



“Start-Up Savings: Boosting Entrepreneurship through Broadband Internet”

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Introduction

Entrepreneurs are the heart of the American economy.

According to the Kauffman Foundation, young firms were responsible for nearly all the net job creation in the United States between 1980 and 2005. Kauffman estimates that new firms create approximately three million jobs each year, and have created 40 million new jobs since 1980. Encouraging and enabling entrepreneurs has been an essential element of America's global technology leadership and economic exceptionalism.

One of the most powerful resources strengthening America's entrepreneurs and creating opportunities for new businesses is broadband Internet. Access to broadband gives entrepreneurs innovative tools, new networks and business opportunities, and it also lowers the cost of starting a business.

The Internet Innovation Alliance (IIA) and Small Business & Entrepreneurship Council (SBE Council) created the "Start Up Savings" report to show how broadband is lowering the cost and barriers to entry for starting a new business. The report looks at the top 10 ways broadband creates significant savings for a solo-entrepreneur -- not only during the start up phase but also in yearly savings.

According to IIA and SBE Council calculations, these start up savings amount to \$16,550.52 for the new entrepreneur. Savings may also be greater for businesses that tap into broadband for a host of other needs not covered in the study, including purchasing equipment and furniture, utilizing cloud services, or marketing products and services, for example.

1. Accounting: Online Services and Software vs. Traditional Accountant Services

For a start up firm, accounting costs – including basic bookkeeping and tax preparation – can cost plenty. Broadband access makes it far less costly for entrepreneurs to manage their own books through innovative software offerings.

According to Intuit Rates Survey 2011, the national average cost for an accountant/general bookkeeper was \$68 per hour. At just two hours per month, that's an annual cost of \$1,632.

For good measure, according to the National Society of Accountants, average 2012 tax prep fees for Form 1040 (and state tax return) with Schedule A is \$233, and for Form 1040 Schedule C (profit or loss from business), it is \$236. That's a total cost of \$469.

These add up to total potential accounting costs of \$2,101 annually.

Meanwhile, online services and products create significant dollar savings.

For accounting and bookkeeping, QuickBooks Simple Start costs \$12.95 per month for an annual cost of \$155.40.

Personal and business online prep and filing software for federal and state taxes (average

2012 fees associated with leading national online tax prep and filing services, i.e., Turbo Tax and H&R Block) comes in at an average cost of \$111.90.

The total costs for online services and products per year, therefore, are \$267.30.

Traditional Accounting/Bookkeeping
\$2,101

Online Services and Software
\$267.30

Potential annual savings: \$1,833.70

Potential percent savings: 87.3%

2. Printing Services

For a start up, it's critical to have basic marketing materials to get the word out to potential customers. Business cards, letterhead, envelopes and brochures are essential to communicating, networking and projecting a professional image.

We compare printing service costs between traditional printers and online printing services for five basic marketing materials (color products at cheapest costs available). Traditional printing prices assume design and logo work are completed for a printing run, where online services have a range of do-it-yourself designs that are included in pricing.

Traditional Printing Services

250 Business Cards:	\$46.15
1,000 Brochures:	\$312.55
500 Postcards:	\$95.90
1,000 Envelopes:	\$227.77
1,000 Letterhead:	\$192.85
Total Cost:	\$875.22

Online Printing Services

250 Business Cards:	\$19.99
1,000 Brochures:	\$181.66
500 Postcards:	\$60.00
1,000 Envelopes:	\$118.00
1,000 Letterhead:	\$117.50
Total Cost:	\$497.15

Potential savings: \$378.07

Potential percent savings: 43.2%

3. Telephone Line

The telephone remains a business staple in running a successful enterprise. New technologies provide new choices for entrepreneurs, as well as the potential for significant cost savings. Competition is lowering both line fees and long-distance charges. The vast improvement in VOIP service offers a clear alternative for start-up businesses, as well as cost

savings.

A traditional business line costs on average \$58.00 per month (excluding taxes and fees) or \$696 on an annual basis for unlimited nationwide calling. Additional phone lines are extra.

VOIP offers significant savings. The average monthly cost of the 8 most popular VOIP providers in the U.S. - all of which include unlimited nationwide calling (incoming and outgoing), most on a month-to-month contract basis, with several providers providing free set-up and headsets, as well as a free second business line - is \$22.00 (\$264 annually). In addition, if an entrepreneur chooses a Small Office/Home Office (SOHO) VOIP option, the cost can be as low as \$6.78 per month (\$81.36 annually).

Traditional Business Line Cost
\$58.00 per month, or \$696 annually

VOIP Business Line Cost
\$22.00 per month, or \$264 annually

Potential annual savings: \$432
Potential percent savings: 62.1%

4. Website Design and Hosting

The Internet has been a tremendous tool for entrepreneurs to expand their market, including being able to reach consumers via websites with information and access to products and services.

In terms of website design and hosting, choices have expanded for entrepreneurs starting up new businesses.

Consider what might be called the traditional designer/developer for a basic site development. In terms of web designer cost, the average cost presented here is based on a review and averaging of quotes from designquote.net and website design firms for basic website (template-based type set up) with minor customization and graphics. Features also include contact form, site search, email auto-responders, Google AdSense integration, and off-the-shelf blog and MetaTag keyword optimization. In addition, some quotes include minor ecommerce capabilities.

As for web hosting costs, the average monthly/annual costs are based on the 5 Best Rated webhosting sites by <http://findwebhosting.com/>.

Based on this research, average costs for traditional design and hosting are estimated at:

Web design cost: \$2,340 (traditional designer)
Web hosting cost: \$4.82/month - \$57.84 year
Total traditional website design and web hosting costs: \$2,397.84

In contrast, online services - i.e., do-it-yourself website design - can reduce costs substantially. The average cost is estimated using "business" design and web hosting packages of leading national companies providing website design and hosting services (Intuit, Web.com, Vistaprint). The estimate includes monthly hosting service, email accounts, do-it-yourself sitebuilder, ecommerce/online payment capability, local directory submission,

search engine submission and listing tools, social media tools, YouTube, contact forms, and Google AdSense. “Standard” packages are significantly less (without ecommerce capability and other services), and some companies offer free 60-day trials, or waive fees entirely for one year.

For these online services: Free website design (do-it-yourself) and yearly hosting cost: \$24.97 per month x 12 = 299.64 annually

Traditional website design/hosting	Online website design/hosting
\$2,397.84	\$299.64

Potential savings:	\$2,098.20
Potential percent savings:	87.5%

5. Mobile Apps and Business Owner’s Time

Mobile apps offer start-ups opportunities to achieve productivity and efficiency gains.

As noted in the Small Business & Entrepreneurship Council’s “Saving Time and Money with Mobile Apps: ... a small business ‘app’ortunity” report (May 2011), “Apps on mobile devices are helping small business owners save time; reduce costs; increase revenue and productivity; work more effectively; and better serve customers. In fact, there seems to be an app for almost every business need, and entrepreneurs are quickly tapping into these solutions made possible by rapid innovation in mobile technologies.”

More specifically, regarding productivity gains for business owners, it is noted in the report: “Of firms reporting that they use mobile apps, 72 percent of the owners themselves use apps to manage their businesses. In terms of saving time, 78 percent of these small business owners believe that their company’s use of mobile apps saves time for the owner. On a weekly basis, these small business owners estimate that they save an average of 5.6 hours (a median of 4.0 hours) due to their firm’s use of mobile apps.”

According to Payscale.com, the estimated median salary for a self-employed individual with less than one year experience is \$35,035.

At 2,080 hours a year, the hourly pay for the median self-employed salary would equal \$16.84. At a median of four hours per week saved due to the use of mobile apps, the annual savings for a start-up self-employed individual, annual savings in the owner’s labor would be worth \$3,502.72.

Potential annual savings:	\$3,502.72
Potential percent savings:	10%

6. Logo Design

The right logo can make a real difference in getting word out and gaining customer appeal. Based on a review of design industry averages, and taking the low-cost end of fees charged by freelancers or independent/small firms, a traditional fee for a logo design averages about \$500.

In contrast, the costs of a logo design based upon a review and averaging of fees charged for business logo designs of online firms (such as fastfreelogo.com, createlogodesign.com, logodesignjuice.com) found an approximate average cost of \$42.

Traditional Logo Costs	Online Logo Cost
\$500	\$42

Potential savings: \$458
Potential percent savings: 91.6%

7. Office Space vs. Home Office

Broadband Internet has made the home office a major advantage and cost saving opportunity for start-ups.

Let's look at the costs of Class B office space, which appeals to wide array of industries and is more affordable for small, young firms than more exclusive Class A space.

In its "Office Market Trends Q4 2011: United States," Grubb & Ellis offered data on office rental rates for 60 metro areas. The asking rent (as noted in the report: "Rates are per square foot, quoted on an annual, full service gross basis. The rate in each building is weighted by the amount of available space in the building.") for Class B office spaces range from a high of \$49.24 per square foot in New York City down to \$9 in Kalispell, Montana.

The average asking rent for these 60 areas is \$20.60 per square foot.

If one assumes 300 square feet of office space for a start up, the average annual rental cost would come in at \$6,180 annually.

In contrast, additional rental outlays for a home office would be zero.

Annual Office Rent	Home Office
\$6,180	\$0

Potential annual savings: \$6,180
Potential percent savings: 100%

8. Incorporating a Business

Many entrepreneurs decide to incorporate their business. Incorporation, of course, provides legal protection for one's personal assets. In addition, going the route of an S Corporation or LLC allows an entrepreneur to get that legal protection, but without the additional tax costs of becoming a C Corporation, as S-Corps and LLCs are pass-through entities for tax purposes.

What are the costs of getting a lawyer to aid with incorporation? Estimates vary widely. But the following comments/analyses are typical of what is revealed through an online search of the topic:

Potential percentage savings: 75%

9. Travel Costs: Air Travel vs. Online Video Calls/Conferencing

According to the latest numbers from the U.S. Department of Transportation (“3rd-Quarter 2011 Domestic Air Fares Rose 6.2% from 3rd Quarter 2010”), average domestic airfares registered \$361 in the third quarter of 2011.

Assuming three flights per year on average, the average annual cost for airfare for a start up would come in at \$1,083.

But rather than flying, broadband Internet offers online video calls/conferencing. For example, the premium service from Skype - which includes unlimited calls to a country of your choice, group video calling and screen sharing, and live chat customer support - costs \$4.99 per month, according to Skype.com. That’s an annual cost of \$59.88. (Of course, Skype and other services also offer free packages, with the Skype free option featuring Skype-to-Skype calls, one-to-one video calls, instant messaging and screen sharing.)

Annual Airfare	Online Premium Video Calls/Conferencing
\$1,083.00	\$59.88

Potential annual savings: \$1,023.12

Potential percent savings: 94.5%

10. Newspaper Subscriptions

Updated news and information can be invaluable for businesses, including start up firms. Broadband access can create the opportunity for entrepreneurs to shift from paying for newspaper subscriptions to getting the news and information online without subscription charges.

We look at the annual subscription costs of the largest newspapers (found on each newspaper’s website) in five U.S. cities: New York (New York Times), Chicago (Chicago Tribune), Los Angeles (Los Angeles Times), Dallas, (Dallas Morning News), and Jacksonville (Florida Times-Union). Those subscriptions costs are averaged.

Average Annual Subscription
\$348.71

Potential annual savings: \$348.71

Potential percent savings: 100%

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Table

Item	Traditional	Online	Amount Saved on Start-up Costs	% Saved
Accounting: Online Services and Software vs. Traditional Accountant Services	\$2,101.00	\$267.30	\$1,833.70	87.28%
Printing Services	\$875.22	\$497.15	\$378.07	43.20%
Telephone Line	\$696.00	\$264.00	\$432.00	62.07%
Website Design and Hosting	\$2,397.84	\$299.64	\$2,098.20	87.50%
Mobile Apps and Business Owner's Time	\$35,027.20	\$31,524.48	\$3,502.72	10.00%
Logo Design	\$500.00	\$42.00	\$458.00	91.60%
Office Space vs. Home Office	\$6,180.00	\$0.00	\$6,180.00	100.00%
Incorporating a Business	\$394.67	\$98.67	\$296.00	75.00%
Newspaper Subscriptions	\$348.71	\$0.00	\$348.71	100.00%
Travel Costs: Air Travel vs. Online Video Calls/Conferencing	\$1,083.00	\$59.88	\$1,023.12	94.47%
TOTAL	\$49,603.64	\$33,053.12	\$16,550.52	33.37%
Cost of Broadband Connection	\$490.00			
Total Saved, with Broadband			\$16,060.52	