The Crowd in Control: Web-based Backing of Small Businesses in the United States

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by

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On my honor as a University student, I have neither given nor received unauthorized aid on this assignment as defined by the Honor Guidelines for Thesis-Related Assignments.

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The COVID-19 pandemic revealed a stark contrast between the circumstances that small and large businesses operate under. Using the number of self-employed individuals as an indicator of small businesses, the U.S. Small Business Administration (2021) reports that this figure was down by 20% in April 2020 compared to April 2019. At the same time, at 32 of the world's largest corporations—many of them U.S. based—profits rose a combined \$109 billion (Oxfam International, 2020). Under stress, many small businesses turned to the web to promote themselves. Even as the pandemic ebbs, however, they still need it to contend with larger enterprises. Community engagement online can promote local businesses, and websites that take advantage of user-generated content are some of the most successful sites to date (Lee et al., 2008). Small businesses have long used social media and non-social media sites to compete with larger corporations. With community-backed websites that invite user engagement, local residents, small businesses owners, local business coalitions, and government agencies can engage in collaborative efforts to promote visibility, expand digital market reach, and publicize appeals to patronize local small businesses.

Review of Research

Many researchers have investigated the extent to which social media benefits small businesses. According to Channel Insider (2011), through marketing and social media, small businesses can foster a sense of community and increase customer engagement and satisfaction. In a study of online behavior, Simula et al. (2013) found that social media offers a new "communication landscape" where users interact directly with each other and with small businesses, exchanging opinions, sharing content, and building community. Information

propagated on social media, however, is more susceptible to misinterpretation. Creating and maintaining social media profiles also demands time and effort from businesses themselves. This presents a barrier to entry, especially to businesses who do not have the financial or human resources required (Channel Insider, 2011). Social media is a continually evolving landscape, and there is still much research required to fully understand its exact role in business models for small enterprises.

Studies also suggest that non-social media websites similarly help small businesses by cultivating relationships between themselves and their customers that would otherwise not be possible. Simula et al. (2013) suggests that modern websites place an emphasis on crowdsourced, user-generated content in marketing communications, which increases engagement between businesses and consumers. Hsu et al. (2018) conducted surveys of individuals who had prior experience with online shopping and collaboration. They conclude that customers, having the ability to share personal shopping experiences, enter into a "synergistic" relationship with small businesses owners and with each other (Hsu et al., 2018). Even in situations where an online user is unknown to another user, consumers tend to trust each other's opinions and recommendations. These interactions are highlighted in online shopping and browsing to increase sales for small businesses (Hsu et al., 2018). Soliciting input from individuals could prove to be a more accessible method for small businesses to promote their markets, as it does not necessarily require the time and effort that social media does.

Finally, small businesses owners and entrepreneurs turn to online communities to garner support for their enterprises. Meurer et al. (2021) states that online social networks provide small business owners with vital resources and information and are, therefore, crucial to their success. Studying the COVID-19 pandemic when there was a clear lack of in-person networks, the study

identifies key "digital infrastructure" in which consumers aid businesses in becoming more visible online by engaging with those businesses to exchange knowledge, opinions, and even emotional aid (Meurer et al., 2021). Some expand on this to suggest that in a post-pandemic economy, community support can be leveraged, particularly through technological means, to revitalize small businesses (Williamson et al., 2021). Specifically in Australian markets, support from both regional and remote communities can lower entrepreneurial barriers and provide "social capital" to small businesses that allow them to contend with larger enterprises (Williamson et al., 2021). The immediate effect of COVID-19 was felt worldwide, and the consequence of such studies can be used to examine similar, domestic markets. Some, however, advise that there is a lack of understanding about exactly how small businesses owners access support from online communities (Meurer et al., 2021). The methods that local communities use to bolster small businesses of their choice are seldom studied and leave many areas for new exploration.

Expansion of Digital Market Power Through Community Websites and Social Media

As marketing and collaboration become increasingly digital, advocacy groups are seeking to provide technical and financial support to small businesses. Their goal is to stimulate small businesses' online presences in order to expand their digital market reach and power. Studies propose that a well-established, online presence can provide significant benefits to small businesses. Abeysekera (2020) examines the ways in which small business owners influence key stakeholders by telegraphing "intangible" competencies such as "credibility," "leadership," and "innovation" through their websites. Professional communications online implicitly relay these skills, and interest groups are providing direct assistance to small businesses to take advantage of

these opportunities. The U.S. Small Business Administration (SBA), an independent agency of the national government, aims to promote the United States' economic competitiveness. Isabella Guzman (2022), administrator of the SBA, states that "the world's economy has grown increasingly digital, particularly over the course of the pandemic," and that "the SBA will help more small businesses accelerate their online...strategies to power their businesses." In 2022, the SBA implemented several initiatives aimed at discovering and connecting diverse talent with small businesses while also promoting accessibility to digital tools so that businesses can expand their e-commerce and reach new markets (2022). The U.S. Chamber of Commerce (2023) has also provided grants to aid small businesses in their online marketing efforts. They have partnered with tech companies to create the Small Business Digital Ready Program, which provides resources such as coaching and peer networking to help small businesses excel in the digital world (U.S. Chamber, 2023). Advocacy groups and government agencies are providing support to small businesses to stimulate their online presence, as studies show that a well-established digital presence can relay key strengths and provide significant benefits.

Community websites also empower small businesses to increase visibility and establish themselves in their preferred markets. Due to the COVID-19 pandemic, more than 51% of small business owners in the U.S. have increased their online interactions with clients, and even before the pandemic, many small businesses launched websites in response to the digitalization of modern marketing and the rapid adoption of mobile devices in the past decade (Gregor S., 2021). Experts suggest that creating community websites can increase brand awareness, resulting in higher traffic directed towards individual businesses and a higher return on investment for marketing (Bernardez, 2019). Others suggest that as small businesses engage with customers online, owners boost their organization's visibility and allow them to "compete with larger and

more established corporations for the attention of consumers" (Quinn, n.d.-a). Online communications such as press releases or newsletters are inexpensive and effective in reaching wide-ranging and targeted audiences, and many businesses have already adopted these and similar forms of communication (Quinn, n.d.-a). In making use of websites and interacting with individuals online, small businesses can grow brand awareness and visibility, ultimately leading to increased profitability.

Other organizations, particularly government agencies, are providing support to small businesses so that they can advance their social media strategies and expand their market reach. Though social media demands notable financial investment and labor, small businesses can utilize it to foster collaborative relationships with their consumers, create engaged communities, and share content (Channel Insider, 2011). Similar to the SBA, the California Office of the Small Business Advocate (CALOSBA) provides support to local businesses to establish and maintain a social media presence. During the COVID-19 pandemic, CALOSBA partnered with Facebook and Instagram to host interactive digital pop-up festivals that showcase small businesses in California and their social media profiles. They aimed to create a model that could be replicated by local leaders throughout the state, offering them the necessary tools to "create communities online, attract new online tourism, and increase small business revenues" (CALOSBA, 2020). Likewise, the Office of Small Business Advocacy at the New Jersey Business Action Center (NJBAC) offers social media mentoring for small businesses. New Jersey's state government recognizes that small businesses are a "critical component" to the state's economy and that social media offers new avenues for businesses to market themselves (NJBAC, n.d.-b). Social media allows small businesses to expand their market, as they are able to reach wider audiences and engage with their clientele in ways previously unachievable. With the help of government

agencies and similar advocacy groups, small businesses can leverage social media to effectively broaden their digital market power.

Digital Strategies for Increasing Influence in the Marketplace through Legislation and Policies

To increase the overall market power of small businesses, advocacy groups are using the internet to garner support for legislative measures relevant to their cause. Communities often use grassroots lobbying, employing online communications such as public forums and press releases, to advocate for legislation that gives more power to small businesses. In a letter published online and sent to the Senate, Small Business Rising (SBR), a small business coalition, discusses the impact that corporations have had on small businesses (2022). They emphasize the importance of government assistance to combat this: "[we] write to underscore the urgency for Congress to advance legislation aiming to address Big Tech's monopoly power. Concentrated market power is the single biggest threat facing independent businesses, and the status quo in our digital markets is untenable" (SBR, 2022). Their opponents argue that "corporate concentration" has increased only modestly over the past few decades and that larger businesses contribute more to the economy, as they are able to employ more people and serve wider consumer bases (Atkinson, et al., 2021). Nevertheless, organizations such as SBR continue to underscore the need for government intervention to curtail the effect of large corporations and to level the playing field for small businesses in digital spaces (SBR, 2022). Small business coalitions and advocacy groups are using the internet as a means to address the challenges that small businesses face in digital markets by bringing attention to important legislative measures.

Advocacy groups are also enlisting support to expand power for small businesses in financial sectors as well as digital sectors. Small Businesses Majority (SBM), a small business

interest group, similarly addressed a letter to the Senate conveying their support for legislation that requires more transparency from larger businesses (Arensmeyer, 2017). When large businesses conduct questionable practices, such as operating under shell corporations, small businesses are put "at a disadvantage by unfairly competing for contracts, undermining [their] supply chains, and creating difficulties in finding responsible subcontractors and providing cover for fraudsters" (Arensmeyer, 2017). SBM stresses the need for reform to expand opportunities for small businesses. Similarly, the National Federation of Independent Business (NFIB) has brought attention to "reforming the regulatory process" to give power back to small businesses (2022). Their agenda includes engaging with small business owners to support legislation that eliminates outdated and financially "burdensome" regulatory requirements, especially regarding data privacy regulations (NFIB, 2022). In their own words, small business owners "care deeply about the privacy of their customers as well as their own personal privacy as consumers. But with limited resources it would be extremely difficult for small business owners to comply with the proposed complicated mandates" (NFIB, 2022). Through online channels, organizations are pinpointing areas in digital landscapes that require reform and promoting legislative measures that benefit small businesses financially. By similarly bringing attention to issues such as transparency, regulatory reform, and data privacy, small business advocacy groups are leveling the playing field for small businesses and larger corporations in financial sectors as well as digital sectors.

The web is also a vital tool for advocacy groups to promote policies related to healthcare and labor that benefit small businesses, and industry associations, alongside various government organizations, are connecting small businesses with related resources over the internet. NFIB advocates for flexibility in health insurance plans for small businesses, enabling them to choose

coverage that meets their needs and financial limitations: "Small businesses deserve health insurance that is affordable, flexible, and predictable. NFIB supports...regulatory solutions that better meet the needs of our nation's small business owners" (NFIB, n.d.-c). Aligned with this goal, the Centers for Medicare & Medicaid Services, a federal agency, has promoted the Small Business Health Options Programs (SHOP) (CMS, n.d.-d). Designed for small businesses with a workforce below a certain threshold, SHOP allows these enterprises to customize coverage and manage employee premium contributions (CMS, n.d.-d). Proponents of small businesses also highlight their ability to employ resources from industry associations at a greater level of flexibility than larger employers. Industry associations and similar groups offer benefits to small businesses such as free advocacy and advertising, discounted services, health and business insurance, and online networking opportunities with local suppliers and customers (Fifth Third Bank, 2019). These organizations emphasize the convenience of accessing these benefits online, which allows small businesses to take advantage of the resources available to them more easily and efficiently (Reena, n.d.-e). Advocacy groups and industry associations use the internet to promote policies that benefit small businesses, and government organizations are also connecting small businesses with beneficial resources and programs.

Vocalizing Community Support for Small Businesses Online

With the considerable control that large companies have gained over certain markets in recent years, an increasing number of communities are voicing strong support for small businesses online. From endorsements on social media to positive reviews online, patrons are finding creative ways to express their appreciation for small businesses and to argue that small businesses are not interchangeable with large businesses, but are integral to the formation of a

community identity. In a 2021 study, the National Community Reinvestment Coalition, a grassroots member organization, surveyed black-owned small businesses in the Washington D.C. and Maryland areas. They found that in urban centers, "the loss of traits that make communities unique and meaningful...[are] often due to the impacts of gentrification...and the lack of sustained, community-based investment" (Welch, 2021). They assert that small businesses help "maintain the cultural identity of communities," and that continued support and investment in local businesses is crucial now more than ever in the wake of the pandemic (Welch, 2021). Residents of Cumberland Valley, Pennsylvania have also expressed online that small businesses have the "ability to reflect a community's character" by closely interacting with customers on a deeply personal level and that large corporations are unable to replicate this (CAEDC, 2022). Small businesses can provide jobs and be involved in local decision-making, all of which preserve the "small town culture" that is deep and meaningful to communities across the country (CAEDC, 2022). Through online channels, locals are emphasizing that while small businesses cannot match larger companies in terms of financial or human resources, the contributions that they make to local neighborhoods, namely community building and cultural preservation, are immeasurable.

Organizations also vocalize their support for small businesses over large businesses to advocate for their value in building vibrant, local economies. Residents are encouraging consumers to patronize small businesses, citing how they are able to offer more personalized customer experiences. Researchers highlight the value that small businesses have to locals; they better understand the neighborhoods they serve and are, therefore, able to cater to more niche markets and cultivate a better sense of camaraderie (Lee et al., 1999). Numerous communities have shared small business success stories online that corroborate this idea. David Blanchette

(2019) highlights small businesses in Springfield, Illinois and recognizes both the level of pride they have in their work and the trust that their customers have in them. Douglas Mayol, a local business owner, stresses the value his business has to the community: "This is a business that pays local taxes and local rent, and when I am in the market, I employ local people. ...These are all things an online business does not do. We are part of the community, and I think that is important" (Blanchette, 2019). The Cumberland Area Economic Development Corporation (CAEDC) similarly contends that small businesses offer more intimate shopping experiences, citing anecdotes as evidence: "There's a small-town feeling that arises when anyone walks into a local business — the staff is polite, the owner is present and friendly and customers always feel welcome" (2022). Large businesses cannot match small businesses for this level of personalized customer experience. Overall, the efforts of communities to support small businesses demonstrate the importance of these enterprises in fostering personal connections between businesses and customers.

Individuals are not only noticeably showing their support for small businesses online, but they are also exploring innovative ways to engage with like-minded supporters. While various participant groups already interact with each other through social media, online marketing, and official websites, some are elevating their commitment by increasing the extent of user engagement. During National Small Business Week in 2022, Virginia Senator Tim Kaine (2022) highlighted small business success stories across the state on his official website to demonstrate how they have persevered through the pandemic and to "make the case about why more support for Virginia small businesses is necessary." Senator Kaine and his team launched an online portal where Virginians could nominate small businesses to be featured. In his own words: "I want to share more positive stories about the resilience of small businesses that have adapted to the

pandemic, kept workers employed, and supported their communities. I encourage Virginians to nominate a small business to be featured on my website during National Small Business Week to shine a spotlight on Virginia success stories and highlight the importance of supporting our small businesses" (Kaine, 2022). Active involvement in civic dialogue by small businesses, as well as the commitment of individuals such as Senator Kaine who collected and shared over thirty small business success stories from around the state, are crucial to the success of these enterprises. With their power and influence, individuals and organizations can play a vital role in promoting the success of small businesses, and they are now embracing new and innovative ways to empower them.

Conclusion

With the help of online resources and platforms, local communities, small business owners, and small business advocacy groups are collaborating to enhance the digital presence and market power of small businesses. Advocacy groups have implemented various strategies to support small businesses, including providing financial and technical assistance for establishing an online presence, highlighting success stories on community-backed websites, and advocating for legislative measures that benefit these enterprises. To fully leverage community engagement, small businesses should not only maintain online presences, but also actively seek user input such as reviews and endorsements. Moreover, the internet is a constantly evolving landscape, and continual advances in technology open new sectors for small businesses to thrive in. Small businesses should stay informed about new developments and advocate for procedures and policies that are beneficial to them. Advocacy groups can also collaborate with small businesses directly to better understand what issues are most important to them. As digital spheres continue

to evolve, small businesses and interest groups must work together to adapt to new technologies and advocate for policies to expand their market power and achieve sustainable growth.

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