

Cover story

Competitive disadvantage: Ignoring tech

Continued from 1B

"Technology has been a tremendous tool," St. Pierre says. "The tourists weren't coming to us, so we had to reach out to millions of tourists." Adds Turner, "It's been a godsend for us."

St. Pierre, Turner and millions of U.S. small-business owners are geeking out in the digital bazaar. As online commerce grows and technology gets cheaper and easier to use, small firms — especially mom-and-pop shops that had shied away from technology — are using tech tools more than ever to sell goods, market themselves and run their operations. Technology used for years by tech-savvy "early adopters" and big companies now is hitting small businesses on Main Street USA.

In earlier years, setting up a vast business technology infrastructure required millions of dollars, affordable mainly for just big and midsize corporations.

Now, even tiny, cash-strapped firms can use so-called Web-hosting and other tech services offered online to small and midsize businesses by Yahoo, Intuit, Google, Microsoft and many others. Some are free. Others may cost \$40 a month or tens of thousands of dollars altogether.

Just like big companies, small firms can design their own websites. They can sell and market online to millions of U.S. and global customers. They can conduct meetings and seminars over the Internet. They can use tech tools for accounting, shipping, inventory control and other nitty-gritty business functions.

"There's a myth in Small Business America that you need to be a rocket scientist in order to use technology," says Jimmy Duvall, director of e-commerce products for Yahoo. "We want to demystify that technology and bring it to the average merchant and small-business owner in an easy, approachable, digestible way."

eBay's portal to the world

Small-business owners also are using eBay's digital marketplace, the equivalent of a vast global bazaar for neighborhood merchants, to sell goods to customers worldwide. They're using blogs and online marketing to reach consumers. And as the commercialization of the Internet quickens in the so-called Web 2.0 era, small companies are using Facebook, LinkedIn and other social and professional networking sites to market their wares to friends, families and colleagues.

Big companies have sought for years to sell products to the multibillion-dollar small-business market. A growing array of corporate titans — IBM, Bank of America, MasterCard, American Express, UPS, FedEx and others — are wooing small businesses with a blizzard of financial and tech products and services.

Even in this downturn, small and midsize businesses are expected to spend \$82 billion on technology in 2008, according to technology research firm IDC. That's a 6.2% increase from 2007, and it outpaces the 4% growth rate for projected technology spending by all corporations, according to IDC.

Demographics and globalization should keep the market growing, according to recent reports on small business by the Institute for the Future, a Silicon Valley think tank, and software firm Intuit, which makes QuickBooks, TurboTax and other tech financial tools.

A young Internet generation of small-business owners will spend billions of dollars on laptops, mobile devices



Founder: Sarah Endline uses all kinds of tech tools for her chocolate beans business, Sweetriot, including a website and blog.

Moreover, small and midsize businesses are far more nimble than larger competitors and can quickly reinvent themselves using new technology, according to George LeBrun, chief strategy officer of O'Reilly InPractice, a tech training and consulting firm.

"This levels the playing field," he says.

Amy Shuen, a former Intel manager and author of *Web 2.0: A Strategy Guide*, says that small-business owners are pleasantly surprised at the vast improvement that affordable technology brings to their operations.

"They may not understand the technology, but they understand the impact it can have on their business," Shuen says. "At one-tenth the cost, they can reach 10 times more users and 10 times more partners at 10 times the speed."

Sophisticated tools

Just as corporate giants use "best of breed" technology, or a blend of software, computers, networking gear, mobile devices and other technology, small businesses are using a wide range of software and online services.

And as small firms grow larger, selling to larger corporations or to consumers worldwide, their technology tools also grow more sophisticated to handle their orders, their inventory and other business functions, says Angus Thomson, vice president of Intuit's midmarket group for small businesses.

"People are really embracing these digital tools and mixing and matching these services," Thomson says. "Some are on their computers, and some are Web-based. We want to give them the best of both worlds."

Even unexpected small businesses — from auto-repair shops to plumbing companies — are adopting tech tools, according to Catherine Harrell, senior marketing manager at Intuit.

More also are using what Intuit calls digital "intelligence devices," such as Global Satellite Positioning devices to track drivers, or sensor devices used by swimming pool maintenance firms to detect chlorine levels in the water. "They're getting savvy and utilizing technology in every corner of their businesses," Harrell says.

Other small businesses — especially those run by under-40 executives who grew up in the Internet age — are raising their tech games to higher levels.

Sweet success

Look at Sweetriot, a New York-based firm that sells organic chocolate beans covered in dark chocolate.

Founded by Sarah Endline, a Harvard MBA and former Yahoo manager, Sweetriot was launched as an online business that uses a whole arsenal of tech tools: a website, blog, e-commerce payment tools, a monthly e-newsletter and pages on Facebook, MySpace and other social networking sites. Customers even pick the artists' designs used every three months on new chocolate bean tins.

Sweetriot's sales have doubled every year since its founding in 2005 and continue to grow. The company sells to consumers around the world and to 1,500 U.S. bricks-and-mortar retailers, including Whole Foods, Pier One and Cost Plus World Market.

"For a small amount of money, you can get an incredible return on interaction with your customers and team," Endline says. "For us, technology is the crux of the issue, and we always try to work faster and smarter."

For more information

sba.gov/smallbusiness planner/manage/technology/index.html Internet and e-commerce resources on this U.S. Small Business Administration website.

Work.com An online how-to guide on Internet and e-commerce basics.

techforsmallbusiness.org Technology resources by the non-profit California Small Business Education Foundation.

Small Business Technology Magazine (sbtechnology magazine.org) Covers technology tips, trends and best practices for small businesses.

SmallBusinessComputing.com Research firm Jupitermedia's online guide of small-business technology tools.

smallbusiness.yahoo.com Yahoo's Web-hosting and e-commerce site.

JumpUp.com Intuit's online information and resources for small-business owners.

smallbusiness.officelive.com Microsoft's online, marketing and e-commerce tools.

and software. Millions of baby boomers and women are starting small firms and home-based businesses. U.S. small businesses also are leaping into global trade, with their exports rising to \$400 billion last year, according to early estimates by economist Harvey Bronstein of the Small Business Administration.

When the commercial Internet and high-speed Internet access started taking off in the 1990s, only a handful of small businesses had websites. But as broadband access spread, the number of small businesses with websites also grew rapidly. Now, 53% of U.S. small businesses boast sites, says Ray Boggs, IDC's vice president of small and midsize business research.

A surprising 47% of small businesses still do not have websites, and that could hurt them.

"My local deli or dry cleaner may think they don't need to be online, but the reality is they do," Boggs says. "If you're not Internet-active, you're at a competitive disadvantage. It'll be like not having a telephone."

Retail sales blossom at discounters

Even rich shoppers look for bargains at Costco, Wal-Mart

The Associated Press

Caught in the squeeze of higher gas and food prices, Americans — even more affluent ones — are seeking shelter in wholesale clubs and discount apparel chains.

Low-price operators Costco, Wal-Mart and TJX all reported better-than-expected sales Thursday, while traditional apparel chains J.C. Penney and Limited Brands struggled.

"The smart shopper is in full bloom," says Craig Johnson of the Customer Growth Partners consultancy. "They're looking to stretch their household budgets, and if you can get decent quality merchandise, why pay full price?" "Smart shopping" is sweeping all wage classes, analysts say, and could spell trouble for retailers' profits and for the economy, too.

To lure customers, apparel chains are discounting more. First-quarter profits are slated to be down by 14.9%, says Ken Perkins of Retail Metrics, a research company. That compares with a projection in January of 5.3% profit growth.

Retailers' first quarter ended in April; companies will start reporting their financial results next week.

"Consumers are focusing on value and price points and stretching their dollars," Perkins says. "They're feeling the pinch on multiple fronts."

He and other analysts say they expect only a modest rise in sales in May and June as consumers spend tax-rebate checks that have begun to arrive.

"There's too much going on" in the economy, Perkins says. He expects shoppers to use the extra cash to pay down debt and catch up on utility and food bills.

Sales for the two months combined were a tepid 1.6%, in line with the average sales growth since the start of the industry's fiscal year, the UBS-International Council of Shopping Centers retail sales tally found. The surprise was the growing gap between discounters and traditional retailers.

Discount chains posted a 3% same-store sales gain, while wholesale clubs saw a 9.2% gain. Meanwhile, same-store sales at apparel chain stores fell 1.4%.

Janet Hoffman, a managing partner of Accenture, says she was surprised to see that the April reports showed "a broader base of customers" switching to outlets.

A limping economy, soaring food and gas prices, tighter credit, slumping home prices and job worries are continuing to unnerve shoppers. Americans are gloomier about the economy than just before the U.S. invasion of Iraq in 2003, according to a survey by the Conference Board, a business-backed research group.

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