

Small Businesses And the Digital Divide

The digital divide between larger and smaller businesses represents a lost opportunity for small businesses to become more competitive and to grow. It is also a lost opportunity for local economies to create wealth and jobs.

By Michael Curri / *Strategic Networks Group*

Though the first step in benefiting from broadband is connecting to the Internet with a reliable, high-speed connection, the most crucial and sometimes elusive stage in broadband development is utilization. This means using the Internet in increasingly productive ways that bring concrete benefits, such as new revenues and cost savings to businesses and new jobs and improved quality of life for communities. Strategic Networks

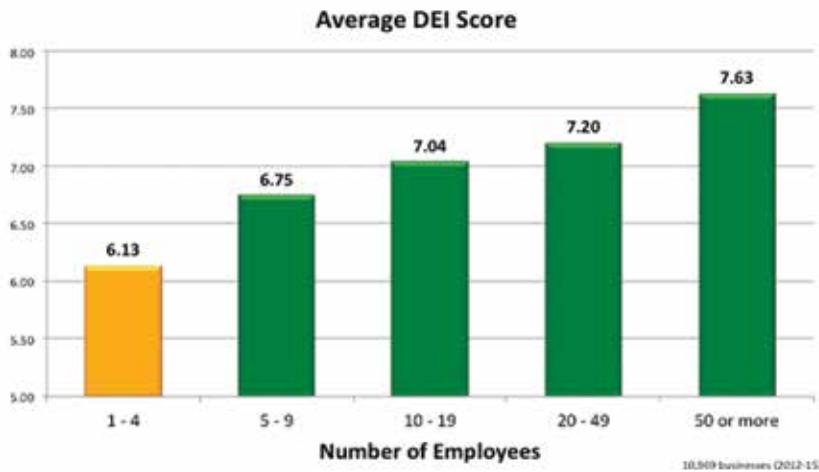
Group (SNG) differentiates between adoption (registering or signing up for Internet service) and utilization (leveraging benefits in ongoing business operations from Internet applications).

A consistent pattern has emerged from SNG's research across many states: Smaller businesses, no matter the industry sector, are less likely than larger businesses to truly comprehend how the Internet can benefit them. In fact, the smaller a business is, the less it capitalizes on the benefits

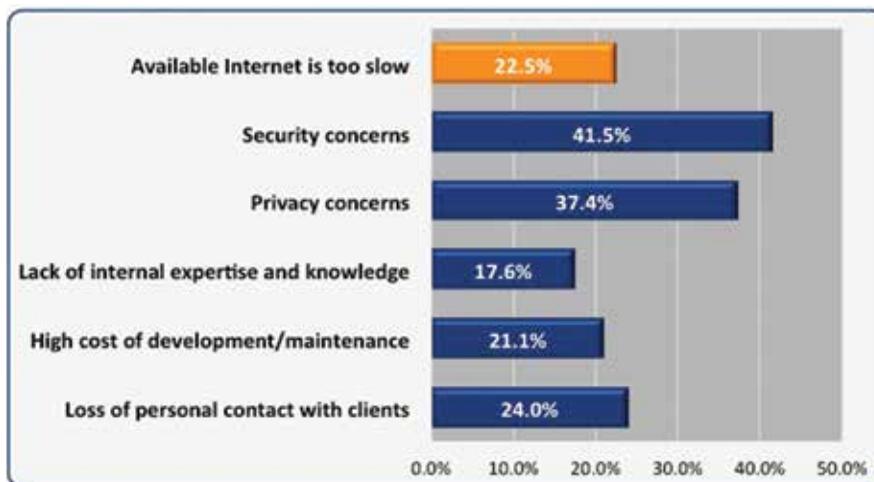
E-SOLUTIONS CATEGORIES FOR BUSINESSES AND ORGANIZATIONS	
<i>e-Commerce Related</i>	<i>e-Process Related</i>
Selling goods or services	Purchasing goods or services
Delivering services and content	Communicating and coordinating with clients
Posting multimedia and interactive content	Transferring electronic documents
Providing customer service and support	Training staff and developing skills
Advertising and promoting	Teleworking
Social networking	Accessing collaborative tools
Maintaining organizational website	Conducting banking and financial transactions
Conducting research by staff	Conducting government transactions
	Accessing government information

Table 1: E-Solutions measured by SNG

The Small Business Digital Divide: The Smaller the Business, The Lower the Internet Utilization



The Digital Economy index (DEI) score reflects an organization's use of e-Solutions.



Low Internet speed is only one of many reasons for a business to forgo using e-Solutions.

and promise of the Internet and its applications. There are many reasons for this, including lack of internal knowledge, time, money and resources. For example, small businesses may view the cost of implementing such Internet solutions as selling online as an insurmountable barrier to deployment or utilization.

Communities can show business owners the benefits they can realize from the Internet by demonstrating to them what their peers have achieved and giving businesses a path forward. SNG's Small Business Growth Program is one way to do that.

MEASURING INTERNET UTILIZATION

Utilization is a measure of the degree to which businesses and organizations use the Internet. Simple adoption (signing up for Internet service) does not equal effective use; effective utilization of Internet applications is what drives new revenues and cost savings for businesses, as SNG's research has shown.

From 2012 to 2015, SNG conducted seven statewide assessments of businesses' connections to, uses of and benefits from the Internet. This research provides insights into the degree of local business engagement with existing broadband and ways to help businesses increase their competitiveness and drive the local economic impact of broadband.

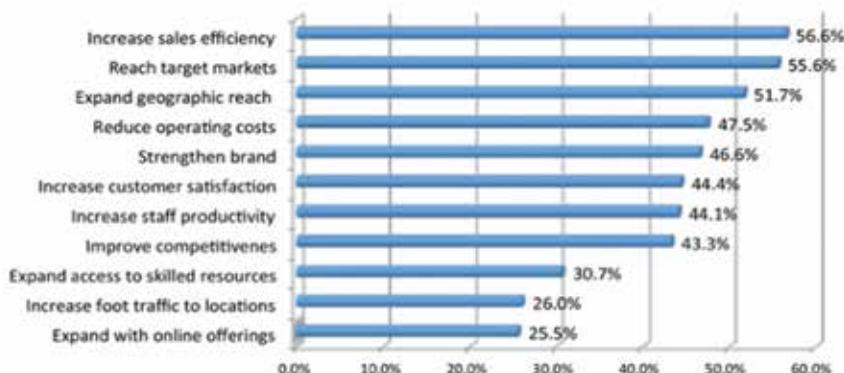
SNG measured the use of Internet applications, or e-Solutions, that provide benefits to businesses in terms of both generating revenues (e-commerce) and improving operational effectiveness (e-process). (See Table 1.)

THE SMALL BUSINESS UTILIZATION DIVIDE

The data from these statewide assessments show that small businesses have, on average, lower utilization than larger businesses.

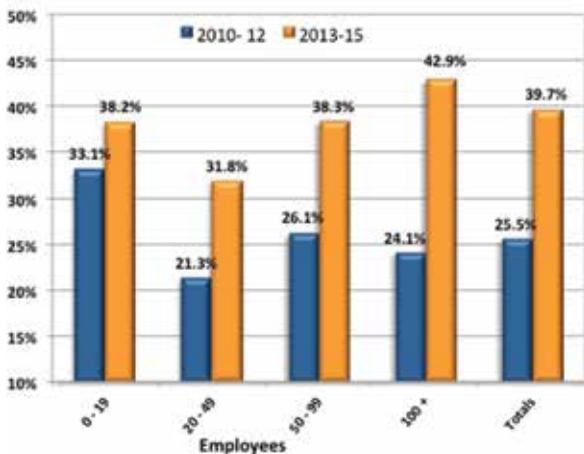
SNG surveyed thousands of businesses, asking them why they did or didn't use certain Internet applications. Fewer than one-quarter of them cited broadband speed as the

Online Business Goals



Goals of businesses that adopt e-Solutions

Broadband enabled 39.7% of all new jobs from 2013-15, up from 25.5% from 2010-12



Internet-enabled jobs include more than just IT jobs.

primary barrier. Rather, they cited a variety of other obstacles, including lack of resources (staff, budget, IT expertise and so forth) and a lack of understanding of the benefits they could realize through a modest investment of time and money.

Once businesses become aware of the financial benefits of the nearly 20 Internet applications, SNG has seen them decide to implement the applications that are right for them.

What motivates businesses to use e-Solutions? Increasing sales and reaching target markets lead the way as motivators. Many businesses have only limited utilization of Internet applications. They view the Internet as a transactional platform instead of as part of a larger effort to improve services, drive feet to the store and expand offerings online. The most successful businesses see the Internet as relevant for more than e-commerce and are looking at ways to increase efficiencies and reach new markets.

WHY BROADBAND UTILIZATION MATTERS

SNG research shows that Internet utilization has been a huge driver of job creation across the board since 2010. Between 2010 and 2012, the percentage of jobs the Internet enabled was

highest (33 percent) for businesses with fewer than 20 employees.

Since 2013, job growth within small businesses has slowed. Meanwhile, larger organizations have been implementing Internet applications faster and are seeing a significant bump in Internet-enabled jobs. The smaller the business, the slower the growth of jobs – a lag that is tied directly to low Internet utilization.

For organizations dedicated to proactive economic development, helping businesses

grow by better capitalizing on the Internet should be a key component in their efforts. They can do this through group training or one-on-one business training.

As for individual businesses, no matter the industry, the Internet can help drive

- Awareness and interest
- The ability to reach and leverage new markets

The Small Business Growth Program has shown that for a region or community, fostering utilization only modestly (10%) produces:

Revenue surges averaging

24%

Cost savings of

7%

Internet utilization helps businesses prosper.

- Feet into a store or location
- Efficiencies
- New offerings
- New ways of delivering goods and services.

According to SNG research, businesses that increase their Internet utilization derive measurable benefits in revenues and cost savings. An increase of 10 percent in utilization generally means adding one Internet application, such as selling online or offering customer service online. For a firm in the professional and technical services sector that has 10 employees and \$1 million in annual revenues, offering online customer service would increase annual revenues by \$58,000, and selling online would increase annual revenues by \$46,000.

IMPROVING BROADBAND UTILIZATION

Small businesses that have fewer than 20 employees account for almost 90 percent of all businesses in any regional economy. Because small businesses typically lag in Internet utilization, bridging the small business digital divide will have significant positive economic impacts – including job growth – for any region.

Economic development organizations have a unique opportunity to raise awareness and understanding of how Internet applications can grow businesses. These organizations are already helping businesses with other critical aspects of their operations. As the economy increasingly moves online, economic development organizations need to raise businesses' awareness of how to better utilize the Internet, find resources to help them, make the benefits and ROI clear and relevant to business owners and managers, and train business users.

The first step to solving a challenge is, of course, recognizing that the challenge exists. The key to bridging the divide is showing businesses that they don't know what they don't know. SNG's Small Business Growth Program is one option for helping businesses comprehend the benefits of utilizing Internet applications.

Network operators and economic development agencies can help businesses increase their utilization of broadband.

Other opportunities for driving utilization and bridging the small-business digital divide include harnessing success stories and mobilizing influencers. Additionally, skills development programs that provide classroom settings, online resources and technical assistance can be valuable.

Entrepreneurs are busy, and they are loath to take a few hours out of the middle of the day to attend training sessions. Online tools allow them to log on late at night or in other free moments to acquire knowledge and skills. They may also need one-on-one help to

understand what is possible for them as well as technical assistance to help them get there. Network operators should offer this kind of programming to help their communities realize broadband's promised socioeconomic benefits and to make their networks become financially sustainable more quickly. ❖

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