

Texas 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 Texas.

Global trade has historically been the purview of large corporations – for Texas 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 Texas. Data on comparable offline trade results are provided when available. In short, nearly every eBay-enabled small business in Texas is an exporter reaching customers in markets around the world. The top five export destinations for the products of eBay-enabled small businesses in Texas are Canada, the United Kingdom, Australia, China and Mexico.

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, 252 of Texas’s 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

16

eBay-Enabled Small Businesses

VS.

3

Traditional Businesses

Share of Enterprises Exporting to 10+ Markets



eBay-Enabled Small Businesses

VS.



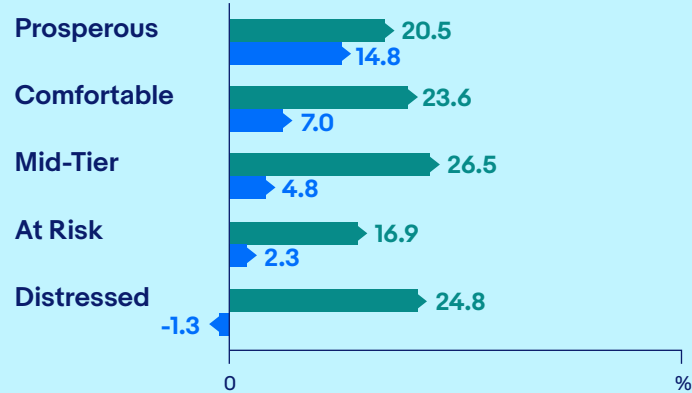
Traditional Businesses

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 Texas economy exhibited very robust growth with the net increase in the number of business enterprises expanding at greater than twice the national average. However, even in an environment of strong growth, Texas also showed clear trends toward greater economic concentration. Mirroring national trends, enterprise growth was strongest in the most prosperous counties and growth rates were more depressed in each successive county well-being grouping. Negative growth occurred in the bottom tier, a collection of largely remote and rural counties. On eBay, the growth numbers were stronger, but most notably were more inclusive and more balanced based on a range of measurements. In a perfectly balanced economy, the rate of growth in each county quintile would be equal to the state average, reflecting equal opportunities across the board. Of course, no economy is perfectly balanced, but imbalances can lead to the kind of economic concentration that is causing concerns. An analysis of the deviation from the average growth rate by the five well-being quintiles reveals that eBay growth was 4.7 times more balanced than enterprise growth in the overall economy where growth was skewed at the top.

eBay-enabled small business growth in Texas was also more inclusive than the growth in the overall Texas economy. One test involved comparing the aggregate growth rates in the bottom three quintiles. On eBay, enterprise growth in the counties making up the bottom three quintiles was a robust 22.8%, 7.8 times greater than the comparable 2.9% rate in the overall Texas economy. In addition, a comparison of growth rates on a quintile-by-quintile basis reveals that the relative advantage in eBay-enabled enterprise growth is greater in counties in tiers lower in the well-being index.

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 Texas, 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.