

**Testimony of Dana Connors
President, Maine State Chamber of Commerce**

**Before the U.S. House of Representatives Committee on Small Business
On
Wednesday, March 13, 2019 at 11:30 AM
2123 Rayburn House Office Building**

Hearing Entitled “Flipping the Switch on Rural Digital Entrepreneurship”

Chairwoman Velázquez, Ranking Member Chabot and fellow members of the Committee,

Thank you for inviting me to speak with you today about the impact of digital tools and technologies on rural small businesses.

My name is Dana Connors and I am the President of the Maine State Chamber of Commerce—an organization that promotes a positive business environment in the state of Maine. As the state’s premier business advocacy organization, we empower Maine’s business community to collaboratively advance a proactive agenda for economic growth and prosperity throughout the state.

Maine's rich history, vibrant communities, and unparalleled work ethic make our state a fabulous place to work and live. As the voice of Maine Business, the Maine State Chamber of Commerce represents a network of 5,000 businesses of all sectors, sizes, and regions within our great state. We advocate on their behalf daily before the Legislature, state departments, and various levels of state government. We also offer many programs and partnerships to help companies do what they do best ... run their business.

Maine is a rural state. More than 60% of our adult population live in a rural area – the highest in the country. Maine is a small business state 75% employee less than ten people – we have over 35,000 businesses in Maine and using the federal definition of small business, only 64 businesses in Maine that have over 500 employees. As you can imagine, many of these small businesses in Maine are located in rural areas—and I hear from them regularly.

This report validates the need for digital tools and high-speed internet for the today’s e-commerce. I would like to share with you how digital economy has helped rural Maine businesses grow and compete in the global economy but also that we still have a lot of work to do.

First is the story of a remarkable person, who moved to Maine after a successful career in New York City. And she didn’t move to Portland either, she moved to our most rural county – Washington County. Washington County is the home to lobsterman and blueberry fields that you would see on a postcard. But when she moved to Machias, Maine – access to high speed broadband and the digital economy had not yet arrived in Washington, Maine and this was only 10 years ago. She saw a great opportunity and started a company – Axiom – with one goal, delivering high speed internet access to one of the most rural counties in America. And she has done just that. It truly is a success story and one that has led to economic investment in an area of Maine that for years saw the opposite.

The second story is about a renowned artist who moved to Cranberry Isle, Maine. Maine is becoming a hub for artists and foodies from around the globe but the thing that makes this possible is a high-speed internet connection that allows the artist to connect to the global economy and sell the works of art online. Without the connection, Maine would be a great place to vacation to but not a place to live. The expansion to high speed internet access is allowing us to grow businesses in areas of our state that for years, has been an exodus to urban areas for work.

The last story is about a small company along the coast of Maine who was able to adapt to the new economy and grow. Raye's Mustard in Eastport, Maine – home of the Nation's first sunrise every day, was a mustard mill that provided mustard to the sardine factories down the road where sardines were packed and shipped around the world. But when the factories went out, like you see in other rural areas of our state, companies like Raye's mustard had to change and adapt – no longer could they survive with one industry as a customer. With a high-speed internet connection and being the only stone ground mustard mill left in America, the globe became their customer. They changed to high end, gourmet mustard that has won national awards and can be shipped globally. If you haven't tried it, I would encourage you to do so. Not only have the jobs been saved, they have been able to grow.

These are just a couple positive stories of how bridging the digital divide in rural Maine can have a lasting impact on our people and our economy but there is much work still to do. High speed broadband is essential for rural states like Maine and the report we present to you today, highlights the success we can have with continued investment.

I have spent the last 20 years advocating for Maine businesses, and in that time I have witnessed a remarkable transformation in the way Mainers run their business. I've seen firsthand how digital tools and technology allow rural small businesses owners in my state to start, scale, compete and succeed in a global economy—which is essential to a vibrant economy in a rural state.

The Report

My testimony today is focused on a report released by the U.S. Chamber Technology Engagement Center (C_TEC), the tech policy hub of the U.S. Chamber of Commerce, and generously underwritten by Amazon. C_TEC was established to advance technology's role in the U.S. economy and to promote policies that foster innovation. C_TEC supports research, like the report we are discussing today, to inform policymakers, regulators, and the public at large.

The report, *Unlocking the Digital Potential of Rural America*, focuses on how digital tools are driving the success of small businesses in rural America and the opportunity digital tools present for entrepreneurs living in rural America.

C_TEC partnered with ndp | analytics to lead the research for the report. To complement official statistics throughout the report, C_TEC also partnered with Ipsos, a global market research firm, to conduct a survey of 5,300 small business owners in rural America about the economic impact of online tools and technology on their businesses. Several key findings of the survey are as follows:

- *Digital technology boosts sales and reduces costs for rural small businesses*: Online tools and technology help rural small businesses expand their customer base in their own community, neighboring states, and, in some cases, outside of the country as well. Online tools boost sales

for nearly 55% of rural small businesses across America. In addition, online tools reduce purchasing costs of products and materials for nearly 29% of rural small businesses.

- *Small businesses in rural areas are slowly adopting digital tools and technology:* Nearly 20% of rural small businesses in America generate the vast majority of their revenue (at least 80%) by selling their products and services online. A slightly larger share of rural small businesses, 22%, purchased at least 80% of their goods and services online.
- *Rural small businesses utilize digital tools and technology for sales, marketing, and operations:* About one-third of rural small businesses sell their products and services through their own websites and nearly 13% sell their products and services through third-party websites. Over 58% of rural small businesses have social media accounts and nearly 36% use online advertising services. Rural small businesses also use online tools for operational tasks such as business banking, accounting, virtual meetings and conference calls, and cloud computing.

Combining the survey results and official statistics, the research team evaluated the economic impact of digital tools on rural small businesses across the country—assessing impact of GDP and job creation over the past three years, qualifying unrealized gains had the businesses had greater access to digital tools, and forecasting growth in GDP and job creation for the next three years. Several key findings are as follows:

- *Digital technology created opportunities for rural small businesses in the past three years:* Digital tools and technology boosted gross sales of rural small businesses by 17.2% during the past three years, the equivalent of \$69.8 billion per year. The additional gross sales contributed \$38.7 billion to U.S. GDP per year and created 296,288 jobs (full-time equivalent) with \$12.1 billion in wages per year. The magnitude of the economic benefits is equivalent to the size of the economy of Vermont or Wyoming.
- *The economic benefits of digital technologies have not been fully realized in rural areas:* If rural small businesses had better adopted online tools and technology, their gross sales would have increased by an additional 18.3% in the past three years, the equivalent of \$74.4 billion per year. Consequently, rural small businesses would have added another \$41.3 billion to U.S. GDP per year and created an additional 316,605 jobs with \$13.0 billion wages per year. These unrealized economic benefits are equivalent to 0.2% of GDP and over 5% of the number of unemployed people in the U.S. labor force.
- *With greater adoption of digital tools and technology, the potential economic benefits in rural areas are far reaching:* If rural small businesses better adopt online tools and technology, their gross sales could increase by an additional 20.8% during the next three years, the equivalent of \$84.5 billion per year. This increase in sales could contribute an additional \$46.9 billion value added to U.S. GDP per year and create 360,054 jobs with \$14.8 billion wages per year. By unlocking the digital potential of rural small businesses, the U.S. GDP would gain an additional 0.2% per year and reduce the number of unemployed people by nearly 6%.

Impact of Report Findings

Digital technologies and the e-commerce ecosystem are transforming the way we live and do business. Thanks to the technological innovation during the past 20 years, online tools are widely available and

more affordable among American households and businesses. With just one click, Americans can purchase virtually anything from anywhere at competitive prices.

The development of online tools and technology creates a unique opportunity for rural small businesses. Greater internet connectivity will support the opportunity for greater innovation through access to digital tools like the cloud. Small businesses in rural areas will have access to the best tech in the world at a fraction of the cost. Digital technology helps these entrepreneurs run their business while maintaining their lifestyle in rural areas.

These gains underscore the economic potential of rural America, and it is important for the sustainability of the nation's economy that the progress continues. The report includes four recommendations that I wholeheartedly endorse:

- **Increase digital connectivity in rural areas.** Internet and mobile phone connectivity are crucial to selling online. The connection and speed at which a consumer and vendor transact matters. While over 92% of Americans have access to high-speed internet, about 27% of rural residents still do not have access to the FCC broadband standard. The private and public sectors should continue to identify opportunities to expand connectivity, including through deploying infrastructure and expanding wireless spectrum in order to add coverage and capacity in rural areas.
- **Increase the talent pipeline of candidates trained in digital skills (cloud, digital marketing).** Without a skilled workforce, small businesses cannot thrive. There is a shortage of skilled IT professionals in rural areas to assist small businesses. The private and public sectors should continue to identify opportunities to partner to ensure the skills businesses need in their workforce match the local curricula preparing the American workforce for the 21st century.
- **Increase adoption of digital training and digital tools by rural small businesses so they can scale their operations.** This study highlights two points: the positive benefits for rural small businesses effectively utilizing digital tools to sell online and the potential for businesses currently underutilizing those digital tools to grow. Showcasing existing programs offered by the Small Business Administration and affiliated Small Business Development Centers across the country is a cost-effective way for rural small business owners to increase their digital literacy. Further, as digital tools evolve, increased opportunities for private sector companies to train small business owners on new products will help them start, scale, and compete in a global economy.

By increasing the quality of connectivity, calibrating the skills required by businesses with how we prepare the American workforce, maximizing exposure to digital literacy programs for small business owners, and reducing the cost of competing in an e-commerce ecosystem, small businesses in rural America could realize benefits far greater than they have in the past. Based on the survey conducted for this report, rural small businesses could add over \$84 billion in sales in the next three years and could create another 360,000 jobs in rural areas, where 17.5 million adult residents are either unemployed or no longer actively looking for employment.

Simply, digital tools and technologies are critical to rural small businesses in Maine and across the country. Unlocking the digital potential in rural America is important for American small businesses and critical to future U.S. economic growth.