



The Internet Association

Internet Enabled Part-Time Small Businesses Bolster U.S. Economy

Oct 2013



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Background and Objectives



Background

The Internet Association commissioned Harris Interactive to conduct qualitative and quantitative research to understand and quantify the impact Internet enabled part-time businesses have on the overall economy of the United States.

Objectives for the Combined Qualitative and Quantitative Research

- Measure the impact Internet enabled part-time businesses have on the economy
- Demonstrate whether the Internet enables a large portion of these part-time businesses
- Understand if there are particular types of industries or sectors that rely extensively on the Internet
- Understand what percent of these part-time businesses are a second revenue stream for individuals
- Examine potential benefits of these part-time businesses, such as allowing for flexible work schedules





Methodology



QUANTITATIVE PHASE




15 MIN

ONLINE SURVEYS were fielded from **June 10 – 28, 2013** obtaining 10,031 completes

INTERNET ENABLED PART-TIME BUSINESS CRITERIA

U.S. RESIDENTS, AGE 18+
primary owner of a part-time business, hobby or other activity

- + use the Internet either as a part-time business, hobby, or other activity that generates money in the past year.
 - + perform one of several activities using the Internet (have a dedicated website for business, sell/buy goods and services, monetize user generated content, advertise or market business, use search engine optimization, use online or cloud based services, use social media, use software available on the Internet, use Internet computing technologies.)
- 



ECONOMIC IMPACT

- on employment
- on wages
- on revenue generated

QUALITATIVE PHASE



ONLINE BULLETIN-BOARD STYLE FOCUS GROUP

25 RESPONDENTS



2 BOARDS + 2 DAYS
W/IDENTICAL DATA



RECEIVING \$125
CASH INCENTIVES

Demographic Profile

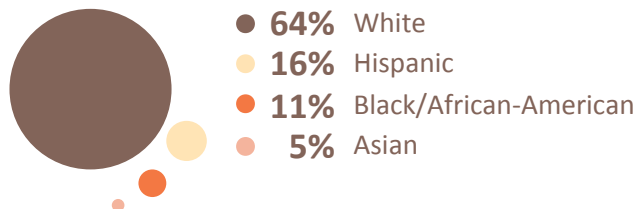


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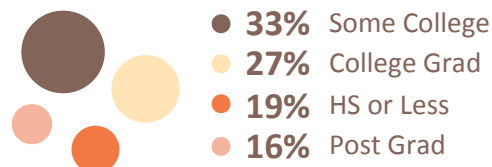
AVERAGE AGE

40.2

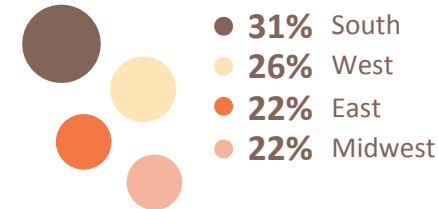
RACE/ETHNICITY



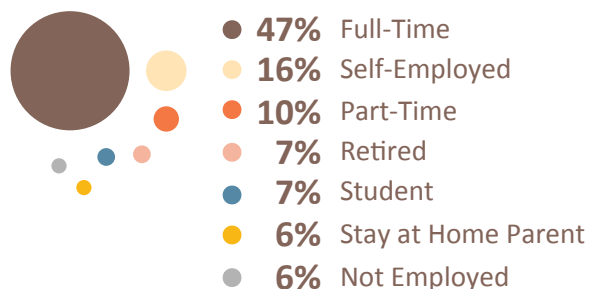
EDUCATION



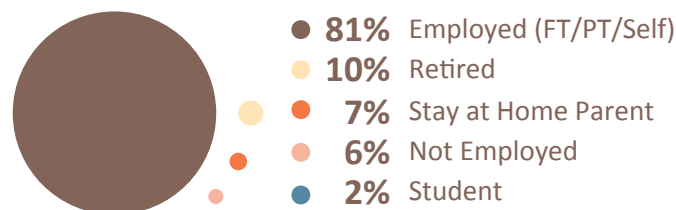
REGION



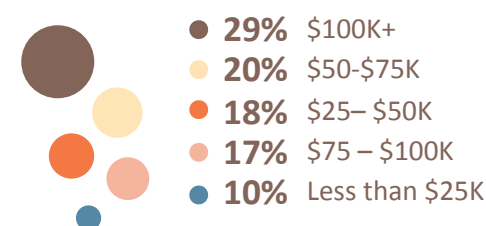
EMPLOYMENT STATUS (SINGLE)



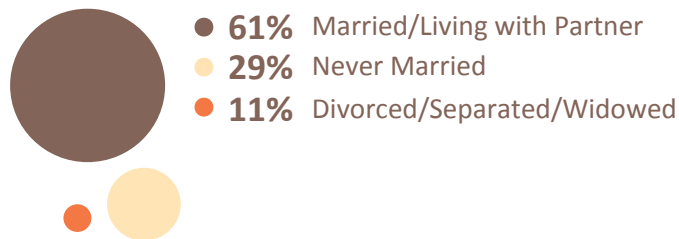
EMPLOYMENT STATUS (SPOUSE/PARTNER)



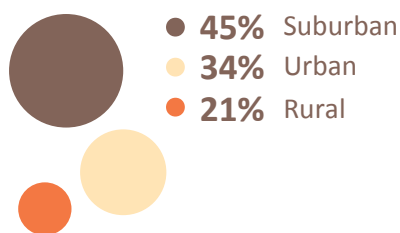
INCOME



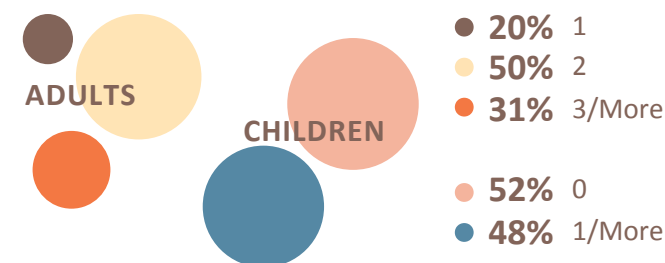
MARITAL STATUS



URBANICITY



ADULTS & CHILDREN IN HOUSEHOLD



Business Profile



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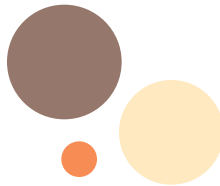
HOURS/ WEEK



14.0

Spent on Business

BUSINESS



- 45% Sell Goods
- 41% Provide Services
- 14% Monetize User Generated Content

INDUSTRY



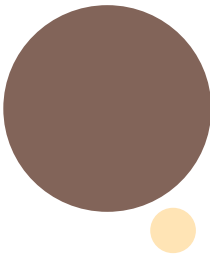
- 15% Collector
- 11% Crafts
- 7% Technical Consultant
- 6% Music
- 31% Other

YEARS IN BUSINESS

6.3

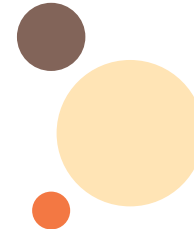
AVG

FREQUENCY



- 82% Year-Round
- 18% Seasonal

KIND OF INCOME



- 27% Only Source of Income
- 58% Supplements Employment Income
- 15% Supplements Retirement Income

EMPLOYEES OR HELPERS



- 27% Have Employees/Helpers

SOURCE OF REVENUE

50.8

Goods or Services
PAID FOR ONLINE

49.2

Goods or Services
PAID FOR OFFLINE



Detailed Findings



- The role of the Internet is empowering part-time businesses, enabling global businesses and powering the ‘sharing economy,’ all of which is well known. But little attention has been paid to an equally important new segment of the economy that the Internet has facilitated: the rise of part-time businesses.
- Part-time businesses are growing in large part as a result of the recent economic downturn, coupled with a slow recovery and its subsequent impact on the economics within U.S. households. Additionally, recent social trends focused more on self-actualization, especially amongst today’s Millennials, may also be a driver. (New York Times – June 2013)
- The Internet has been especially powerful in providing an inexpensive and effective means of reaching, marketing to and fulfilling the needs of prospective consumers – essentially a marketing and distribution channel that has never existed before.
- These part-time businesses who rely upon the Internet contributed **\$141B to the U.S. GDP** in 2011 while **employing 6.6M people** part-time and full-time with wages of \$797M.

Why Are People Starting Part-Time Businesses?



- Running a part-time business is not a new idea. In fact it's older than the Avon Lady. But new technologies have made running a part-time business a serious reality for millions of people.
 - Our report shows the main reason that people start part-time businesses is, of course, to earn extra money aside from their current job, but we also found that these entrepreneurs want to do something they love. Half of these part-time business owners have employment contemporaneously.
 - Key new technologies that have empowered part-time businesses include more powerful broadband, cloud storage, emerging new apps, and mobile technologies.
 - Of part-time businesses that use these technologies in some way, the most common types of part-time businesses are eBay-like sellers and buyers, artisans, technical consultants, teachers, and even musically-oriented entrepreneurs.

How Important is the Internet?



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- The Internet drives nearly all part-time business in the U.S., and is essential to these part-time business owners.
 - **Nine out of ten** part-time business owners rely on the Internet a lot or a little to conduct their business, with nearly two-thirds relying on the Internet a lot.
 - **Over half** of part-time business owners could not conduct their business without the Internet.
 - The Internet helps these kinds of part-time businesses by increasing efficiency for 86%, productivity for 82%, and by helping business owners to save money for 78%.



Gardener

"I sell tomato plants online to make extra money for family trips or to fix up the house."

How

"I use the Internet to promote my business on websites such as Craigslist, Facebook and Twitter. I also purchase materials online."

Reliance

"The Internet allows me to sell and promote a product without being physically present. This saves me time and allows me to generate income from home."

Goals & Results

"I hope I can give back, whether it be financially to a local food pantry or produce to a place like Philabundance.* The Internet makes me feel empowered, it allows me to promote my products and communicate with everyone."



Collector

"I sell collectibles online that generates [sic] extra income for travel and charities."

How

"I use the Internet to sell collectibles, such as antiques, Asian pottery and art glass, on eBay."

Reliance

"The Internet allows me to dabble in a pastime that would be too expensive otherwise. I have the tools I need to complete my tasks."

Goals & Results

"I hope I can continue collecting and selling for the sake of my personal collection. This provides a needed escape."



Manager

"I provide technology support for online businesses to contribute to our family income for childcare."

How

"I use the Internet to provide business services and to keep in touch with my customers. I also provide inspiring articles on my blog."

Reliance

"I am an introvert, so the Internet allows me to conduct my business without that hindrance. It also gives me the flexibility [sic], which allows me to travel."

Goals & Results

"I hope I can have the flexibility to homeschool my daughter. The Internet allows me to do the things I want to do, not the things I have to do."



Photographer

"I photograph weddings and special events as well as individuals."

How

"I use the Internet to promote my business on social media websites like Facebook. I also access forums for tools on how to improve my services."

Reliance

"It would be nearly impossible to be where I am without the Internet. The Internet has allowed me [to] run a time and cost effective business."

Goals & Results

"It is fulfilling to create something new and unique for my clients."

Internet enabled part-time businesses contributed roughly \$141B to the overall US economy.*



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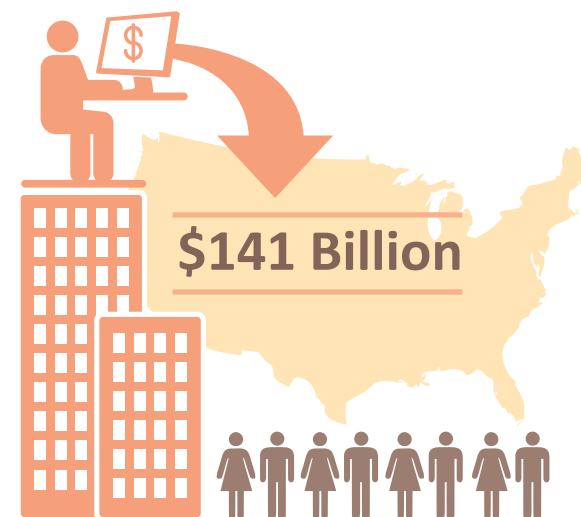
ECONOMIC IMPACT

These Internet enabled part-time businesses contribute significantly to both overall GDP and wages earned in the U.S.

- This makes up 90% of overall part-time business revenue (\$156B).

Part-time businesses are also contributing to the labor force:

- In total, part-time businesses employ 7.5M employees and pay \$904M in wages.
- Part-time business who rely on the Internet **employ 6.6M** employees and **pay \$797M in wages** – the vast majority of which is spent and re-invested in their local economies.



Economic Impact: U.S. Households



	REVENUE GENERATED (2011 U.S. GDP: \$15T)	EMPLOYEES	WAGES
ALL PART-TIME BUSINESSES	\$156B	7.5M	\$904M
RELY ON THE INTERNET (90% of all part-time businesses)	\$141B	6.6M	\$797M
COULD NOT CONDUCT BUSINESS WITHOUT INTERNET (54% of all part-time businesses)	\$75B	3.0M	\$298M

The Internet drives nearly all part-time business in the U.S., and it is essential to part-time business owners, who report heavy reliance on the Internet.



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PART-TIME BUSINESSES RELY ON THE INTERNET

1



9/10

RELY ON THE INTERNET a lot or a little to conduct their part-time business

WITH NEARLY TWO-THIRDS (64%) RELYING ON THE INTERNET "A LOT"

2

54%

could not conduct their part-time business without the Internet



3



If the Internet didn't exist, part-time business owners predict that nearly **HALF OF THEIR BUSINESS INCOME WOULD GO AWAY**



"The Internet is a wonderful tool that can allow you the knowledge, freedom, mobility and customer base you may require for your business. I see it as an enhancing tool for me in my business."
- Technician

"Without the Internet my business would be a lot harder and cost me more out of pocket. [sic]"
- Artisan

"It's an absolute requirement and I would never be able to do both my primary job and my secondary one without it. It is the backbone of everything I do. [sic]"
- Collector



Which produces **6.6M jobs** and **\$141B** in revenue

Part-time business owners use a variety of Internet based programs and tools to help them conduct, market, and advertise their businesses.



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ROLE OF THE INTERNET

Most Common Uses of the Internet to Conduct Business



"We communicate with customers through email newsletters, Facebook and Twitter. We use Ooma [sic] for telephone service and Google Docs for document/project storage. As mentioned before, we order hobby supplies through online suppliers."
- Collector

Despite the current reliance on the Internet, **seven in ten** part-time business owners



feel they need **additional training to fully take advantage** of what the Internet has to offer.

"We keep in touch with customers using tools like a blog, Twitter, Facebook, Pinterest, e-mail newsletters, etc."
- Photographer

For most part-time business owners, their part-time business income is supplementing other earnings.



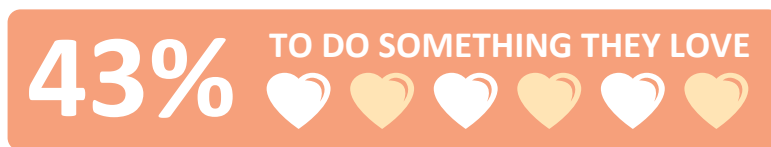
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SHOW ME THE MONEY

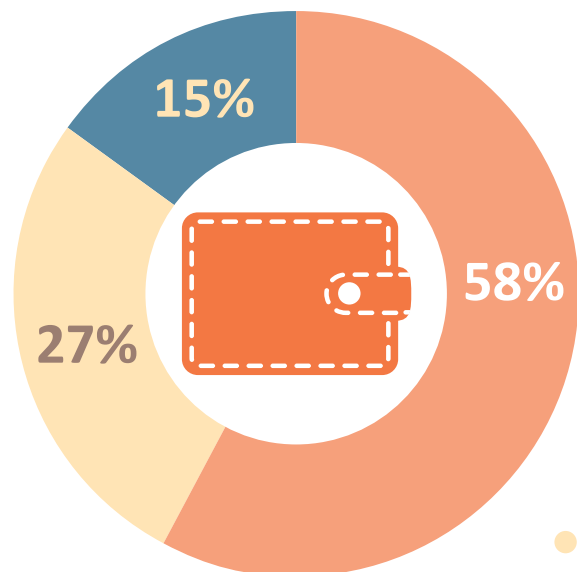
Most Common Reasons Owners Started Their Part-Time Business






and



Part-Time Business Income is Supplementing Other Income Sources




-  in addition to income received from other employment
-  is only income
-  in addition to income received from retirement, pension or disability

"It allows me to stay home with my kids and still contribute to our finances."
- Artisan

"My online business allows me to bring in the extra income I need to have fun. As a retired person the expendable [sic] income goes away or gets very small. This business allows me to continue to have fun, take trips and see interesting things."
- Technician

Business income represents **22%** OF TOTAL HOUSEHOLD INCOME



Part-time business owners' hopes or goals for their business revolve around running their business and having it succeed. Fears tend to revolve around the health and success of the business.



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HOPES & FEARS

Top Ways Owners Describe Their Part-Time Business



"My greatest hope would be to generate clients coming to see me from around the world."
- Therapist

Most Common Fears Described

- 48% worry the economy will decline
- 47% increased competition
- 44% decrease demand for products and services

"Success is the greatest hope that I could have."
- Technician

"Not appealing to the consumer; not being able to sell products that I have invested into."
- Consultant

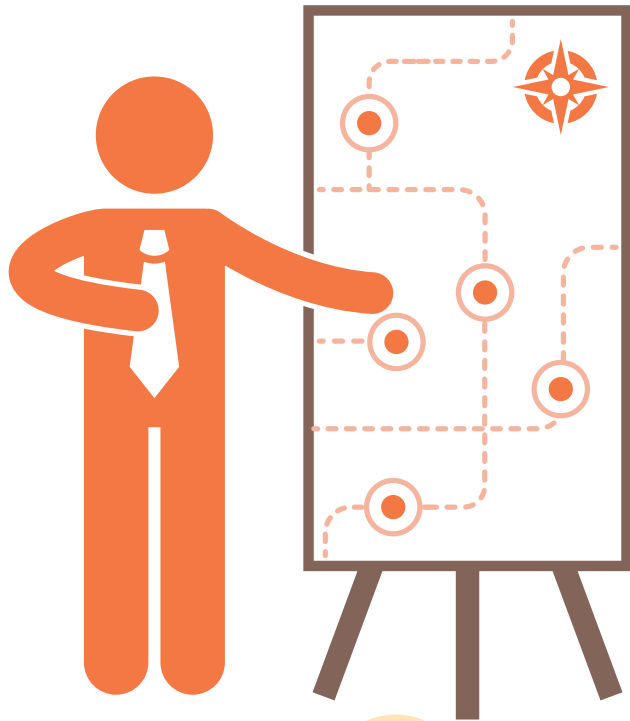
"My greatest hope is that I will earn enough income on my time and on my terms to live comfortably while I finish school."
- Entrepreneur

Internet enabled part-time businesses allow owners to chart their own course and enjoy a level of freedom and flexibility not typically found in a traditional work environment.



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LIVING THE DREAM



Up to eighty percent of part-time business owners describe their businesses as providing freedom, flexibility, fulfillment and the ability to pursue something they love:

- Freedom to work where and when they want **79%**
- Ability to pursue something they love **77%**
- Feeling of success and fulfillment **77%**

"I would say pleasing someone else is the most important thing we all can do. If we make them happy, then we are happy! Business is good!"
- Consultant

"It allows a lot of flexibility. I am able to work evenings, late at night, anytime I want. The more time and effort I put into it, the more successful the business."
- Collector

"The networking involved is definitely an assistance. I have used it and have gotten better deals in trade than in exchanging for a cash value."
- Mechanic

"The freedom to work where and when I want is the most important thing for me. It satisfied my emotional connection to having personal freedom."
- Manager

A diverse array of part-time small businesses utilizes the Internet.



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OPPORTUNITIES FOR EVERYONE

Top Industries or Sectors That Rely on the Internet



COLLECTOR
Selling/Buying



CRAFT
Accessories, household items



TECHNICAL CONSULTANT
Software Platforms, IT



MUSIC
Performing, creating, entertaining



BAKING/COOKING



WEB DESIGN



TEACHING
Languages/Computer Skills/Music



CONSTRUCTION



“The obvious reason is that you can do it on your own time, but it’s amazing how many contacts it brings you. Contacts and people that could affect the rest of your life in more ways than just this business.”
- Baker

“It’s a really great tool and I love living in this time period, I remember the 70’s/80’s and we’ve come a long way and not only am I happy to be able to use tools such as the Internet, but also happy to have been able to see the contrast from then to now!”
- Gardener

“My business is all about using digital sources, so I rely on the computer and the Internet constantly. Also I use social networking sites like Facebook to advertise my services. In addition, I post ads on Craigslist for advertisement. [sic]”
- Artisan

“My secondary business is very reliant on being discovered and that is where the Internet comes in: through search engine optimization I attract in person business and also do sales of products for dogs. I do no other advertising other than promotion via the web and only conduct sales via the web. [sic]”
- Groomer



Appendix



- Three economic impact variables were selected to be estimated in this study:
 - Impact on employment (How many employees are employed by part-time, Internet enabled businesses?).
 - Impact on wages (What are the wages of those employees?).
 - Revenue generated (How much revenue is generated by part-time, Internet enabled businesses?).
- These three measures were selected as likely to have the most robust estimates based on the data collected in this study.
- The definition of a part-time business is the same as used elsewhere in this study (Q700 is the variable in the data indicating which respondents have such a business). The next step is defining an Internet enabled part-time business:
 - Two definitions were used. The first involves the ratings question asking respondents to rate their dependence on the Internet (Q830). An Internet enabled business is defined as one which is rated to depend “A lot” or “A little” on the Internet.
 - The second involves the Yes/No question as to whether the respondent’s business could not conduct activity without the Internet (Q840). In this version, an Internet enabled business is defined as one which could not conduct activity without the Internet.
 - For each definition, separate estimates were made on the three economic impact variables by filtering the data by the definitions (that is, calculating the estimates just for those who met the appropriate definition).



Total number of employees is estimated by multiplying the following figures:

- US Households or Total US Population 18 years or older (separate calculations used for each)
 - Using US Census Bureau estimates for 2012
- Percent of Total with Part-time Businesses
 - Based on survey definition summarized by question Q700
- Percent of Part-time Businesses Having Employees
 - Based on survey question Q660
- Percent of Part-Time Businesses that Pay Employees
 - Based on survey question Q680
- Median # of Employees
 - Based on survey question Q670
 - Note that this data contains a number of outlier values. Several approaches were investigated to establish a reasonable estimate. The use of the median (the middle value) is considered the simplest approach that is reasonable.



Total wages of employees is estimated by multiplying the following figures:

- US Households or Total US Population 18 years or older (separate calculations used for each)
 - Used US Census Bureau estimates for 2012
- Percent of Total with Part-time Businesses
 - Based on survey definition summarized by question Q700
- Percent of Part-time Businesses Having Employees
 - Based on survey question Q660
- Percent that Pay Employees
 - Based on survey question Q680
- Median # of Hours Worked For Employer
 - Based on survey question Q690
 - Same issues as noted for # of employees with same outcome: median chosen.
- Wage Estimate
 - Federally mandated value for minimum wage used as an estimate. It is assumed that a number of employees are potentially receiving less than this value in an “under the table” part of the economy. So the use of this value is meant to balance this underpayment with the employees who are likely to receive more than this wage.
- In both cases, US Census Bureau figures were obtained for comparative purposes.



Total revenue generated is estimated by multiplying the following figures:

- US Households or Total US Population 18 years or older (separate calculations used for each)
 - Using US Census Bureau estimates for 2012
- Percent of Total with Part-time Businesses
 - Based on survey definition summarized by question Q700
- Mean Revenue from Part-time Business
 - Based on survey question Q3000
 - This question used revenue categories in order to increase response rate. The response for each category is represented by the middle value of the range. \$500 is used for the lowest range and \$75,000 is used for the highest range. In order to adjust for outlier values, a process known as Winsorization is used (the median is not a reasonable solution). In this approach, the largest values representing five percent of the total data are truncated to the largest value not in the top five percent. For example, if ninety-five percent of the values are less than \$50,000, then all values that are larger are replaced by the value \$50,000. Since this data came from a set of categories (ranges), the effective outcome of this approach is to convert all responses of “\$50,000 or more” to responses of “\$40,000 to \$50,000.”
- In addition, for each of the filters for Internet enabled businesses (“Those Businesses who Rely on the Internet (a lot or a little) (Q830 Filtered)” and “Those businesses who could not conduct activity without the Internet (Q840 Filtered)”), the percentage they represent of the total number of part-time businesses and the total revenue of part-time businesses is also calculated.
- The latest estimate of US GDP (2011) is supplied for comparative purposes.

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