

# E-commerce as a Strategy for Improving Business Vitality: Lessons Learned from Case Studies of Rural Businesses

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# The Situation

- E-Commerce is an actively growing small business strategy for many rural-based firms
- Significant e-commerce adoption lags expected in rural areas
- Case studies provide in-depth examples for other rural small businesses to emulate
- No comprehensive database of case studies exists, mainly scattered and diverse efforts

# Project Overview

- Review of Existing E-Commerce Case Study Projects
- Identification of Good Examples and Development of New Case Studies
- Lessons Learned from E-commerce Case Studies
- Development of Curriculum Guidebook for Extension Professionals Working with Rural SMEs

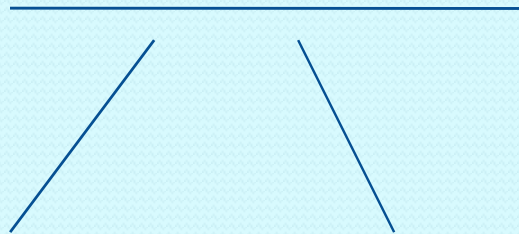
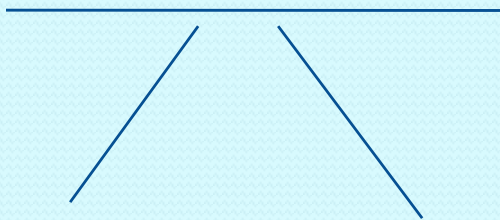
# Goals for Selecting Case Studies

- **Identify Businesses in a variety of Economic Sectors**
  - **Agriculture/Food Products**
  - **Manufacturing**
  - **Arts**
  - **Tourism/Recreation**
  - **Retail/Wholesale Trade**
  - **Service**
- **Identify Businesses of Different Sizes and Organizations**
  - **Lone Eagles**
  - **Family Businesses**
  - **Cooperatives**
  - **Corporations**
  - **Small and Large Employers**

# Goals, cont.

- **Identify Businesses from Different Parts of the County, and, if possible, find multiple examples in a region**
- ***Identify Businesses where the Adoption of E-commerce Significantly Impacted Sales or Costs***
- ***Identify Businesses with Varied E-Commerce Structures and/or Strategies***
  - **B2B**
  - **B2C**
  - **Internet only**
  - **Store-front and Internet**
  - **New Product Line**
  - **Reduce Costs**
  - **Increase Market Ranges and Sales**

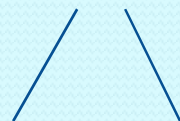
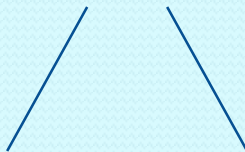
# Methodology for Selection of Businesses to Interview



**Leads**

**Leads**

**Leads**



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**Leads**

# E-commerce Case Studies

Business Name	Location	Product or Service
Black Magic Kennels	Grand Marais, MN	Provides sled dogs 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

# Case Studies, cont.

Business Name	Location	Product or Service
Gail Golden Jewelry	Arroyo Seco, NM	Handmade silver, gold and gems
Grown Locally	Northeast, IA	Markets and distributes locally grown farm products
Lakeland Enterprises	Seneca, SC	Designs and markets car top carriers
Louis Williams & Sons	Henderson, NC	Multi-purpose home improvement store
Mainely Metals	Gardiner, ME	Manufactures metal mailboxes plus metal fabrication
Mid West eServices	Salina, KS	Internet real estate advertising
Mountain One	Leland, IA	Manufactures and distributes supplies for making dolls and bears
Nautical Antiques	Jonesport, ME	Retailer of nautical antiques and gifts

# Case Studies, cont.

Business Name	Location	Product or Service
Silverston Gallery	Grand Marais, MN	Retailer of regional and Inuit art
Songer Whitewater	Fayetteville, WV	Whitewater rafting and adventure trips
Stained Glass Express	Waterville, ME	Stained glass products and supplies
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

# Case Studies, cont.

Business Name	Location	Product or Service
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, CEI	Wiscasset, ME	Service provider for start-up businesses, targeted at use of the Internet

# Interview Procedures

- We conducted extensive reviews of websites, news stories, and other available published information on the prospective firm
- Initial Telephone Interview
- Face-to-Face Interview (2-3 hours)
- Draft Case Studies Reviewed and Approved by Businesses

# Case Study Protocol

- Profile and history of the business
- History of the firm's e-commerce activity
- Implications of e-commerce for product offerings, business strategy, sales, costs, and profits
- Needs/requirements for hardware, software, skilled labor, and supportive institutions
- Programs or services used to facilitate the adoption of e-commerce
- Problems or costs associated with e-commerce strategy
- Plans for the future, lessons learned, advice to others

# Characteristics of Case Study Businesses: Focus on Business Activity

Industry	Primarily B2B
Manufacturing	Dessin Fournir Sterling Biotech
Merchant Wholesalers	Farmchem
Selective Services	Brush Art Midwest eServices
Retailers <ul style="list-style-type: none"><li>• Virtual</li><li>• Bricks-and-mortar</li></ul>	- -
Small Business Service Provider	Boreal Access Wesst Corp Women's Business Center at Coastal Enterprises

# Characteristics of Case Study Businesses

Industry	Primarily B2C
Manufacturing	Columbia Falls Pottery Eolian Farms Grown Locally Wintergreen Herbs and Vegetables
Merchant Wholesalers	-
Selective Services	Songer Whitewater Voyageur Outfitters Black Magic Kennels
Retailers <ul style="list-style-type: none"> <li>• Virtual</li> <li>• Bricks-and mortar</li> </ul>	Lakeland Enterprises Nautical Antiques  Columbia Falls Pottery Missoula Artists' Shop Stained Glass Express Vann's Inc Silverston Gallery
Small Business Service Provider	-

# Characteristics of Case Study Businesses

Industry	B2B and B2C
Manufacturing	Blue Smoke Salsa Mainely metals Taos Architectural Copper
Merchant Wholesalers	Mountain One
Selective Services	The Villages of Van Buren
Retailers <ul style="list-style-type: none"> <li>• <u>Virtual</u></li> <li>• <u>Bricks-and-mortar</u></li> </ul>	Gail Golden Jewelry  Louis Williams & Sons
Small Business Service Provider	-

# Example: Louis Williams & Sons

Hendersonville, North Carolina

- Sells Makita power tools (1,500) and parts (15,000) and services Makita tools
- Market focus is construction, rental, and commercial customers to avoid competition with big box stores and on-line tool companies
- Invested in specialized legacy system that might not be serving their needs well presently. But, find it difficult to make a large new capital investment once staff are trained and owner is personally vested.

# Example: Lakeland Express

Seneca, South Carolina

- Inventor/entrepreneur relocated to rural community (and state) for combination of cost-savings and lifestyle reasons (live on lake and near family)
- 95% of business is on-line and there is little interest in bricks and mortar retail due to associated expenses
- Business has expanded to the limits of his “Lone Eagle” resources

# Example: Midwest eServices, Inc

Salina, Kansas

- Markets rural commercial and public properties (e.g. empty schools) on eBay, LoopNet, and Cityfeet for real estate firms in the Midwest
- Focus on quality by providing an abundance of high quality photos and solid local information
- Refers leads to lead real estate agents in contracted firms
- They've found a niche but realize it might not last forever given low barriers to entry in a competitive market

# Example: Sterling Bio-Technologies Corporation

Sterling, Colorado

- Manufactures natural skin care products for dry skin associated with aging and diabetes. Markets under their own brand, Würx, and do private label manufacturing.
- 60% of business is private label manufacturing and more than half of their private label sales come through their website.
- Full e-commerce website to sell their own products; products also available on Amazon.com
- Ten percent of their business is retail; 60% of business through website; 28% of sales through Amazon.com.

# E-commerce Opportunities Along the Supply Chain

<b>Product/Service Development</b>	<b>Supply Management</b>	<b>Manufacturing and Assembly</b>
Improve product development by capturing customer input more effectively	Reduce sourcing costs through increased price transparency and competition	Lower transaction costs by reducing double handling of information
Enable collaborative development across companies and geographies	Reduce inventory costs through shorter procurement process and delivery times	Lower work in progress costs through improved forecasting

# E-commerce Opportunities Along the Supply Chain, cont.

<b>Marketing</b>	<b>Sales and Distribution</b>	<b>Customer Service</b>
Strengthen customer relationships and improve cost effectiveness through targeting	Reduce sales and distribution costs through automation e.g., sales tools, and printed material costs	Improve customer service
Research new user segments and geographies	Promote new products and services – e.g., cross-selling	Lower customer interaction costs

# Lessons Learned

- Focus on Niche Markets
  - Reduces on-line competition
  - Enhanced visibility on search engines
  - Smaller marketing budget needed
- Effectively Use Service Providers
  - Website design and hosting
  - Software systems for integrating e-commerce into other aspects of business
  - Business analytics software
  - Overcome lack of technical skills

## Lessons Learned (cont.)

- Continue to update e-commerce skills and infrastructure
  - Private sector firms
  - Non-profit organizations
  - Area community colleges
  - Informal networks of e-commerce businesses
- Creating a website is the beginning, not the end of an e-commerce strategy
  - Need strategy for search engine optimization
  - Need budget for optimization
  - Use of affiliates, shopping engines (e.g., Bizrate), e-bay, Amazon

## Lessons Learned, cont.

- Be prepared for Growth
  - Timely delivery of goods and services expected
  - Identify resources for hiring people, production capacity, warehouse space, customer service
- Integrate E-commerce into overall Business Operations
  - Product design
  - Production
  - Distribution
  - Service delivery
- E-commerce not for all Businesses
  - Commodities (books, shoes, electronics)
  - Products require personal inspection
  - Products do not show well on a webpage
  - Final analysis: Costs vs. Benefits

# Final Output of Project

- Literature Review of Case Studies
- Nearly Thirty Original Case Studies
- Lessons Learned from Case Studies
- Curriculum Guide for Using Case Studies in E-commerce or Entrepreneurial Development Workshops

# Keeping Case Studies Current

- Involve case study firms?
  - Lost objectivity?
  - Drive enough traffic to their site to justify time?
- Institutionalize somewhere?
  - ERS?
  - RUPRI?
  - SBA?
- Create network of independent researchers using same/similar protocols?