



SMALL BUSINESS RESEARCH SUMMARY

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E-Biz.com: Strategies for Small Business Success

by Joanne H. Pratt, 2002. [61] pages.
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Purpose

Technology, telecommunications, and the Internet are changing the way businesses market and provide products and services. The purpose of this study was to examine the ways these forces create new opportunities for entrepreneurs and offer new means for small businesses to compete effectively.

Overall Findings

The Internet stimulates business owners to rethink their business strategy. The more innovative entrepreneurs—the early adopters—see the Internet as a way to market niche products and reach distant customers in ways that were not available in the past. Their pioneering innovations foretell a structural change in industrial organization for both small and large firms.

The smallest firms gain the most by reorganizing as an e-business. For a small business, revenues cover the costs of setting up and operating a website. The power of the keyword search means that a business can target customers who need niche products without the wasteful expense of mass mailings. Instead, customers find them. Finally, small business owners can live in isolated locations and reach customers worldwide.

Highlights

The Internet offers unparalleled new opportunities for small businesses:

- 57 percent of small firms use the Internet.

- 61 percent of those have a website.

A website gives entrepreneurs access to markets at low cost:

- 67 percent gained new customers.
- 62 percent improved their competitive position.
- 56 percent increased total sales.
- 56 percent attracted new types of customers.

Websites are cost-effective tools for small niche businesses: 65 percent of firms make a profit or cover their website costs. The expense to set up and maintain a small business website is minimal and can be covered by revenues.

Small businesses that market through the Internet sell primarily to consumers. Less than 10 percent of small businesses' online commerce is business-to-business.

The smallest firms (with fewer than 10 employees) benefit the most from being online: 35 percent gain 10 to 99 percent of current sales directly or indirectly from their websites.

Time favors e-business growth. Upcoming generations accept technology and telecommunications as a given. Meanwhile, small business owners are seizing the new opportunities the Internet offers:

- 35 percent sell through a website.
- 61 percent purchase goods and services.
- 80 percent gather information.
- 83 percent use e-mail.

Entrepreneurs who have chosen to be players are excited about e-business as a new way of doing business.

Websites are a growing trend:

- 65 percent of businesses have been online for one year or less.
- 32 percent of firms not yet online expect to use the Internet within the next year.

Scope and Methodology

The data supporting this report are from two surveys sponsored by the National Federation of Independent Business (NFIB) and the Center for Women's Business Research (CWBR). Case histories reported in current periodicals were used as well. The study hypothesizes that e-business affords new opportunities for success for small firms and particularly for niche businesses.

The report is organized in two sections. Section I provides an overview of small e-businesses with key points highlighted. Interested readers can find additional detail in Section II.

Ordering Information

The full text of this report and summaries of other studies performed under contract to the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research.

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