

Michigan Small Online Business Inclusive Growth Report

Executive Summary

Since 2011, the eBay Public Policy Lab has used marketplace data to examine, measure and report on how technology has expanded opportunities for small businesses in more than 50 countries, spanning six continents, and all 50 U.S. states. In all cases we have found eBay-enabled small businesses leveraging the online commerce platform to engage in expansive commerce, often on a global scale. This report explores trade and inclusive economic impacts of eBay-enabled small businesses and entrepreneurs across the State of Michigan.

Global trade has historically been the purview of large corporations – for Michigan and across the world. Nearly all traditional small businesses are locked into their local market and rarely serve foreign customers. However, a new model of small business trade, powered by the Internet, is emerging. Platforms for Internet access, commercial services and shipping are enabling independent small businesses to connect with consumers and establish trust across national and cultural borders. Small businesses are able to create a storefront online and compete in global markets, while at the same time maintaining and even growing their physical presence and employment in their local community.

This report details the global trade achievements of eBay-enabled small businesses in Michigan. Data on comparable offline trade results are provided when available. In short, nearly every eBay-enabled small business in Michigan is an exporter reaching customers in markets around the world. The top five export destinations for the products of eBay-enabled small businesses in Michigan are Canada, Australia, the United Kingdom, Mexico and China.

The export success of eBay-enabled small businesses is a good news story of inclusive global trade. At the same time, many are concerned that technology is accelerating forces of economic concentration with the most prosperous communities enjoying the bulk of all economic growth. The second part of this report investigates whether eBay’s success in giving small businesses access to consumer demand in remote markets is contributing to rich communities getting richer and poor getting poorer, agnostic to this overall trend, or even countering the forces of economic concentration.

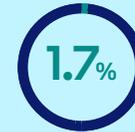
In order to discern well-off locales from challenged regions, Michigan’s 83 counties are categorized into five “well-being” quintiles based on an [index](#) developed by the Economic Innovation Group. The rate of growth from 2011-2015 in the net number of traditional businesses and the net number of eBay-enabled small businesses in the county quintiles were calculated and compared.

Share of Enterprises Exporting



eBay-Enabled Small Businesses

VS.



Traditional Businesses

Average Number of Foreign Destination Markets



eBay-Enabled Small Businesses

VS.



Traditional Businesses

Share of Enterprises Exporting to 10+ Markets



eBay-Enabled Small Businesses

VS.



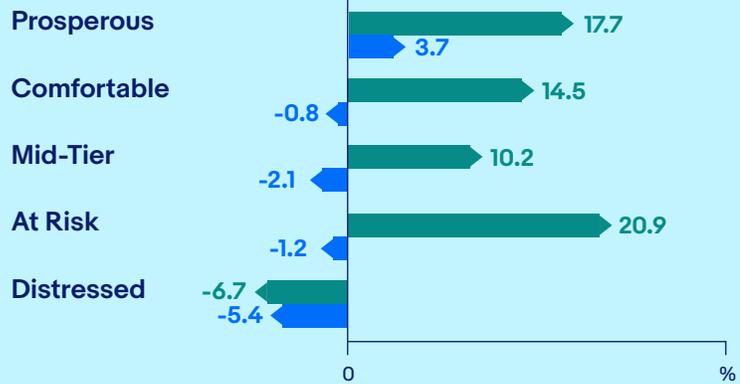
Traditional Businesses

Share of eBay-Enabled Small Businesses Exporting to 4+ Continents



Net Rate of Growth in Number of Enterprises by County Well-Being Quintile

- eBay-Enabled Small Businesses
- Business Establishments



The overall Michigan economy suffered from depressed growth overall, with a rate of growth in the net number of enterprises below the national average, and also showed consistent and clear trends toward greater economic concentration. Only the group of **Prosperous** counties showed positive growth and that tier still failed to reach the national growth rate benchmark of 4.1%. The rate of shrinkage in net enterprises is generally more negative in the descending EIG well-being quintiles (representing nearly 60% of the population), although the loss of enterprises in the **Mid-Tier** counties exceeded the loss in **At Risk** counties. On eBay, the growth numbers were much stronger, but also were more inclusive and more balanced based on a range of measurements.

Unlike in the traditional economy, the growth rate of the net number of eBay-enabled small businesses was far more balanced than in the traditional economy. An analysis of the deviation from the average growth rate by the five well-being quintiles reveals that eBay growth was 5.6 times more balanced than enterprise growth in the overall economy.

eBay-enabled small business growth in Michigan was also more inclusive than the growth in the overall Michigan economy. One test involved comparing the aggregate growth rates in the bottom three quintiles, which represent roughly half of the population. On eBay, enterprise growth in the counties making up the bottom three quintiles was a robust 15.9%, while the comparable rate in the overall Michigan economy was -1.6%. The eBay growth rate in the bottom three quintiles was more than 4 times greater than the overall rate of growth in Michigan's **Prosperous** counties.

The eBay technology platform is conclusively reducing the barriers that have traditionally locked small businesses into their local market. While this is a major growth opportunity for independent small businesses everywhere in Michigan, the relative value appears to be even greater in remote and less advantaged areas. Government tax, regulatory and economic development policies aimed at enabling meaningful local economic development in less advantaged and remote regions should pay particular heed to the challenges facing technology-enabled independent small business models.