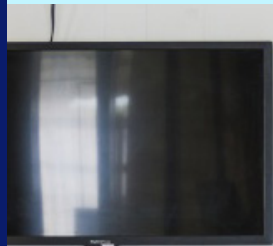
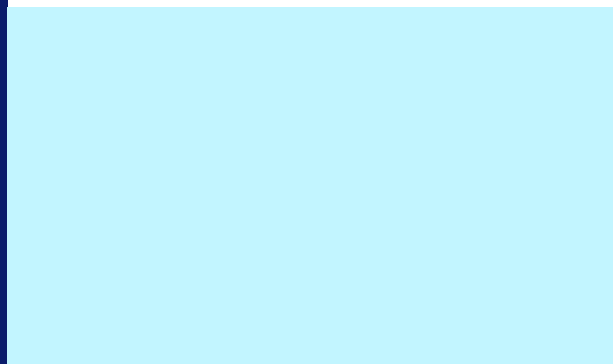


FEBRUARY 2021

California Small Online Business Report

eBay Marketplace Boosts Pandemic Resiliency



ebay

EXECUTIVE SUMMARY

The COVID-19 pandemic created unprecedented challenges for small enterprises and entrepreneurs around the world, including in our home state of California. Supporting the vibrant eBay California seller community during these difficult times has been core to our mission. As we celebrated our 25th year anniversary in 2020, eBay is as committed as ever to tirelessly using technology to empower people, foster recovery and create economic opportunity for all. We have actively engaged with California state and local government to offer our partnership and advocate on behalf of small businesses during this challenging time. As the world has forever changed we are inspired to continue to play our part for California and the country to emerge with an even stronger, more resilient, equitable and inclusive economy.

This report explores how independent small businesses and entrepreneurs, based in California, were able to quickly turn to eBay's digital marketplace and increase their focus on remote retail to connect with consumers across America and around the world. eBay helped small businesses, both existing and new to online, meet growing consumer ecommerce demand, and help compensate for oftentimes declining local retail demand. eBay's digital marketplace tools, optimized for independent retailers of all sizes, allowed small businesses throughout the state to quickly adapt. Some small ecommerce veterans ramped up, some shifted their focus from storefronts to ecommerce, while others joined the ecommerce market for the first time. In the six months following the initial pandemic lockdowns of March 2020, the number of eBay-enabled small businesses in California grew 30 percent over the same time frame in the previous year. Sales by eBay-enabled small businesses in the state grew by an even greater 44 percent compared to April - September of 2019. Additionally, a remarkable 99.6 percent of the eBay-enabled small businesses in California sold to customers outside the state in the first two quarters of the pandemic - proving ecommerce's critical role in helping small businesses work through this global health crisis.

International trade provides a striking example of how a digital marketplace transforms commerce opportunities for California small businesses. Global trade has traditionally been the purview of large corporations. Nearly all traditional small businesses are locked into their local market and rarely serve foreign customers. Digital marketplaces are facilitating small business trade, however, allowing even the smallest enterprises to create a storefront online and compete in markets globally. Since our founding, eBay has been a leader in harnessing technology to empower small businesses to engage in this expansive commerce. A massive 97 percent of eBay-enabled small businesses in California exported in 2018, the most recent year for which this data is available. This export success rate was also matched by women-owned eBay-enabled small businesses in California. The top five export destinations for California's eBay-enabled small businesses are Canada, the United Kingdom, Australia, China and Mexico.

Finally, the report highlights that digital marketplace opportunities for small businesses promote growth in diverse and more challenged regions, including rural communities. These counties have faced economic challenges for many years. While California saw a -0.1 percent decline in the number of rural firms from 2011-2017, digital tools and access to consumers in remote and export markets helped achieve a positive 3.4 percent rate of growth in the number of eBay-enabled small businesses in California's rural counties during this time. eBay-enabled small business growth in the state's metropolitan counties was even higher at a striking 33.8 percent, more than three times the 11 percent growth rate in the overall economy.

California

**eBay-Enabled Small Business
YoY Growth: (Apr. 1-Sep. 30, 2020)**

30% in Number

44% in Sales

Share of Enterprises Exporting (2018)

97% eBay-Enabled
Small Businesses

97% Women-Owned
eBay-Enabled
Small Businesses

1.7% Traditional
Businesses

**Growth in the # of Establishments
(2011-2017)**

33.3% eBay-Enabled
Small Businesses

10.8% Traditional
Businesses

We greatly appreciate your interest in this report. If you have any questions, comments or feedback – please do not hesitate to contact:

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Alan Elias (aelias@ebay.com)

Thank you!

Independent small businesses and entrepreneurs across California, the United States and in markets around the world have been greatly impacted by the unique and complex economic and social challenges stemming from the COVID-19 pandemic. Small businesses are at the heart of the eBay marketplace. Supporting this vibrant, creative and compassionate community during these difficult times has been our top mission. We remain committed to tirelessly using technology to empower people, foster recovery and create economic opportunity for all, in order to emerge with a stronger, more resilient, equitable and inclusive economy.

Part 1 of this report explores how independent small businesses and entrepreneurs based in California were able to quickly turn to eBay's digital marketplace during the first six months of the pandemic, increasing their focus on remote retail to connect with consumers across America and around the world.

Ecommerce strategies to reach consumers where they are, rather than just from a local, physical storefront, quickly went from a forward-thinking growth opportunity to a business imperative. Entrepreneurial California small businesses responded, meeting growing consumer ecommerce demand and compensating for the reality of declining local retail demand. eBay's digital marketplace tools, optimized for independent retailers of all sizes, allowed small businesses and entrepreneurs throughout California to quickly adapt. Small business ecommerce veterans shifted even more focus to online while others joined the digital marketplace for the first time. Pandemic shutdowns and restrictions began in mid-March 2020, and in the following six months the number of eBay-enabled small businesses in California grew 30 percent over the same time frame in the previous year. Sales by eBay-enabled small businesses in California grew by an even greater 44 percent over the previous year.

Part 2 of this report focuses on the cross-border trade success of eBay-enabled small businesses in California. While the pandemic has disrupted some global trade, California online small business exports will remain a critical piece of their success. eBay's digital marketplace has been empowering unprecedented trade success by independent small businesses for years, foreshadowing how remote commerce would serve small businesses during the pandemic. Robust and concrete data demonstrates that eBay-enabled independent small businesses in California have been engaging in global trade at a scale once reserved for the very largest corporations.

The numbers are striking: A massive 97 percent of eBay-enabled small businesses in California export – a far higher rate than businesses that have not embraced online tools – and these small businesses reach on average 19 different countries annually, again dwarfing the reach of traditional brick and mortar exporters. In addition, the export rate and reach for women-owned eBay-enabled small businesses in California matched these figures. The community of eBay-enabled small businesses in California are effectively Global Traders, and they operate from cities and towns across the state.

Part 3 of this report explores how the revolutionary ability for small enterprises to reach consumers anywhere across the globe has fostered growth in the number of eBay-enabled small businesses in more diverse and rural counties, while stagnation has impacted the overall rural economy. The net rate of growth in the number of small businesses on eBay in California's rural counties was 3.4 percent from 2011-2017, while it flatlined at -0.1 percent in the overall rural economy. While economists attribute the stagnant enterprise growth in rural communities to "declining dynamism", the growth in the number of eBay-enabled small businesses in rural and more diverse counties offers hope that technology and access to remote consumers can serve as a growth counterweight.

Part 1: Empowering California Small Businesses and Entrepreneurs to Respond to the Pandemic



The eBay community of small business sellers and entrepreneurs has been at the heart of our marketplace since the earliest days of the platform. This section will review, at a high level, the impact of the pandemic on small retail enterprises, with most facing unprecedented challenges. It will examine how independent small businesses and entrepreneurs based in California were able to quickly turn to eBay’s digital marketplace and increase their focus on remote retail to connect with consumers across America and around the world.

Mid-March 2020 saw the beginning of a wide and varied range of governmental, private sector and individual responses to the COVID-19 pandemic across America and around the world. California, home to over 39 million people across an incredibly diverse 58 counties, instituted a series of sweeping public health-related orders, mandates and recommendations from State Government, along with counties, municipalities and local jurisdictions.

The Governor of California issued the state’s initial Stay at Home order¹ and related guidance on March 19, 2020. State orders and guidance impacting a wide range of public, business and private activities went through various iterations throughout the rest of the year based on changes in conditions related to the virus, health care services and the economy.² This report will not attempt to quantify or assess the negative impact of the pandemic on health and safety, other than to say that it took a massive toll on individuals, families and communities across the state. Nor is it within the scope of the report to comment on the efficacy or appropriateness of any public policy responses.

Impact on the Retail Industry

The retail sector has been significantly impacted by the pandemic, both directly and indirectly. A range of government shutdowns, restrictions and mandates were imposed on retailers. Retailers changed operating practices to protect employees and customers, faced shifting consumer and shopping behaviors, and suffered along with other businesses from the major negative impacts on the overall economy and consumption.

Simply operating in the context of the virus became a question. Retail businesses, large and small, initially faced questions related to how California’s Stay at Home order applied to their establishments. There were questions over which businesses were “essential,” including among small enterprises.³ Judgements and enforcement decisions were often made locally.⁴ If a retail business operated at all, there were questions over how to operate safely, both for employees and customers, with shifting guidance and recommendations.⁵

Most operating decisions fell to retail business leaders themselves. Many large retail chains outside the grocery and household supply sectors closed their physical stores to customer traffic for a time and shifted their focus to various ecommerce-enabled retail channels.⁶ Taken as a whole, “Retail Trade” fell 8.4 percent year-over-year in Q2 2020 in California⁷ with in-store retail falling 14.3 percent.⁸ The global economic toll of the pandemic is also reflected in the state’s exports falling 25.3 percent in Q2 2020 and 6.8 percent in Q3 2020⁹, which reverberated across the broader economy.



Bonnie Sugawara
Global Auto Parts
Stockton, CA

Global Auto Parts is an independent, family-owned auto parts retailer specializing in premium quality parts for import vehicles since 1977. With a passion for auto parts that began with her father's business, Bonnie Sugawara saw an opportunity to expand the store's reach and connect with customers across the globe. Bonnie decided to quit her 9-5 job, and join her father, Henry, to become an officer and co-owner of the family business. Her first job was to introduce Global Auto Parts into ecommerce. Since then, selling on eBay has contributed to the businesses' success by opening doors to new opportunities worldwide as they export roughly 25 percent of their products. After 40+ years in the automotive business, Bonnie and her father's relentless energy and enthusiasm keeps them forging onward with eBay as a partner to their growth and success. When the pandemic forced Global Auto Parts to close its retail location, Bonnie said, "Thanks to eBay, we were able to connect and easily help customers around the world with their auto part needs. They kept us relevant in the minds of our customers who could no longer visit us in person, or who were visiting us for the first time online!"

Ecommerce Proves Key to Small Business Success

Small businesses were especially hit hard by the pandemic, including in the retail sector. Nationally, surveys indicated harm to over 80 percent of small businesses¹⁰, with almost half of the smallest, those with 1-4 employees, reporting a significant or severe impact, a rate higher even than larger firms.¹¹ While it could have been expected that the largest omnichannel retailers and chain stores would have shifted efforts to ecommerce, small businesses also rapidly adopted technology tools, including ramping up ecommerce and digital payments options.

eBay marketplace data from the second and third quarters of 2020, April 1 to September 30, reveals how significantly small retailers turned to technology. eBay's digital marketplace tools, optimized for independent retailers of all sizes, allowed small businesses throughout the state to quickly adapt within just a few weeks of the initial "Stay at Home" order in California and similar actions nationally. Some were ecommerce veterans and worked to meet expanded consumer demand, some shifted more of their focus from storefronts to ecommerce, while others joined the ecommerce market for the first time. In the six months following the initial pandemic lockdowns, the number of eBay-enabled small businesses in California grew 30 percent over the same time frame in the previous year. Sales by eBay-enabled small businesses in the state grew by an even greater 44 percent over the level of sales of April to September of 2019.¹² eBay also empowered this community of sellers to reach beyond California and sell to consumers across the country and

FIGURE 1.0

CA eBay-Enabled
Small Business
YoY Growth:
(Apr. 1-Sep. 30, 2020)

30% in Number
44% in Sales

around the world. In fact, 99.6 percent of the eBay-enabled small businesses in California sold to shoppers outside the state from April 1 to September 30, 2020.

Independent research into small business banking data backs up the proposition that a shift to ecommerce helped small business retail recover from the initial pandemic shutdown shock more quickly and completely than many other small firms. As the pandemic slowdown continued through the summer, restaurants and personal services businesses continued to see the largest negative impacts, but by the end of September, small retail firms had returned to parity from the prior year.¹³ The next section will focus on the international trade activity of eBay-enabled small businesses in California which reflects an equally striking level of global reach.

Part 2: Global Trade Opportunities for California eBay-Enabled Small Businesses and Entrepreneurs

Global trade has traditionally been the purview of large corporations. The prototypical model for global trade has involved a large, established domestic company targeting an attractive export market, establishing overseas operations and eventually developing a multi-national supply chain with vendors and consumers located around the world. This model continues to be the dominant model for trade. Large firms account for less than one percent of enterprises in the United States¹⁴, but they account for just over two thirds of the known value of exports.¹⁵ Some smaller firms do engage in exporting, often as a participant in a larger business's Global Value Chain.¹⁶ However, even accounting for these partnerships with larger firms, only a small share of traditional businesses export and in the United States that figure stands at approximately one percent.¹⁷

Small businesses no longer need to be left behind by trade. When the Internet is combined with marketplace services and efficient logistics, even the smallest independent businesses can connect with consumers and establish trust across national and cultural borders.¹⁸ Small businesses are able to create a storefront online and compete in global markets through e-commerce platforms with vibrant customer bases. At the same time, they can maintain operations and create jobs in their local community, such as through a traditional shop or their own small warehouse facility. World Bank Enterprise Survey data provides evidence that internationalized firms also achieve higher levels of productivity than those who forego export opportunities.¹⁹

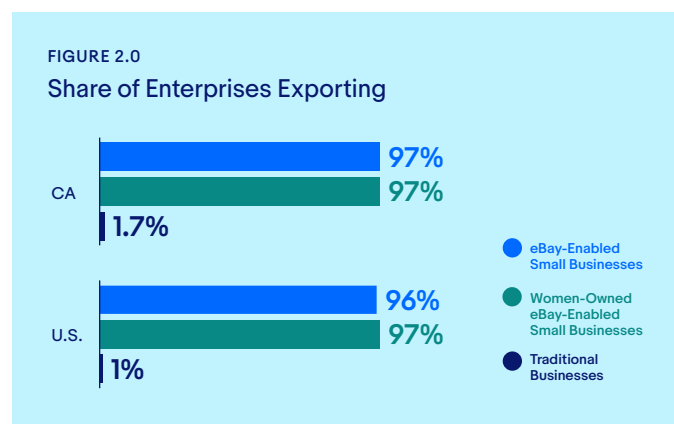
Inclusive growth -- economic growth that is distributed fairly across society and creates opportunities for all -- aims to expand opportunities for small and micro-enterprises, depressed and rural regions, women and minorities.²⁰ Inclusive growth is a priority of eBay and therefore, where available, this section of the report will note the trade figures of women-owned small businesses selling on eBay. For a full report focused on the trade success of women-owned eBay-enabled small businesses in the United States, please visit: <https://www.ebaymainstreet.com/InclusiveTrade>.

The remainder of this section will present findings from the latest available eBay marketplace trade data to illustrate the level of export activity by eBay-enabled small businesses in California and contrast the data with traditional business activity where

available. If the reader would like to compare the trade success of eBay-enabled small businesses in the State of California with the trade activity of eBay-enabled small businesses in other US States, please visit: www.ebaymainstreet.com/UnitedStates and to compare to eBay-enabled small businesses in other countries, please visit www.ebaymainstreet.com/facts-and-figures.

Share of Enterprises Exporting

The share of small businesses exporting on the eBay marketplace²¹ is the first and possibly most striking data point that illustrates the impact and reach of global commerce platforms in comparison to the traditional model of trade. In California, 97 percent of eBay-enabled small businesses are exporters, a success rate matched by the state's eBay-enabled small businesses owned by women. Counties with some of the most export-intensive eBay seller communities are located all across the state, with counties such as Los Angeles, Stanislaus and Shasta meeting or exceeding the impressive statewide average.²² The national rate of 96 percent of eBay-enabled small businesses exporting is matched in counties like Santa Clara and Placer. It is important to note that all of these export rates dwarf the share of traditional businesses in the State of California and the United States that export, which U.S. Census Bureau data reveals to be only 1.7 percent and 1 percent respectively.²³





Gwynn Clark

Repeat Performance
Fresno, CA

In 1999, Gwynn Clark saw the positive impact consignment shops could have on an entire community, so she bought a brick and mortar store that year and began selling all different types of items. A few years ago, she decided to try and sell items on eBay after she noticed that a well-kept Louis Vuitton handbag had been sitting in her store for a number of weeks. The bag sold within 30 minutes of being listed, and ever since then, she has relied on eBay for about a quarter of her total sales. Gwynn actively donates items that go unsold to local shelters on behalf of the individuals who donated them to her store and 40 percent of her total revenue goes back to the community and to the people who donated items. The pandemic forced Gwynn to close her doors, but she didn't worry too much because she knew eBay would keep her small business connected to millions of shoppers around the world. Gwynn said, "That sense of security meant the world to us."

Top Five Destination Markets for eBay-Enabled Small Businesses in California²⁴

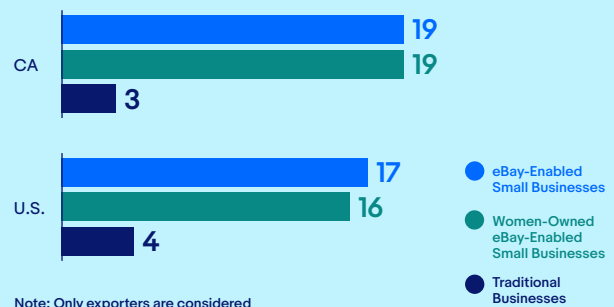
1. Canada
2. Australia
3. United Kingdom
4. China
5. Mexico

eBay-enabled small business exporters in California, including the women-owned enterprises, average 19 different export markets.²⁷ The comparable reach for eBay-enabled small businesses nationally is a slightly lower 17 export markets. In contrast to the large number of markets served by the average eBay-enabled small business, traditional California businesses that export, which as noted in the previous section was just 1.7 percent of all enterprises, sell in an average of only 3 markets. Likewise, traditional exporters nationally average just 4 destination markets per year.²⁸ eBay-enabled small businesses in giant counties such as Los Angeles, San Bernardino and Orange, meet or exceed the statewide average of export markets, but so do the eBay-enabled small business sellers in small, rural Mono County.²⁹

Average Number of Foreign Destination Markets

The average number of foreign markets²⁵ reached on an annual basis provides a key measurement of export activity and reach. It has been traditionally understood that businesses considering exporting to a new foreign market face additional costs of entry, and therefore expanding their business by exporting to more foreign markets leads to higher entry costs.²⁶ Escalating entry costs has led to the presumption that smaller firms will export to fewer foreign markets. However, when examining the figures for eBay-enabled small businesses we see a powerful testament to how eBay bridges distance for small enterprises and provides access to markets that were unreachable through the traditional model of trade.

FIGURE 3.0
Average Number of Foreign Destination Markets



Top Five Growth Markets for Exports for eBay-Enabled Small Businesses in California³⁰

1. Mexico
2. Ukraine
3. Vietnam
4. Honduras
5. Dominican Republic

Top Five Product Categories Exported by eBay-Enabled Small Businesses in California³⁵

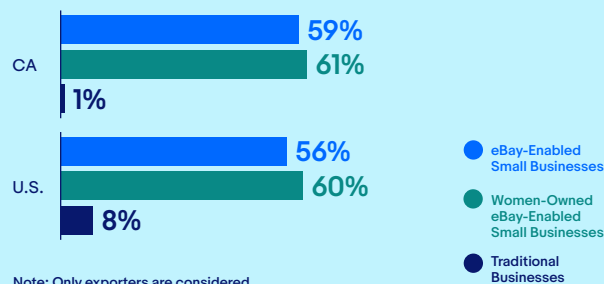
1. Auto Parts
2. Computing
3. Clothes, Shoes and Accessories
4. Business, Office and Industrial
5. Jewelry & Watches

Share of Enterprises That Reach Ten or More Different Foreign Markets

As another measurement of the scale of eBay-enabled small business exporting activity, we calculated the share that exported to ten or more foreign markets in 2018.³¹ As with the previous data point, our findings show that eBay-enabled small businesses defy the traditional understanding that entry costs are a barrier to exporting to additional foreign markets. U.S. Census Bureau data indicates that roughly 8 percent of all U.S. exporters³², not just small businesses, reach ten or markets per year. In California, only 1 percent of exporters sell into ten or more markets.³³ These numbers fall significantly below the corresponding rates among eBay-enabled small businesses, with women-owned eBay-enabled small businesses leading the way with 61 percent reaching this mark. This is slightly ahead of the 59 percent of all eBay-enabled small businesses in California, and the national eBay-enabled small business average of 56 percent. Once again, eBay-enabled small businesses in mega-county Los Angeles are among the statewide leaders, but the percentage of eBay-enabled small businesses exporting to ten or more markets meets or exceeds the statewide figure in smaller and more rural Colusa and Madera Counties.³⁴

FIGURE 4.0

Share of Enterprises That Reach Ten or More Different Foreign Markets

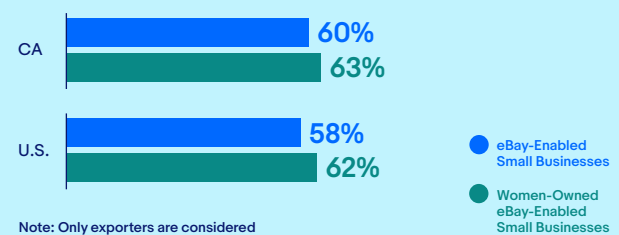


Share of eBay-Enabled Small Businesses Exporting to Buyers on Four or More Continents

Though a non-traditional measurement of scale and scope of exporting activity, we have calculated the continental reach of eBay-enabled small businesses to provide a unique perspective on the truly global reach of many eBay-enabled small business exporters.³⁶ For the purposes of this analysis, sales were designated to buyers on one of six continents: North America, South America, Europe, Asia, Africa, and Australia. When an eBay-enabled small business exported to a buyer in a country on a continent, they were credited with an export to that continent. Additionally, when an export sale is made to a country on the same continent as the seller, that sale is counted as an export to that continent. (e.g. A sale from a California-based eBay seller to a buyer in Canada is an export to a North American export market). We classify an eBay-enabled small business with sales to four or more continents in a year to be a “Global Seller”. Once again, the women-owned eBay-enabled small businesses were the leaders, with 63 percent being Global Sellers in 2018. This exceeded the 60 percent mark of the overall eBay-enabled small business community in California, a level also achieved by seller communities in counties including Sacramento and Stanislaus.

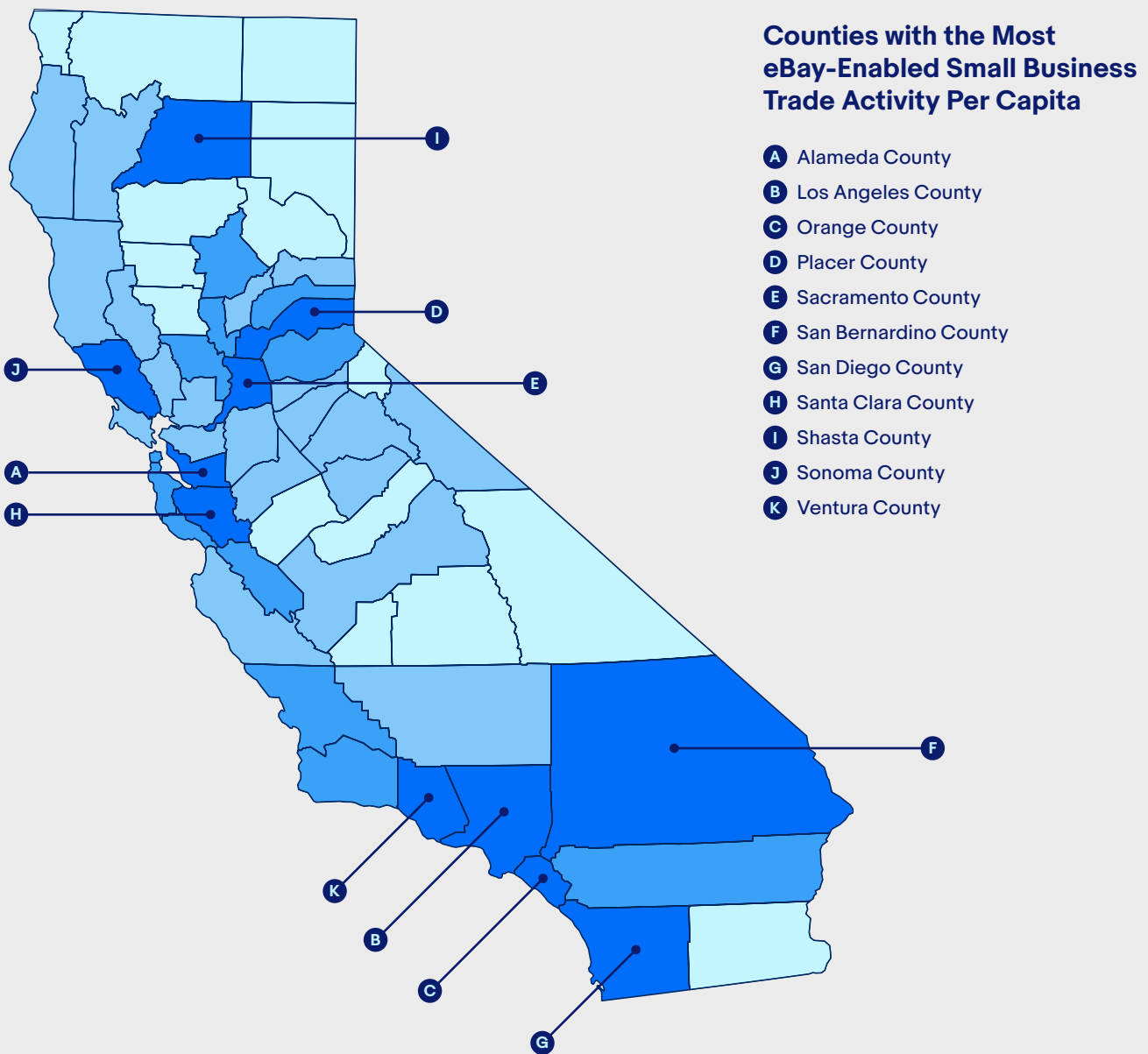
FIGURE 5.0

Share of eBay-Enabled Small Businesses Exporting to Buyers on Four or More Continents



County Level eBay-Enabled Small Business Trade Activity Per Capita

The research shows that small online businesses operate on eBay from across the State of California. We wanted to know, which California counties actually have the most active eBay-enabled small business trading community? Given the broad differences in the population level of California’s counties, we have calculated the export sales by eBay-enabled small businesses per capita. We call this “Digital Trade Density”.



Part 3: Entrepreneurial Dynamism Creating Economic Opportunity Throughout California

In this section we look to evidence that remote commerce on eBay, including global trade, which provided small business growth opportunities during the pandemic, has been delivering economic growth in rural and economically challenged communities for years. The economic growth data being used in this section is the rate of growth in the net number of business enterprises. Growth in the net number of business enterprises is taken as a proxy for more vibrancy and growth in the economy. Flat or falling net enterprise numbers is conversely taken as a proxy for stagnation and sluggish growth opportunities.

Evidence of Broad-Based Declining Dynamism and Entrepreneurial Activity

A broad-based decline in “dynamism” in the U.S. economy, including reduced rates of new business formation, reduced rates of churn among new firms and failing firms, an increasing average age of firms, and a decline in the rate of new enterprise formation or start-ups, has been noted and studied for a number of years.³⁷ Declining economic dynamism appears especially troubling in rural America. As reported by the American Enterprise Institute in its 2020 report titled, “Rural America’s Stagnant Economic Performance”, per capita personal income growth in nonmetropolitan America lagged metropolitan America by 5.2 percentage points from 2010 to 2018.³⁸ Further evidence of rural America falling behind metropolitan regions can also be found in higher official poverty rates, sluggish job growth, and persistent population decline.³⁹

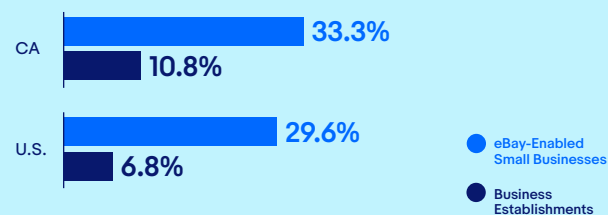
Comparing Overall Net Enterprise Growth in the Traditional Economy and on eBay

The rate of net growth in the number of business firms is a sign of economic dynamism.⁴⁰ Higher rates of both firm creation and firm destruction are positive signs of a dynamic economy, with resources moving from less productive to more productive enterprises. However, a net increase overall in firms represents an overall healthy environment. In addition, firm births are important because new and small firms disproportionately create net new jobs nationally.⁴¹

The rate of growth in the net number of business establishments in California from 2011 to 2017 was 10.8 percent, which meaningfully exceeded the national rate of 6.8 percent.⁴² However, the rate of growth in the net number of eBay-enabled small businesses over the same period was 33.3 percent in California and 29.6 percent in the United States overall. Net enterprise growth was three times more robust on eBay than in the overall state economy. Lower costs of doing business over distance and access to global consumer markets for even very small enterprises appears to have been delivering a more robust rate of enterprise creation than exhibited in the traditional economy for some time.

It is noteworthy that some of the highest rates in the growth in the number of eBay-enabled small businesses, above 40 percent, occurred in major metropolitan counties like Los Angeles and San Bernardino, which also experienced above-average enterprise growth overall.⁴³ At the same time, eBay-enabled small business growth also significantly exceeded the statewide average in counties like Fresno and Sacramento, which had below-average traditional growth.⁴⁴ In more rural Shasta County, enterprise growth in the overall economy was negative, falling by 0.2 percent, while the eBay-enabled small business growth was meaningfully above average at 38.8 percent.

FIGURE 6.0
Average Net Rate of Growth in the Number of Enterprises





Schad VanLeeuwen

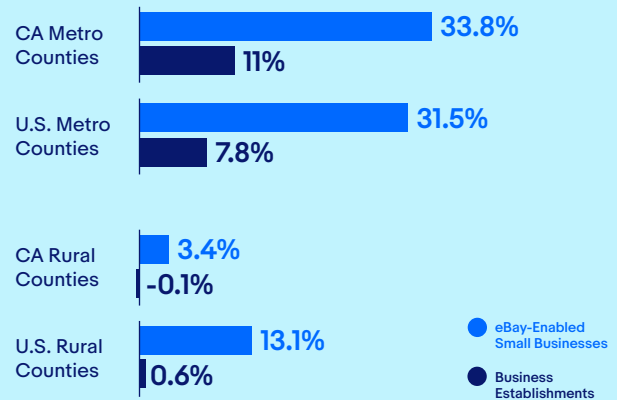
Speed Addicts
Los Angeles, CA

Schad VanLeeuwen started Speed Addicts out of his dorm room as a freshman at the University of California at Santa Barbara in 2003. He started on eBay by selling older inventory from the motorcycle parts and accessories distribution company founded by his grandfather, a national champion motorcycle racer. This quickly evolved into selling current products and upon graduation, he decided to make Speed Addicts his career. The company has steadily grown year-over-year since its inception, with eBay still the number one source of revenue. Speed Addicts now has a 2,000 sq. ft. warehouse office in Los Angeles, where it has multiple offices, retail space and a state of the art 360 photo studio. Schad credits eBay for allowing him the freedom to travel the world, enjoy his favorite hobbies, design an amazing life and be a part of an industry that is exciting and challenging. Schad also notes that eBay made it easy for his business to avoid the negative impacts of the challenges brought on by the pandemic that were out of his control, such as forgiveness for late arrivals due to postal delays. Schad said, "It felt nice to know that eBay had our backs completely during this difficult time."

Although the more robust growth in the net number of enterprises on eBay compared to the overall economy is noteworthy on its own, we will next focus on the comparative levels of growth in the net number of enterprises in rural counties versus metropolitan counties. We use the USDA Economic Research Service's 2013 Rural-Urban Continuum Codes to determine metro and rural counties for our analysis.⁴⁵

Nationwide, the net rate of growth in the number of eBay-enabled small businesses in rural counties was 13.1 percent from 2011-2017. In the national rural economy, the rate of enterprise growth was just 0.6 percent.⁴⁶ California's rural enterprise growth fell below the national averages on eBay and overall, although on eBay, the net rate of growth of enterprises was positive, at 3.4 percent, while the overall state rural economy was negative, at -0.1 percent. In addition, there were eBay rural growth standouts such as Tuolumne, Nevada and Lake Counties, all making double digit gains in their number of eBay-enabled small businesses.⁴⁷ In rural Humboldt County, where the overall enterprise numbers fell by nearly 3 percent, eBay-enabled enterprise growth exceeded 9 percent.⁴⁸ While economists attribute the stagnant enterprise growth in America's rural communities to declining dynamism, the growth in the number of eBay-enabled small businesses in rural counties in California and nationwide offers a hopeful counterpoint.

FIGURE 7.0
Average Net Rate of Growth in the Number of Enterprises: Metro v. Rural





The COVID-19 pandemic created health, economic and social challenges that reverberated across society and the world in an unprecedented fashion. The retail sector, like so many industries, faced massive challenges and small business retailers confronted huge obstacles and existential threats.

Looking back, the spirit, energy, adaptability and resilience of small retailers and entrepreneurs across California is a clear example of how independent small businesses must remain a central feature of the economic future of the state.

The ability of small retail entrepreneurs to use ecommerce tools and marketplaces like eBay was a major success. eBay-enabled small businesses helped alleviate economic shocks, address shifts in consumer demand, and continue local business operations that maintained jobs and incomes in communities across the state. eBay is proud of the fact that in the six months following the initial pandemic lockdowns of March 2020, the number of eBay-enabled small businesses in California grew 30 percent, and their sales increased by an even greater 44 percent. Giving small businesses the power to access remote consumer markets led to a remarkable 99.6 percent of the eBay-enabled small businesses in California selling to customers outside the state. Additionally, the trade success of independent eBay-enabled small retailers, including women-owned small businesses, detailed in this report was a foreshadowing of how the digital marketplace could help them respond to the pandemic challenges.

Finally, eBay-enabled small businesses helped meet the remote consumer demand that jumped during the pandemic. But, as our data demonstrated, remote commerce also plays a key role in helping local small businesses grow in rural and disadvantaged communities where consumer demand is chronically depressed. While some of the highest rates in the growth in the number of eBay-enabled small businesses occurred in recent years in California's major metropolitan counties, some of the most successful eBay-small business export communities operated from very rural counties. For example, Los Angeles and San Bernardino counties had eBay-enabled small business growth rates reaching 40 percent and more rural Shasta County experienced a similar 39 percent growth rate. Statewide, where rural enterprise growth was a stagnant negative 0.1 percent, on eBay it was positive at 3.4 percent.

Empowering independent small businesses to use technology to reach remote consumer markets, while operating in and supporting their local community, is a tool for long-term equitable and inclusive growth as well as economic resiliency. This will remain an eBay priority in California, across America and around the world.

RESOURCES

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- ² The full set of state orders and related materials are available at: <https://covid19.ca.gov/stay-home-except-for-essential-needs/#stay-home-order>.
- ³ Romero, Dennis. (03/27/2020) “In California, Confusion Over Which Businesses Qualify as Essential.” NBC News. Available at: <https://www.nbcnews.com/business/business-news/california-confusion-over-what-businesses-qualify-essential-n1170031>.
- ⁴ Cowan, Jill. (03/16/2020) “California Governor Orders Radical Changes to Daily Life.” The New York Times. Available at: <https://www.nytimes.com/2020/03/16/us/california-newsom-bars-home-isolation.html>.
- ⁵ As an example, see the list of Industry Guidance from the California Retailers Association on their COVID-19 Page, which is available at: <https://calretailers.com/covid19/>.
- ⁶ Thomas, Lauren and C. Berk. (03/15/2020) “These Retailers are Closing Stores to Slow Coronavirus Outbreak”. CNBC. Available at: <https://www.cnbc.com/2020/03/15/these-retailers-are-closing-stores-to-slow-coronavirus-outbreak.html>.
- ⁷ Federal Reserve Bank of St. Louis and U.S. Bureau of Economic Analysis (11/23/3030) Retail Trade Earnings in California [CAERET], retrieved from FRED, Federal Reserve Bank of St. Louis; Available at: <https://fred.stlouisfed.org/series/CAERET>.
- ⁸ U.S. Census Bureau (11/23/2020) Monthly State Retail Sales: Total Retail Sales Excluding Nonstore Retailers in California [MSRSCATOTAL], retrieved from FRED, Federal Reserve Bank of St. Louis; Available at: <https://fred.stlouisfed.org/series/MSRSCATOTAL>.
- ⁹ U.S. Census Bureau (11/24/2020) Exports of Goods for California [EXPTOTCA], retrieved from FRED, Federal Reserve Bank of St. Louis; Available at: <https://fred.stlouisfed.org/series/EXPTOTCA>.
- ¹⁰ See U.S. Chamber of Commerce (07/29/2020) “July 2020 Small Business Coronavirus Impact Poll.” Available at: <https://www.uschamber.com/report/july-2020-small-business-coronavirus-impact-poll>; and Comcast Business (09/20/2020) “Almost 80 percent of Small and Medium Business Owners Feel Prepared for a Second Wave of COVID-19 According to Survey from Comcast Business.” Available at: <https://business.comcast.com/about-us/press-releases/2020/almost-80-of-small-and-medium-business-owners-feel-prepared>.
- ¹¹ Business Wire (10/08/2020) “Small Businesses Feel Biggest Impact of Coronavirus Pandemic.” Available at: <https://www.businesswire.com/news/home/20201008005232/en/Small-Businesses-Feel-Biggest-Impact-of-Coronavirus-Pandemic>
- ¹² The trade and economic reports of the eBay Government Relations Team have consistently used eBay marketplace data limited to transactions by sellers with sales of at least \$10,000 USD annually on the eBay marketplace when referring to “eBay-enabled small businesses”, including in all other sections of this report. However, in order to provide relevant comparisons to business activity in the six months from April 1, 2020 to September 30, 2020, and the prior year, “eBay-enabled small businesses” are sellers with sales of at least \$5,000 USD in the referenced six-month time periods.
- ¹³ JP Morgan Chase Institute (November 2020) “Small Business Expenses During COVID-19”. Available at: https://www.jpmorganchase.com/institute/research/small-business/report-small-business-expenses-during-COVID-19/?jp_cmp=email_stakeholdernote_ssbexpenses
- ¹⁴ World Economic Forum (2015) “What Companies Want From the World Trading System.” Available at: http://www3.weforum.org/docs/WEF_GAC_Trade_II_2015.pdf
- ¹⁵ U.S. Census Bureau Press Release (04/05/2018) “A Profile of U.S. Importing and Exporting Companies, 2015–2016.” Available at: <https://www.census.gov/foreign-trade/Press-Release/edb/2016/text.pdf>
- ¹⁶ Gereffi, Gary, J. Humphrey, and T. Sturgeon (2005) “The Governance of Global Value Chains.” Review of International Political Economy 12 (1): 78–104. Available at: http://www.fao.org/fileadmin/user_upload/fisheries/docs/GVC_Governance.pdf
- ¹⁷ Source for total number of exporters (2017): U.S. Census - Profile of U.S. Importing and Exporting Companies, 2016–2017 - <https://www.census.gov/foreign-trade/Press-Release/edb/2017/index.html>
U.S. data: Table 4a - <https://www.census.gov/foreign-trade/Press-Release/edb/2017/tab4a.pdf>
State data: Table 6a - <https://www.census.gov/foreign-trade/Press-Release/edb/2017/tab6a.pdf>
Source for total number of companies that have at least one employee in addition to the owner (2017): U.S. Census, 2017 SUSB Annual Data Tables by Establishment Industry - <https://www.census.gov/data/tables/2017/econ/susb/2017-susb-annual.html>
State/U.S. data: https://www2.census.gov/programs-surveys/susb/tables/2017/us_state_totals_2017.xlsx?#

Source for total number of companies that have no employees (2017): The County Business Patterns and Nonemployer Statistics Combined Report, 2017 - <https://www.census.gov/data/tables/2017/econ/nonemployer-statistics/2017-combined-report.html>

State/U.S. data: https://www2.census.gov/programs-surveys/nonemployer-statistics/tables/2017/combine17_xlsx.zip?#

Share = (total number of exporters) / ((number of employing companies) + (number of non-employing companies))

¹⁸ Meltzer, Joshua (2014) "Supporting the Internet as a Platform for International Trade." The Brookings Institute. Available at: <https://www.brookings.edu/wp-content/uploads/2016/07/02-internet-international-trade-meltzer.pdf>

¹⁹ OECD/ECLAC (2012) "Latin American Economic Outlook 2013: SME Policies for Structural Change." OECD Publishing. Available at: http://repositorio.cepal.org/bitstream/handle/11362/1464/1/S2012085_es.pdf

²⁰ Organization for Economic Cooperation and Development (2019) "Inclusive Growth." Available at: <https://www.oecd.org/inclusive-growth/>

²¹ The eBay data reflects the share of 2018 eBay-enabled small businesses (those with \$10,000 USD or more in annual sales on eBay) in each location, who exported in that year.

²² The share of eBay-enabled small businesses in Los Angeles, Stanislaus and Shasta Counties that are exporters are 97 percent, 97 percent and 98 percent, respectively.

²³ Source for total number of exporters (2017): U.S. Census - Profile of U.S. Importing and Exporting Companies, 2016-2017 - <https://www.census.gov/foreign-trade/Press-Release/edb/2017/index.html>

U.S. data: Table 4a - <https://www.census.gov/foreign-trade/Press-Release/edb/2017/tab4a.pdf>

State data: Table 6a - <https://www.census.gov/foreign-trade/Press-Release/edb/2017/tab6a.pdf>

Source for total number of companies that have at least one employee in addition to the owner (2017): U.S. Census, 2017 SUSB Annual Data Tables by Establishment Industry - <https://www.census.gov/data/tables/2017/econ/susb/2017-susb-annual.html>

State/U.S. data: https://www2.census.gov/programs-surveys/susb/tables/2017/us_state_totals_2017.xlsx?#

Source for total number of companies that have no employees (2017): The County Business Patterns and Nonemployer Statistics Combined Report, 2017 - <https://www.census.gov/data/tables/2017/econ/nonemployer-statistics/2017-combined-report.html>

State/U.S. data: https://www2.census.gov/programs-surveys/nonemployer-statistics/tables/2017/combine17_xlsx.zip?#

Share = (total number of exporters) / ((number of employing companies) + (number of non-employing companies))

²⁴ The eBay data reflects the top 5 export destination markets (based on sales) for 2018 eBay-enabled small businesses (those with \$10,000 USD or more in annual sales on eBay) in California, who exported in that year.

²⁵ Include countries and territories.

²⁶ For example, see Roberts, Mark J. and James R. Tybout. Directions in Development: What Makes Exports Boom? (Washington, D.C.: The World Bank, 1997a); Bernard, Andrew and Joachim Wagner. Export entry and exit by German firms. Review of World Economics (Weltwirtschaftliches Archiv), 137 (2001), 105-123.; Bernard, Andrew and J. Bradford Jensen. Entry, Expansion, and Intensity in the U.S. Export Boom, 1987-1992. Review of International Economics, 12 (2004b), 662-675.

²⁷ The eBay data reflects the average number of different foreign markets reached by 2018 eBay-enabled small businesses (those with \$10,000 USD or more in annual sales on eBay) in each location, who exported in that year.

²⁸ Source for U.S. level (i) Number of firms that trade with 1 country; (ii) Number of firms that trade with 2 to 4 countries; (iii) Number of firms that trade with 5 to 9 countries; (iv) Number of firms that trade with 10 to 24 countries; (v) Number of firms that trade with 25 to 49 countries; (vi) Number of firms that trade with 50+ countries: U.S. 2016 data: Profile of U.S. Importing and Exporting Companies, 2015-2016, Table 4a:

<https://www.census.gov/foreign-trade/Press-Release/edb/2016/index.html>

<https://www.census.gov/foreign-trade/Press-Release/edb/2016/tab4a.pdf>

Average number (U.S. level) = ((number of firms that trade with 1 country)*1 + (number of firms that trade with 2 to 4 countries)*3 + (number of firms that trade with 5 to 9 countries)*7 + (number of firms that trade with 10 to 24 countries)*17 + (number of firms that trade with 25 to 49 countries)*37 + (number of firms that trade with 50+ countries)*60) / ((number of firms that trade with 1 country) + (number of firms that trade with 2 to 4 countries) + (number of firms that trade with 5 to 9 countries) + (number of firms that trade with 10 to 24 countries) + (number of firms that trade with 25 to 49 countries) + (number of firms that trade with 50+ countries)).

Source for State level (i) Number of firms that trade with 1 to 5 countries; (ii) Number of firms that trade with 6 to 9 countries; (iii) Number of firms that trade with 10+ countries: State 2016 Data: Purchased U.S. Census Data. Average number (state level) = ((number of firms that trade with 1 to 5 countries)*3 + (number of firms that trade with 6 to 9 countries)*7.5 + (number of firms that trade with 10+ countries)*15) / ((number of firms that trade with 1 to 5 countries) + (number of firms that trade with 6 to 9 countries) + (number of firms that trade with 10+ countries))

²⁹ The average number of different foreign markets reached by eBay-enabled small businesses in Los Angeles, San Bernardino, Orange, and Mono Counties are 21, 21, 19 and 27, respectively.

- ³⁰ The eBay data reflects the top 5 export growth markets (based on the absolute growth in sales over the time period 2014-2018) for eBay-enabled small businesses (those with \$10,000 USD or more in annual sales on eBay) in California, who exported during those years.
- ³¹ The eBay data reflects the share of 2018 eBay-enabled small businesses (those with \$10,000 USD or more in annual sales on eBay) in each location, who exported to ten or more different foreign markets in that year.
- ³² U.S. Census Bureau (2018) “A Profile of U.S. Importing and Exporting Companies, 2015-2016.” [Exhibit 4a]. Available at: <https://www.census.gov/foreign-trade/Press-Release/edb/2016/tab4a.pdf>
- ³³ Source for Number of firms that trade with 10+ countries: State/County 2016 Data: Purchased U.S. Census Data. U.S. 2016 data: Profile of U.S. Importing and Exporting Companies, 2015-2016 - Table 4a, <https://www.census.gov/foreign-trade/Press-Release/edb/2016/index.html>
<https://www.census.gov/foreign-trade/Press-Release/edb/2016/tab4a.pdf>
- Source for total number of companies that have at least one employee in addition to the owner (2016): U.S. Census, 2016 SUSB Annual Data Tables by Establishment Industry - <https://www.census.gov/data/tables/2016/econ/susb/2016-susb-annual.html>
- State/U.S. data: https://www2.census.gov/programs-surveys/susb/tables/2016/us_state_totals_2016.xlsx?#
- Source for total number of companies that have no employees (2016): U.S. Census, Non-employer Statistics: 2016 - <https://www.census.gov/data/datasets/2016/econ/nonemployer-statistics/2016-ns.html>
- Share = (number of firms that trade with 10+ countries) / ((number of employing companies) + (number of non-employing companies))
- ³⁴ The share of eBay-enabled small businesses in Los Angeles, Colusa and Madera Counties that reach ten or more different foreign markets are 63 percent, 88 percent and 59 percent, respectively.
- ³⁵ The eBay data reflects the top 5 product categories exported (based on sales) by 2018 eBay-enabled small businesses (those with \$10,000 USD or more in annual sales on eBay) in California, who exported in that year.
- ³⁶ The eBay data reflects the share of exporting 2018 eBay-enabled small businesses (those with \$10,000 USD or more in annual sales on eBay) in each location, who exported to four or more continents in that year.
- ³⁷ See Pugsley, B.W., and A. Sahin (2014) “Grown-up business cycles.” FRB of New York Staff Report, (707); Decker, R., J. Haltiwanger, R. S. Jarmin, and J. Miranda (2014) “The Role of Entrepreneurship in U.S. Job Creation and Economic Dynamism.” The Journal of Economic Perspectives, 28(3), 3-24; Hathaway, I., and R. E. Litan (2014) “Declining Business Dynamism in the United States: A Look at States and Metros.” Brookings. Available at: <https://www.brookings.edu/research/declining-business-dynamism-in-the-united-states-a-look-at-states-and-metros/>; Gourio, F., T. Messer, and M. Siemer (2014) “A Missing Generation of Firms? Aggregate Effects of the Decline in New Business Formation.” Mimeo; and Karahan, F., B. Pugsley, and A. Sahin (2015) “Understanding the 30-year Decline in Startup Rate: A General Equilibrium Approach.” Working Paper.
- ³⁸ Partridge, Mark D. (2020) “Rural America’s Stagnant Economic Performance.” American Enterprise Institute. Available at: <https://www.aei.org/wpcontent/uploads/2020/02/Rural-Americas-stagnant-economic-performance.pdf>
- ³⁹ Ibid.
- ⁴⁰ Ibid.
- ⁴¹ See Neumark, D., B. Wall, and J Zhang (2008) “Do Small Businesses Create More Jobs? New Evidence from the Establishment Time Series.” National Bureau of Economic Research. Available at: <https://www.nber.org/papers/w13818>; and Haltiwanger, J., R Jarmin, and J. Miranda (2012) “Who Creates Jobs? Small vs. Large vs. Young.” National Bureau of Economic Research. Available at: <https://www.nber.org/papers/w16300>
- ⁴² U.S. Census Bureau (04/28/2020) County Business Patterns: 2017. Available at: <https://www.census.gov/data/datasets/2017/econ/cbp/2017-cbp.html>
U.S. Census Bureau (04/28/2020) County Business Patterns: 2011. Available at: <https://www.census.gov/data/datasets/2011/econ/cbp/2011-cbp.html>
- To determine the net business establishment growth rate we performed the following calculation at the national state and individual county levels: [(total number of 2017 business establishments) - (total number of 2011 business establishments)] / (total number of 2011 business establishments).
- ⁴³ In Los Angeles County, the rate of growth in the net number of eBay-enabled small businesses was 40.7 percent compared to 12.3 percent for business establishments. In San Bernardino County, the rate of growth in the net number of eBay-enabled small businesses was 48.1 percent compared to 14.2 percent for business establishments.
- ⁴⁴ In Fresno County, the rate of growth in the net number of eBay-enabled small businesses was 42.4 percent compared to 7.5 percent for business establishments. In Sacramento County, the rate of growth in the net number of eBay-enabled small businesses was 45.8 percent compared to 9.2 percent for business establishments.
- ⁴⁵ This classification system distinguishes Metropolitan (Metro) counties by the population size of their metro area, and Nonmetropolitan (Rural) counties by degree of urbanization and adjacency to a metro area or areas. A detailed methodology is available at: <https://www.ers.usda.gov/data-products/rural-urban-continuum-codes/documentation/>
- ⁴⁶ U.S. Census Bureau (04/28/2020) County Business Patterns: 2017. Available at: <https://www.census.gov/data/datasets/2017/econ/cbp/2017-cbp.html>
U.S. Census Bureau (04/28/2020) County Business Patterns: 2011. Available at: <https://www.census.gov/data/datasets/2011/econ/cbp/2011-cbp.html>

To determine the net business establishment growth rate for rural counties at the national, state and individual county levels, we identified rural counties using the USDA Economic Research Service's 2013 Rural-Urban Continuum Codes and then performed the following calculation: $[(\text{total number of 2017 business establishments}) - (\text{total number of 2011 business establishments})] / (\text{total number of 2011 business establishments})$.

- ⁴⁷ In Tuolumne County, the rate of growth in the net number of eBay-enabled small businesses was 22.4 percent compared to -3.6 percent for business establishments. In Nevada County, the rate of growth in the net number of eBay-enabled small businesses was 10.9 percent compared to 3.3 percent for business establishments. In Lake County, the rate of growth in the net number of eBay-enabled small businesses was 12.1 percent compared to 6.8 percent for business establishments.
- ⁴⁸ In Humboldt County, the rate of growth in the net number of eBay-enabled small businesses was 9.1 percent compared to -2.9 percent for business establishments.

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