

DEMOCRATIZING GLOBALIZATION:

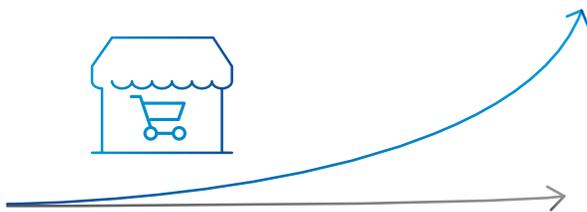
How Small Businesses across America are Growing in the Digital Marketplace

BACKGROUND

Across the United States, vast numbers of people, **maybe more than we previously realized**, have not benefited fully from globalization. The high capital, infrastructure, and communications costs associated with the global marketplace meant that only the largest businesses in the country could fully reap the benefits of trade. Small businesses, that are at the **heart of the US economy**, have traditionally found it difficult to engage in exporting. Moreover, businesses that traded were often concentrated in large city centers, often close to the coastline, in order to reduce the distance costs associated with trade. The Internet **changes the calculus** of who can fully engage in globalization by eliminating traditional barriers like distance, trust, and communication. Breaking down these barriers can **enable small businesses located in the heartland and in smaller towns** to reap the economic benefits of an inclusive open global economy.

FINDINGS

Small businesses that used PayPal grow.



Small businesses that used PayPal grew **22.9%** year over year.

US small businesses grew **7.8%**.

*(businesses with less than \$5 million in annual revenue from 2014-2015)

Small businesses that used PayPal are far more likely to engage in exporting than the traditional small business.



79% of small businesses that used PayPal exported.

Less than **5%** of all US small businesses export.



Small businesses in almost every sector export using PayPal.

Education, health care, administrative services, and several other sectors that were previously impossible to trade are now traded online, and are just as likely to trade as manufacturers or retail businesses.



Small businesses that used PayPal that export exhibit enhanced growth.

Small business exporters that used PayPal grew **32.8%** from 2015-2016.

Women-owned small businesses have exported and grown using PayPal.



72% of women-owned small businesses that used PayPal export. These women-owned small businesses can be found all around the country.

54% of small business exporters using PayPal in **North Dakota** were **women-owned**.

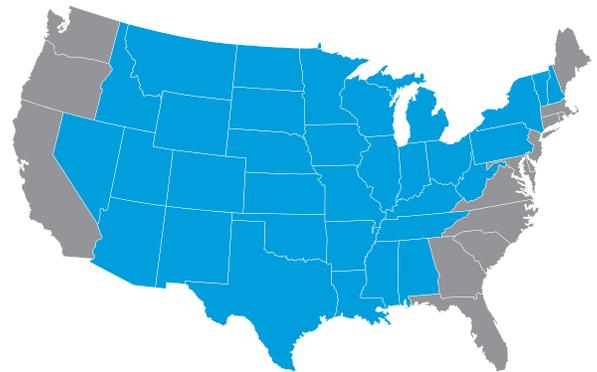
The average growth rate for women-owned businesses that used PayPal was nearly a mirror image of the growth rate for businesses owned by men.

 **32.2%** for women-owned businesses

 **32.9%** for male-owned businesses

Small businesses that used PayPal in the heartland of America have grown and exported.

PayPal small businesses in the heartland of the US (defined as those businesses not on the coasts) were nearly likely to export and actually had higher growth rates as those located on the coasts. (80% of coastal merchants exported in both 2015 and 2016, compared with 78% of heartland merchants.)



33.3% Heartland growth rates

32.12% Coastal growth rates



Rural small businesses exported and grew using PayPal.

Small businesses in rural towns (less than 50,000 people) were just as likely to export as businesses in urban areas and had similar growth rates.

METHODOLOGY

We have analyzed a sample dataset of over 29,500 small businesses using PayPal across the United States from 2015 and 2016. We defined small businesses in the PayPal dataset based upon revenue as those selling between \$30,000 and \$3 million per year; we also excluded eBay merchants to ensure that the use of the marketplace was not a definitive variable. We did a robustness check using a broader dataset of over 100,000 small businesses. This analysis does not reflect all of the small businesses in the US using PayPal. Department of Commerce data was used for understanding the export rates of traditional small businesses. The Census Bureau definition of an Urbanized Area (50,000 people or more) was used to create or segmentation between urban and rural.