

Survey: New Technology-Driven Competition May Affect Small Business Value; Owners Still View Customer Satisfaction As Critical Influencer of Value

BizBuySell

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Owners, Potential Buyers Discuss How Direct to Consumer Business Models, Online Reviews Affect Reputation, Business Value and Eventual Sales Price in New BizBuySell Study

San Francisco, CA - BizBuySell.com ([/](#)), the Internet's largest business-for-sale ([/businesses-for-sale/](#)) marketplace, released today a new study of small business owners and prospective small business buyers which summarizes their thoughts on how disruptive technologies, new business models and online customer reviews affect business value. The study surveyed more than 1,400 small business owners and potential buyers to see how each would value a business in today's increasingly competitive market, specifically in regards to emerging competition from companies leveraging disruptive technology or direct to consumer business models.

The findings revealed that while most small business owners feel there is still great value in what they provide, new competition, specifically disruptive technology platforms like Uber, Airbrb and even Amazon, is affecting small business values. In fact, nearly 40 percent of surveyed small business owners believe these new technologies are affecting the value of their business. New web-based software and mobile app offerings are able to aggregate supply of a product or service and bring it directly to the consumer.

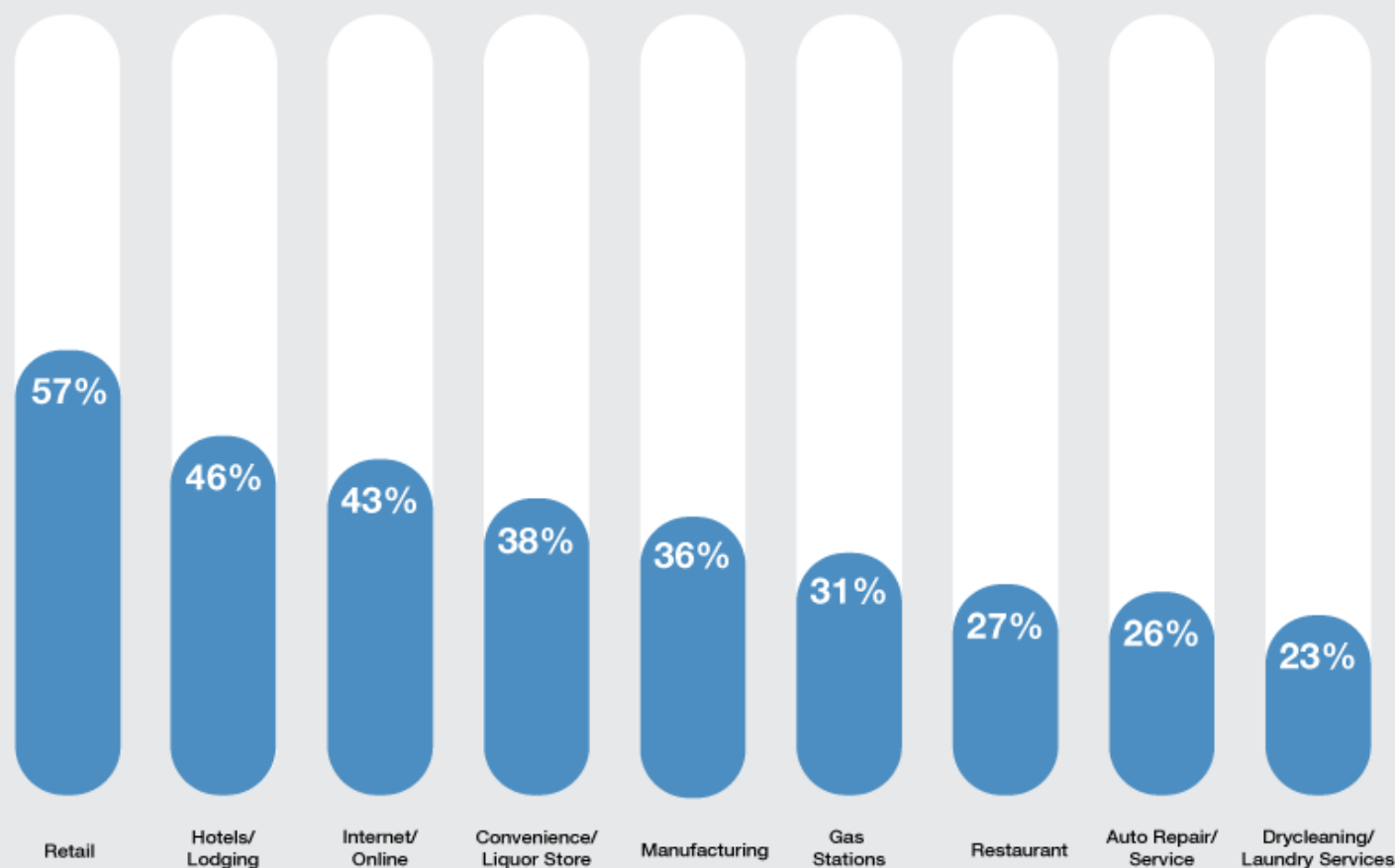
"People go in to brick and mortar stores, research the product by talking with salespeople, then go online and order it cheaper from someone else," said one small business owner.

Perhaps no industry has been impacted by these new business models more than the retail space, as small business shops must now compete with online giants like Amazon and delivery services like Google Shopping Express. While the majority of retail business owners do not believe their value is affected by these new business models, 39 percent did indicate that online options are lowering their business value compared to just 10 percent who said they are raising value. As direct-to-consumer online shopping options make things easier for customers, some retail business owners said it's necessary to adapt to stay competitive and maintain the value of their small business.

"There is always a better mousetrap. Small business thrives on innovation and ever improving techniques," one owner said.

"New business concepts are always interesting, as a business person you have to learn to adapt and overcome your business competition," another owner stated. "These new companies can only enhance the business value if you can duplicate or overcome their ideas."

Percent of owners who believe disruptive technology companies represent a threat to the value of small businesses



Interestingly, 78 percent of restaurant owners said delivery apps like GrubHub have no effect on their business value.

"It's hard to replace the experience of going to a restaurant," one owner said.

Industries like auto repair shops and dry-cleaning services also appear to be comfortable with their position in the market as just 26 percent of auto shop owners and 23 percent of drycleaner owners said new technologies are affecting their business value.

"While there will always be a place for small businesses, its important that owners keep themselves up to date on their evolving competition," Bob House, Group General Manager of BizBuySell.com and BizQuest.com said. "As new technologies make the sales cycle easier than ever, it will be up to small business owners to differentiate themselves, grow revenue and ultimately prove their value to potential buyers."

Mobile Innovations Boosting Small Business Value

Small business owners and prospective buyers agreed on the benefit of having information about surrounding businesses available on-the-go through smartphones and tablets.

In fact, 50 percent of owners feel smartphones, tablets and the overall availability of mobile information is raising their business value compared to just 10 percent who feel it is hurting values. The remaining 40 percent believed the mobile technology has no effect on their business value. Buyers held a similar stance as 51 percent said mobile technologies raise value while only 14 percent believed they could hurt value.

How do you feel mobile phones and their ability to give customers on-the-go information about surrounding businesses has affected small business values?

Industry	Raises Value	No Effect	Lowers Value
Auto Repair/Service	32%	58%	10%
Convenience/ Liquor Stores	44%	41%	15%
Drycleaning/ Laundry Services	46%	46%	8%
Gas Stations	23%	69%	8%
Hotels/Lodging	62%	31%	7%
Internet/Online	62%	29%	9%
Manufacturing	39%	42%	18%
Retail	42%	43%	15%
Restaurant	53%	42%	5%

"Easy access to information helps businesses reach more customers, even as it allows customers to shop around. In the end, the businesses that offer what the customers want will be successful," one small business owner said.

Younger business owners were more likely to realize the benefits of mobile technology. Seventy four (74) percent of owners 18–29 believe the availability of mobile information raises small business values compared to just 45 percent of owners 65 and older. Of course, no matter what their age, it's up to the small business owners to use the mobile technology to their advantage by listing helpful and current information online.

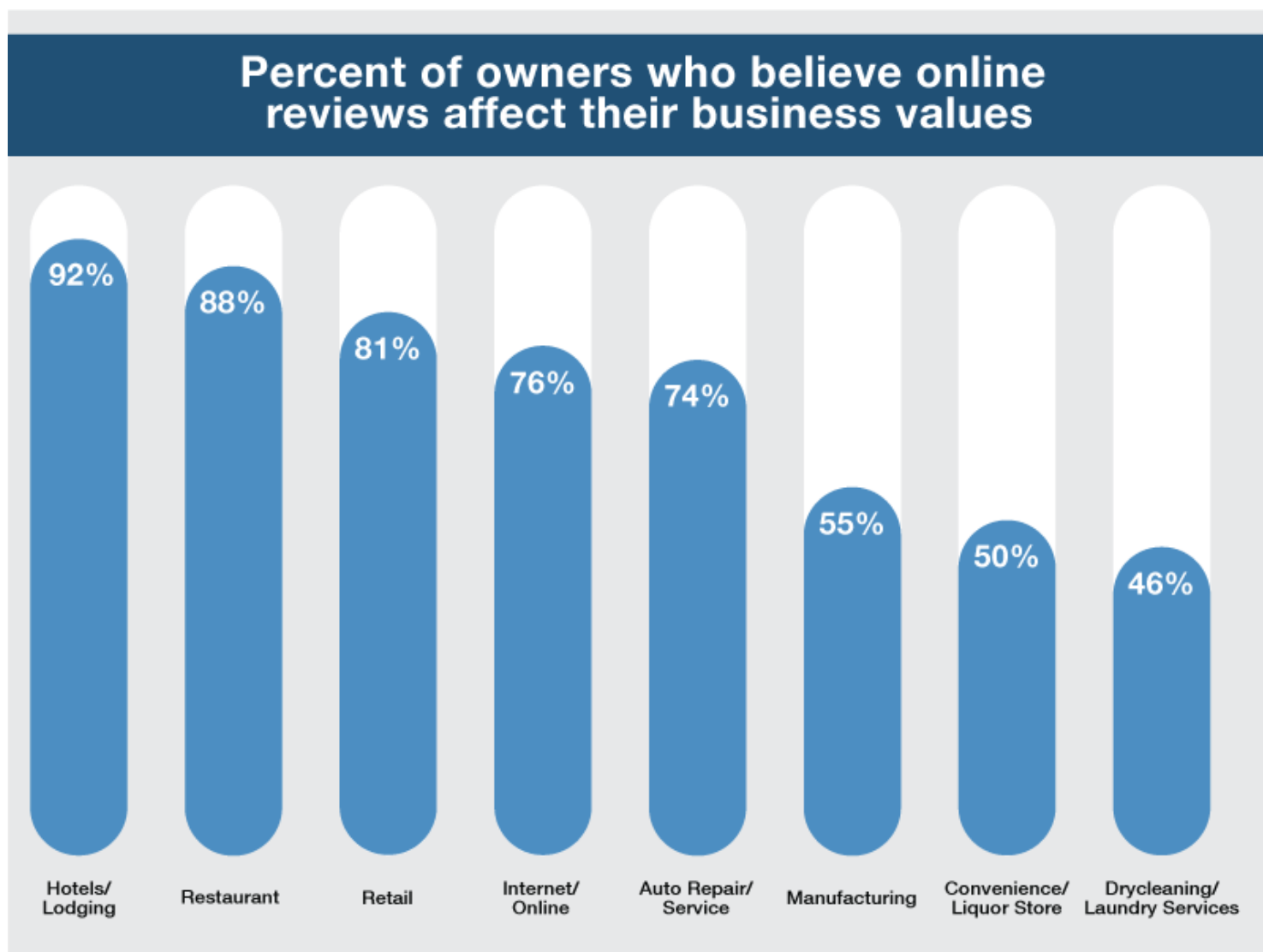
"Mobile technology is a tool by which potential customers gather info to make buying decisions. It's up to the business to leverage that technology properly," a retail owner noted.

Online Reviews Could Have Biggest Affect On Business Value; But Are Owners Doing Enough to Influence Them?

With the rise of mobile technology comes the ability for customers to review small businesses anytime, anywhere. As a result, small business owners are quickly realizing the effect online reviews have on business value. In fact, when asked what non-financial aspect of their business is most important to maintain a high value, 62 percent answered high customer satisfaction.

"Competition is the American way," said one small business owner. "But once in business, you need to provide products and services better than the competition to ensure customer satisfaction."

Nearly 3 out of 4 small business owners believed that the tone of their online reviews will ultimately change the value of their business, some more significantly than others. Forty-one (41) percent felt online reviews could raise or lower their business value by between 5 to 10 percent. Another 35 percent went a step further, saying online reviews could change a business' value by between 10 to 20 percent. Not surprisingly, restaurant owners were extremely sensitive to online reviews as 88 percent agreed that they could help or hinder their restaurant value.



Yet despite all this, many small businesses might not be doing enough to encourage a better online reputation. Just 27 percent of surveyed owners said they encouraged customers to post reviews, 25 percent attempted to fix poor reviews and 24 percent promoted positive reviews through their website and/or social media. The low percentage on each option shows small business owners could be doing a better job of encouraging and promoting positive reviews for their product or service.

One of the top reasons small business owners should be more proactive in this regard is that their prospective buyers do value online reviews highly. In fact, a much higher overall percentage of buyers (89 percent compared to 75 percent of owners) believe online reviews affect the value of a business, meaning it's something they will consider when making an offer. Buyers are also more trusting of online reviews. Seventy-two (72) percent feel online reviews are a good indication of products/services compared to 58 percent of the owners.

"Small business buyers are often coming from a younger generation than sellers and may be more perceptive to how technology will affect the future of the business," House said. "Owners should be aware of how new innovations, business models and online reviews are affecting their value and be ready to address the issue during negotiations."

About BizBuySell

BizBuySell is the Internet's largest business for sale marketplace. Since 1996, BizBuySell has offered tools that make it easy for business owners and brokers to sell a business, and potential buyers to find the business of their dreams. BizBuySell currently has an inventory of approximately 45,000 businesses – spanning 80 countries – for sale at any one time and receives more than 1.4 million monthly visits. The site also features an extensive franchise directory as well as an easy-to-use business valuation tool. Please visit [www.bizbuysell.com \(/\)](http://www.bizbuysell.com) for more information.

