



CONNECT  
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# Broadband: Empowering Small Businesses to Grow and Thrive

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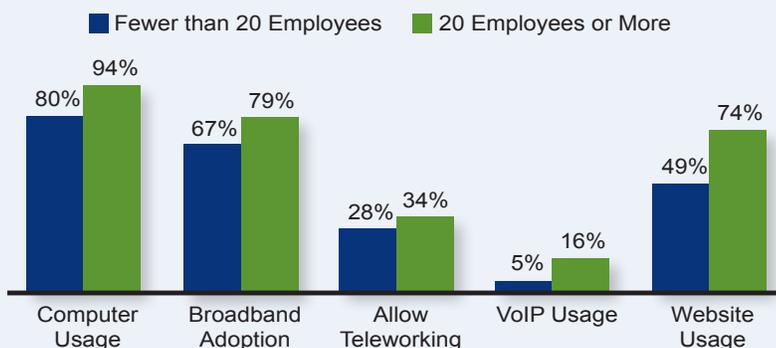
Small businesses are the life-blood of economic growth in Michigan. According to the U.S. Census, 86% of Michigan business establishments employ fewer than twenty workers. This translates into nearly one-third of the total job market in Michigan (30%, or approximately one million job positions) provided by these businesses.<sup>1</sup> As a growing number of Michigan residents go online, small businesses will increasingly rely on high-quality and reliable Internet connections to stay competitive and take advantage of growth opportunities.

Through the State Broadband Initiative program, the National Telecommunications and Information Administration is promoting efficient and creative ways to use broadband technology to compete in the digital economy, including programs to assist small businesses to get connected and benefit from broadband.<sup>2</sup> As part of this effort, Connect Michigan surveyed Michigan business establishments to measure their current state of technology adoption and usage.<sup>3</sup>

### Technology Adoption among Businesses with Fewer than 20 Employees

Businesses with fewer than 20 employees are significantly less likely than larger businesses to adopt and use several types of technology that could help increase revenues and efficiency (Figure 1). One out of five Michigan business establishments with fewer than 20 employees (approximately 38,000 businesses statewide) do not use computers. About two out of three Michigan businesses with fewer than 20 employees use broadband, which is significantly lower than that among larger Michigan businesses. Statewide, approximately 63,000 small Michigan businesses are not benefitting from broadband. In addition, fewer than one-half of small Michigan businesses have websites, and they are also significantly less likely to allow their employees to telework or use Voice over Internet Protocol (VoIP) to communicate. This disparity puts small businesses at a distinct disadvantage compared to their larger competitors.

**Figure 1.**  
Technology Adoption among Businesses with Fewer than 20 Employees



1 <http://www.census.gov/econ/cbp/index.html>

2 <http://www2.ntia.doc.gov/SBDD>

3 See appendix for sample sizes and survey methodology

### Among the findings from this survey:

- About **two out of three** Michigan businesses with fewer than 20 employees use broadband, which is significantly lower than among larger Michigan businesses
- Fewer than **one-half** of small Michigan businesses have websites, and they are also significantly less likely to allow their employees to telework or use Voice over Internet Protocol (VoIP) to communicate compared to businesses with 20 employee or more
- Nearly **four out of five** broadband-connected businesses with fewer than 20 employees (79%) go online to buy or place orders for products or services, the most popular online application among these businesses
- Broadband-connected Michigan businesses with fewer than 20 employees report median annual revenues of approximately **\$300,000**, compared to just \$100,000 among similarly-sized competitors that do not use broadband
- Statewide, nearly **three out of ten (29%)** businesses with fewer than 20 employees earn at least some of their revenues from online sales; on average these businesses earn about one-third (34%) of their revenues from online transactions
- Statewide, businesses with fewer than 20 employees generate nearly **\$6.9 billion** in online revenues for Michigan
- Availability is the main barrier reported by **one in ten** small Michigan businesses that do not subscribe – this translates into approximately 6,000 Michigan businesses that could go online if broadband were available to them

## How Small Businesses Use Broadband

Although nearly one-third of Michigan businesses with fewer than 20 employees do not use broadband, others use broadband to help make their businesses more efficient, connect with their regular customers, and reach out and advertise their wares to new customers.

Nearly four out of five broadband-connected businesses with fewer than 20 employees (79%) go online to buy or place orders for products or services, the most popular online application among these businesses (Table 1).

**Table 1.**  
Broadband Usage among Broadband-Connected Michigan Businesses  
with Fewer than 20 Employees

Purchasing or placing orders for products or services	79%
Communicating with current customers	72%
Researching ways to make the business more efficient	68%
Marketing and advertising of products and services	61%
Billing or bill payment	54%
Selling, or accepting orders for products or services	44%
Providing customer support for products or services	39%
Bidding on contracts	31%
Advertising current job openings or accepting job application	29%
Accepting real time payments such as credit card and debit payments	25%

Many small Michigan businesses use broadband to help themselves grow and increase their sales. Nearly three out of four broadband-connected Michigan businesses with fewer than 20 employees (72%) stay in touch with their current customers via the Internet, while 61% advertise their products online to find new customers. More than two out of three of these businesses (68%) use broadband to research ways to make their businesses more efficient. Plus, one in four broadband-connected Michigan businesses with fewer than 20 employees accepts payments online, and 44% sell or accept online orders for their goods and service. The result of these applications can be seen in those businesses' bottom lines: broadband-connected Michigan businesses with fewer than 20 employees report median annual revenues of approximately \$300,000, compared to just \$100,000 among similarly-sized competitors that do not use broadband.

## Online Revenues among Small Michigan Businesses

Broadband-connected small businesses have several advantages over their competitors who are offline – they can inexpensively advertise to a wider audience; communicate easily with employees, customers, and suppliers; and simplify buying and selling goods and services. For small businesses that sell their goods and services online, this translates into increased sales revenues.

Statewide, nearly three out of ten (29%) businesses with fewer than 20 employees earn at least some of their revenues from online sales; on average these businesses earn about one-third (34%) of their revenues from online transactions (Figure 2).

Based on those businesses' self-reported annual revenues, this equates to a median annual value of \$190,000 in online sales. Statewide, this translates into nearly \$6.9 billion in online revenues for Michigan businesses with fewer than 20 employees.

### Main Barriers to Broadband Adoption among Small Businesses

Despite the numerous advantages to using broadband for business expansion, approximately 63,000 small Michigan businesses still are not connected. While the reasons for not subscribing vary, the result is the same: limited access to customers, revenues, and opportunities.

Among Michigan businesses with fewer than 20 employees that do not subscribe to broadband, the most often-cited barrier to broadband adoption is the belief that they do not need broadband, or they are getting by without it (Table 2). More than two out of five of these businesses (43%) cite this perceived lack of need as their main barrier to broadband adoption. Another 15% do not even use computers.

**Figure 2.**  
Revenues from Online Sales among Michigan Businesses with Fewer than 20 Employees



**Table 2.**  
Main Barriers to Broadband Adoption among Small Businesses

We don't need it or we are getting by without it	43%
Our business does not use computers	15%
Broadband service is not available in our area	10%
The monthly cost of service is too expensive	5%
It would be too much of a distraction to employees	4%
It would take too long to train our employees	4%
It poses a security risk	2%
The installation cost is too expensive	2%
It is too complicated	1%
Other	5%
Don't know/Refused	9%

Availability also plays a role in broadband adoption among small businesses – if high-speed Internet is not available at a business's location, they will not have the option of subscribing even if they recognize the potential benefits of being online. This is the main reason reported by one in ten small Michigan businesses that do not subscribe – this translates into approximately 6,000 Michigan businesses that could go online if broadband were available to them.

## Conclusions

Small businesses in Michigan represent entrepreneurial opportunities, thousands of jobs, and billions of dollars in annual revenues for the state. Unfortunately, many of these small businesses are missing opportunities to grow because they are not subscribing to broadband.

When small businesses do not subscribe to broadband, they lack the ability to sell and promote their products and services anywhere in the world, the ability to attract the best employees from a global workforce, and the ability to access a wide variety of resources to make their business run more efficiently. As a result, small Michigan businesses that do not subscribe to broadband report revenues which are considerably lower than their broadband-connected competitors of the same size.

For some businesses, the belief that broadband would not help their business is the main reason they do not subscribe, or the belief that since they have always operated without broadband, they can continue to do so. In today's increasingly global marketplace, though, we see that broadband service can mean the difference between surviving and thriving, especially in these challenging economic times.

Making the most of broadband is vital for both the residents and businesses of Michigan. Doing so will ensure that small businesses in Michigan can continue to compete in tomorrow's global marketplace. By increasing broadband availability and digital literacy statewide, Michigan can help small businesses grow and prosper. For more information on growing your business in Michigan, contact the following:

- **Small Business Association of Michigan:** <https://www.sbam.org/>, 1-800-362-5461, [sbam@sbam.org](mailto:sbam@sbam.org)
- **Michigan Small Business Technology & Development Center:** <http://misbtdc.org/>, 616-331-7480, [sbtdchq@gvsu.edu](mailto:sbtdchq@gvsu.edu)
- **Michigan Economic Development Corporation:** <http://www.michiganadvantage.org/>, 1-888-522-0103
- **Connect Michigan:** <http://www.connectmi.org/>, 517-994-8024, [efrederick@connectmi.org](mailto:efrederick@connectmi.org)

## Methodology

Between October 3 and October 14, 2011, Connect Michigan conducted a telephone survey of 800 Michigan business establishments. Data were collected by Thoroughbred Research Group, located in Louisville, KY. The purpose of this survey was to measure trends in technology adoption; measure barriers to technology adoption; determine how Michigan businesses are using broadband as an engine of economic growth; and measure the average price and speed of broadband service among business establishments across the state. On average, these surveys took approximately nine minutes to complete.

Sample quotas were established by company size (5 brackets) and industry sector (8 sectors). Within these 40 cells, a randomly-drawn sample of businesses listed with Dun & Bradstreet was contacted for the survey. Altogether, this sample included 184 businesses with 50+ employees, 212 businesses with 20-49 employees, 206 businesses with 5-19 employees, and 198 businesses with 1-4 employees. In cases where the respondent's information regarding the number of employees at the establishment differed from the information provided by Dun & Bradstreet, the respondent's answer was used in determining business size quotas. Connect Michigan intentionally over-sampled large businesses to ensure a sample that was large enough to analyze and compare to smaller businesses. Altogether 404 businesses with fewer than 20 employees were surveyed in this sample.

In addition to the size and sector quotas, the data was subsequently weighted to ensure that the sample was representative of all employer business establishments statewide, with targets determined according to the 2009 United States Census Bureau's County Business Pattern report, the most recent data that was available at the time the survey was conducted. Weighting of the survey data and research consultation were provided by Lucidity Research LLC, located in Westminster, MD.

This sample provides a margin of error of  $\pm 5.0\%$  at the 95% confidence level for the total sample of 800 businesses. This sample error accounts for sample weighting, using the effective sample size. As with any survey, question wording and the practical challenges of data collection may introduce an element of error or bias that is not reflected in this margin of error.

The Michigan Business Technology Assessment was conducted as part of the State Broadband Initiative (SBI) grant program, funded by the National Telecommunications and Information Administration (NTIA). The complete survey results were submitted for peer review, and these analyses will be utilized by Connect Michigan and Michigan stakeholders to help increase adoption and use of broadband by Michigan businesses. The SBI grant program was created by the Broadband Data Improvement Act (BDIA), unanimously passed by Congress in 2008 and funded by the American Recovery and Reinvestment Act (ARRA) in 2009.



**Appendix A:  
Selected Sample Size:**

	<i>n</i>	With Broadband	Without Broadband
All businesses	800	615	185
Businesses with fewer than 20 employees	404	284	120
Businesses with 20 employees or more	396	331	65