



Over 2.5 Million California Small Businesses Sell Online

New Research: Online Product Sales Drive Nearly \$300 Billion in Annual Revenue for California-Based Small and Medium-Sized Businesses

Overview:

Digital sales methods, such as web-based stores, online marketplaces, and social media “click to buy” direct sales, are an increasingly popular and important mechanism for small and medium-sized businesses (“SMBs”) to sell physical goods. These methods connect SMBs to customers around the world, drive sales, and provide growth opportunities and a competitive advantage in the marketplace. The Connected Commerce Council (3C) conducted research to measure how prevalent online sales are for California-based SMB physical goods sellers, and the contributions these online platforms and tools make to the businesses themselves and the California economy. Our top findings are:

- Approximately 2.54 million California SMBs (or 60% of all CA SMBs) sell products online through web-based stores, online marketplaces, and social media “click to buy” direct sales.
- 99% of SMBs that sell online say digital technologies are important to how they sell products.
- Last year, California SMB online product sellers had an estimated \$457 billion in total revenue, with approximately \$297 billion (65%) from online sales alone.

Analysis:

Digital technologies that include software, tools, and platforms such as web-based stores, online marketplaces, and social media retail tools are critical for California SMBs to sell their products. We conducted a survey of 1,500 California-based SMBs that sell physical products online. For these businesses, 99% of them say online sales are important, with 85% saying they are very important. Moreover, they are important to sales within the state of California (99% important; 81% very important) and also for long-distance sales (98% important; 78% very important).

Utilizing a series of screening questions in our survey in combination with government data, we estimate that California is host to 2.54 million SMB online sellers of physical goods out of a total 4.24 million SMBs (60%). These sellers utilize three [major online sales methods](#): web-based stores, online marketplaces, and social media “click to buy” direct sales. In the table below, we break down the proportion of California SMB online product sellers that use each of these methods. Most use more than one of these methods.

In addition to these three online sales methods, about 920,000, or 36%, of SMBs that sell products online also sell products wholesale to a retailer [that then itself sells online](#). Thus, California SMBs not only sell online *directly* through their own “storefronts,” but also *indirectly* through other online retailers - many of which are themselves SMBs.

Specific Online Methods That California SMBs Use To Sell Physical Products

| Online Sales Methods | % That Use Method | Estimated # of CA SMBs Selling With That Method |
|--|-------------------|---|
| Web Store (SMB-branded) | 88.1% | 2,241,264 |
| Online Marketplaces (host 3rd parties) | 88.2% | 2,243,808 |
| Social Media “Click to Buy” Retail | 82.8% | 2,106,432 |

Based on 2.54 million California online sellers with a median annual revenue of \$180,000 as determined by our survey, we conservatively estimate that they made \$457 billion in total revenue last year. We also ascertained the proportion of annual revenue attributable to the three major online sales methods, wholesaling, and any other methods - for example, physical “brick and mortar” stores. Collectively, the three online sales methods drive nearly two-thirds (65%) of revenue for California SMB online sellers of physical goods, with an additional 17% driven by wholesaling and 19% by other sales methods. That 65% amounts to an estimated \$297 billion in annual sales just via web stores, online marketplaces, and social media.

Online sales are also critical to the future growth of California SMBs. 74% of California online sellers of physical goods expect this year’s online sales revenue to be higher than in 2022. Of those that believe it will be higher, about half expect modest growth (less than 25%), while half expect greater than 25% growth.

What This Means:

Online selling and e-commerce are critically important for California SMB sellers of physical goods to find customers, sell products, earn revenue, and succeed. SMBs, which are more vulnerable to financial and societal disruptions, have taken tremendous advantage of online methods to sell physical goods to customers both close to them and at great distances. Lawmakers and regulators should continue to foster an environment that makes selling online easy, affordable, and advantageous for SMBs.

Methodology:

On behalf of 3C, the [Data Catalyst Institute](#) conducted a survey of 1,500 California-based SMBs that sell physical goods online from June 12-26, 2023 (margin of error: 2.5%; data can be found [here](#)). Based on responses, we estimated that physical product online sellers are 60% of all California SMBs. In collaboration with economist Prof. David Audretch (Indiana University) we calculated, based on our survey findings and using data from the [US Small Business Administration](#) and [Oberlo](#) that 2.54 million (i.e., 60%) of California sellers sell online, online sellers earn \$457 billion in total annual revenue (CA SMB online sellers of physical goods have a median annual revenue of \$180,000, per our survey) and online sellers have \$297 billion in annual online sales (65% of online seller revenue is from online sales, based on survey responses).

About 3C:

The Connected Commerce Council is a non-profit organization with a single goal: to promote small businesses' access to digital technologies and tools. 3C provides small businesses with access to the market's most effective digital tools available, provides coaching to optimize growth and efficiency, and cultivates a policy environment that considers and respects the interests of today's small businesses.