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Positive Examples and Lessons Learned from Rural Small Business Adoption of E-Commerce Strategies

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Abstract: Rural small businesses struggling against the current of competition from "big box" retailers, weak consumer demand, and on-line shopping options must find strategies that work. Many are finding that adoption of e-commerce strategies is a key to survival, even prosperity. This article highlights the lessons learned from a recent case study research project of rural businesses from across the country, sponsored by the National Extension E-Commerce Initiative. Suggestions are provided for Extension educators to use these materials to directly assist rural businesses consider thoughtful adoption of e-commerce strategies.

The growing importance of effectively using the Internet to increase sales and reduce costs through more effective and efficient communication with customers and suppliers (e-commerce) is becoming an increasingly important issue for all businesses, including those in industries traditionally served by Extension (Burke & Sewake, 2008; Jeong, Fiore, & Niehm, 2008; Muske, Yu, & Khoo, 2006). A 12-country study by the International Office of the International Council for Small Business concluded that information technology is extremely important in the profitability and growth of small businesses world-wide (Tarabishy, 2007).

Though many of the barriers to e-commerce identified in a 2001 report produced by the OECD persist, evidence from U.S. Department of Commerce statistics shows that e-commerce has shown strong and steady

growth since they began tracking e-commerce sales in 1992 (OECD, 2001; U.S. Department of Commerce, 2011). Further, according to the same U.S. Department of Commerce report, e-commerce sales seem to be recovering from the recent recession at a faster pace than conventional retail sales. Given this positive trend, one would expect Extension training programs to take even more seriously the teaching of e-commerce principles, especially for small businesses and entrepreneurs.

The Internet revolution is transforming the way many businesses operate. Through e-commerce, they are securing affordable access to a full range of market opportunities. For rural entrepreneurs and small business owners, this Internet revolution, and general "flattening" of the global economic context, represents a double-edged sword (Friedman, 2009; Spoto, 2010). While rural businesses can access new markets and serve new customers through the effective use of e-commerce, doing so thrusts them into a new marketplace where they experience increased competition, most from well outside of their normal market reach. In this new competitive e-environment, rural entrepreneurs must adopt innovative and informed e-marketing strategies to be profitable.

Case study research is defined as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2003; Barkley, 2006). Though case studies can yield rich information, conducting case studies can be quite costly, especially in terms of time commitment. The costliness of case studies is likely one of the primary reasons there are so few case studies of rural business e-commerce adoption in the academic literature. However, in situations where little secondary data exists, the situation is complex, or there is little theoretical modeling completed to guide empirical analysis, case study methods can be a useful method for exploratory analysis. Case studies of rural entrepreneurs who have implemented e-commerce strategies provide insights into the opportunities, challenges, and potential impacts on the business of e-commerce strategies. Extension professionals can integrate such case studies into educational programs and into other teachable moments.

The purpose of this article is to make Extension educators aware of a set of 28 case studies of rural businesses from a research project supported by the National E-Commerce Extension Initiative <<http://srdc.msstate.edu/ecommerce/index.html>>. These case studies, listed in Table 1, focus on locally owned rural businesses. The selected businesses vary in size and are in different stages of business development. They include bricks-and-mortar stores and virtual businesses. Some focus their e-commerce activity on other businesses (B2B), while others focus on consumers (B2C). The complete set of case studies and accompanying materials can be found at <http://srdc.msstate.edu/ecommerce/curricula/case_studies/>.

Table 1.
E-Commerce Case Studies for Rural Areas and Small Towns

Business Name	Location	Product or Service
Black Magic Kennels	Grand Marais, MN	provides sled dog adventure weekends
Blue Smoke Salsa	Ansted, WV	manufactures and markets salsa
Boreal Access	Grand Marais, MN	Internet service provider
Brush Art	Downs, KS	full-service advertising agency

Columbia Falls Pottery	Columbia Falls, ME	manufactures and markets pottery and tiles
Dessin Fournir	Plainville, KS	designs and manufactures home furnishings
Eolian Farms	Newcastle, ME	produces and sells fibers from llamas and Shetland sheep
Farmchem	Floyd, IA	equipment and service provider for crop input dealers
Gail Golden Jewelry	Arroyo Seco, NM	handmade silver, gold, and gem jewelry
Grown Locally	Northeast, IA	markets and distributes locally grown farm products
Lakeland Enterprises	Seneca, SC	designs and markets car top carriers and vacation gear
Louis Williams & Sons	Henderson, NC	multi-purpose home improvement store
Mainely Metals	Gardiner, ME	manufacturers metal mailboxes plus metal fabrication
Mid West eServices	Salina, KS	Internet real estate advertising and sales
Mountain One	Leland, IA	manufactures and distributes supplies for making dolls and bears
Nautical Antiques	Jonesport, ME	retailer of nautical antiques and gifts
Silverston Gallery	Grand Marais, MN	Retailer of regional and Inuit art work
Songer Whitewater	Fayetteville, WV	whitewater rafting and adventure trip outfitter
Stained Glass Express	Waterville, MA	stained glass products, supplies, and repairs
Sterling Biotech	Sterling, CO	manufactures bio-based skin care products
Taos Architectural Copper	Taos, NM	manufactures copper sinks and lighting fixtures
The Missoula Artists' Shop	Missoula, MT	

		retail gallery for local artists' cooperative
Vann's, Inc.	Missoula, MT	retailer of appliances and home electronics
Villages of Van Buren	Keosauqua, IA	nonprofit regional economic development organization
Voyageur Outfitters	Gun Flint Trail, MN	full-service outfitter for Boundary Waters Canoe Area
WESST Corp	Albuquerque, NM	service provider for start-up and existing businesses
Wintergreen Herbs and Vegetables	Winslow, ME	sells herbs and vegetables, community supported agriculture initiative
Women's Business Center, Coastal Enterprises	Wiscasset, ME	service provider for start-up businesses, targeted at use of Internet

The project was intended to help instructors of formal and informal e-commerce, entrepreneurship, and small business development create educational programs by providing them with a broad range of rural small business e-commerce case studies and with advice on how to effectively use them to help guide small businesses in the successful adoption and use of e-commerce. The materials produced are also expected to be of direct value to small businesses interested in learning more about how their peers are using e-commerce and the distilled wisdom they have to share based upon their experiences. They can also be used by small business researchers as they seek information to inform the development of hypotheses and survey instruments to collect primary data.

Lessons Learned

The cases in the study are a diverse collection of businesses with varied experiences in e-commerce. Taken together, the case studies provide interesting insights that rural small businesses and Extension educators working with them should consider.

1) Focus on Niche Markets

The development of a website and marketing products on the Internet places small businesses in competition with a large number of firms and provides consumers with easy access to comparisons of competitors' products and prices. Head-to-head competition with large Internet stores will occur on standardized, high-volume items such as books, shoes, sporting goods, and consumer electronics. Smaller businesses generally do not have the ability to compete in these e-markets because they do not have (1) the volume to match the low price, or (2) the marketing budget to get an early listing on web searches. Thus, it is recommended that smaller businesses concentrate on market niches.

The more specific the information provided on the firm's website (e.g., nautical antiques vs. antiques), the more likely the website will be found by shoppers conducting highly targeted searches. A focus on a market niche provides the opportunity for placing the firm's website higher on the search list of buyers with well defined purchasing interests. In addition, the firm can obtain a higher listing on Google or pay a lower price for Ad Words if it is bidding against fewer businesses for more detailed product descriptions.

2) Effectively Use Service Providers

There are a wide variety of programs and services to assist companies with e-commerce. Services available include e-commerce and entrepreneurship training programs; website design and hosting; software systems for integrating e-commerce with accounting, shipping, and inventory management; and business analytics software to provide data and statistical analysis on the company's e-commerce activity. These services can be valuable in identifying niches, reaching customers in that market, and developing an efficient production and distribution system for serving customers.

Rural businesses, in particular, face challenges in using support services. In many cases, the services offered by private-sector firms may be costly, and the benefits to the business may not justify the expense. Though the Internet can enhance the ability of rural businesses to find service providers, the market for these services and software is extensive and rapidly evolving, and a significant time commitment may be required of the rural business owner to locate and work with reputable providers.

3) Creating a Website Is the Beginning, Not the End of an E-Commerce Strategy

Nearly all of the businesses studied struggled with website optimization. Strategies for optimizing a website are different from those needed to create an initial site and make it fully e-commerce capable. Many of the case study businesses did not initially plan or budget for the expenses associated with optimization. These costs could include purchasing ad words from Google and pay per click ads on search engines and redesigning the website to focus on keywords often used in searches.

4) Integrate E-commerce into Overall Business Operations

E-commerce is broadly defined as "using online resources and tools to do business betterâ more efficiently and productively" (Montgomery, 2007). As such, e-commerce holds the promise and challenge of affecting every aspect of a business' operation from product design and production to distribution and service delivery.

Businesses using or considering e-commerce should investigate the potential roles for the Internet in all aspects of their business. Businesses may benefit by using the information provided through e-commerce (e.g., customer characteristics, location, and order size and regularity) to enhance efficiencies in other areas of operation. For example, online sales may create the opportunity for direct delivery to customers and reduce reliance on wholesalers. In addition, Internet marketing may attract customers from yet unreached geographic markets. Cultural differences between buyers and sellers might present unforeseen challenges, thus understanding and planning for transactions with foreign customers will enhance the benefits from these opportunities.

5) Be Prepared for Growth

The initiation of e-commerce may generate significant sales increases, and the business must be prepared to meet this demand or to lose the e-commerce "window of opportunity". Typical Internet customers expects

quick and accurate responses to their online orders. The timely delivery of goods and services consistent with the quality perceptions of customers is critical to cultivating repeat customers, word-of-mouth advertising, and favorable online reviews.

6) E-Commerce Is Not for All Businesses

Most rural and small town businesses would benefit from having a website. Consumers increasingly rely on the Internet for information, and a website is a relatively inexpensive way to present information on a business' products, hours, location, and contact information. E-commerce is, however, much more than maintaining an informational website, and the e-commerce related components and services (e.g., shopping carts, fraud protection, search engine optimization (SEO), electronic data interchange (EDI), analytics software) can add more to the firm's costs than they contribute to profits, making e-commerce unrealistic for some.

Conclusions

Whitacre (2008) recommends that Extension professionals focus their energies primarily on broadband demand-oriented strategies like e-commerce. Perhaps the most obvious and direct target for integrating these case study materials is within an existing structured e-commerce program. There are a limited number of formal e-commerce training programs being implemented across the country, most being supported through the land grant university system. Because formal structured e-commerce programs already make direct and extensive use of case studies, the e-commerce case studies described here can easily be integrated into these programs.

Case studies can also be used in program marketing presentations with business and civic groups, development organizations, youth entrepreneurship groups, or in consultations with individual business owners. Formal entrepreneurship training programs also present excellent opportunities to use e-commerce case studies and lessons learned. The primary objective of most entrepreneurship training programs is to help build the capacity of individuals and to provide them with the knowledge, skills, and tools needed to increase their probability of success. The case studies help build a better understanding of e-commerce as a business development tool.

In addition, creative Extension educators interested in motivating businesses to adopt e-commerce strategies will find (or create) a wide variety of available opportunities to get their points across. These opportunities might include meetings with local business or civic groups, conference presentations, or one-on-one consultation with small business owners. The case study materials are well-suited for these occasions and can be integrated in many creative ways. As consumers and businesses continue to increase the volume of business over the Internet, successful adoption of e-commerce strategies becomes increasingly important for firm success, if not survival.

The materials discussed here were designed to provide inspiration to small businesses and entrepreneurs, and those who support them, which will help to increase the number of success stories in the future. Extension education and training programs are one potential vehicle for helping to make that happen.

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