big companies. In my hometown, every business is a small business. And those businesses are the foundation of the town, the community, and the local economy. That is the rule in rural America, not the exception.

It is true that much has changed in rural America. Small businesses are as important today as they have ever been. The digital age has brought its share of challenges, but also created many opportunities. Digital resources empower local businesses to rise above and grow beyond their geographic limitations and find customers around the world, where before the next county would have seemed a world away.

I am here today to offer the support and help of the Connected Commerce Council as this Committee works to unlock the potential of America's small businesses. As the son of a small business owner in a rural town in a rural state, it is my hope that 3C can provide resources, education, and access that helps rural small businesses realize their potential. It is also my intention to work with policymakers anywhere, including and especially members of this Committee to accomplish our shared goal.

As we have already heard from this panel today, the challenge of every small business is unique but their stories are universal. Unleashing the potential of rural America requires small businesses have access to four things—capital, affordable broadband services, talent, and finally access to affordable, secure, and scalable digital tools. It also requires that we understand that the digital economy is a different type of interconnected and interdependent economy where the investment of global platforms have direct, tangible local benefits that can be measured in new employees and increased financial security.

In Congress and in many state capitals, debates on data privacy, cybersecurity, and competition policy are underway that will dramatically affect small businesses' ability to succeed or even survive. If our data privacy laws focus only on consumer protection and tech giants, they will fail to recognize and preserve the importance of data and analytics that enable small businesses to compete with larger, urban-based companies on quality and price, rather than proximity and size.

Cybersecurity policy that focuses on only the biggest breaches and the gravest risks will leave small businesses in the crosshairs of ransomware predators and hackers.

Competition regulators who focus only on company size will miss the benefits that digital platforms and marketplaces provide to 3C members and digitally-empowered small business nationwide. Frankly, I am concerned we may lose the forest through the trees and focus too much on the largest, most prominent companies to the detriment of small businesses that will ultimately pay the price if business models are dramatically changed, costly regulation is enacted, or access to essential tools is limited.

The reality of the digital economy for 3C members and nearly 30 million small businesses like them is that they stand on the shoulders of large companies to reach otherwise unobtainable heights. Too often opportunity driven by innovation is assumed rather than promoted and protected. Too often we talk about small businesses rather than with small businesses. I know under the leadership of this Committee that will change.

If the Committee wishes to unleash the potential of American small businesses, you must make sure that this Congress and state legislators do not limit access to the tools they need. We must take great care to ensure that policies focused on the largest companies do not inadvertently undermine small businesses' opportunities. Your contribution to unleashing the potential of all small businesses, including those in rural America, can be your vigilant defense of small businesses' access to the technology they need to succeed.

Thank you, again, for your attention to this important subject and for security a seat at the table for America's small businesses. I look forward to your questions.

Chairwoman VELAZQUEZ. Thank you, Mr. Ward, and all the members, all the witnesses for sharing your stories and showing us the challenges and the great potential that exists in promoting economic opportunities in rural America. And that is our responsibility. So I am very grateful for your testimony.

Mr. Connors, can you elaborate on the economic cost to rural communities of not having high-quality, reliable broadband?

Mr. CONNORS. Certainly, Madam Chair. I would not express that in terms of dollars—

Chairwoman VELAZQUEZ. Is your mic on?

Mr. CONNORS. Thank you, Madam Chair. I would be pleased to give that a response, not so much on the specificity of the actual numbers of dollars. I mean, the report bears out very effectively that with adequate access, \$84 billion, 360,000 new jobs is pretty significant, which represents a 20 percent increase in business, that would certainly apply to us. We have found that in our state advancements have been made but there still remain 83,000 that do not have access. And that is based upon the FCC standard of 25/3, at which there may be even more. And I think what we are finding is that in our state, the opportunities to address the two most important issues in our state, and this is borne out by a report, an initiative that was based upon a collaborative between three organizations, one of which was a research organization, that 8 years ago we came together and have continued that initiative.

But 8 years ago when the business community was surveyed and a poll was taken, the response was—and the whole initiative called Making Maine Work was to actually provide for the administration the priorities. At that time we were in a recession, so you can imagine it was all about tax incentive, those types of issues. Today, the issues that are most important that will serve our state and particularly the rural community is workforce, skill and education, and broadband. They are our top two issues. The business community has adopted and so has—

Chairwoman VELAZQUEZ. Mr. Connors, I would like to hear also from Ms. Stout and Mr. Ingersoll.

Mr. CONNORS. Yep. I am sorry.

Chairwoman VELAZQUEZ. But we will have a second round.

Mr. CONNORS. Thank you.

Chairwoman VELAZQUEZ. And I just want to discuss the workforce IT skills.

Ms. Stout and Mr. Ingersoll, can you speak to how broadband limitations in rural communities have either stifled your ability or your community's ability to grow and adapt to digital commerce?

Mr. INGERSOLL. Even though that we have access in my area to high-speed internet, the speeds are never accurate. They claim a 7 megabyte service. We will average 4 to 5 megabytes. But the other side to that is there are periods where I am getting 1 megabyte and it is very difficult for my business to operate like that. To call and set up a service call or something to that degree, to get a repair person out, they will give me a 2 week wait time to get the internet looked at. And during that period I have to do things like, you know, I can tether off of my cellphone occasionally. Cell service has improved in my area to the point where that is viable but I am already paying for a service that is not performing and it has got a direct cost to my business.

Chairwoman VELAZQUEZ. Thank you.

Ms. Stout?

Ms. STOUT. Pretty much the same things that he touched on are what I deal with also. We do not have a very reliable service, and we do not have very many options where I live. So you just kind of pick the best one that you can get and go off of it. I end up using my cellphone also to maintain my business contacts because I have to answer messages pretty frequently because I work with brides who worry a lot, so I always need to be in contact with people. And that is my main concern.

Chairwoman VELAZQUEZ. Thank you.

Mr. Ingersoll and Ms. Stout, have you had any type of interaction with any of the programs of the Small Business Administration, whether helping you put together a business plan or helping you access lending?

Mr. INGERSOLL. I have had no contact.

Chairwoman VELAZQUEZ. Yes, Ms. Stout?

Ms. STOUT. I also have had no contact with them either.

Chairwoman VELAZQUEZ. Okay, thanks.

And Ms. Stout, as an entrepreneur—well, my time is almost up so I will now recognize Mr. Balderson, Ranking Member of the Subcommittee on Innovation and Workforce Development, for 5 minutes.

Mr. BALDERSON. Thank you, Madam Chair. But as the Chairwoman, you can keep on going if you want to, so please do not let me take that away from you.

Thank you, panel, for being here.

Mr. Ingersoll, this will probably be the first time this has ever happened. I am sorry what happened to you. I raced motocross. Just got done with the GNCC series. Then I decided to run for Congress so my motorcycling racing days, both KTMs 450 and 200 have been sold and gone. But like you, the Madam Chair talked about one of the questions I had for you.

Do you remember flex bars?

Mr. INGERSOLL. Mm-hmm.

Mr. BALDERSON. I was the first guy in the country to start selling those online and going all over and that was back in 2005-2006 range. And I had a really challenging time. I live in Appalachia, which is in rural Ohio is where I am actually from. But I was going to ask you, you know, you had no hard time getting access to broadband of any sort, or Ms. Stout? Because I am shocked by that.

Mr. INGERSOLL. At the time of my injury was the first time that we had access to broadband internet. That was 2008. You know, it has improved over time to where it is more function now, but I would say from 2008 until about 2015, it was very difficult. It had a direct impact to my business because there were days where we could not process orders because the internet was down and I had not found workarounds for that.

Mr. BALDERSON. Okay. And you talked in your opening statement about your United States Postal Service. And I totally agree with you. Folks do not know about the private carriers and what we had to do with that, and I am sure most of you do but I attest to that also. They were very important to me.

Ms. Stout, this question is for you. I mean, you had no inconsistency or lack of broadband when you first started out, or any issues at all?

Ms. STOUT. I do not really remember having a lot of issues getting internet. It is mostly the reliability that is an issue. Like I said, ours cuts out quite frequently, kind of on a schedule almost. Like they almost plan it. So I kind of work around that with my cellphone. But yeah, it was pretty easy to get it. I am fairly new though so, I mean, 2015-ish, so.

Mr. BALDERSON. Okay. Madam Chair, I yield back the rest of my time. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back.

And now we recognize the gentlelady from Iowa, Ms. Finkenauer, Chairwoman of the Subcommittee on Rural Development, Agricultural Trade, and Entrepreneurship.

Ms. FINKENAUER. Thank you, Madam Chair.

And this question is for Ms. Stout. Again, thank you so much for being here today. Really happy to have you. And my short time in Congress so far, just the last couple of months, this Committee and myself have really been focused on reducing barriers for entrepreneurs and looking at ways to ensure that we have an environment where small businesses, especially in rural areas, can create good paying jobs and also take care of their families. One of the

things I want to do is plan a listening session within the district and talk to young folks all across the district, figuring out ways that we can get, again, more entrepreneurs. Make sure we are cutting down on those barriers so that they are able to have what they need to start and create good paying jobs so that we can keep Iowans in Iowa and also bring some back home, which is incredibly important to me as well.

One of the things though that I have already started to hear when it comes to barriers for a young person to even start a business and want to become an entrepreneur has to do with some things like paid family leave and those issues where it is incredibly important right now. You know, I know there are a lot of ideas out there, and I will not take this Committee to debate those, but I will say from my understanding they are incredibly important from folks in Iowa and across the country, and we need to make sure that our entrepreneurs are able to have leave policies to be able to, again, start their business, but also take care of their family.

And one of the things I also wanted to touch on, too, I understand there are other barriers we look at with the emergence of the digital economy that, you know, pros and cons that go along with it with our cities and towns, also other things, you know, health care, retirement benefits, student loans, and broadband, for example, that folks are dealing with. What are some of the barriers very specifically for you, Afton, to becoming an entrepreneur and then what would you like to see happen to encourage more young people to get involved and also be able to take that next step to be an entrepreneur themselves?

Ms. STOUT. Okay. That is a good question. A long question and a lot of answers.

I would say first off my biggest issue so far has been health care, which is very important for both my husband and I, because we both have health issues. Luckily, we were on government assistance previously before business started doing so well. My husband was a barista and I was a pharmacy technician and I quit to stay home with my son. But looking at the healthcare marketplace was very overwhelming. I know there is a lot of work that needs to be done with that. It was not very realistic the quotes that I was getting for what I would need to pay out of pocket to get insurance for my family. I did look into other options outside of the marketplace then because it just was far too expensive.

Another issue that has come up has been taxes to different jurisdictions in different areas where now I know that Etsy collects state sales tax for Iowa, so I do not have to worry about that, which is very helpful. If we were to have to collect, I know there are some bills that may require after a certain threshold that they collect, we collect sales tax for those outside states that we ship to. I think it is \$100,000 or so. But if we had to do that, that would make it very, very hard for us to keep track of as a small business since I do all of my own paperwork and everything. Next year I am actually paying somebody to do my taxes for the first time. So exciting. But yeah, I do all my own paperwork otherwise. So if I had to keep track of taxes, otherwise I would definitely have to hire somebody else, which is also another set of paperwork and everything. So those are the two main things.

Things that would help, of course, are the internet issue, making sure that we have reliable internet. Health care. Making sure that health care is more affordable. And paid leave. Luckily, I am in a very lucky situation where my husband has gotten to stay home and take care of my son because otherwise, I could not do what I was doing or what I am doing. So those things are very important to me, and I am sure to others. Thank you.

Ms. FINKENAUER. Well, I look forward to working on them. And I look forward to having this conversation continuing. But I know my time is about to expire and again, thank you so much, all of you, for being here today, truly.

And with that, I yield back, Madam Chair.

Chairwoman VELAZQUEZ. The gentlelady yields back.

And now we recognize the Ranking Member, Mr. Chabot.

Mr. CHABOT. Thank you, Madam Chair. And I want to apologize for having to leave. We are marking up the VAWA, the Violence Against Women Act in Judiciary and I had an amendment that was being called up so I had to go over and take care of that. So I apologize.

Mr. WARD, let me start with you if I can. You mentioned the importance of cybersecurity for small firms, at least in your written testimony. I assume you probably talked about it in your oral testimony as well. And I really could not agree more. Would a nationwide network of counselors that are trained in cybersecurity measures help small firms prepare for cyberattacks? And additionally, would it be beneficial to offer some sort of safe harbor to small firms that have been victimized by a cyberattack so they are free to share that information with the Federal Government to help strengthen the Nation's entire cybersecurity network?

Mr. WARD. The short answer, sir, is yes, but this being Congress I will give you the longer one.

The cyberattacks for small businesses are extinction-level events. They will put companies out of business. The burden of reporting is complex. Often, too complex for very small businesses, for micro-businesses as it currently stands. I think a national network is a really good idea. I think that safe harbor is an essential idea. I want to congratulate you and Madam Chairwoman for the introduction of 1648 and 1649, two bills that are bipartisan in this environment is remarkable, but also, they really go to the heart of the issue. They are simple solutions to an otherwise complex burden. 3C is fully behind both of those. In fact, we would be more than happy to be part of the solution for 1649 and the network of training that you have proposed.

Mr. CHABOT. Thank you. Well, in the spirit of bipartisanship, the Chairwoman and I heard testimony about you just mentioned it can be an existential event to a small business if they have a cyberattack. Many literally go out of business as a result of that. They go under. And so this legislation should really help. And it is H.R. 1648 and H.R. 1649 as you mentioned, and Ms. Velázquez and I introduced it together. So hopefully, we are going to make progress on that in a bipartisan manner and maybe actually be able to help the small business community tremendously.

Mr. WARD. Wonderful. We would love to help.

Mr. CHABOT. Thank you.

Mr. WARD. Thank you.

Mr. CHABOT. Mr. Ingersoll, I will go to you next if I could.

Could you tell us about how your business kind of grew over time? Was it to areas in New York, for example, and then maybe across the country and then followed by, I guess, exporting around the globe, I guess through eBay? Or did it more or less all come at once? Or how did it unfold in your particular instance?

Mr. INGERSOLL. Initially, I mean, being online you are going to get a variety of customers to begin with. Certain areas of the southwest, you know, and the southeast, they are the primary areas that our sales come in from. The traffic that eBay brings to my business and the visibility worldwide, it allows me a lot of opportunities in these different markets that if I was stuck to just my state or my county or my town, those opportunities would not be there. So I was able to grow my business completely off of the volume of sales I was getting from eBay.

Mr. CHABOT. Very good. Thank you.

Ms. Stout, you mentioned that the minute you got on Etsy your whole world changed. So what is next? Small businesses are always at the forefront of what is next because they have to be in order to compete with the larger companies that you compete all the time with. Are there new technologies out there that you see on the horizon or that you are already anticipating that will allow you to continue to grow your business in the future?

Ms. STOUT. Honestly, I am at a point in my business where I do not want to grow any bigger.

Mr. CHABOT. Okay.

Ms. STOUT. Because I would have to hire help, and I do not—I am happy being able to support my family and give back to my community where I am at.

As far as new technology, I am not really sure. I have been sticking with Etsy and Facebook pretty much and they have helped me out a lot. They reach a very, very large audience of people.

Mr. CHABOT. If it ain't broke, do not fix it; right?

Ms. STOUT. Right? Yeah. So I am happy where I am.

Mr. CHABOT. Excellent.

Ms. STOUT. So I have not really looked.

Mr. CHABOT. I am glad to see somebody happy where they are at.

Ms. STOUT. Yeah, thank you.

Mr. CHABOT. Okay. And finally, Mr. Connors, it is tough to get more rural than some parts of northern Maine. And I have a two-part question. I will try to get it real quick because my time has almost run out.

Do you happen to know the percentage of northern Mainers that have access to high-speed internet and those that do not? And secondly, with the advent of 5G technology and the way it is transferring the way we all communicate, do you happen to know what percentage of Maine has access to the 5G or 4 or 3 for that matter?

Mr. CONNORS. I am from northern Maine originally where I was a city manager for years. I mentioned earlier in my response that there are 83,000 individuals that do not have access to broadband, and those are in the rural area predominantly of our state. And when you go north, there are pockets. That is the irony

of this issue. Within that 83,000 without access, you will find that in certain places where you least expect it, there is adequate service for that character of whether it is the business or the individual. But I would say a large percentage would be in my part of the state where I came from.

Mr. CHABOT. Thank you very much.

My time has expired, Madam Chair. Thank you.

Chairwoman VELAZQUEZ. Yes, the gentleman's time has expired.

And now we recognize Mr. Golden from Maine, Chairman of the Subcommittee on Contracting and Infrastructure.

Mr. GOLDEN. Thank you, Madam Chair.

You know, Mr. Connors, I am sure that you have members back home in Maine who run businesses very similar to Mr. Ingersoll and Ms. Stout.

Mr. CONNORS. Yes.

Mr. GOLDEN. I see you nodding your head as they talk about some of the opportunities and challenges that they face working what they do.

You were commissioner of the Department of Maine Transportation for a number of years. And through my time in politics I have traveled around and talked to businesses. I think we both agree normally I hear their top concerns in Maine, infrastructure, workforce, high energy costs, and then regulation falls into the mix. Just thinking about the way that we fund our roads and bridges, which I know you are very familiar with, I mean, we have got Federal highway, state highway fund. We do some municipal stuff. Throw that into the mix. Some bonding in Maine as you know. Would you agree that broadband, or even access to faster internet in a lot of rural areas of Maine has essentially become the economic highway of the 21st century?

Mr. CONNORS. Absolutely.

Mr. GOLDEN. Just as critical?

Mr. CONNORS. Yeah, I mean, thank you for that opening because I was commissioner for 11 years and I used to go around the state preaching the gospel that highways and bridges and transportation are the foundation of our economic system. And the following comment would be, it costs a lot to build and maintain but it costs a lot more not to. And you know what? The very parallel between transportation and this issue is striking because frankly, it has many of the same features, both in terms of its impact, but it also has many of the similar features in terms of how we resolve it. Those 83,000 that do not have access, that answer is going to come about when we share responsibilities, like when the Electrifying America took place we were all at the table. When we are looking at this issue, we need to be all at the table. And priorities will be given to usage and those types of things, but I think your point is spot on that I would say that in my opinion, while infrastructure overall is extremely important to our state as well as any state, broadband, high-speed internet connection is the key to our future. It is borne out in this report. To me it is parallel with transportation and does not deserve any other priority than a top priority.

Mr. GOLDEN. Thank you very much. Knowing how important it is to our economy and all the members of the Maine State Cham-

ber of Commerce, I am sure if you had the capital, if your members could afford to build that infrastructure themselves they would do it; correct?

Mr. CONNORS. Absolutely. And I think that is a point to be made, is that our providers have done well. Bearing in mind the characteristics of our state, how rural we are, how small business we are and that type of thing, that they want to do it but the return on investment is simply not there. And that is why we need that partnership to develop it. When we do and when we deal with the digital literacy, because not everyone is aware of the incredible potential that exists, the value that it brings. It has expanded fast and that is good, but there is more to do. And I think the answer lies in all of us coming together. And as you know, our governor has teed this up with an expectation of major bond issues this year and the next several years.

Mr. GOLDEN. And so as the state of Maine looks to put a little bit of skin in the game—

Mr. CONNORS. Absolutely.

Mr. GOLDEN.—and taxpayers show us that they are willing to make those investments in infrastructure, some Federal help would be important?

Mr. CONNORS. Yes, it would. And I think that is the relationship that we need to fix this issue.

Mr. GOLDEN. Thank you.

Mr. CONNORS. To address the issue.

Mr. GOLDEN. I appreciate that very much.

Just shifting gears very quickly with the last minute I have left, since Mr. Ward is from Maine, I have to ask you a question as well.

You touched on this a little bit. As Congress is looking into privacy matters pertaining to the digital world and some of the people that you work with, your business included, and this includes in state legislatures. I am sure that you probably are advocating on these issues around the country. As we look into privacy regulation, would you support small business exemptions? And if so, where is the trigger? At what size does a company grow so large that we have to have some regulation to make sure that consumers are being protected in terms of their privacy in data and information?

Mr. WARD. Thank you, Congressman.

We are talking about data privacy. 3C generally opposes carve out exemptions of any kind because frankly this is very important. It is important that we get this right. Data has been in the news a lot over the last several years, obviously. But if you are able to put a small business exemption or carve out into a piece of legislation, you are doing it because you believe the burden is too high. That the compliance burden is too high. And you are saying that the size of the company or the size of their user base matters more than the privacy of a smaller number of people, which frankly betrays the motives of the regulation in the first place.

As a former Capitol Hill staffer and somebody who has been doing this for a little while, my advice to both Congress and to the state legislators would be to write a better bill. Do the job. Write legislation and regulation that applies to everybody. That raises the standard and the practice for companies large and small but

has a compliance burden and a requirement of administration low enough that a two-person shop could do it. If we can do that with our own taxes, we can do it with data privacy.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

And now I recognize the gentleman from Oklahoma, Mr. HERN, Ranking Member of the Subcommittee on Economic Growth, Tax, and Capital Access for 5 minutes.

Mr. HERN. Thank you, Madam Chairwoman.

I appreciate the opportunity to speak to you all today and ask you questions, and thank you all so much for being here. Especially thank you, Mr. Ingersoll, for your story, for what you have done, how you have been successful, and truly you realized the American dream. It is different for all of us, I think you would agree.

As a business owner and job creator for over 34 years, I know firsthand how difficult it is to quantify broadband access into our rural communities and how valuable this access can be to our small business. Again, as a lifelong small business person, my goal is always try to keep government out of my way so I can do the things that, you know, truly compete with one another.

I only have one question, and I would like to ask each of you the same question. So obviously the person who goes last can get a real opportunity here. But when it comes to broadband, all of us on this Committee are probably getting asked whether this should be a government-driven project or a private industry-driven project. Could you give me your thoughts on that?

We will start with you, Mr. Connors.

Mr. CONNORS. In our state it has been privately driven. We are at the point today where government at the state level has recognized its value and the need to participate. And we would look forward to having the Federal Government be a part of that answer. I think it involves all of us. But to date, let me be clear, it has been privately driven almost entirely.

Mr. HERN. Okay. Mr. Ingersoll?

Mr. INGERSOLL. Where I am from, you know, it is private, but I believe they are controlled monopolies. So the telecommunications company that I deal with has really no incentive to send someone to rural areas when they are having issues with higher population centers. I see the internet as a public utility, so whatever is going to provide the best service to the people, I am all for it. I really do not have an opinion one way or the other aside from that.

Mr. HERN. My assumption is being an entrepreneur yourself that you would like to see two people compete in the area for the same business of some sort?

Mr. INGERSOLL. Yeah. For sure.

Mr. HERN. To drive down cost and to drive up access?

Mr. INGERSOLL. More than anything, improve the quality of service.

Mr. HERN. Sure.

Ms. Stout?

Ms. STOUT. Very similar to Mr. Ingersoll. I have a couple of options for internet in my town and it is public driven. I think the government could help. But yeah, definitely having more competition would help and increasing the reliability, for sure working on that, making sure there are certain standards and they have to

stick with what they say they are giving you would help. Thank you.

Mr. HERN. You are welcome.

Mr. Ward?

Mr. WARD. I guess I have the advantage because I get to go last?

Mr. HERN. Sure.

Mr. WARD. I think that a public-private partnership is really the only solution when you are talking about both controlled monopolies and natural monopolies. The technological feasibility of the last mile is hard enough. It is even worse when it has to go through 20 miles of forest to get to two people. You cannot make that math work in an open market purely. There has to be a partnership.

Mr. HERN. Very good.

Well, I thank each of you for this. I have listened to all your testimony obviously since I have been here. Again, I apologize, like the Chairman, there are so many Committee hearings going on today. But thank you all so much, and it is great to see, especially what you did from figuring out a way to be successful, and that is an awesome story. And there is nothing greater in this country than to have the opportunity to start a job. I would challenge you to hire somebody though because the world changes when you have employees.

Thank you so much. I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back, and now we recognize Mr. Delgado from New York for 5 minutes.

Mr. DELGADO. Thank you, Madam Chair.

Mr. Ingersoll, thank you for taking the time from your business in Sloansville to testify here today. It is great to hear all that you have accomplished in the face of tragedy. The Committee appreciates you sharing your story.

It is clear that reliable internet access is critically important for someone like you to get online and reach your customers, and I really agree wholeheartedly with the way you framed the issue in terms of being a public utility. We know that about 40 percent of rural Americans lack broadband internet access, and 25 percent of my home district does not have a broadband subscription. Clearly, we need rural investment in broadband services, but it also strikes me, and you spoke about this in your testimony, that like broadband, we need universal, affordable Postal Service that ensures that rural businesses can reach their customers. And so we spent a bit of time talking a lot about the rural broadband piece, and I would love to hear from you a bit more on the impact on rural communities if the Postal Service was privatized.

Mr. INGERSOLL. I have concerns about it being prioritized just because like right now with UPS, FedEx, and these other carriers that are private companies, they charge rural surcharges, fuel surcharges, and all these sorts of things to deliver it to these rural areas. The post office makes it very accessible, and if you want to keep the barrier of entry low for ecommerce in general, the Postal Service is the only one that is really going to provide that service where you can be competitive with larger companies that have their own logistics networks and their own deals with carriers to compete with a bigger advantage over someone who is just starting

out. So I would say privatizing it would be a big concern to me because rural America is going to be cut out of the deal. Or at the very least you are going to increase the cost for people who are already struggling.

Mr. DELGADO. So it would specifically hurt your business?

Mr. INGERSOLL. Yeah, it would specifically hurt me.

Mr. DELGADO. In terms of the overhead and the cost increases.

You talked about controlled monopolies. Another insight that I agree with. And the need to figure out how government needs to play a role, whether it is in partnership with private actors or otherwise, and specifically, given the fact that rural communities time and time again, particularly as we lurch toward privatization in almost every public sector, is leaving specifically rural communities behind because they do not have the population centers to incentivize private actors to make the investment. And so while we might have access and have had access for some time, as you note, since 2008, we see the disproportionate disadvantages that the rural communities are struggling with.

Could you speak a bit more about how the quality, or lack thereof, of your broadband access has really impacted your ability to conduct business?

Mr. INGERSOLL. Well, as ecommerce has evolved, buyer expectations have increased. So it is much more of a priority to process orders quickly and things like that. If your internet goes down and you have no other way to process those orders, it is going to negatively impact you. And as ecommerce continues to grow, competition increases, people in more urban areas with better access to internet are having a big advantage over their rural competitors because of that. I think it is essential to even the playing field in that regard.

Mr. DELGADO. Excellent. Thank you very much.

I yield back.

Mr. INGERSOLL. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back.

And Mr. Stauber, the gentleman from Minnesota, is recognized for 5 minutes. He is the Ranking Member of the Subcommittee on Contracting and Infrastructure.

Mr. STAUBER. Thank you, Madam Chair. And to the witnesses, thank you for your testimony.

I, too, am a small business owner for 28 years in rural northern Minnesota, and so I understand what you are going through and some of the concerns. One of the things, we talk about broadband being deployed. What I have said is high-speed, dependable internet is not a luxury anymore. It is an absolute necessity. And rural America seems to be put on the back burner.

Mr. Ward, I appreciate your comments about it has to be that public-private partnership. Rural Minnesota, rural America is left behind and it is not acceptable anymore. And so I hear my colleagues from Colorado and Iowa saying the same thing. We have a lot of support for deploying that broadband, and I love the fact that you all have nodded your head when you understand that competition is good for deploying that because competition is good for the consumer and we know that for a variety of reasons, dependable broadband is absolutely needed.

We can go in some of our rural areas that are just miles apart the same value of a home, a resale of a home is going to go higher when it has a dependable broadband and high-speed service.

Mr. Ingersoll, you talked about the Postal Service and I really appreciate that. In a time when everything is online and digitalized, I think we forget how many people and industries depend on dependable Postal Service, which make our experience as consumers possible and help expand small businesses like yours.

I have recently cosponsored a number of resolutions to maintain important aspects of the Postal Service, such as door delivery and 6-day mail service so that we can continue to support small rural businesses across this Nation.

As Congress continues to discuss postal reform, what are some of the biggest challenges you foresee should the Postal Service become limited in rural areas? And please give me an estimated annual cost to your business if the Postal Service does not continue the 6-day service or limits its rural delivery and pickups.

Mr. INGERSOLL. It would be tough for me to speak to an exact number on that just because I do not know exactly what percentage of my customers are in a rural area. Typically, the nature of my business, you are going to get more of a rural customer base than an urban customer base just because people are not riding ATVs in cities.

But, I mean, overall, if you limit that, I am going to have to stop using the Postal Service and, you know, spend more to go with FedEx, UPS, someone that is going to offer delivery that a customer is going to expect. Unfortunately, I do not set the precedent for what a customer expects. Larger companies do that negotiate their own deals with carriers. So it puts me at a big disadvantage in comparison to—

Mr. STAUBER. Well, can you just give me an idea of the amount of product you sell and send? Give the Committee an idea, just a rough guess what it would cost if you had to add those additional charges from other competitors.

Mr. INGERSOLL. Well, first off, we use a lot of the priority and regional boxes, which are supplied by the Postal Service. We send about 8,000 shipments a year with the Postal Service. So the average cost of a box is around \$1 if I had to buy it, so there is \$10,000 in costs. The next nearest carrier that offers a comparable service to USPS and the flat rate program is FedEx, and they are on average about \$5 more per shipment than Priority Mail. So five times \$10,000 plus, you know.

Mr. STAUBER. It would be a significant increase?

Mr. INGERSOLL. Yes.

Mr. STAUBER. Thank you very much.

And with my last 30 seconds here, Mr. Ward, you talked about you have worked on The Hill, and you made a statement to both the House and Senate, "Then make a better bill." I can assure you that is exactly why I ran, to make sure that rural America, rural Minnesota, we matter. And I appreciate those comments, and we are going to work that. And with your testimony, your expertise, it helps us also. I want to thank you all for taking your time and giving us your stories. And we appreciate it.

Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

And now we recognize the gentlelady from Pennsylvania, Ms. Houlahan, for 5 minutes.

Ms. HOULAHAN. Thank you. Thank you, Madam Chair.

My name is Chrissy Houlahan. I am a small business and entrepreneur person as well, and I have grown a lot of businesses from the beginning and did online sales back in the early 2000s of footwear and apparel, so I know the trials and tribulations of trying to start up a business and trying to get things into a box to where they are going across the country with all of its ancillary problems. And my questions I guess have to do a little bit for Mr. Ward, your conversation and your testimony both orally and written, that had to do with an emphasis on public and private partnerships for small businesses to worry about things like cybersecurity and cyberspace. And I was wondering if you could put a little bit more meat on the bone of what you mean by a public and private partnership and how those small businesses can be tapped into being able to be safe and secure online.

Mr. WARD. Certainly. Thank you. I appreciate the question.

It is amazing how many small business owners are members of Congress now, is it not? I think there is something that has to do with the experience of starting your own business and dealing with a myriad of problems at the same time.

It is beyond the pale to also ask small businesses to consider how to pay the bills, how to deal with the logistics, how to have a good idea, how to deal with their staff, and to become IT experts. Right? And far too often the burden of running a small business can become overwhelming if you do not have answers. If you do not have somebody to turn to on guidance.

On the issue of cybersecurity, I think most small businesses would feel very alone indeed. One of the issues is that ransomware, hacks, breaches, data theft generally, they put small businesses completely out of business. They are extinction-level events because they cost so much, but also because the compliance required is far over the head of most small business owners.

Ms. HOULAHAN. But what does a private-public partnership look like?

Mr. WARD. So if the SBA, for example, were given more resources and more guidance on how to make training available and how to make the tools and resources available for small businesses, we would be more likely to use them. Additionally, there needs to be a safe harbor. There needs to be a place, a way for small businesses to report hacks and breaches that does not feel like it is going to be the end of their business. The next piece I think that is essential is we have to find a way to better fund prosecution of these hacks and data breaches. I do not have the numbers directly in front of me but I believe it is something like 1 percent of all cyberattacks are ever reported, and less than 10 percent of those are ever intervened or prosecuted. There are no deterrents. And without the public enforcement, there is no private incentive. And so there needs to be a better understanding between small businesses and the SBA, Department of Commerce generally, DHS specifically, on how they can work together to harden the target that is small business datasets. Because cumulatively, that is valuable

data, but too often we pay attention to the large breaches—hotel chains, retail stores—because it is bigger. It is more data. Cumulatively, there is just as much data in the small business community.

Ms. HOULAHAN. Thank you. And I appreciate your feedback. And I have one question. I hate to keep coming back to the USPS, the Postal Service thing because it is intriguing to me as somebody who is in charge of operations and shipping and logistics. But can you try to quantify the impact if you needed to go to DHL or to FedEx and you were no longer able to use the USPS as 80 percent of your shipments are going out of the USPS, would you be able, Mr. Ingersoll, to talk about the impact on the bottom line?

Mr. INGERSOLL. The effect that would have, it would make what I do, it would not be a viable option any longer. The problem is it is a lot of reproduction, Chinese parts, whereas I sell OEM parts that are coming over, and they are already within competition to us but the problem is if my costs increase it would price me out completely. My customers are typically lower income and they will not spend extra money for the same thing they were used to purchasing before.

Ms. HOULAHAN. Thank you. And my last question has to do with kind of the impact of women-owned businesses, and I am interested in trying to understand from you, Ms. Stout, if you can tell me a little bit about—I know the question was about family leave, and I think you came back around appropriately to health care as being probably the biggest issue. What would it look like to feel like you were supported to be able to have a small business in terms of access to healthcare quality, affordable, accessible healthcare? What are the pressure points for you right now as a small business owner?

Ms. STOUT. Thank you for the question. It is pretty in depth, I think.

Ms. HOULAHAN. And I have 8 seconds left.

Ms. STOUT. There is a lot that goes on with it. I think just having better options. It was very hard for me to navigate when I was searching and looking for things to help support my family once I realized that I was going to need to find another solution.

Ms. HOULAHAN. And maybe what I can do since I am over time is afterwards I can find you.

Ms. STOUT. Yes. Yes. Please follow up.

Ms. HOULAHAN. And learn from you. Yeah.

Ms. STOUT. I would love to answer.

Ms. HOULAHAN. I appreciate your time, all of you.

Ms. STOUT. Yes, of course. Thank you.

Ms. HOULAHAN. Thank you so much.

Chairwoman VELÁZQUEZ. The gentlelady's time has expired.

And now we recognize Mr. Burchett from Tennessee.

Mr. BURCHETT. Thank you, Chairlady. And I appreciate you all being here. I, myself, have done a little eBay. I think I had over 1,000 transactions on eBay. Last week I sold a pair of jeans, and I know when my daughter watches this when she gets home from school that that money will probably be back out in the economy before I can get home. So I am looking forward to that.

As a matter of fact, when I was in the legislature in Tennessee, I carried legislation for eBay. I did not profit from it. It was not

that type of a situation. It was just some clarification in the law of where they were. But all the questions really have been asked that I had, but this is sort of a catchall, and I am always asking folks this, and I would like just an honest answer. We can start down at the end.

Mr. INGERSOLL. I ride a few bikes myself. Mine are all old kick starters though. They are not electric starts or anything quite as fancy as what you deal with. But I guess my catchall question is, would you all be willing to explain any burdens that you see that government is placing on small businesses right now that if you could have changed overnight you would? Yeah, go ahead. I want everybody to answer that, too, if they could.

Mr. INGERSOLL. As far as the Federal Government, aside from some of the tax policies not being formed around sales tax, the thing about bringing opportunity to these rural areas is keeping the barrier of entry low. And when you need to keep track of 50 different sales tax, it becomes a real problem because if you are starting out with \$20,000 or \$30,000 in sales just trying to make a living or something like that and you need to keep track of all that, you have to hire an accountant, you may have to implement software to track it all. And you do not want to make it more difficult than it needs to be for someone to go out there and compete because if you are going up against someone like Amazon, they have the resources to handle that. A small company does not.

Mr. BURCHETT. Do any of the websites that you sell—I guess you just sell primarily on eBay. Do they currently now take the sales tax out for the states that are not brick and mortar in your state or however?

Mr. INGERSOLL. I believe anyway that it is a marketplace nexus.

Mr. BURCHETT. Okay.

Anybody else have problems?

Mr. WARD. I have several problems with the regulatory burdens. But I think the primary burden that both state and Federal Governments currently are placing on small businesses that we can talk about today is uncertainty. Uncertainty for a small business is fatal. Not knowing what the market looks like, not knowing what access to tools or talent or broadband will look like in 18 months makes it incredibly difficult to plan. For large businesses, market uncertainty can be an opportunity. For small businesses it is incredibly detrimental. We need to figure this out sooner than later in order to restore some level of sanity to the marketplace.

Mr. CONNORS. I would add to that, uncertainty clearly is an issue, particularly as it relates to this effort. But for most businesses, the companion piece would be predictability. There is not a problem for most businesses to recognize you need to be regulated, you need to address certain issues, but when those areas or when those issues change or the regulations around those issues change, that becomes a real problem. So with uncertainty would also be the need for predictability within any regulation.

Mr. BURCHETT. Right. I think something that troubled me was you would find out after the fact.

Mr. CONNORS. Exactly.

Mr. BURCHETT. And it is very tough to retroactively pull that back.

Mr. CONNORS. Yes.

Mr. BURCHETT. And it hurts the small businesses. Big businesses, they have accountants and lobbyists and lawyers up here and they can tell them exactly.

Mr. WARD. Something has happened over the last 5 to 10 years where we have developed in terms of a digital tool stack for small businesses. Right? You can get your email through Gmail. You can use Infusion Soft to do your CRM. You can use Amazon as a marketplace or eBay as a marketplace. And some of these other logistics groups. The price point for those tools is as low as it is because of math that has been done at the larger level. If you change that business model for larger tech companies or even platforms generally, you also change the math for the small business. So most of that burden is inadvertent. Right? Nobody was aiming for small businesses. But if you aim at the top of the interconnected digital economy, you are going to hit the bottom.

Mr. BURCHETT. Thank you, all. I am out of time. And I appreciate you all's entrepreneurship and being willing to roll the device.

And ma'am, if you had been here, all these people got tax-free status for a year but since you walked out you missed your opportunity.

Thank you, Chairlady, for an excellently run meeting. Thank you, ma'am.

Chairwoman VELÁZQUEZ. The gentleman's time has expired.

We now recognize the gentlelady from Minnesota, Ms. Craig, for 5 minutes.

Ms. CRAIG. Thank you so much, Chairwoman. And thanks to each of you. Sorry, I have been in and out, too, but I am also on the Transportation and Infrastructure Committee, so we are working hard to have those conversations about how we can bring rural broadband, high-speed internet to every single part of America to help us revitalize and allow you to continue to build those small businesses.

So a lot of the questions certainly have been asked today. And Mr. Ingersoll, I wanted to just start with you. You have talked about that rural broadband being essential to ensuring the success of your small business. In our hearing here last week, we focused on the relationship between broadband and the potential larger infrastructure package that we are going to be considering we certain hope. Such a package is likely to support our existing Federal Recreational Trails Program, and that helps fund the development and maintenance of many trails, including ATV trails, which is very popular back in my home state of Minnesota as well.

My question to you is then, what do you see as the most viable path forward to get broadband out to our rural communities and make that a reality? And if we are unsuccessful in some of those areas, what does that do in terms of affecting your business?

Mr. INGERSOLL. Well, I mean, anyone that does not have access to the internet that they can, you know, if they cannot easily navigate it or it is consistently down, they are not going to feel comfortable shopping online. They are going to look for other outlets for whatever they are trying to search out because a lot of

these rural communities, you have groups of people who are not familiar enough with the internet yet to have trust in it. They do not understand aspects of it. So I think that reliable service would be the foundation of that. And I think the future is ecommerce. So ensuring that everyone has access to it in a similar manner is essential for any business to grow in the business.

Ms. CRAIG. Thank you.

I worked for a big business for about 2 decades, two different big businesses. And after that I ended up becoming a senior advisor before being elected to Congress to a small startup company. So I just want to say how much harder it is to work for a small business than it is a large business in this country. And I applaud you, Ms. Stout, for the work that you did to build your business. It is wonderful.

Let me ask this question of both of you though. What would you do different if you had to start this all over again? What mistakes did you make and is there any advice to entrepreneurs and small businesses? And how can we take that into account as we look at either regulation or infrastructure decisions?

Mr. INGERSOLL. I would say initially I underestimated the potential that marketplaces like eBay have. I was thinking much smaller initially than I should have and long term it would have benefitted me to realize that opportunity earlier. Outside of that, there is not really much I would change as far as how I operated and grew my business. The one thing though that needs to be considered I think with policy is businesses have shifted from being larger retail outlets to being very low revenue, one to five person operations. And if policy is not formed around that it is just going to push that opportunity to larger companies and unless you want to work in a fulfillment center, there is not going to be opportunity in these areas that are going to be impacted.

Ms. CRAIG. Ms. Stout, do you have anything to add?

Ms. STOUT. Similarly to what Mr. Ingersoll said, I would have started sooner if I would have known what I know now. Things went a lot better than I expected also. And also, yes, gearing more policy towards smaller businesses and not assuming that we all want to be large businesses because some of us do not. Some of us want to just support our families and communities. And that would be very, very helpful. Thank you.

Ms. CRAIG. Thank you both for your story and for your commitment to small business and the country. Thank you.

Madam Chairwoman, I yield back my time.

Chairwoman VELAZQUEZ. The gentlelady yields back.

And now we recognize the gentleman from Illinois, Mr. Schneider, for 5 minutes.

Mr. SCHNEIDER. Thank you. And I want to thank the Chairwoman for hosting this hearing, and as always, to thank the witnesses for (a) your perseverance in staying here until the end, and I appreciate you waiting, but more importantly, for sharing your perspectives and experiences is critical.

We are talking about unlocking the potential of digital economy in rural communities. I am also on the Ways and Means Committee. Last week we had a hearing on infrastructure. And I represent the northern suburbs of Chicago. Not a lot of rural. But I

understand how important rural broadband is and I made the point there that we need to absolutely make rural broadband part of whatever infrastructure conversation we have to empower and make sure that not just small businesses but rural communities can compete. But I also know from my experience working with businesses large and small how important and how wonderful small businesses are. I happen to think that I prefer the small business world. I prefer being my own boss. And I was thinking, Mr. Ingersoll, you mentioned with bigger, and coming from Chicago I thought of Daniel Burnham, and I just looked up the quote to make sure. But it is "Make no little plans because they otherwise have no magic to stir the soul." This is what is about, is hopefully your businesses do stir your soul, and in so doing, you and millions of others, 29 million small businesses in the country, that is what can drive and always has driven our economy. But we need to make sure we have that access, the access to technology and the new successes.

But with those new successes there is also going to be challenges. And one of the challenges which I know we have talked about a bit is cybersecurity. Last Congress I was fortunate, I was able with my colleagues to introduce the Small Business Cybersecurity Enhancement Act, which will help businesses address their gap in cybersecurity needs from enhanced technology defenses to security awareness training. And it is key because as you said, while maybe a smaller business, it can be a gateway to a bigger breach. I do not care if it affects millions or me alone, me alone is a big impact. And for everyone who is affected that is true.

To our business owners, my question to you is what degree do you keep cybersecurity concerns in mind as you look to expand your business as you think about those big plans? How are you addressing those vulnerabilities? And for Mr. Ward in particular, how are groups like 3C working with members to shore up these vulnerabilities and ensure everything from payment platforms to consumer information are protected?

Mr. INGERSOLL. Me?

Mr. SCHNEIDER. Anyone? Yeah.

Mr. INGERSOLL. Using eBay is a big advantage because I do not have to deal with storing that data or even handling it. They are controlling that completely so that burden is entirely off me. It is not even a concern.

Mr. SCHNEIDER. Great.

Ms. Stout?

Ms. STOUT. Very similar to Mr. Ingersoll, again. I mostly work through Etsy and PayPal invoicing so I do not see any secure information. It is all taken care of for me which is very, very helpful. I would not want to have to deal with it. Thank you.

Mr. SCHNEIDER. Before I go to Mr. Ward, Mr. Connors, anything you want to add?

Mr. CONNORS. Well, I would add that it is a real concern to businesses, needless to say. And we have tried to bring as much information through Federal agencies and so forth to our state to help educate and inform our businesses as to the vulnerability, but also the things you can do to help address it.

Mr. SCHNEIDER. Right. Great.

And Mr. Ward, I will give you the last word. Because we talked earlier with the question of the public-private partnerships. This is where I do believe industry, government, educational institutions, groups like yours, can work to raise the bar and give the security our small businesses need. So I will leave you with the last word, the last minute.

Mr. WARD. I agree with that. So in reverse order, 3C is relatively new to this space. We launched less than a year ago but are growing pretty rapidly and cybersecurity training and resources are at the top of the list we would like to deliver to our small business members. Working with SBA and state governments to hone those materials would be a welcomed opportunity.

The biggest, the most often utilized tool for cybersecurity is what you just heard here. It is the platforms that offer secure data management, resources, and sort of take that burden off the small business. What I am worried about particularly in state legislative proposals right now, the California Consumer Privacy Act, for example, takes away some of that protection by classifying small businesses that cross over into compliance requirements at 50,000 installs, for example. They then become responsible for data sets. So if you are a realtor that has 50,000 names entered into a database, it does not matter that you are storing it in a Google doc. You are now responsible for that data and you cannot rely on a platform to hold your hand through that process. So the long answer is—I am sorry, the short answer is we are eager to help our members. Do you want the long one?

Mr. SCHNEIDER. Thank you. I appreciate that. And before I yield back, Madam Chairwoman, what I would like to add is we are at the frontier. These are new opportunities. Our small businesses are always at the frontier, whether it was the Industrial Revolution or today with the digital revolution. But there will always be unexpected surprises along the way. There will be unintended consequences. Together, working together, industry, policymakers, we have to find a way to ensure data security, create the opportunities through rural broadband and other digital access, and make sure that we are providing our entrepreneurs, American businesses, the chance to grow the American economy.

With that I yield back.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

I want to take this opportunity to again thank all the witnesses for taking time out of your busy schedule to be here and share your stories, to bring to the halls of Congress the importance of including small businesses, but especially rural America. This is a bipartisan issue, and hopefully we all come together and build a consensus around an important issue that will unlock economic opportunities across the country.

Whether it is purchasing transnational flights or providing distant telehealth services, the internet has completely changed our society. Most of all, digital platforms have changed the way entrepreneurs reach new and existing customers. But without reliable broadband, these new opportunities and the economic activity associated with them is severely hampered. That is why we must ensure digital tools reach every American wherever they call home.

I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the committee, we are adjourned. Thank you.

[Whereupon, at 1:06 p.m., the committee was adjourned.]

APPENDIX

**Testimony of Dana Connors
President, Maine State Chamber of Commerce**

**Before the U.S. House of Representatives Committee on Small Business
On**

**Wednesday, March 13, 2019 at 11:30 AM
2123 Rayburn House Office Building**

Hearing Entitled “Flipping the Switch on Rural Digital Entrepreneurship”

Chairwoman Velázquez, Ranking Member Chabot and fellow members of the Committee,

Thank you for inviting me to speak with you today about the impact of digital tools and technologies on rural small businesses.

My name is Dana Connors and I am the President of the Maine State Chamber of Commerce—an organization that promotes a positive business environment in the state of Maine. As the state’s premier business advocacy organization, we empower Maine’s business community to collaboratively advance a proactive agenda for economic growth and prosperity throughout the state.

Maine’s rich history, vibrant communities, and unparalleled work ethic make our state a fabulous place to work and live. As the voice of Maine Business, the Maine State Chamber of Commerce represents a network of 5,000 businesses of all sectors, sizes, and regions within our great state. We advocate on their behalf daily before the Legislature, state departments, and various levels of state government. We also offer many programs and partnerships to help companies do what they do best ... run their business.

Maine is a rural state. More than 60% of our adult population live in a rural area – the highest in the country. Maine is a small business state 75% employee less than ten people – we have over 35,000 businesses in Maine and using the federal definition of small business, only 64 businesses in Maine that have over 500 employees. As you can imagine, many of these small businesses in Maine are located in rural areas—and I hear from them regularly.

This report validates the need for digital tools and high-speed internet for the today’s e-commerce. I would like to share with you how digital economy has helped rural Maine businesses grow and compete in the global economy but also that we still have a lot of work to do.

First is the story of a remarkable person, who moved to Maine after a successful career in New York City. And she didn’t move to Portland either, she moved to our most rural county – Washington County. Washington County is the home to lobsterman and blueberry fields that you would see on a postcard. But when she moved to Machias, Maine – access to high speed broadband and the digital economy had not yet arrived in Washington, Maine and this was only 10 years ago. She saw a great opportunity and started a company – Axiom – with one goal, delivering high speed internet access to one of the most rural counties in America. And she has done just that. It truly is a success story and one that has led to economic investment in an area of Maine that for years saw the opposite.

The second story is about a renowned artist who moved to Cranberry Isle, Maine. Maine is becoming a hub for artists and foodies from around the globe but the thing that makes this possible is a high-speed internet connection that allows the artist to connect to the global economy and sell the works of art online. Without the connection, Maine would be a great place to vacation to but not a place to live. The expansion to high speed internet access is allowing us to grow businesses in areas of our state that for years, has been an exodus to urban areas for work.

The last story is about a small company along the coast of Maine who was able to adapt to the new economy and grow. Raye's Mustard in Eastport, Maine – home of the Nation's first sunrise every day, was a mustard mill that provided mustard to the sardine factories down the road where sardines were packed and shipped around the world. But when the factories went out, like you see in other rural areas of our state, companies like Raye's mustard had to change and adapt – no longer could they survive with one industry as a customer. With a high-speed internet connection and being the only stone ground mustard mill left in America, the globe became their customer. They changed to high end, gourmet mustard that has won national awards and can be shipped globally. If you haven't tried it, I would encourage you to do so. Not only have the jobs been saved, they have been able to grow.

These are just a couple positive stories of how bridging the digital divide in rural Maine can have a lasting impact on our people and our economy but there is much work still to do. High speed broadband is essential for rural states like Maine and the report we present to you today, highlights the success we can have with continued investment.

I have spent the last 20 years advocating for Maine businesses, and in that time I have witnessed a remarkable transformation in the way Mainers run their business. I've seen firsthand how digital tools and technology allow rural small businesses owners in my state to start, scale, compete and succeed in a global economy—which is essential to a vibrant economy in a rural state.

The Report

My testimony today is focused on a report released by the U.S. Chamber Technology Engagement Center (C_TEC), the tech policy hub of the U.S. Chamber of Commerce, and generously underwritten by Amazon. C_TEC was established to advance technology's role in the U.S. economy and to promote policies that foster innovation. C_TEC supports research, like the report we are discussing today, to inform policymakers, regulators, and the public at large.

The report, *Unlocking the Digital Potential of Rural America*, focuses on how digital tools are driving the success of small businesses in rural America and the opportunity digital tools present for entrepreneurs living in rural America.

C_TEC partnered with ndp | analytics to lead the research for the report. To complement official statistics throughout the report, C_TEC also partnered with Ipsos, a global market research firm, to conduct a survey of 5,300 small business owners in rural America about the economic impact of online tools and technology on their businesses. Several key findings of the survey are as follows:

- *Digital technology boosts sales and reduces costs for rural small businesses:* Online tools and technology help rural small businesses expand their customer base in their own community, neighboring states, and, in some cases, outside of the country as well. Online tools boost sales

for nearly 55% of rural small businesses across America. In addition, online tools reduce purchasing costs of products and materials for nearly 29% of rural small businesses.

- *Small businesses in rural areas are slowly adopting digital tools and technology:* Nearly 20% of rural small businesses in America generate the vast majority of their revenue (at least 80%) by selling their products and services online. A slightly larger share of rural small businesses, 22%, purchased at least 80% of their goods and services online.
- *Rural small businesses utilize digital tools and technology for sales, marketing, and operations:* About one-third of rural small businesses sell their products and services through their own websites and nearly 13% sell their products and services through third-party websites. Over 58% of rural small businesses have social media accounts and nearly 36% use online advertising services. Rural small businesses also use online tools for operational tasks such as business banking, accounting, virtual meetings and conference calls, and cloud computing.

Combining the survey results and official statistics, the research team evaluated the economic impact of digital tools on rural small businesses across the country—assessing impact of GDP and job creation over the past three years, qualifying unrealized gains had the businesses had greater access to digital tools, and forecasting growth in GDP and job creation for the next three years. Several key findings are as follows:

- *Digital technology created opportunities for rural small businesses in the past three years:* Digital tools and technology boosted gross sales of rural small businesses by 17.2% during the past three years, the equivalent of \$69.8 billion per year. The additional gross sales contributed \$38.7 billion to U.S. GDP per year and created 296,288 jobs (full-time equivalent) with \$12.1 billion in wages per year. The magnitude of the economic benefits is equivalent to the size of the economy of Vermont or Wyoming.
- *The economic benefits of digital technologies have not been fully realized in rural areas:* If rural small businesses had better adopted online tools and technology, their gross sales would have increased by an additional 18.3% in the past three years, the equivalent of \$74.4 billion per year. Consequently, rural small businesses would have added another \$41.3 billion to U.S. GDP per year and created an additional 316,605 jobs with \$13.0 billion wages per year. These unrealized economic benefits are equivalent to 0.2% of GDP and over 5% of the number of unemployed people in the U.S. labor force.
- *With greater adoption of digital tools and technology, the potential economic benefits in rural areas are far reaching:* If rural small businesses better adopt online tools and technology, their gross sales could increase by an additional 20.8% during the next three years, the equivalent of \$84.5 billion per year. This increase in sales could contribute an additional \$46.9 billion value added to U.S. GDP per year and create 360,054 jobs with \$14.8 billion wages per year. By unlocking the digital potential of rural small businesses, the U.S. GDP would gain an additional 0.2% per year and reduce the number of unemployed people by nearly 6%.

Impact of Report Findings

Digital technologies and the e-commerce ecosystem are transforming the way we live and do business. Thanks to the technological innovation during the past 20 years, online tools are widely available and

more affordable among American households and businesses. With just one click, Americans can purchase virtually anything from anywhere at competitive prices.

The development of online tools and technology creates a unique opportunity for rural small businesses. Greater internet connectivity will support the opportunity for greater innovation through access to digital tools like the cloud. Small businesses in rural areas will have access to the best tech in the world at a fraction of the cost. Digital technology helps these entrepreneurs run their business while maintaining their lifestyle in rural areas.

These gains underscore the economic potential of rural America, and it is important for the sustainability of the nation's economy that the progress continues. The report includes four recommendations that I wholeheartedly endorse:

- **Increase digital connectivity in rural areas.** Internet and mobile phone connectivity are crucial to selling online. The connection and speed at which a consumer and vendor transact matters. While over 92% of Americans have access to high-speed internet, about 27% of rural residents still do not have access to the FCC broadband standard. The private and public sectors should continue to identify opportunities to expand connectivity, including through deploying infrastructure and expanding wireless spectrum in order to add coverage and capacity in rural areas.
- **Increase the talent pipeline of candidates trained in digital skills (cloud, digital marketing).** Without a skilled workforce, small businesses cannot thrive. There is a shortage of skilled IT professionals in rural areas to assist small businesses. The private and public sectors should continue to identify opportunities to partner to ensure the skills businesses need in their workforce match the local curricula preparing the American workforce for the 21st century.
- **Increase adoption of digital training and digital tools by rural small businesses so they can scale their operations.** This study highlights two points: the positive benefits for rural small businesses effectively utilizing digital tools to sell online and the potential for businesses currently underutilizing those digital tools to grow. Showcasing existing programs offered by the Small Business Administration and affiliated Small Business Development Centers across the country is a cost-effective way for rural small business owners to increase their digital literacy. Further, as digital tools evolve, increased opportunities for private sector companies to train small business owners on new products will help them start, scale, and compete in a global economy.

By increasing the quality of connectivity, calibrating the skills required by businesses with how we prepare the American workforce, maximizing exposure to digital literacy programs for small business owners, and reducing the cost of competing in an e-commerce ecosystem, small businesses in rural America could realize benefits far greater than they have in the past. Based on the survey conducted for this report, rural small businesses could add over \$84 billion in sales in the next three years and could create another 360,000 jobs in rural areas, where 17.5 million adult residents are either unemployed or no longer actively looking for employment.

Simply, digital tools and technologies are critical to rural small businesses in Maine and across the country. Unlocking the digital potential in rural America is important for American small businesses and critical to future U.S. economic growth.

Statement of Bill Ingersoll
Owner, Bikes, Trikes and Quads
on
“Flipping the Switch on Rural Digital Entrepreneurship”
Before the U.S. House of Representatives Committee on Small Business
March 13, 2019
11:30 AM
Room 2360 of the Rayburn House Office Building

Chairwoman Velazquez, Ranking Member Chabot, members of the committee, thank you for inviting me to participate in this important hearing on how digital tools improve rural entrepreneurship. My name is Bill Ingersoll, and I own Bikes, Trikes, and Quads, a small business I started in rural Sloansville, New York. We sell Motocross and ATV equipment on eBay to customers around the US and increasingly around the world. I appreciate the opportunity to share my experiences on some of the tools that make running my eBay business possible in rural America- including rural broadband access, universal and reliable postal service, and breaking down barriers through global trade.

I grew up racing Motocross in upstate New York. My entire life changed when I was injured in a Motocross crash and left paralyzed in 2008. After the accident, I could no longer work construction or do many of the other things I had done previously, but I was determined to move forward with my life. My grandfather and I had always fixed up old ATVs as a hobby, so I was looking at a way to turn that hobby into a business. Not long after, I was trying to find some parts to modify an ATV we had so that I could get around our property more easily, and ended up tracking them down on eBay. The process was so easy and convenient for me as a buyer that I began to look into selling parts on eBay. We already had a large stock of parts from ATVs and dirt bikes from years of racing so we decided to give it a try. We opened our eBay store in 2010 and have been selling since. I now have 3 employees and run my business out of a warehouse on my property.

I often look back today, 10 years later and wonder what life might look like now without eBay and I really don't know. Being 23 years old with minimal education in a poor rural area never fostered good odds for an able-bodied person, let alone someone who was now disabled.

eBay, and being able to run an online business, has given me a life that I might not have otherwise enjoyed.

Living in rural upstate New York, I would not be able to use eBay if I didn't have access to high-speed and affordable broadband. Unfortunately, broadband reliance and even phone connectivity continue to be constant issues for our company. Rural broadband is essential to ensuring that rural small business owners and entrepreneurs can take advantage of the latest technologies and reach customers around the world, no matter where they live in our country. We need real investment in improving and expanding our rural communications infrastructure so that businesses like mine can take advantage of innovative tools and marketplaces like eBay.

Even though my store is online, I still have to actually ship products to customers around the country and around the globe. I rely heavily on the US Postal Service to reach my customers- over 80% of our shipments go through the USPS. I understand that there are proposals out there that would make package delivery to rural parts of the country like my hometown "non-essential." I can't imagine how anyone could consider small businesses like mine "non-essential," but cutting access to postal services or raising prices for rural package delivery would be disastrous for rural small businesses. Most people don't know that private shippers charge surcharges to deliver to rural areas. If I had to rely only on private shippers, or if package prices went up dramatically, my costs would go through the roof. Like broadband, the US Postal Service is essential for **all** Americans, no matter where they live, and without it, rural small businesses will have a harder time competing with giant e-commerce companies that have their own warehouses and logistics networks. Small e-commerce businesses depend on reliable, affordable, and universal postal service.

On top of selling to our customers in the US, selling globally has been key to our success. We have shipped thousands of orders globally to some countries where ATVs are their prime mode of transportation. Selling worldwide allowed us to reach customers and realize new business opportunities that we would have otherwise not considered. These opportunities are a direct result of conducting business online and never would have existed before the internet. Small online businesses like mine across the US, in rural and urban areas, need trade policies that cut red tape for low value shipments by supporting higher de minimis thresholds throughout the world. That way, small businesses like mine can truly take advantage of one of the best things the internet has to offer – hundreds of millions of buyers all over the world.

On behalf of small online rural businesses across the country, thank you again for holding this important hearing. I look forward to your questions.

U.S. House of Representatives Committee on Small Business

Testimony on “Flipping the Switch on Rural Digital Entrepreneurship”

Presented by:

Afton Stout, Owner, My Dinosaur Dreams

March 13, 2019

Good morning. My name is Afton Stout and I'm a creative entrepreneur from rural Iowa. Before I begin, I'd like to thank everyone who has had a part of me being here today—my mom, my brother, and, of course, my husband, Brian, and my three year old son, Rhys. I also want to send a thank you to my dad, who passed away in 2006—I know he would be proud of me today for sharing my story. Thank you, Chairwoman Velazquez, Ranking Member Chabot, and Members of the Committee for inviting me to speak with you today about my creative business.

I was born and raised in eastern Montana—an even more isolated area than I live now. My dad was diagnosed with systemic lupus the year that I was born, and I believe that my family's struggles with poverty has been a huge part of why I am who I am today. Growing up with limited means instilled a sense of restraint when it comes to money and spending it wisely.

I've always been motivated by creating and selling—starting out in small craft shows in my hometown of Glendive, Montana. I can remember buying items from Etsy when I got my first bank card, which was exciting. I had always planned to start a shop, despite being both intimidated and inspired by the success of others. I assumed that living in a small town would be a hardship for my creative ventures that I would have to struggle to overcome. However, I'm certainly not alone in this space, as 27% of Etsy sellers are from rural areas like mine.¹ After graduating from the local college, I worked two jobs and crafted on the side, selling through local online groups to keep my mother and I afloat after my Dad's life insurance ran out.

In 2013, my Mom remarried, and I was able to think about what I wanted to do with my life. My stepdad was a huge help in getting me settled in Iowa, which I am grateful for. That same year, I

¹ 2018 US Etsy Seller Census

met my husband and moved to Iowa and went on to marry him in 2014. For our wedding, I handmade all of the flowers from paper, which was the spark that set me on my entrepreneurial journey. For the first year of our marriage, I made a few pieces of jewelry, some of which I sold through Etsy. After my son was born in 2015, I decided that I would stay home with him and see if I could find a few more people who were interested in handmade paper flowers for their weddings or events. From there, my creative business took off.

Thanks to the internet, I am one of 2.1 millions sellers on Etsy—many of whom, like me, are able to run our creative businesses from home, despite living in a rural area. This has improved my quality of life immensely. I was diagnosed with fibromyalgia in 2012, an illness I've been fighting since middle school which ultimately led to me dropping out of high school. Ultimately, I didn't allow that to hold me back, and I took my GED a few months later and went to the local college to obtain my associate degree. Like many creative entrepreneurs, I didn't set out to become a full time microbusiness owner, but am happy I'm able to do this flexible work.

When I first started out, I advertised on Facebook and listed custom-order handmade flowers on Etsy. My first year, I made about \$37,000 in sales, which I thought was amazing. At the end of 2016, I started working with wooden flowers, and business was booming. After posting some more of my work on Etsy, my sales nearly tripled.

Starting out, most of my sales were online with roughly 10% from local in person sales. Since then, I've had customers from all over the world, including France and Germany. With a platform like Etsy, I'm able to ship beautiful paper flowers made in Iowa to international buyers that truly value my work.

Today, the bulk of my business is wedding related. I custom dye and arrange wooden flowers to match wedding themes and other events. I am able to work with so many lovely people that I would never know, or even reach, without the internet, or online platforms like Etsy. I am making a push for a bigger local presence, and even Etsy has helped with that by showing search results with local businesses closer to the top of search. I work twelve hour days during wedding season, but I love what I do and the people I get to work with.

I'm proud to say that I am projected to be 80% above where I was last year in views and sales, and I may have to hire my husband to help me run things once my three year old goes to preschool this fall. In 2016, my husband started staying home full-time with our toddler so that I could work full time on my creative business. He has trauma-induced arthritis in both of his ankles from an injury back in 2010 and being able to stay home to raise our son has greatly improved our family's quality of life. Like 97% of Etsy sellers, I run my shop from my home. In fact, we just finished building a studio onto our house to increase my productivity.

My creative business allows me to pursue my creative passions in the comfort of my home, surrounded by my family. And while my story is unique, this pathway to rural entrepreneurship is not. There are over 2.1 million Etsy sellers across the globe, and together, we sold \$3.9 billion in

goods in 2018.² Etsy sellers represent a new face of entrepreneurship—87% are women, and on average, we are much younger than traditional business owners. Platforms like Etsy are an on-ramp to entrepreneurship, especially for those from rural communities, because anyone with an idea, and an internet connection can start a global business. Rather than relying on foot traffic, or store front space to have your wares found by buyers, you just list an item and are able to be discovered.

While operating my creative business has been a lifechanging opportunity, it certainly comes with challenges that policymakers can help address. First and foremost, Congress should act to restore the Open Internet Order by passing the Save the Internet Act. That way, future generations of rural creative entrepreneurs will be able to access the same open internet that allowed my business to thrive.

Next, Congress can help microbusinesses by helping us focus on what we enjoy most—making. Like most Etsy sellers, I am a business of one. That means I handle every aspect of my shop including making, communicating with customers, packaging, shipping, taxes, marketing, and everything in between. For roughly every hour an Etsy seller spends making, she spends another hour on all of the other administrative things. When it comes to sales taxes in a post-*Wayfair* world, Congress can help by passing legislation that takes into account the experiences of microbusiness owners like me. If I were required to calculate, collect, and remit sales tax in more than 10,000 sales tax jurisdictions, it would be nearly impossible for me to manage. That's why any solution should consider the impact on the smallest of small businesses.

From here, my plans are to continue pursuing this work that I love. I've reached a level of success that I am happy with, and would love to maintain, as it has allowed me to provide for my little family. Once I finish paying off our addition and student loans, I plan to pour what I can back into my community—particularly in areas to do with children and animals. While I love the growth of my business, I don't want to become too big to maintain. I have no plans to become so big that I can no longer participate in the best part of business, which is talking to my clients and creating custom works just for them.

I am so appreciative of the opportunity to share my story with you today. I hope that I have shed some light on the many stories of internet enabled rural entrepreneurs. Thank you.

² As of December 31, 2018.



Connected Commerce Council

Written Testimony of Jake Ward
President, Connected Commerce Council (3C)

U.S. House of Representatives Committee on Small Business
Hearing on "Unleashing the Digital Potential of Rural America"

March 13, 2019

Introduction

Chairwoman Velazquez and Ranking Member Chabot, on behalf of digitally-empowered rural small businesses across this nation, thank you for holding this important hearing.

My hometown of Greenville, Maine is small. It is fewer than 1,500 residents small. It is everybody knows everyone else small. There were no chain stores or big corporations in my hometown. Every business was a small business. By any standard, that is rural America. Those small businesses were the pillars of our community, just as they are in small towns across the country today.

While it is true that much has changed in rural America, small businesses are as important to their communities as they have ever been. The digital age has brought challenges to rural businesses, but it has also created new opportunities. Digital resources are helping local businesses rise above and grow beyond traditional geographic limitations; enabling them to find customers around the world when historically the next county was a world away.

Digital tools, platforms, and marketplaces enable small businesses – wherever they may be – to serve customers efficiently with cutting-edge logistics; drive costs down and profits up using cloud-based applications and find new customers with digital advertising and online marketing. Today's rural small businesses can grow, support their communities, and create more jobs – and Congress should help them.

I'm here today to ask this committee to help small businesses access the tools they need and to offer the help of the Connected Commerce Council (3C) in that effort.

The challenge of every small business is unique but their stories are universal. Unleashing the potential of rural America will require every small business to have access to the affordable, secure, and scalable tools they need. It will also require us to understand that the digital economy is a different type of interconnected and interdependent economy where the investment of global platforms have direct, tangible local benefits, and the value of access to digital tools is measured in new employees and increased financial security.

Many digital innovators harness the power of data for small businesses in rural America and nationwide. Quickbooks supports home-based entrepreneurs and small businesses. John Deere's Precision Agriculture solutions work wonders for small farmers. Amazon brings the

power of its marketplace to local retailers and accelerates the growth of small stores through training and access to resources. These companies collect, aggregate and analyze vast quantities of data - safely, securely and affordably - and deliver the power of data science to small businesses.

I've seen first-hand how access to, and adoption of, digital technologies and tools enables small businesses to integrate seamlessly with global giants, and thereby compete for customers by offering better products that deliver higher value for lower cost. Those experiences led me to found 3C and led me to this table today.

As the son of a small business owner in a rural town in a rural state, it is my goal that 3C can provide resources, education, and access to help optimize small businesses' digital opportunity. And it is my intention to work with policymakers anywhere, including and especially Members of this committee, to accomplish that goal.

What is 3C?

3C believes that digital technologies and tools give small businesses the best opportunity to succeed. This was the conclusion of a recent Deloitte study that found effective use of digital technology by small businesses resulted in markedly higher revenue, substantially greater profitability and many more jobs created.

3C supports small businesses as a resource and an advocate. We promote access to and adoption of digital technologies and tools; provide resources and education to help optimize small businesses' digital opportunity; and cultivate a policy environment that considers and respects small business.

3C's mission is reflecting in the stories of our members:

- In Colorado a 3C Board member recently started her fourth business in 15 years. The biggest challenges of her first business were building a website without hiring a big PR agency and finding a secure credit card processing service that integrated seamlessly with the website. Today these solutions are ubiquitous and inexpensive so she can focus on products, marketing and family time.
- A Kansas Board member owns a plumbing company that historically spent more than \$100,000 annually to advertise in the Yellow Pages - but the company was going bankrupt. Now she spends less than \$20,000 on digital marketing and her company is growing again.
- In Florida a family-owned restaurant spends one or two dollars daily to send precisely targeted digital coupons to people who enjoy their specialized cuisine and are in the neighborhood during lunch hour. Within minutes new and returning customers arrive.

These small businesses and tens of millions more is why 3C was formed.

In Congress and in many state legislatures, debate is underway on issues that will dramatically affect small businesses ability to succeed – or even survive.

Our overarching concern is that policymakers, thought leaders and headline writers focus only on the largest companies and the riskiest behaviors when considering how to regulate the digital economy. Too often opportunity and access are assumed instead of promoted and protected. Too often we talk about small businesses rather than speaking to small businesses. I know

under the leadership of this Committee - that will change.

How Can Congress Unleash the Digital Potential of Rural America?

A common theme of 3C companies - the power of technology and data - connects directly to today's hearing. Unleashing the potential of rural America requires unleashing the potential of digital tools, access to data, and the power of data science for rural America. For many years, policymakers and thought leaders have discussed the digital divide as a broadband access issue, and focused attention on how underserved communities would benefit from inexpensive access to broadband. These are legitimate concerns, but 3C's focus is the next question: once broadband and digital tools are available, how can small businesses maximize the opportunity?

The reality of the digital economy is that our members – and nearly 30 million small businesses like them - stand on the shoulders of large companies to reach otherwise unobtainable heights. Platforms invest in scalable, secure, and affordable tools. Marketplaces connect buyers with sellers. Small businesses leverage these tools and marketplaces to start, build, and grow. The guiding principles of the digital economy – speed and scale – consistently drive shared value and mutual benefit for small businesses. Innovative technologies and approaches are widely available, easily adopted, and quickly improved upon. Congress must take great care to ensure that policies focused on the largest digital companies do not inadvertently undermine small business opportunity. That vigilance can be this Committee's great contribution to unleashing the digital potential of all small businesses, including those in rural America.

Data Privacy

Consumers deserve to have their personal data respected and protected by all businesses - large and small. But consumers don't need dozens of state standards and a federal standard to measure good data practices, and small businesses cannot comply with dozens of laws. We all need one good law -- with clear definitions and precise requirements that will protect consumers and let businesses operate without hiring teams of lawyers. And to be very clear - if the law works well then we do not need small business exemptions.

A recent 3C survey of more than 1,000 small businesses regarding data protection and privacy found that an overwhelming majority of respondents - 86 percent - believe that they already effectively protect customers' data. However almost as many - 80 percent - report knowing very little about data protection laws. Most concerning, however, is that more than 80 percent of small businesses doubt that their public officials are sufficiently knowledgeable about technology to effectively regulate this area.

This Committee, on behalf of small businesses nationwide, can help make sure that small businesses are respected and feel respected. Small businesses must be sitting at the table when privacy and data protection laws are written, because if you do not have a seat at the table then you are on the menu and likely to be eaten.

Cybersecurity

Cybersecurity and data breach is another area where policymakers and headline-writers understandably focus on the breaches with the largest number of customers and the potentially massive gravity of consumer harm. But one fact should always be in the forefront: small businesses do not recover from data breaches. The costs of recovery and remediation are too

high; the loss of consumer trust cannot be overcome. All too often a small business data breach puts it out of business.

For consumers of small businesses, it would be frightening to know that small business data breaches are almost never investigated and the perpetrators never caught. The FBI, state police and local prosecutors simply do not have enough resources so they focus on high-volume breaches. And as a result criminals know that if they prey on small businesses they are less likely to be caught.

How can government help? First, consider if a public-private partnership can be helpful. Dedicated small business support resources can provide breach recovery assistance which to promote reporting instead of hiding. More reporting will lead to better data, and that could result in more effective enforcement.

Competition

It is impossible to overstate the billions of dollars in small business value and the millions of small business jobs supported by some of America's largest brands and companies, including eBay, Etsy, Amazon, Square, Intuit, Freshbooks, Google, Constant Contact and Facebook. Some of these companies are much larger than others, but all provide extraordinary and low-cost platforms and tools to small businesses. That should not be overlooked by this Committee, the Congress, and competition regulators.

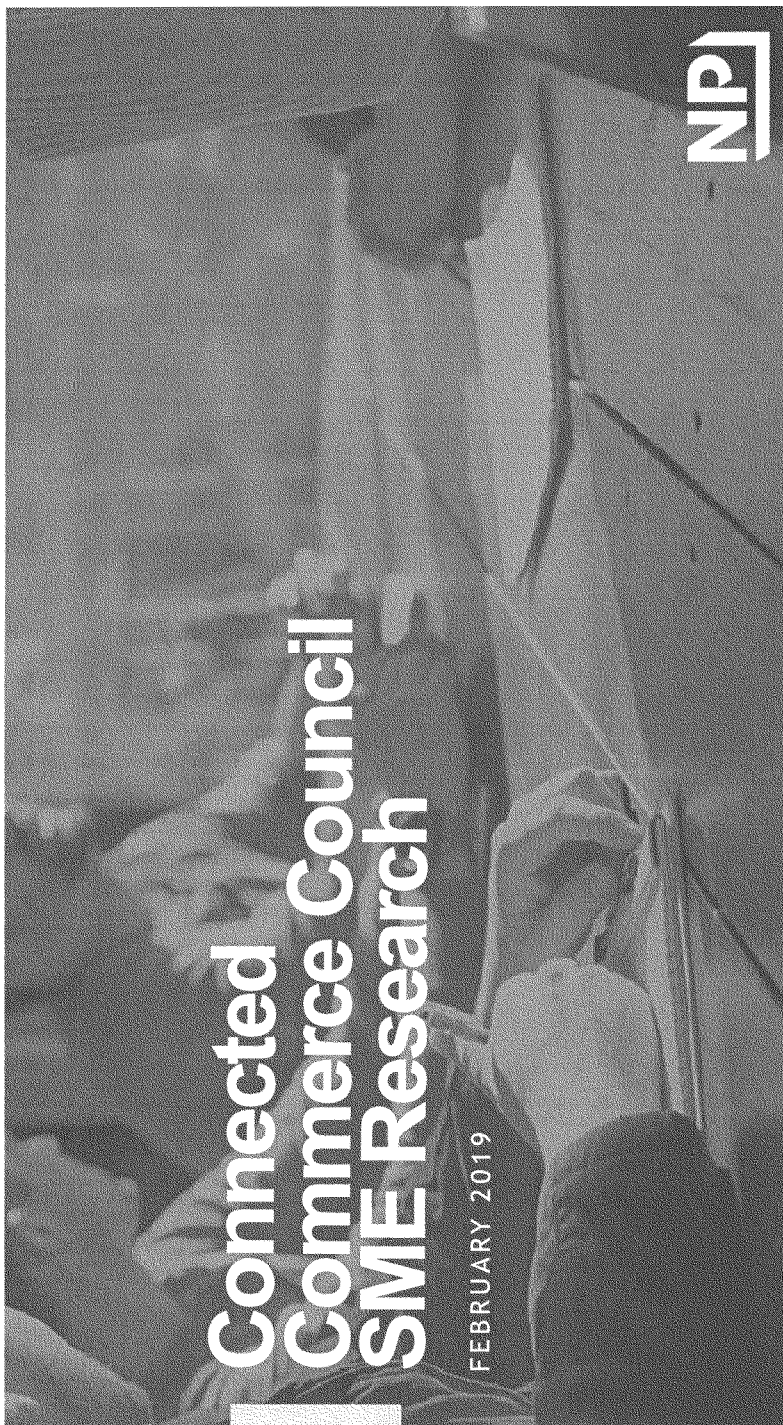
Recently the Chair and Ranking Member of this Committee asked the Federal Trade Commission to include small business considerations in their important 21st Century Economy hearings. To date the Commission staff has held multiple hearings without a single small business witness or researcher.

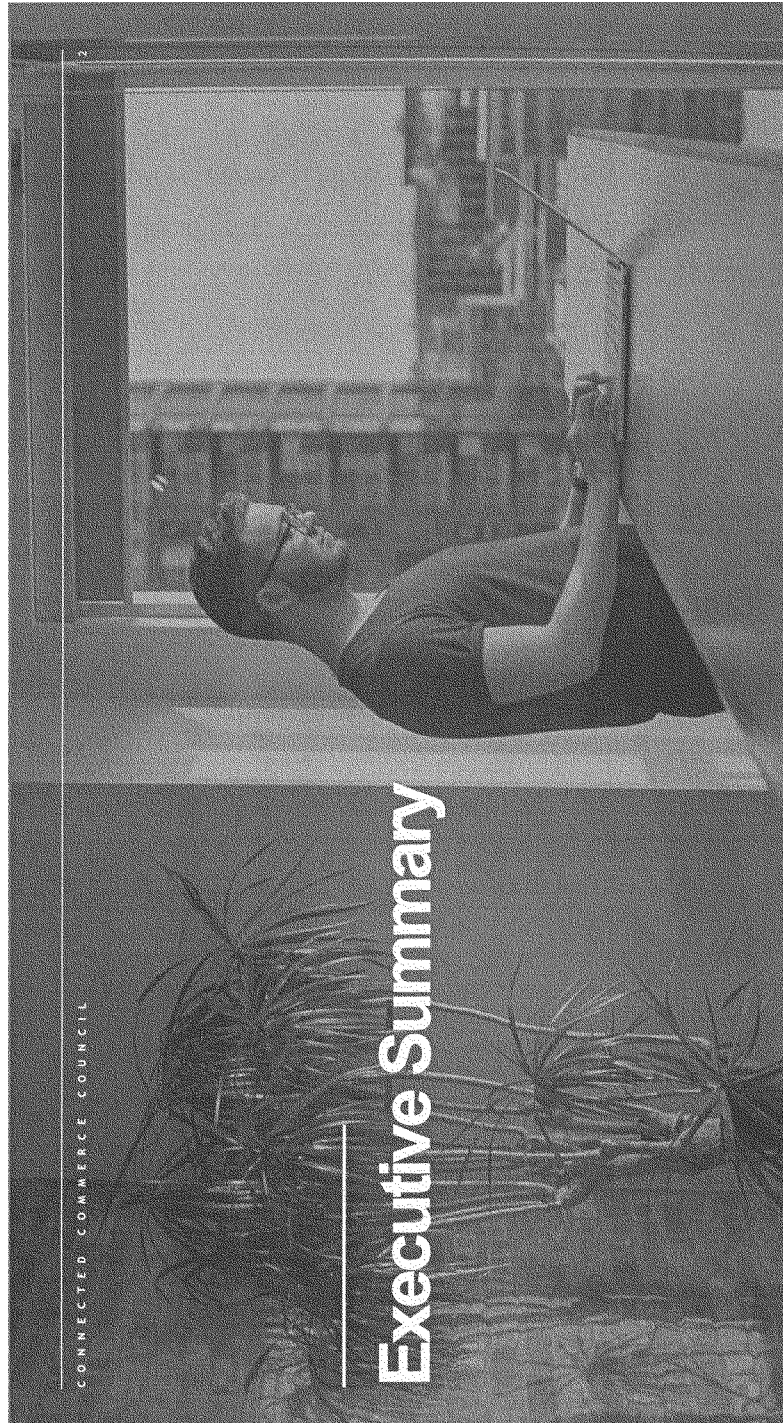
3C urges this Committee to continue its vigilance on behalf of small businesses. In each debate over privacy, cybersecurity and competition there are important small business values at risk and opportunities to be preserved and created. We cannot afford to lose the forest through the trees, focusing our attention on only the largest and more prominent companies and issues. Rather, we should try to take the perspective of a small business, seeing the full landscape as we consider who will ultimately pay the price if business models are dramatically changed, costly regulation is enacted, or access to essential tools is limited.

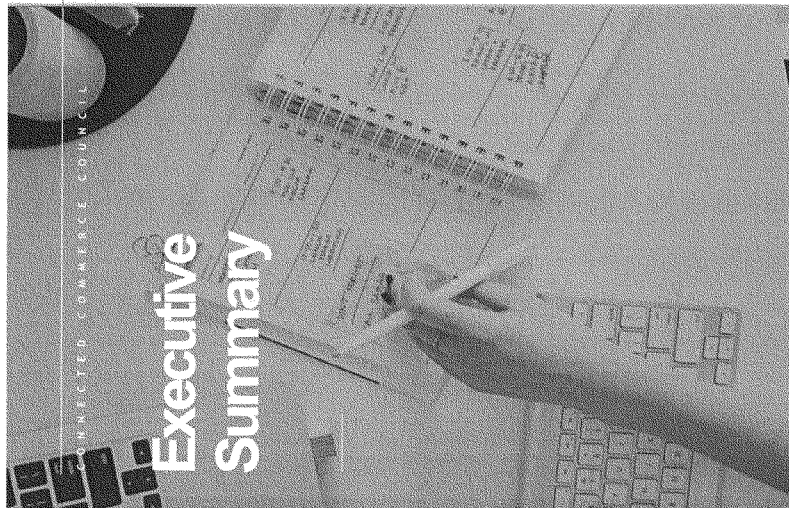
Conclusion

On behalf of the nearly 30 million digitally-empowered small businesses nationwide, thank you for welcoming 3C to this morning's important hearing and considering our views and role in America's market-based narrative. We look forward to working with you and your colleagues to lower technological barriers to small business success and to continue promoting small business opportunity.

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CONNECTED COMMERCE COUNCIL

Executive Summary

There's currently little knowledge within small and medium sized business when it comes to data privacy and protection. It's an issue that business owners and senior decision makers place high importance on as their businesses can't operate successfully without digital marketing and digital tools. However, they don't currently feel they are best equipped with sufficient knowledge to make informed decisions.

With this in mind, when asked to nominate their confidence in elected members to effectively regulate in that space, there's an overwhelming lack of confidence. If small and medium business owners don't have the time or resources to dedicate to understanding the laws around data privacy and protection, there's no confidence in U.S. policymakers. This has been recently fueled by business owner perceptions of the Senate hearings where they believed the line of questioning and approach reinforced the divide between elected members and how digital marketing works. In addition, there's the perception that policymakers will favor tech giants and bigger business, ignoring small and medium businesses.

These genuine concerns cut across all small and medium business types.

Only
40%

agree that when it comes to data privacy laws, they would be happy with a one size fit all approach as they believe that specific small and medium businesses will be ignored.

As a result,
59%

want different data privacy rules for small business compared to big business / tech giants.

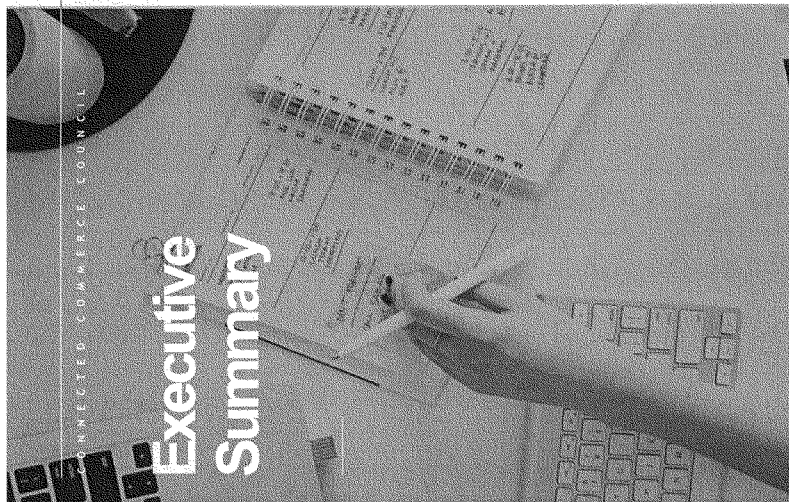
Furthermore,
56%

believe there will be a negative impact to their business should current regulations be changed.

Small and medium sized business
aren't adverse to the change:

72%

would support any improvements to data privacy regulations, but they can't cause distress to the day to day operations of this business and with a lack of confidence and knowledge, the concern is there will be a significant financial impact.



Executive Summary

CONNECTED COMMERCE COUNCIL

DIGITAL MARKETING TOOLS ESSENTIAL IN SMALL BUSINESS LIVELIHOOD

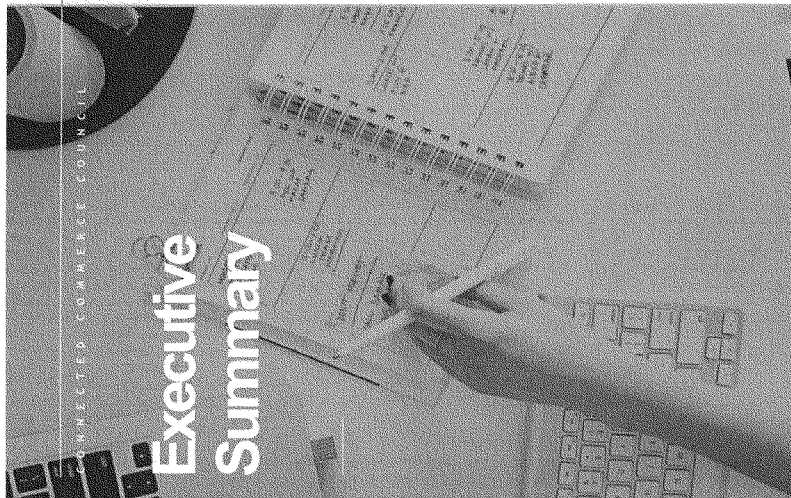
The importance of digital marketing for small business within the U.S is clearly evident with **84%** of business owners and decision makers adopting at least one digital marketing tool within their business and **50%** stating their business wouldn't exist without the tools and platforms they use. As their businesses grow, so does the reliance of such tools and the spend they are willing to invest.

While social media platforms are the most commonly used, data and information security is viewed as the most critical to the success of their business. However, **69%** of small business owners and decision makers don't take responsibility for this area as yet, suggesting that any changes in regulations will have a dramatic impact on a critical component under-resourced.

IN AN AREA UNFAMILIAR TO MOST, THERE'S A LACK OF KNOWLEDGE AND CONFIDENCE IN OTHERS

Reflective of the lack of ownership within their small business, business owners and decision makers admit a lack of knowledge when it comes to data privacy and protection laws – only **18%** state high knowledge in the subject. While there are dedicated efforts to protect personally identifiable information, it's only when there's budget or resource that it can become more of a priority.

Their own lack of knowledge and the perception that U.S. policymakers favor bigger business means there's no confidence that politicians would a) effectively regulate social networks & internet services and b) incorporate the needs and views of small business. Close to half (**46%**) have no confidence in U.S elected members effectively regulate social networks & internet services.



Executive Summary

WITH CONCERN OVER SMALL BUSINESS NEEDS BEING HEARD, NO CLEAR PREFERENCE FOR NATIONAL VERSUS STATE BILL

There's no clarity or preference when it comes to a state based bill or national bill across all small business types and role within the business, which reinforces a general lack of awareness and understanding around the subject.

Those favoring a national bill (47%) were concerned with how a state based law could work and felt a national bill would be easier to understand and implement.

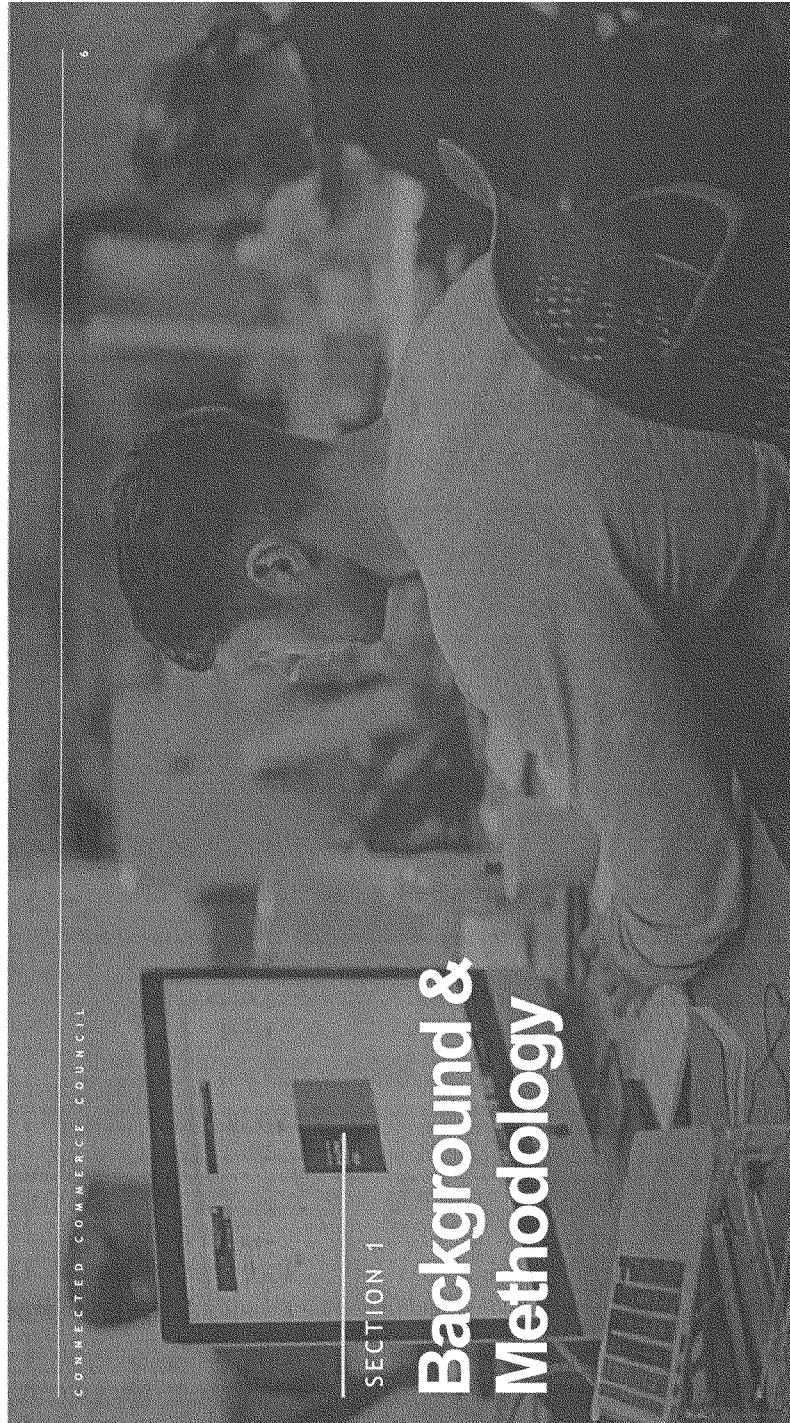
Those that preferenced a state bill (46%) believed there's more opportunity in state-based legislation to be more tailored to small business-- reinforcing the fear that any new regulations will be designed to favor bigger business / tech giants.

WIDESPREAD CONCERN THAT REGULATION CHANGE WILL INCUR FINANCIAL IMPACT FOR ALL SMALL & MEDIUM SIZED BUSINESS

Regardless of how the regulation is implemented, there's concern around the impact on small business - 48% agree there's likely to a financial impact.

This is perceived to be an impact in terms of cost of the tools they use and value, financial in terms of training, education and human resources for their employees and financial in terms of potential loss of sales should this impact the day to day running of their small and medium businesses.

There's rejection of a one-size-fits all - only 40% agree this is best for small business as they feel it will ignore the small business needs and focus more on the tech giants and big business.



CONNECTED COMMERCE COUNCIL

SECTION 1

Background & Methodology

Methodology

METHODOLOGY

AudienceNet conducted a survey among a representative sample of small business owners and senior decision makers within small businesses. A total sample size of n=1,553 were collected between the 10th of January and 23rd of January.

To ensure a representative sample, size of business quotas were placed based on 2016 Census information.

Where applicable, **significant differences** have been noted in BLUE (significantly higher) and RED (significantly lower). Significance is tested at the 95% confidence level and is based on the TOTAL score for each data row in tables or against the AVERAGE score recorded for each data point.

Surveys were completed online (via laptops, PC's, smartphones etc.)

TOPICS COVERED

The research covered the following areas:

- Company size
- Role within small business
- Decision making authority
- Use of digital marketing tools
- Importance of digital marketing
- Knowledge of current regulations
- Confidence in policymakers
- Preference of new regulations
- Perceived impact to small business

Sample: Fimographics

The sample structure was designed to replicate 2016 Census data on County Business Patterns to mirror the small business size and NAICS Sectors.

Non-small business owners had entire and shared decision making authority for areas within the business such as social media / digital marketing while most small business owners said they were active in the decision making process within the same areas of the business.

When results are analyzed by company size, please note the small sample size for medium businesses 251-500 employees (n=74)

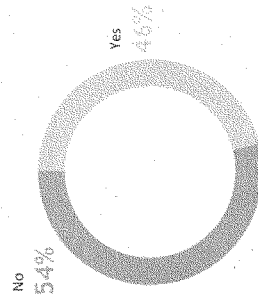
For more detail on the sample universe and representation of the U.S. small business universe, please reference : 2016 County Business Patterns via <http://www.census.gov/programs-surveys/susb/technical-documentation/methodology.html>



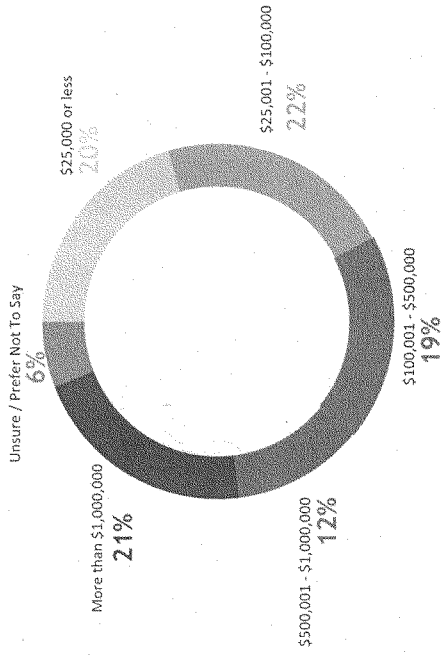
QUESTION: How many people are employed within your business? Are you the owner of the business you work for? What level of business decision-making authority do you have within your current role? Which of the following best describes your firm's primary business?

Sample: Fimographics (continued)

E-COMMERCE REVENUE

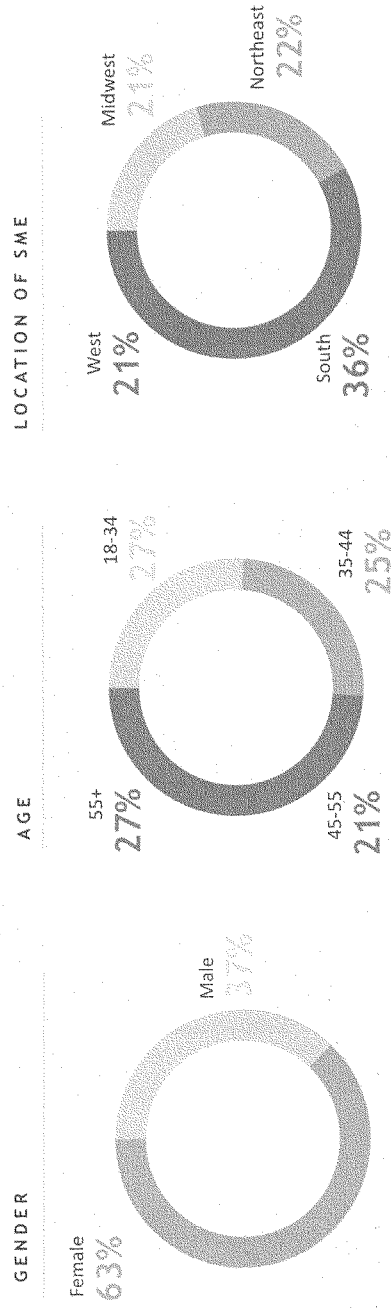


ESTIMATED REVENUE GENERATED IN 2018

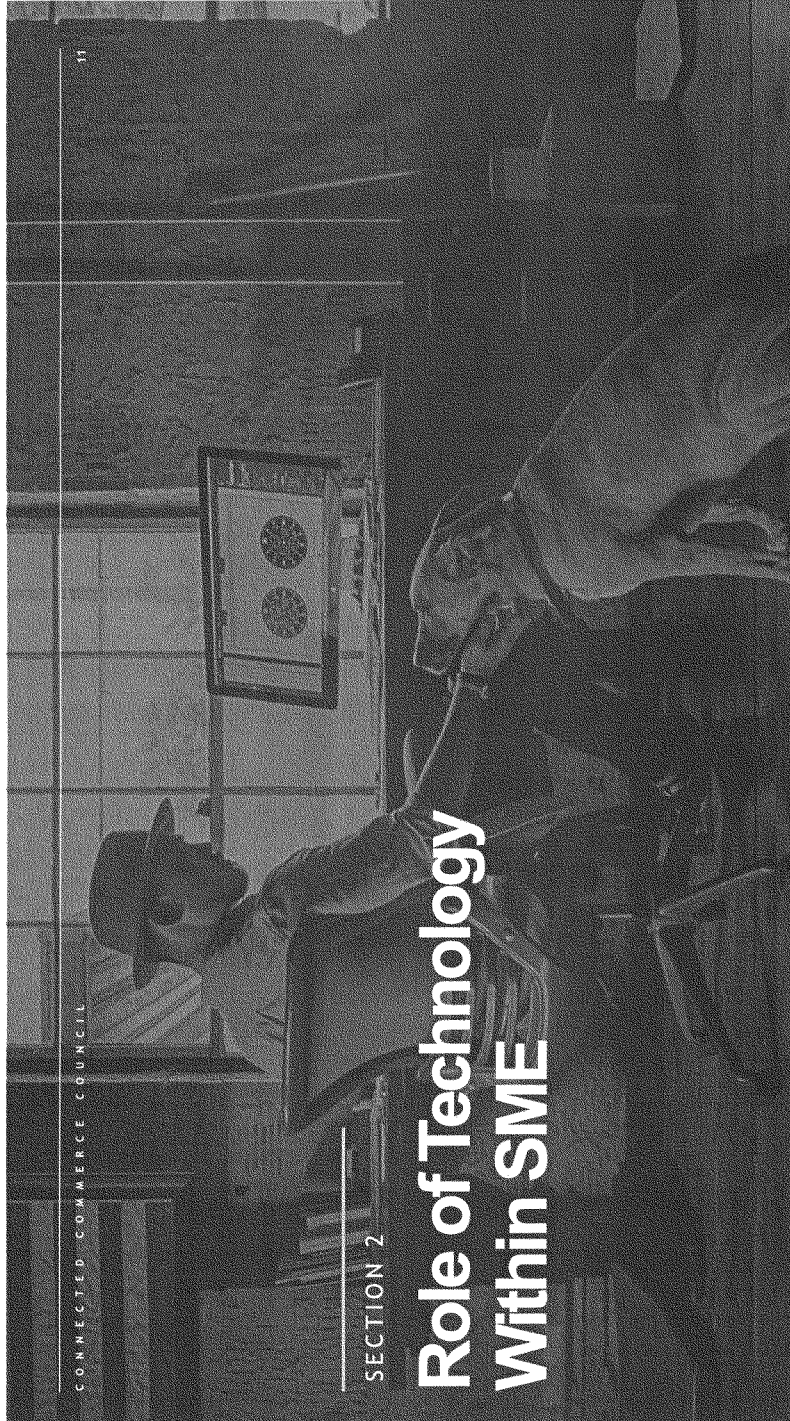


QUESTION: Does your firm derive any revenue from e-commerce (e.g. the sale of goods and services online). To the best of your knowledge, what were your business's total revenues in 2018? If you're not sure, your best estimate will do?

Sample: Business Owner / Decision Maker Demographics



QUESTION: Are you? How old are you? And in which state is the main office of your company located?



CONNECTED COMMERCE COUNCIL

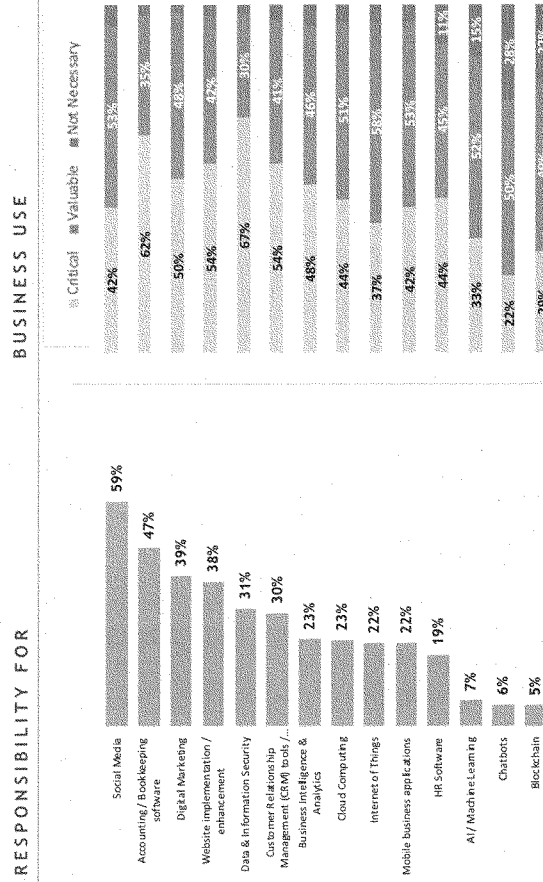
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SECTION 2

Role of Technology Within SME

There's value in the many tools that business owners and decision makers have in their repertoire

Within the small business universe, social media the most widely tool team members have responsibility for. However, Data & Information Security perceived to be the most critical tool, as evaluated by the 31% of small businesses that dedicate specific resource to it.



QUESTION: Which of the following do you or people that you manage within your team, have responsibility for? Please mark all that apply. And how necessary are each of the following for your business?

As expected, business owners taking responsibility across more areas of their business; gender differences apparent in the more niche responsibility areas

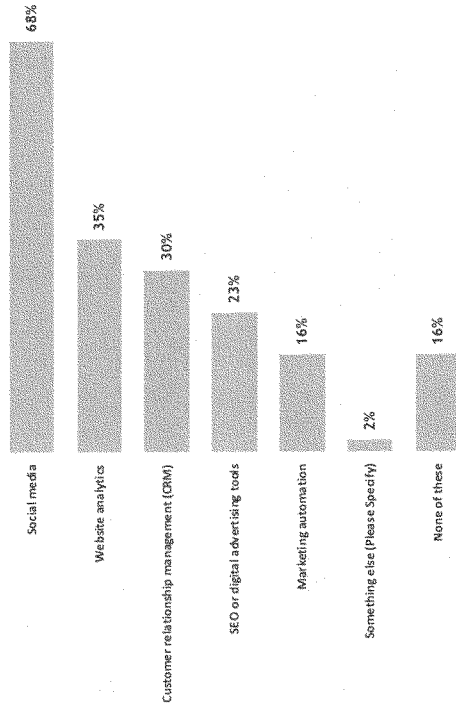
RESPONSIBILITY FOR

	TOTAL	BUSINESS OWNER	DECISION MAKER	MALE	FEMALE
Social Media	59%	58%	62%	56%	61%
Accounting / Bookkeeping software	47%	52%	34%	46%	47%
Digital Marketing	39%	41%	36%	40%	39%
Website implementation / enhancement	38%	39%	35%	40%	37%
Data & Information Security	31%	33%	25%	36%	27%
Customer Relationship Management (CRM) tools / packages	30%	30%	30%	32%	28%
Business Intelligence & Analytics	23%	25%	17%	29%	19%
Cloud Computing	23%	24%	20%	28%	19%
Internet of Things	22%	22%	21%	23%	21%
Mobile business applications	22%	24%	18%	24%	20%
HR Software	19%	20%	16%	25%	15%
None of these	14%	15%	10%	13%	15%
AI / Machine Learning	7%	7%	5%	10%	5%
Chatbots	6%	6%	5%	7%	5%
Blockchain	5%	7%	3%	9%	3%

QUESTION: Which of the following do you or people that you manage within your team, have responsibility for?

Reliance of digital marketing evident with 84% of businesses engaging in some form; social media the most widely used tool

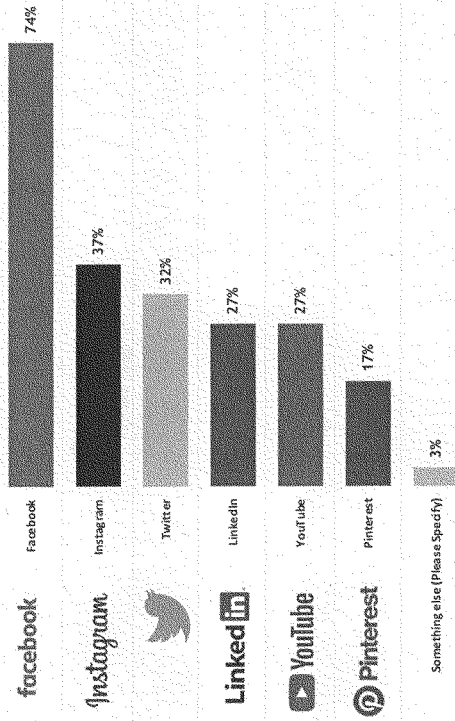
DIGITAL MARKETING TOOLS



QUESTION: What type of tools do you use in connection with your digital marketing?

Facebook the most popular social media platform for SME's to use for businesses

SOCIAL MEDIA PLATFORM USAGE



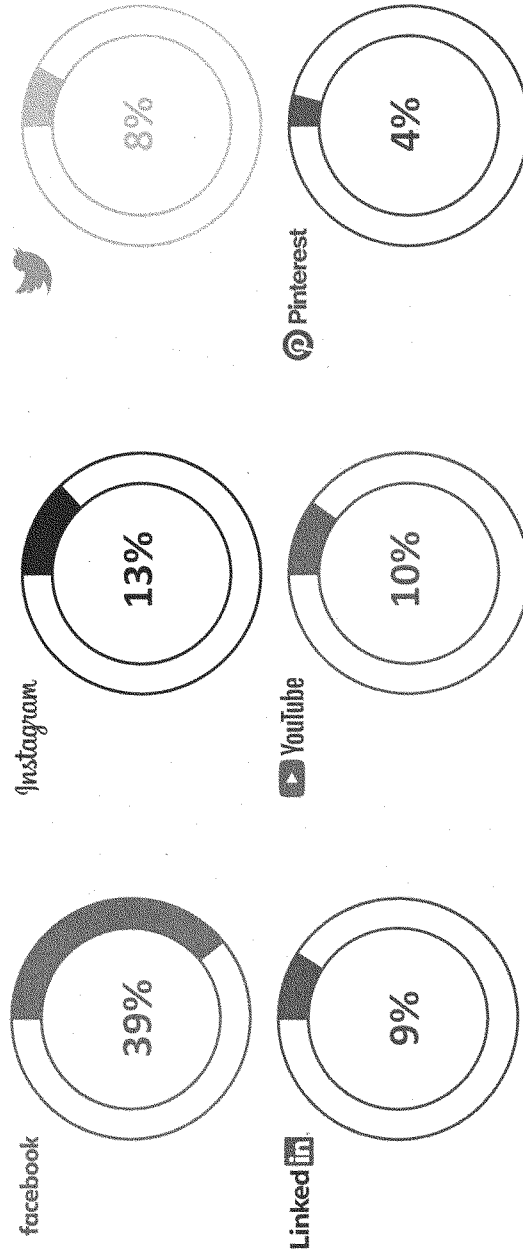
QUESTION: Which social media platforms does your business regularly use? Please mark all that apply.

Social media usage increases with company size and revenue

	NO. OF EMPLOYEES				ROLE		GENDER		REVENUE				
	1-5	6-10	11-20	21-250	250-500	BUSINESS OWNER	DECISION MAKER	MALE	FEMALE	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000 +
facebook	74%	67%	81%	80%	84%	71%	82%	72%	75%	67%	72%	74%	82%
Instagram	37%	30%	41%	45%	48%	61%	43%	34%	39%	29%	37%	35%	44%
Twitter	32%	25%	28%	45%	46%	65%	34%	41%	27%	26%	29%	27%	47%
LinkedIn	27%	22%	29%	28%	39%	56%	26%	30%	26%	16%	24%	25%	42%
YouTube	27%	20%	24%	39%	39%	55%	27%	36%	21%	21%	27%	22%	36%
Pinterest	17%	18%	14%	15%	17%	39%	20%	12%	21%	19%	22%	11%	17%




QUESTION: Which social media platforms does your business regularly use? Please mark all that apply.

Of all small and medium business, 49% have spent money across social media for business use; Facebook the most popular at 39%



QUESTION: Looking at the same social media platforms your business has used, which of them have you used paid advertising to promote your business / services? Please mark all that apply

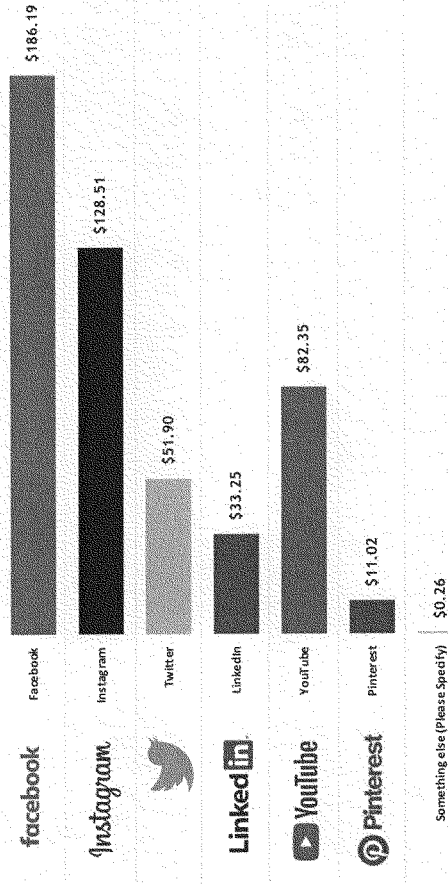
Willingness to spend in addition to Facebook most prevalent in businesses over 11 people in size

	NO. OF EMPLOYEES				ROLE		GENDER		REVENUE					
	1-5	6-10	11-20	21-250	250-500	BUSINESS OWNER	DECISION MAKER	MALE	FEMALE	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 +
facebook	39%	28%	47%	57%	39%	37%	45%	42%	38%	28%	38%	35%	51%	54%
Instagram	13%	7%	14%	20%	35%	11%	18%	16%	11%	6%	13%	11%	17%	22%
	8%	3%	7%	15%	39%	8%	8%	13%	5%	2%	8%	4%	12%	17%
LinkedIn	9%	4%	9%	13%	18%	8%	11%	11%	8%	3%	6%	6%	16%	20%
	10%	4%	9%	21%	26%	10%	10%	17%	6%	4%	9%	7%	19%	16%
	4%	3%	3%	6%	16%	5%	3%	4%	5%	3%	6%	3%	5%	6%

QUESTION: Looking at the same social media platforms your business has used, which of them have you used paid advertising to promote your business / services? Please mark all that apply

SME's spending just under \$200 on average in a typical month on Facebook, with a monthly average outlay of \$493 across all platforms

SOCIAL MEDIA PLATFORM AVERAGE MONTHLY SPEND



QUESTION: And what would your approximate monthly spend be on these platforms? If you're not sure, your best estimate will do.

While spend on social increases significantly with business revenue, highest average monthly spend within businesses employing 21-250 employees

	NO. OF EMPLOYEES					ROLE		GENDER		REVENUE					
	1-5	6-10	11-20	21-250	250-500	BUSINESS OWNER	DECISION MAKER	MALE	FEMALE	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 +	
facebook	\$186	\$52	\$157	\$489	\$319	\$139	\$297	\$297	\$122	\$27	\$78	\$106	\$293	\$532	
Instagram	\$129	\$14	\$128	\$399	\$322	\$108	\$45	\$325	\$190	\$93	\$4	\$21	\$39	\$161	\$473
Twitter	\$52	\$7	\$21	\$65	\$187	\$217	\$50	\$56	\$98	\$25	\$9	\$10	\$11	\$54	\$196
LinkedIn	\$33	\$12	\$22	\$51	\$85	\$139	\$29	\$44	\$55	\$21	\$8	\$10	\$16	\$59	\$95
YouTube	\$82	\$14	\$147	\$171	\$181	\$60	\$85	\$75	\$172	\$30	\$8	\$18	\$16	\$127	\$291
Pinterest	\$11	\$4	\$6	\$41	\$20	\$18	\$12	\$10	\$13	\$10	\$0	\$9	\$11	\$24	\$20
SUBTOTAL	\$493	\$103	\$480	\$1216	\$1221	\$860	\$361	\$807	\$825	\$301	\$57	\$147	\$198	\$718	\$1608

QUESTION: And what would your approximate monthly spend be on these platforms? If you're not sure, your best estimate will do.

Role and reliance on digital marketing tools and platforms evident, as well as a small business commitment to protect personally identifiable information

ATTITUDE AGREEMENT

THIS BUSINESS WOULDN'T SURVIVE WITHOUT DIGITAL TOOLS AND PLATFORMS



DIGITAL MARKETING IS CRITICAL IN HELPING ACHIEVE BUSINESS GOALS



DIGITAL MARKETING ENABLES THE BUSINESS TO ATTRACT NEW CUSTOMERS



DIGITAL MARKETING PROVIDES THIS BUSINESS WITH A RETURN ON INVESTMENT



POLICYMAKERS SHOULD INVEST IN WAYS TO MAKE IT EASIER FOR SMALL BUSINESSES TO USE DIGITAL TOOLS



OUR BUSINESS TAKES CARE TO ENSURE WE PROTECT ANY PERSONALLY IDENTIFIABLE INFORMATION



Strongly Agree Somewhat Agree Neither Agree / Disagree Somewhat Disagree Strongly Disagree

QUESTION: To what extent do you agree with the following statements when it comes to using digital tools and platforms within your business?

As the business gets bigger, so does the value of digital marketing and the impact it has

ATTITUDE AGREEMENT BY COMPANY SIZE

	TOTAL	1-5 EMPLOYEES	6-10 EMPLOYEES	11-20 EMPLOYEES	21-250 EMPLOYEES	250-500 EMPLOYEES
Our business takes care to ensure we protect any personally identifiable information	86%	81%	87%	94%	92%	96%
Digital marketing enables the business to attract new customers	79%	73%	86%	85%	87%	88%
Policy makers should invest in ways to make it easier for small businesses to use digital tools	72%	65%	75%	80%	80%	89%
Digital marketing is critical in helping achieve business goals	69%	59%	75%	80%	80%	89%
Digital marketing provides this business with a Return on Investment	63%	50%	73%	76%	80%	85%
This business wouldn't survive without digital tools and platforms	51%	44%	48%	58%	59%	82%

QUESTION: To what extent do you agree with the following statements when it comes to using digital tools and platforms within your business?

Decision makers significantly more likely to see the value and ROI of digital marketing

ATTITUDE AGREEMENT BY ROLE IN SME

	TOTAL	BUSINESS OWNER	DECISION MAKER
Our business takes care to ensure we protect any personally identifiable information	86%	85%	89%
Digital marketing enables the business to attract new customers	79%	77%	85%
Policy makers should invest in ways to make it easier for small businesses to use digital tools	72%	71%	74%
Digital marketing is critical in helping achieve business goals	69%	66%	76%
Digital marketing provides this business with a Return on Investment	63%	60%	72%
This business wouldn't survive without digital tools and platforms	51%	50%	52%

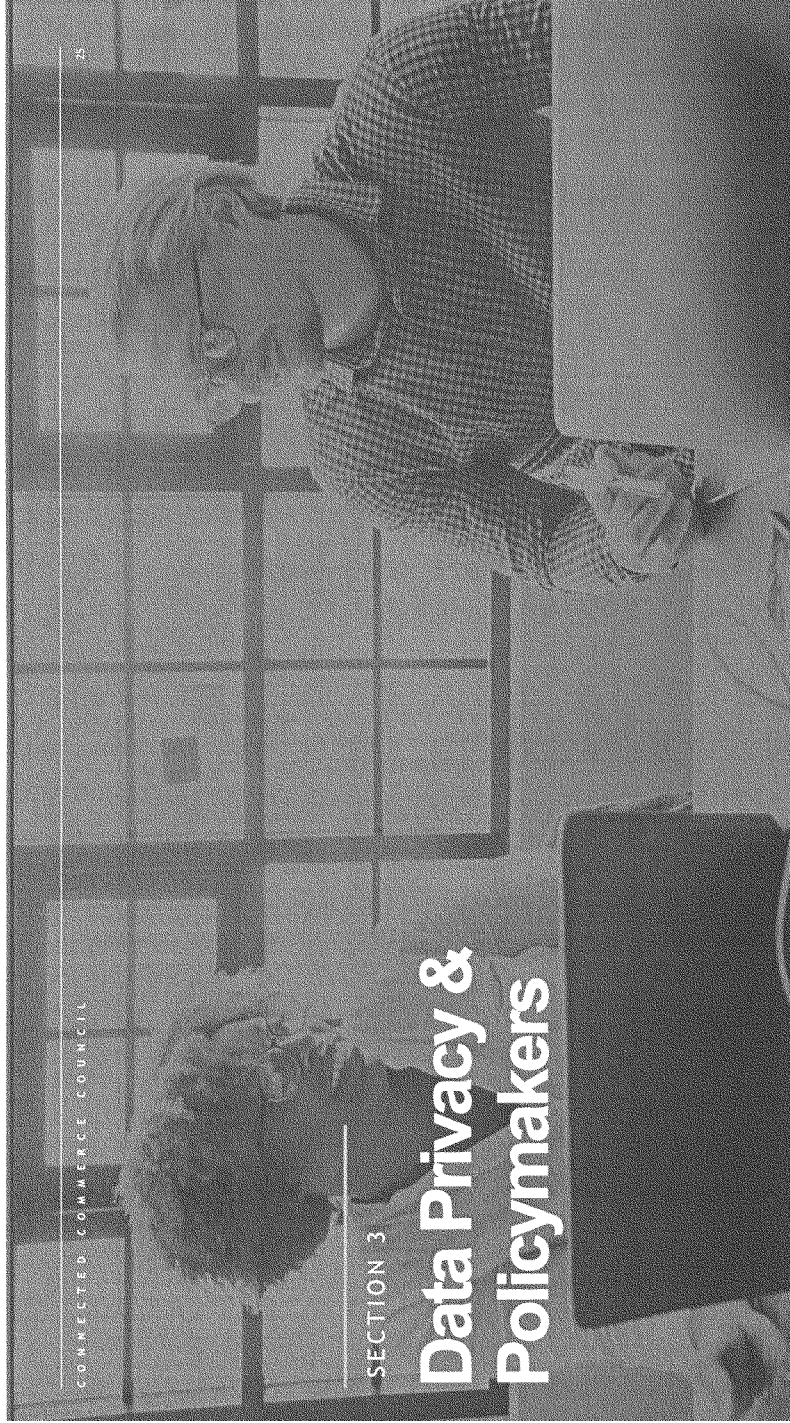
QUESTION: To what extent do you agree with the following statements when it comes to using digital tools and platforms within your business?

As small and medium business revenue increases, as does their affinity and need for digital marketing within their business and role

ATTITUDE AGREEMENT BY COMPANY REVENUE

	TOTAL	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 +
Our business takes care to ensure we protect any personally identifiable information	86%	77%	83%	88%	89%	94%
Digital marketing enables the business to attract new customers	79%	75%	74%	81%	81%	88%
Policy makers should invest in ways to make it easier for small businesses to use digital tools	72%	67%	67%	72%	74%	81%
Digital marketing is critical in helping achieve business goals	69%	64%	63%	66%	76%	79%
Digital marketing provides this business with a Return on Investment	63%	49%	59%	62%	76%	80%
This business wouldn't survive without digital tools and platforms	51%	47%	49%	45%	56%	59%

QUESTION: To what extent do you agree with the following statements when it comes to using digital tools and platforms within your business?



CONNECTED COMMERCE COUNCIL

SECTION 3

Data Privacy & Policymakers

Despite the high importance of the subject, there's low level of knowledge around data privacy / protection laws within small and medium sized businesses

KNOWLEDGE SCORES

Low Knowledge (1-4) Some Knowledge (5-7) Extremely Knowledgeable (8-9)

PERSONAL KNOWLEDGE AROUND DATA PRIVACY / PROTECTION LAWS



QUESTION : How knowledgeable are you with current data privacy/protection laws within the United States? Please use a scale of 1-9, where 1 is not at all knowledgeable and 9 is extremely knowledgeable?

While knowledge around data privacy and protection increases with business size, there's still a significant proportion of businesses that report minimal knowledge around the subject

KNOWLEDGE AGREEMENT BY COMPANY SIZE

	TOTAL	1-5 EMPLOYEES	6-10 EMPLOYEES	11-20 EMPLOYEES	21-250 EMPLOYEES	250-500 EMPLOYEES
Rated 1-4 little to no knowledge around data privacy and protection laws	30%	38%	28%	18%	18%	8%
Rated 5-7 claiming some knowledge around data privacy and protection laws	53%	50%	56%	54%	58%	41%
Rated 8-9 claiming high knowledge around data privacy and protection laws	17%	12%	16%	29%	24%	51%

QUESTION: How knowledgeable are you with current data privacy/protection laws within the United States? Please use a scale of 1-9, where 1 is not at all knowledgeable and 9 is extremely knowledgeable?

No significant differences in knowledge between owners and decision makers, but females feel less confident than male counterparts

KNOWLEDGE AGREEMENT BY ROLE / GENDER

	TOTAL	BUSINESS OWNER	DECISION MAKER	MALE	FEMALE
Rated 1-4 little to no knowledge around data privacy and protection laws	30%	29%	30%	24%	33%
Rated 5-7 claiming some knowledge around data privacy and protection laws	53%	52%	53%	57%	49%
Rated 8-9 claiming high knowledge around data privacy and protection laws	17%	18%	17%	19%	17%

QUESTION : How knowledgeable are you with current data privacy/protection laws within the United States? Please use a scale of 1-9, where 1 is not at all knowledgeable and 9 is extremely knowledgeable?

Direct correlation between lower revenue generated in 2018 and confidence around data privacy and protection laws

KNOWLEDGE AGREEMENT BY COMPANY REVENUE

	TOTAL	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 +
Rated 1-4 little to no knowledge around data privacy and protection laws	30%	41%	33%	32%	19%	15%
Rated 5-7 claiming some knowledge around data privacy and protection laws	53%	48%	53%	53%	57%	55%
Rated 8-9 claiming high knowledge around data privacy and protection laws	17%	11%	14%	16%	24%	30%

QUESTION : How knowledgeable are you with current data privacy/protection laws within the United States? Please use a scale of 1-9, where 1 is not at all knowledgeable and 9 is extremely knowledgeable.

There's an overwhelming lack of confidence in elected members to effectively regulate when it comes to social networks and internet services

CONFIDENCE SCORES

Low Confidence (1-3) Neutral (4-5) Confident (6-7)

CONFIDENCE IN U.S. POLICYMAKERS TO EFFECTIVELY REGULATE SOCIAL NETWORKS & INTERNET SERVICES



CONFIDENCE IN U.S. POLICYMAKERS TO EFFECTIVELY REGULATE SOCIAL NETWORKS & INTERNET SERVICES THAT WON'T IMPACT SMALL BUSINESS



QUESTION: How confident are you that U.S. policymakers understand enough about technology and online tools to effectively build regulations that won't adversely affect small business?

The lack of confidence in U.S. policymakers being driven by the largest segment within the business universe – those operating in businesses with less than 5 people

CONFIDENCE AGREEMENT BY COMPANY SIZE

	TOTAL	1-5 EMPLOYEES	6-10 EMPLOYEES	11-20 EMPLOYEES	21-250 EMPLOYEES	250-500 EMPLOYEES
Rated 1-3 little to no confidence overall	45%	53%	42%	38%	30%	19%
Rated 4-5 with some confidence overall	40%	38%	45%	34%	44%	34%
Rated 6-7 with high confidence overall	15%	10%	12%	28%	26%	47%
	TOTAL	1-5 EMPLOYEES	6-10 EMPLOYEES	11-20 EMPLOYEES	21-250 EMPLOYEES	250-500 EMPLOYEES
Rated 1-3 little to no confidence for small and medium businesses specifically	47%	56%	45%	39%	33%	18%
Rated 4-5 with some confidence small businesses for small and medium businesses specifically	39%	37%	43%	39%	40%	31%
Rated 6-7 with high confidence for small and medium businesses specifically	14%	8%	12%	22%	27%	51%

QUESTION: How confident are you that U.S. policymakers understand enough about technology and online tools to effectively regulate social networks and internet services? Using the same scale, how confident are you that U.S. policymakers understand enough about how small businesses use technology and online tools to effectively build regulations that won't adversely affect small business

As with company size, confidence increases with reported revenue but there's still little confidence overall

CONFIDENCE AGREEMENT BY COMPANY REVENUE

	TOTAL	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 +
Rated 1-3 little to no confidence overall	45%	52%	44%	50%	35%	33%
Rated 4-5 with some confidence overall	40%	38%	42%	38%	41%	40%
Rated 6-7 with high confidence overall	15%	9%	14%	11%	23%	27%
	TOTAL	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 +
Rated 1-3 little to no confidence for small and medium businesses specifically	47%	53%	48%	52%	35%	37%
Rated 4-5 with some confidence small businesses for small and medium businesses specifically	39%	38%	41%	36%	41%	37%
Rated 6-7 with high confidence for small and medium businesses specifically	14%	8%	11%	11%	24%	26%

QUESTION How confident are you that U.S. policymakers understand enough about technology and online tools to effectively regulate social networks and internet services? Using the same scale, how confident are you that U.S. policymakers understand enough about how small businesses use technology and online tools to effectively build regulations that won't adversely affect small business.

There were distinct themes in the overall lack of confidence in elected members to effectively regulate

LACK OF UNDERSTANDING AROUND USAGE AND IMPORTANCE OF DIGITAL MARKETING FROM SMALL BUSINESS PERSPECTIVE

Perceived as a generation that didn't rely on technology and therefore not as entrenched personally and unable to see the benefit that it brings small business

RECENT SENATE HEARINGS

Largely critical of handling of recent events (Facebook/Mark Zuckerberg, Google, etc.) testimony and line of questioning in hearings. Showed lack of knowledge and comprehension from Senators

POLICYMAKER PREFERENCE FOR BIG BUSINESS / CORPORATIONS OVER SMALL BUSINESS

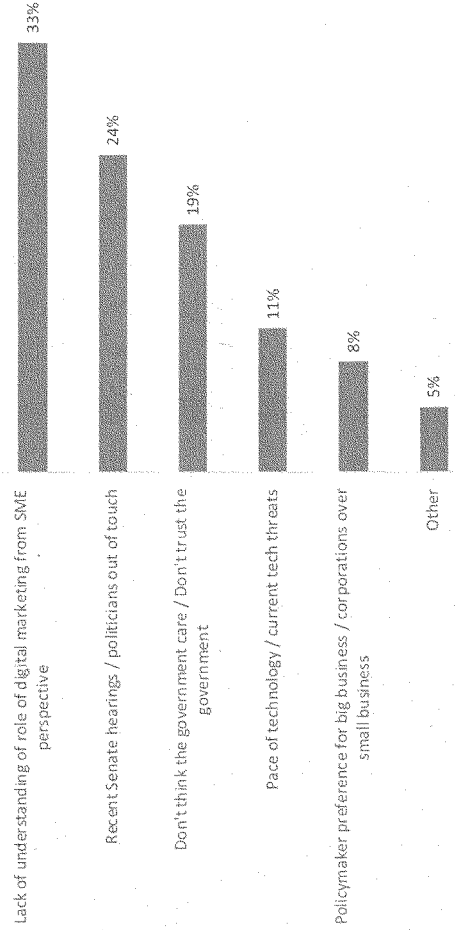
Small business not seen as important enough to matter in the minds of U.S policymakers; favor big business with deep pockets

PACE OF TECHNOLOGY / CURRENT THREATS

Inability to deal with current threats and hackings so if unable to regulate today, little change of being able to drive future regulation

The most prevalent theme driving a lack of confidence was perceived inability to understand role of digital marketing within their day-to-day operations

CODED RESPONSES [MAIN THEME]



QUESTION: You said you were [INSERT NUMBER FROM ABOVE] on a scale of confidence when it came to U.S. policymakers understanding how small business use digital tools and platforms to build data privacy regulations. Why is that?

Lack of confidence in effective regulation

"Digital tools have quickly become more accessible as technology has advanced exponentially within the last 20 years. Current policymakers have limited experience with newer tools such as social media & the internet, therefore cannot successfully implement nor create sensible regulations"

"Based on the investigation into Zuckerberg and the questions asked during this investigation, I don't feel confident that policymakers understand social networks, privacy policies, digital advertising, or data at all... meaning they could inadvertently have a negative impact on small businesses without understanding what they are doing"

"As a whole, U.S policymakers don't understand how small businesses function or how they use tools differently than larger businesses. They also don't understand the much smaller ROI that small businesses have on things like Facebook advertising"

"Policymakers/politicians don't know much about anything. They do the bidding of lobbyists that work in their own best interest. Policies and policymakers should never be involved with business decisions, the markets should be the only thing that matters. When politicians get involved all they're doing is picking winners and losers"

"I personally don't think U.S. policymakers truly care about small business companies. They may pretend to care because it helps their campaigns but for the most part all or most have ties to big businesses and are puppets if you will for these larger corporations. These faces are merely someone we can point the finger at and blame when things go wrong but I think most are told what to say and do"

"I don't think policymakers take the time to learn enough about technology to be able to make educated, informed decisions. In the present, too many are of a generation that was resistant to technology and not greatly involved users. In the future, when the policymakers are comprised mainly of generations that grew up as heavy users of technology, then they will have a good understanding to make the best decisions"

The smaller proportion that expressed confidence in elected members building effective data privacy regulation felt privacy was an issue that would capture attention, and therefore be prioritized in importance

“

CURRENT ISSUE AND SEEN TO BE WORKING ON

An issue that has been growing in importance and therefore would be a priority to ensure all businesses would be represented

BUILDING ON WHAT SMALL BUSINESSES HAVE
ALREADY IMPLEMENTED THEMSELVES

With data protection an existing priority within small business, any new regulation would build on what is already in place so confident that any extension would be effective

82

“I think they are starting to recognize that small businesses are the future and are willing to find solutions”

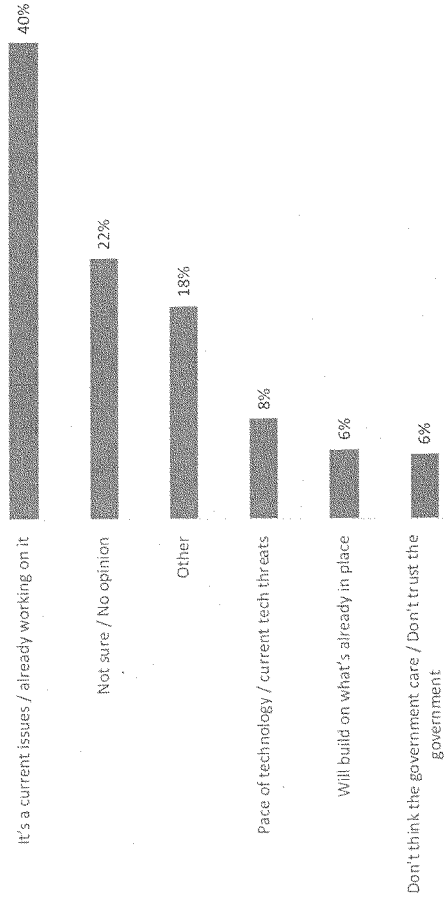
“Because small business owners usually already have their own privacy policies in place to protect their customers”

“I would say U.S. policymakers would understand how important it is for all businesses to build data privacy regulations. Privacy is a big issue with everything now days”

QUESTION: You said you were [INSERT NUMBER FROM ABOVE] on a scale of confidence when it came to U.S. policymakers understanding how small business use digital tools and platforms to build data privacy regulations. Why is that?

**Those
expressing
confidence saw
it as topical and
something
elected
members would
already be
working on**

CODED RESPONSES [MAIN THEME]



QUESTION: You said you were [INSERT NUMBER FROM ABOVE] on a scale of confidence when it came to U.S. policymakers understanding how small business use digital tools and platforms to build data privacy regulations. Why is that?



CONNECTED COMMERCE COUNCIL

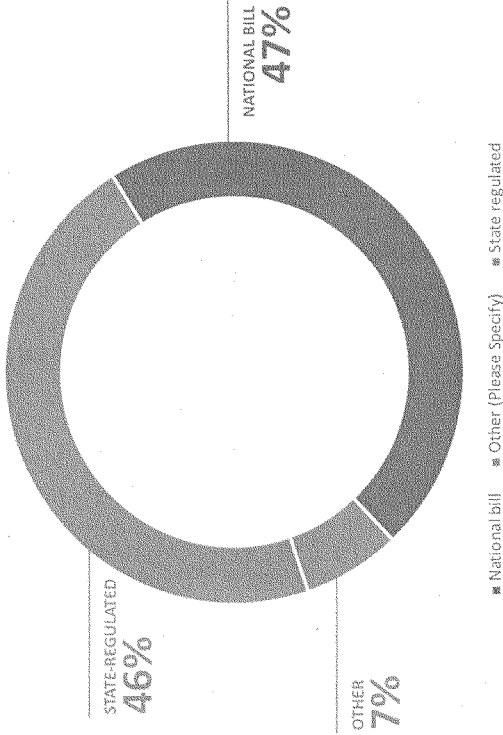
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SECTION 4

Regulation

**An even split
between business
owners and decision
maker preference for
state-regulated bill
versus a national bill**

STATEMENT AGREEMENT



QUESTION: Are you supportive of a national privacy bill or would you prefer states to enact their own regulations?

The preference for a national bill favored standardization and saw infeasibility in a state by state regulation

“

“Because it would keep things a lot simpler to have a national bill instead of different laws from state to state”

”

“I think it would be more uniform from state to state and everyone would know what to expect, also, online businesses, e-commerce are confined to one state so having different regulations for different customers gets confusing”

“

“Internet goes across the nation and across the world; it would be near impossible to meet each and every state's different laws and stay in compliance”

”

“The Internet is too widespread and spread out for individual NATIONS to deal with regulating it. Certainly states don't have the reach to regulate enough”

“

“The internet is nation wide. If there was a state with very lax laws, many companies would set up shop in that state just to get around the laws in other states. Like the credit card industry in past years. Plus state laws would vary too much to make it financially possible for small companies to adhere to”

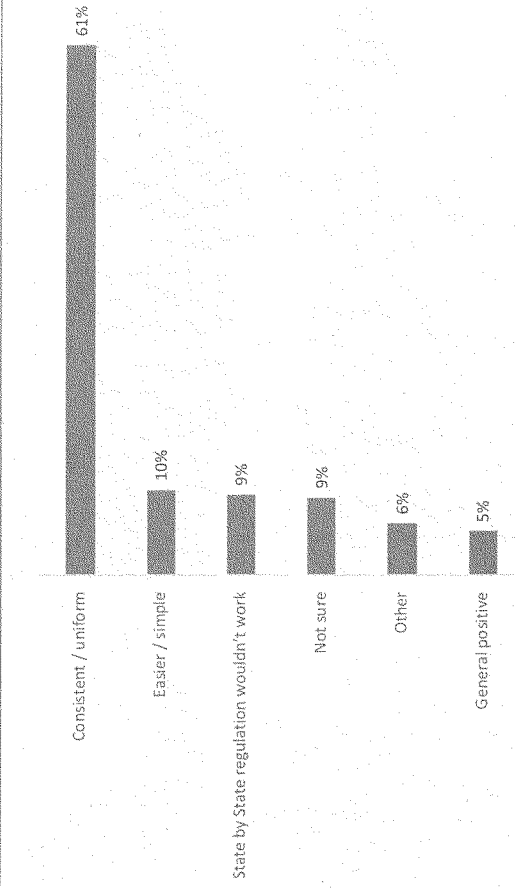
”

“Regulations that differ from state to state leave room for error in policy when handling clients across state lines”

QUESTION: Why do you support a national bill?

A consistent / uniform approach driving appeal of a national bill

MAIN THEMES [CODED RESPONSE]



QUESTION: Why do you support a national bill?

For those that preferred a state based bill, driven by perception business would be better served and anti-federal regulation

“

“Because there’s a huge disparity in liberal versus conservative states, and I live in California. I believe California would elect different laws regarding privacy and privacy protection and then say Texas w because there’s a huge disparity in liberal versus conservative states, and I live in California. I believe California would elect different laws regarding privacy and privacy protection and then say Texas would”

”

“I think different states have different needs. I think it is important to note that different states can enact legislation more specific to their geographic location rather than something that is one size fits all for everyone”

”

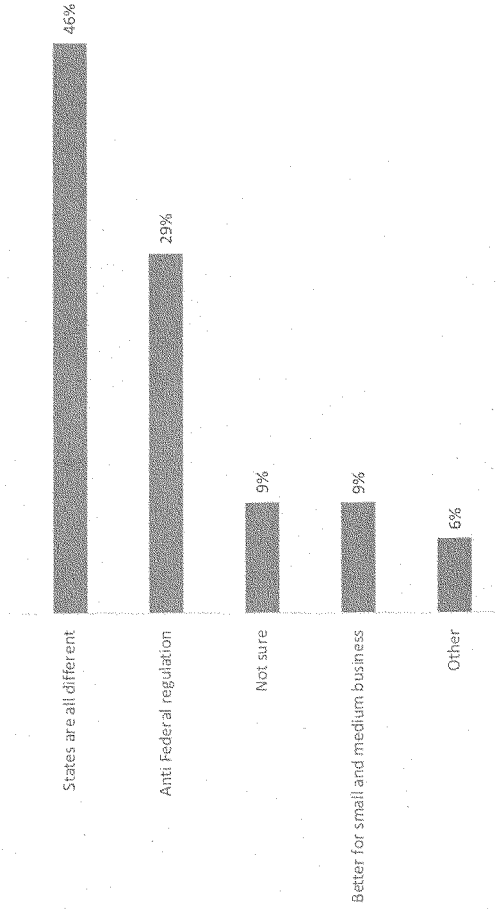
“I believe national would be too broad to accurately set policy. Different parts of the country or different states even each have their own set of circumstances or problems”

“

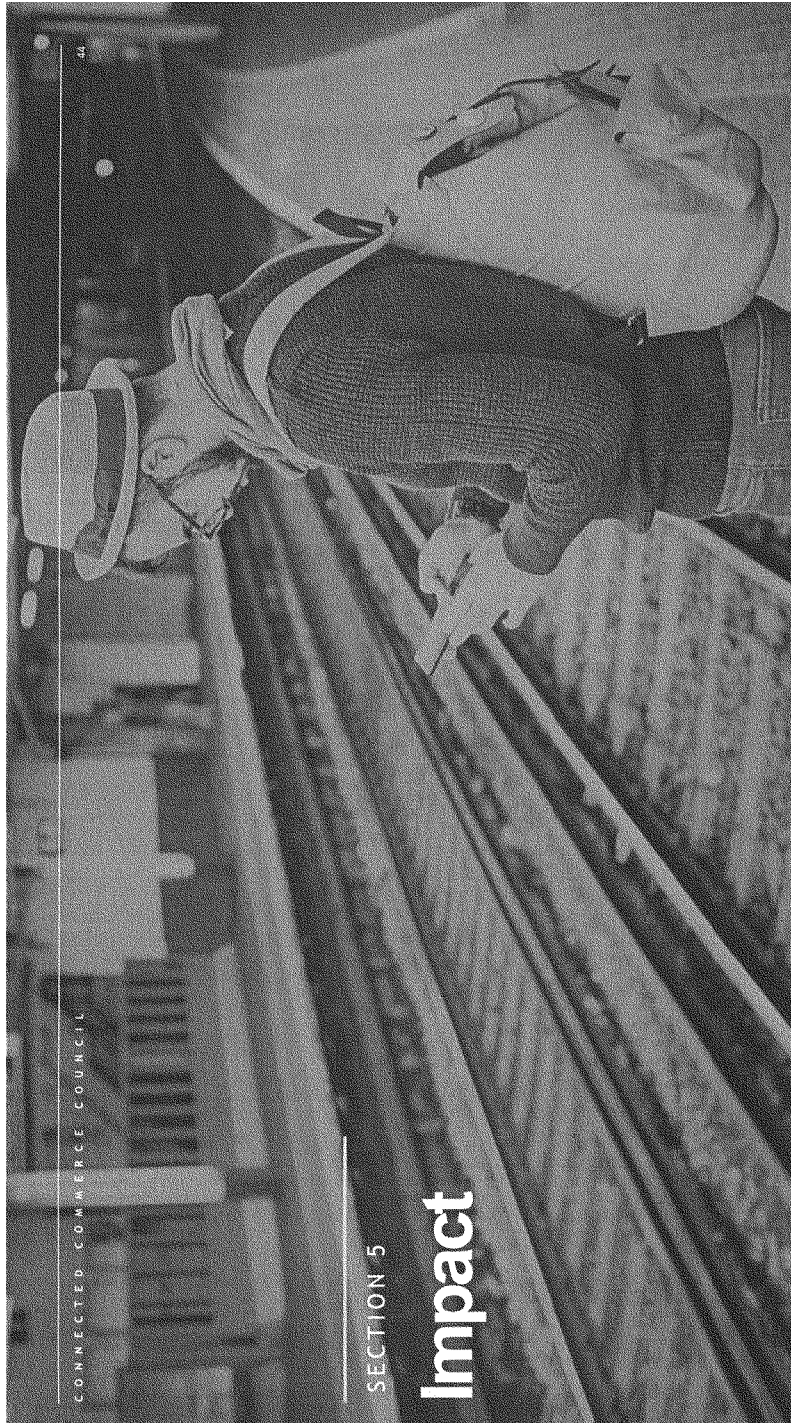
“The national government is meant to deal in state issues. It’s not why they are there. Each state is different and the national government should make a blanket law to enforce on all. Each state knows what they need and what will work best for them. That’s how this country was supposed to run. Federal gets in the way of small businesses ability to thrive”

Supporters of state bill recognize States are all different or driven by anti Federal regulation

MAIN THEMES [CODED RESPONSE]



QUESTION: Why do you support a state bill?



CONNECTED COMMERCE COUNCIL

SECTION 5

Impact

Over half of U.S. small and medium sized businesses express concern that new regulations will impact their business and cause distress, despite welcoming improvements

ATTITUDE AGREEMENT

I'M CONCERNED THAT STRICTER DATA PRIVACY RULES WILL IMPACT SMALL BUSINESS THE MOST



WHEN IT COMES TO NEW DATA PRIVACY LAWS, I'M HAPPY WITH A ONE-SIZE-FITS ALL APPROACH



WE WOULD SUPPORT ANY IMPROVEMENTS TO DATA PRIVACY REGULATIONS, BUT THEY CAN'T CAUSE DISTRESS TO THE DAY TO DAY OPERATIONS OF THIS BUSINESS



I AM CONCERNED THAT ANY CHANGES WOULD MAKE THE DIGITAL TOOLS AND PLATFORMS I USE MORE EXPENSIVE



Strongly Agree Somewhat Agree Neither Agree / Disagree Somewhat Disagree Strongly Disagree

QUESTION: To what extent do you agree or disagree with the following statements?

Without knowing the potential impact, there's already concern of the financial impact that a change in regulations will have to the livelihood of the small business

ATTITUDE AGREEMENT

AT THIS STAGE, THE BUSINESS WOULDN'T HAVE THE RESOURCES TO COPE WITH SIGNIFICANT CHANGES TO DATA PRIVACY REGULATIONS



ANY CHANGES TO THE CURRENT DATA PRIVACY REGULATIONS ARE LIKELY TO FINANCIALLY IMPACT THIS BUSINESS



I WOULD BE WORRIED THAT WE WOULD USE FEWER DIGITAL TOOLS AND PLATFORMS IF THE CHANGES WERE SIGNIFICANT



Strongly Agree Somewhat Agree Neither Agree / Disagree Somewhat Disagree Strongly Disagree

QUESTION: To what extent do you agree or disagree with the following statements?

The majority of business owners / decision makers are championing for any regulations to be built with small business in mind and the differentiation between big business / tech giants

ATTITUDE AGREEMENT

THERE NEEDS TO BE DIFFERENT DATA PRIVACY RULES FOR SMALL BUSINESS AND BIG BUSINESS / TECH GIANTS



DATA PROTECTION LAWS NEED TO BE BUILT WITH SMALL BUSINESS IN MIND



ANY CHANGES TO DATA PRIVACY REGULATIONS SHOULD START WITH THE TECH GIANTS AND LARGE ENTERPRISES RATHER THAN IMPACTING ALL BUSINESSES



Strongly Agree Somewhat Agree Neither Agree / Disagree Somewhat Disagree Strongly Disagree

QUESTION: To what extent do you agree or disagree with the following statements?

It's the businesses with 21+ employees that express greatest concern and anxiety around regulation changes and the possible impact to their business

ATTITUDE AGREEMENT BY COMPANY SIZE

	TOTAL	1-5 EMPLOYEES	6-10 EMPLOYEES	11-20 EMPLOYEES	21-250 EMPLOYEES	250-500 EMPLOYEES
Data protection laws need to be built with small business in mind	81%	78%	84%	83%	83%	88%
We would support any improvements to data privacy regulations, but they can't cause distress to the day to day operations of this business	72%	69%	77%	75%	73%	81%
I am concerned that any changes to data privacy regulations would make the digital tools and platforms I use more expensive	61%	58%	61%	63%	63%	74%
Any changes to data privacy regulations should start with the tech giants and large enterprises rather than impacting all businesses	60%	58%	62%	57%	64%	74%
There needs to be different data privacy rules for small business and big business / tech giants	59%	54%	63%	55%	65%	72%
I'm concerned that stricter data privacy rules will impact small business the most	56%	51%	63%	55%	61%	68%
Any changes to the current data privacy regulations are likely to financially impact this business	48%	41%	52%	55%	54%	76%
I would be worried that we would use fewer digital tools and platforms if the changes were significant	48%	42%	52%	53%	51%	70%
At this stage, the business wouldn't have the resources to cope with significant changes to data privacy regulations	45%	40%	47%	57%	48%	65%
When it comes to new data privacy laws, I'm happy with a one size fits all approach	40%	33%	46%	49%	48%	58%

QUESTION: To what extent do you agree or disagree with the following statements?

No significant differences between the attitude agreement of owners and decision makers, reinforcing the widespread appeal of small and medium business involvement

ATTITUDE AGREEMENT

	TOTAL	BUSINESS OWNER	DECISION MAKER	MALE	FEMALE
Data protection laws need to be built with small business in mind	81%	81%	81%	78%	82%
We would support any improvements to data privacy regulations, but they can't cause distress to the day to day operations of this business	72%	72%	73%	73%	72%
I am concerned that any changes to data privacy regulations would make the digital tools and platforms I use more expensive	61%	60%	62%	59%	62%
Any changes to data privacy regulations should start with the tech giants and large enterprises rather than impacting all businesses	60%	61%	60%	63%	59%
There needs to be different data privacy rules for small business and big business / tech giants	59%	59%	58%	57%	60%
I'm concerned that stricter data privacy rules will impact small business the most	56%	55%	59%	57%	55%
Any changes to the current data privacy regulations are likely to financially impact this business	48%	47%	51%	49%	48%
I would be worried that we would use fewer digital tools and platforms if the changes were significant	48%	48%	49%	49%	47%
At this stage, the business wouldn't have the resources to cope with significant changes to data privacy regulations	45%	45%	48%	45%	46%
When it comes to new data privacy laws, I'm happy with a one size fits all approach	40%	39%	41%	45%	36%

QUESTION: To what extent do you agree or disagree with the following statements?

Businesses generating higher revenue significantly more likely to agree there's going to be a financial impact should any changes be introduced

ATTITUDE AGREEMENT BY COMPANY REVENUE

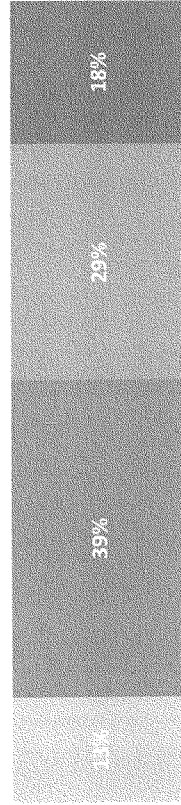
	TOTAL	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 +
Data protection laws need to be built with small business in mind	81%	77%	83%	78%	83%	84%
We would support any improvements to data privacy regulations, but they can't cause distress to the day to day operations of this business	72%	65%	72%	74%	79%	76%
I am concerned that any changes to data privacy regulations would make the digital tools and platforms I use more expensive	61%	57%	58%	63%	54%	67%
Any changes to data privacy regulations should start with the tech giants and large enterprises rather than impacting all businesses	60%	54%	62%	62%	62%	67%
There needs to be different data privacy rules for small business and big business / tech giants	59%	55%	58%	57%	61%	65%
I'm concerned that stricter data privacy rules will impact small business the most	56%	52%	53%	55%	60%	63%
Any changes to the current data privacy regulations are likely to financially impact this business	48%	42%	42%	47%	53%	59%
I would be worried that we would use fewer digital tools and platforms if the changes were significant	48%	48%	43%	48%	54%	52%
At this stage, the business wouldn't have the resources to cope with significant changes to data privacy regulations	45%	43%	44%	44%	47%	51%
When it comes to new data privacy laws, I'm happy with a one size fits all approach	40%	32%	38%	37%	47%	51%

QUESTION: To what extent do you agree or disagree with the following statements?

Over half of the U.S. small and medium sized business community foresee an impact to their business — with the majority concerned about the financial implication

REGULATION CHANGE IMPACT

% Significant Impact ■ Slight Impact ■ Little to No Impact ■ Not Sure



QUESTION: How much of an impact would changes to the current data protection/policy regulations have on your business?

Impact most likely to hit the bottom line

“

While we have data protection in place, it would be big financial impact to do a complete overhaul. We could possibly lose business while making updates depending on what the change would entail

”

We would have to find money in our very limited budget to make the changes. Or we would have to abandon our online presence

“

We are a managed services provider. So we are in charge of safely backing up A LOT of very sensitive information for our clients. On top of that, the regulations that affect our clients affect how we support them and the very core of our security services. We have to be compliant with all laws across all industries

”

Rules and regulations drive up prices and we are just a small business that is finally recovering from the 2008 recession. Rising prices will reduce any profits we have as a direct result of regulation. It's something that we simply can't absorb. Here how it goes - the tech companies raise their prices because of regulation, so we then have to raise our prices because we can't just absorb the cost, so then we lose customers that can't absorb our costs and where do those customers go? They go to big companies and the small, local business gets screwed like always

“

Smaller businesses are statistically at a disadvantage of maintaining in business past the first year, sudden changes to regulations could deter their progress & growth

”

It may limit growth opportunities. We don't do much now where customer's are impacted for their data but there is future planning headed in that direction. If cost became prohibitive as a result, it could delay future growth planning

Impact perceived to be most significant the larger the small business, while 1 in 5 micro businesses are unsure of what changes to data protection/policy could have

IMPACT BY COMPANY SIZE

TOTAL	1-5 EMPLOYEES	6-10 EMPLOYEES	11-20 EMPLOYEES	21-250 EMPLOYEES	250-500 EMPLOYEES
13%	10%	17%	12%	19%	26%
39%	33%	43%	47%	48%	50%
29%	35%	23%	27%	20%	9%
18%	22%	18%	14%	13%	15%

Significant Impact

Slight Impact

Little to No Impact

Not Sure

QUESTION: How much of an impact would changes to the current data protection/policy regulations have on your business?

Decision makers

likely to foresee more impact than owners if changes to current data protection / policy regulations introduced

IMPACT BY ROLE & GENDER

	TOTAL	BUSINESS OWNER	DECISION MAKER	MALE	FEMALE
Significant Impact	13%	14%	13%	14%	13%
Slight Impact	39%	37%	45%	42%	38%
Little to No Impact	29%	31%	23%	30%	28%
Not Sure	18%	18%	19%	13%	21%

QUESTION: How much of an impact would changes to the current data protection/policy regulations have on your business?

Close to 1 in 5 of the higher generating small & medium businesses predicting a significant impact, with close to half nominating a slight impact

IMPACT BY COMPANY REVENUE

TOTAL	\$25,000 OR LESS	\$25,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 +
13%	13%	12%	11%	13%	19%
39%	31%	38%	40%	46%	47%
29%	33%	32%	30%	26%	23%
18%	23%	18%	18%	15%	12%

Significant Impact

Slight Impact

Little to No Impact

Not Sure

QUESTION: How much of an impact would changes to the current data protection/policy regulations have on your business?

