

**Creating an Online Marketplace for Local Small Businesses in Norfolk, Virginia: An
Entrepreneurial Analysis**

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1. Introduction

1.1. Problem Statement

Small businesses are the lifeblood of communities, contributing significantly to local economies and fostering unique identities. However, many local small businesses need help to compete with more prominent players in the digital age. This is particularly true in cities like Norfolk, VA, where online visibility and resource access can create significant disadvantages for smaller enterprises. Local businesses often need more expertise and resources to establish a robust online presence, hindering their ability to reach new customers and generate sales. This issue can reduce competitiveness, impede economic growth, and impact the community's vibrancy.

1.2. Proposed Solution

To address these challenges, this paper proposes the development of "Norfolk Online Marketplace," an online platform specifically designed to support local small businesses in Norfolk, VA. This platform will empower local entrepreneurs by offering a range of features and functionalities, including:

- **Customized profiles:** Businesses can create detailed profiles showcasing their products and services, including descriptions, photos, and contact information.
- **Online ordering and payment:** Secure e-commerce capabilities allow customers to purchase directly through the platform, eliminating the need for external websites.

- **Integrated marketing tools:** Built-in tools help businesses promote their offerings through social media integration, email marketing campaigns, and targeted advertising.
- **Customer engagement features:** The platform facilitates communication between businesses and customers through online chat functionality and customer review systems.
- **Community building initiatives:** Norfolk Online Marketplace will foster community by highlighting local businesses, organizing events, and promoting collaborative efforts.

1.3. Research Questions

This paper aims to answer the following research questions:

- What are the specific challenges local small businesses in Norfolk, VA, face regarding online presence and customer reach?
- What features and functionalities would be most valuable to local businesses in an online marketplace?
- How can Norfolk Online Marketplace achieve critical mass user adoption and maintain long-term sustainability?
- What are the potential risks and challenges associated with launching and operating this platform?

2. Literature Review

The rise of online marketplaces has significantly impacted the e-commerce landscape, offering opportunities and challenges for businesses of all sizes and specifically for small businesses.

While large platforms like Amazon and eBay dominate online retail, smaller enterprises need help gaining visibility and competing with established brands. This has led to niche online

marketplaces focused on supporting local businesses and providing alternatives to large corporations.

These platforms offer a unique option for local small businesses (LSBs) to overcome traditional challenges, such as limited reach and marketing resources. This literature review examines the existing research on online marketplaces for LSBs, focusing on their impact, benefits, influential factors, existing online marketplaces targeting small businesses, and challenges.

Challenges Faced by Local Small Businesses

Several studies have investigated local small businesses' challenges in the digital age. A report by the Small Business Administration (SBA, 2022) identified a need for more access to technology and marketing resources as a significant hurdle. The SBA report further noted that only 60% of small businesses have a website, indicating limited online visibility for a substantial portion of the sector.

Kauffman Foundation (2019) explored the state of entrepreneurship in the United States, emphasizing the growing role of technology in business success. Their report underscored the need for small businesses to adapt to the digital environment and leverage online tools to expand their reach and customer base. Additionally, the Kauffman Foundation indicates that factors like limited access to funding and inadequate marketing skills further constrain the growth of LSBs.

Moreover, launching and operating an online marketplace for local businesses also presents challenges. Park and Kim (2020) identified competition from established online platforms and building critical mass user adoption as significant obstacles. Chen and Yao (2022) also

highlighted the need to address data security and privacy concerns to ensure user trust and confidence in the platform.

Benefits of Online Marketplaces for Local Small Businesses

Despite these challenges, online marketplaces can offer significant benefits for LSBs. The National Bureau of Economic Research (NBER, 2020) researched the impact of online marketplaces on small businesses. Their findings suggest that these platforms can offer numerous benefits, including increased sales, customer reach, and brand awareness.

These platforms also provide valuable features like online ordering, payment processing, and customer reviews, enhancing the customer experience and facilitating business growth. The study also highlighted the importance of user reviews and trust mechanisms on online marketplaces, noting that positive customer feedback can be instrumental in attracting new buyers.

Within the specific context of local businesses, online marketplaces offer several unique advantages. Aydin and Özer (2019) argue that these platforms can help local enterprises overcome geographical limitations and reach customers beyond their immediate vicinity. They also highlight the ability of online marketplaces to foster a sense of community and collaboration among local businesses, leading to increased awareness and support for local economies.

Valued Features and Functionalities: Influential Factors

Other studies have examined the features and functionalities most valued by businesses and factors that influence the participation and performance of local small businesses in online marketplaces. Chen and Yao (2022) identified user-friendly interfaces, secure payment

processing, and integrated marketing tools as critical features for platform adoption. Yoon and Park (2022) further emphasized the importance of customer support and data analytics tools to help businesses track their performance and improve their online presence.

The online marketplace's design and features, such as standardization, customization, intermediation, and reputation system, affect the attractiveness and suitability of the platform for local small businesses (Zhu & Liu, 2018; Chen et al., 2020).

The characteristics of the local small business, such as the size, age, industry, product type, quality, and differentiation, influence the decision and ability to join and compete in online marketplaces (Zhu & Liu, 2018; Chen et al., 2020).

The characteristics of the potential and existing customers, such as demographics, preferences, behavior, and loyalty, affect the demand and satisfaction of the local small business's offerings in online marketplaces (Zhu & Liu, 2018; Chen et al., 2020).

The external factors, such as market conditions, competition, regulations, and social norms, shape the opportunities and threats for local small businesses in online marketplaces (Zhu & Liu, 2018; Chen et al., 2020).

Impact on Local Businesses and Economies

Several studies have focused specifically on the impact of online marketplaces on local businesses and economies. A study by the International Journal of Electronic Commerce (2020) investigated the factors influencing local consumers' purchasing decisions on online

marketplaces. Their findings revealed that trust and product quality were the most critical considerations, followed by price and convenience.

Online marketplaces for LSBs can also have a positive impact on local economies. Research by the SBA (2022) suggests that these platforms can contribute to job creation, increased local spending, and a more diverse business landscape. Additionally, the International Trade Centre (2019) studies demonstrate how online marketplaces can connect local businesses to international markets, further boosting their economic potential.

Effectiveness of Online Marketplaces

Another study published in the Journal of Retailing (2022) examined the effectiveness of online marketplaces in promoting local economic development. The researchers found that these platforms can contribute to job creation, increased business revenue, and a more diverse and vibrant local economy.

Example of Existing Online Marketplaces Catering Local Small Businesses

Craigslist, Facebook Marketplace, Nextdoor, and OfferUp are local platforms allowing users to sell and buy various goods and services within their communities. They do not charge fees to sellers, but they also do not provide much support or protection to either party (NerdWallet, 2023).

BizBuySell: This is the largest online marketplace for buying and selling businesses in the USA. It lists over 45,000 businesses for sale across various industries and locations. It charges sellers a listing fee and offers valuation tools, broker services, and financing options (BizBuySell, 2023).

Intelligent Reach, NextWhatBusiness: These are online marketplaces specializing in specific product categories or regions. For example, Intelligent Reach is a platform that helps brands sell their products on various online marketplaces in the USA, such as Amazon, eBay, Walmart, and Target. NextWhatBusiness is a platform that lists online marketplaces in India for small business owners, such as Flipkart, Snapdeal, ShopClues, and Paytm Mall (Intelligent Reach, 2023; NextWhatBusiness, 2023).

Challenges and Future Directions

Despite the benefits, particular challenges for online marketplaces catering to LSBs still need to be addressed. Competition from established online giants and limited awareness can hinder their success (UNCTAD, 2020). Additionally, ensuring data security and privacy for businesses and customers remains crucial (SBA, 2022).

Future research should explore strategies to overcome these challenges. Studies are needed to investigate the effectiveness of different marketing strategies and platform features in attracting LSBs and customers and explore specific strategies for platform design and customer acquisition. Additionally, research focusing on innovative data security and privacy protection approaches is crucial for building trust and sustaining user engagement, and studying the long-term impact of these platforms on local economic development is essential for informing future policies and initiatives.

3. The Problem and Innovation Process As related to Course materials

Having a passion for helping our community thrive, my team and I devised several ideas after examining challenges and opportunities using the knowledge we got from entrepreneurship and

other courses outside our majors. Using the design thinking approach, the team designed a planning document that served as a map for the problem-solving process. The team selected the most promising idea and decided to work on it. We agreed to work on local mall businesses' challenges and how we can help solve them.

We passed through the main design steps, starting with the empathy phase, then defining, ideating, prototyping, and testing phases. Through the empathy phase, we discovered that small businesses' most significant challenges in Norfolk, VA, are access to capital, finding qualified employees, keeping up with regulations, marketing, advertising, and competing with larger businesses. We chose to solve the marketing, advertising, and competing more considerable business challenges for local businesses in Norfolk, VA.

In the define phase, we identified the problem's root causes: limited budget, resources, and poor visibility. Throughout brainstorming in the ideate step, they found that the online marketplace is a promising solution to tackle the issues. The team prototyped the solution and tested it with a few potential customers. We also created a business model canvas for the solution to help us communicate the idea. Here is our business model.

Business Model Canvas: Online Marketplace for Norfolk, VA

Customer Segments:

Local Businesses: Restaurants, retail stores, service providers (e.g., plumbers, electricians), home and garden, arts and crafts, health and wellness, who want to reach a wider audience and sell their goods/services online.

Local Consumers: A resident in Norfolk, VA, who wants to discover local businesses, find deals, and support their community and tourists from outside Norfolk who discover a new favorite store of theirs.

Value Propositions:

For Businesses:

- Increased online visibility and brand awareness.
- Access to a more extensive customer base and potential for increased sales.
- Online storefront for showcasing products and services.
- Cost-effective marketing: Utilize targeted advertising and promotions within the marketplace.
- Secure online payment processing.
- Data insights and analytics to track performance.

For Customers:

- Convenient way to discover and support local businesses.
- Support local economy: Contribute to the success of local businesses and strengthen the community.
- Unique and diverse offerings: Find various products and services from local vendors.
- Personalized recommendations based on their interests.
- Exclusive deals and discounts.

- Competitive prices: Compare prices and find great deals on locally sourced goods and services.
- Secure online purchasing experience.
- Gain recommendations based on product interest.

Channels:

- Website: The primary platform for showcasing businesses, products, and services.
- Mobile app: For on-the-go access and user convenience.
- Social media: Promote the platform and engage with customers.
- Partnerships: Collaborate with local organizations and businesses to reach a wider audience.
- Email marketing: Reach out to customers with personalized offers and updates.

Customer Relationships:

- Responsive customer support: Via email, phone, and chat.
- User-friendly platform: Easy to navigate and search.
- Personalized recommendations: Based on user preferences and past purchases.
- Community forums and events: Encourage interaction and feedback.
- Loyalty programs: Reward repeat customers.

Revenue Streams:

- Commission fees: Percentage of each transaction processed through the platform.
- Subscription fees: Premium plan offering additional features and benefits for businesses.

- Advertising fees: Businesses can pay to promote their listings and offers.
- Lead generation fees: Connect businesses with potential customers interested in their services.
- Data insights and analytics: Sell data-driven insights to businesses.

Key Resources:

- Online marketplace platform: Website and mobile app.
- Payment processing system: Secure and reliable.
- Marketing and advertising tools: To reach businesses and residents.
- Customer support team: Efficient and responsive.
- Data analytics infrastructure: To track performance and gather insights.

Key Activities:

- Platform development and maintenance: Continuously improve the platform based on user feedback.
- Marketing and outreach: Attract businesses and residents to the platform.
- Customer support: Assist both businesses and residents.
- Content moderation: Ensure platform quality and user safety.
- Data analysis: Track performance and identify areas for improvement.

Key Partnerships:

- Local businesses: To offer their products and services on the platform.
- Payment processing companies: To provide secure and reliable payment solutions.

- Marketing and advertising agencies: To help reach target audiences.
- Local organizations: To promote the platform and collaborate on community initiatives.
- Delivery service providers: To offer convenient delivery options for customers.

Cost Structure:

- Platform development and maintenance: Software engineers, designers, etc.
- Marketing and advertising: Paid advertising, social media management, etc.
- Customer support: Customer service representatives, training, etc.
- Payment processing fees: Transaction fees charged by payment processors.
- Partnership fees: Commissions and fees paid to partners.
- Data storage and analytics: Costs associated with storing and analyzing data.

The team and I used the tools we learned from the Entrepreneurship course.

4. Effectiveness of Norfolk Online Marketplace

Risks and Challenges

Launching and operating an online marketplace involves several potential risks and challenges.

These include:

- **Competition:** Existing online marketplaces and platforms may offer similar services.
- **Critical mass user adoption:** Attracting a sufficient number of users (businesses and customers) is essential for the platform's success.
- **Technology and maintenance:** Continuously updating and maintaining the platform requires ongoing investment in technology and infrastructure.

- **Marketing and customer acquisition:** Effective marketing strategies are needed to attract businesses and customers to the platform.
- **Logistics and fulfillment:** Efficient logistics and fulfillment solutions are crucial for ensuring smooth delivery of products and services.

Mitigation Strategies

To mitigate these risks, Norfolk Marketplace will implement the following strategies:

- **Developing a unique value proposition:** Focusing on features and functionalities specifically tailored to the needs of local businesses and customers.
- **Building strategic partnerships:** Collaborating with local organizations and businesses to reach a wider audience and gain support.
- **Implementing effective marketing strategies:** Utilizing targeted online advertising, social media campaigns, and community outreach initiatives.
- **Investing in technology and infrastructure:** Building a scalable platform capable of handling user growth and providing a seamless user experience.
- **Developing solid relationships with logistics providers:** Ensuring timely and reliable delivery of products and services.

This analysis of risks, challenges, and mitigation strategies proves that Norfolk Online Market is effective.

5. From a Dream to Reality

We are committed to bringing this dream, Norfolk Online Market, to reality. To do so, the platform will require an initial investment of \$100,000, which will be used for the following purposes: \$50,000 for developing the website and app, including the platform's design, coding, testing, and launching and acquiring the necessary software, hardware, and licenses. \$30,000 for the app's marketing, including creating and implementing the online and offline marketing strategies, hiring and training the marketing staff, and purchasing the marketing materials and tools.

\$10,000 for the platform's administration, including hiring and training the administrative staff and purchasing office equipment and supplies. \$10,000 for the contingency fund will be used for any unexpected costs or emergencies that may arise during the app's operation.

Norfolk Online Marketplace app will generate revenue by charging a commission fee to businesses for each transaction and offering advertising and sponsorship opportunities to relevant partners and sponsors. The app will charge a commission fee of 10% from the companies, which is lower than the average % commission fee of 15% set by other online platforms. The app will also offer advertising and sponsorship packages that range from \$100 to \$1,000 per month, depending on the size, location, and duration of the ads and sponsorships.

The app will incur expenses for the maintenance of the website and app, the payment of the staff salaries and benefits, the payment of the taxes and fees, and the payment of the other operational costs. The app will spend an average of \$5,000 per month to maintain the website and app, which includes the hosting, security, updates, and improvements of the platform. The app will pay an

average of \$10,000 monthly for the staff salaries and benefits, including wages, bonuses, insurance, and staff training. The app will pay an average of \$2,000 per month for taxes and fees, which include income tax, sales tax, and business license fees. The app will pay an average of \$3,000 per month for the other operational costs, which include rent, utilities, transportation, and communication costs.

The app will break even in the first year of operation and achieve a positive cash flow and a return on investment of 20% in the second year. The app will project the following financial statements for the first two years of operation:

Income Statement	Year 1	Year 2
Revenue	\$120,000	\$180,000
Expenses	\$120,000	\$144,000
Profit	\$0	\$36,000

Cash Flow Statement	Year 1	Year 2
Cash Inflow	\$120,000	\$180,000
Cash Outflow	\$100,000	\$144,000
Net Cash Flow	\$20,000	\$36,000
Cash Balance	\$20,000	\$56,000

Balance Sheet	Year 1	Year 2
Assets	\$120,000	\$180,000
Liabilities	\$0	\$0
Equity	\$120,000	\$180,000

This research suggests a strong need and compelling opportunity for an online marketplace supporting local small businesses in Norfolk, VA. Norfolk Marketplace has the potential to address the challenges faced by local businesses, enhance their online presence, and contribute to their success. By implementing a sound business model, focusing on unique value propositions, and mitigating potential risks, Norfolk Marketplace can become a valuable resource for local businesses and a vibrant hub for the community.

6. Next Steps

Reflecting on this research and entrepreneurship, I found that Entrepreneurship is a rewarding and challenging endeavor that can be particularly enriching for students. By embarking on an entrepreneurial journey as a student, I gained valuable skills, developed a strong work ethic, and learned to think critically and creatively. Additionally, entrepreneurship enhanced my opportunity to impact my communities and the world positively.

The entrepreneurship class allowed me to develop various skills, including problem-solving, creativity, communication, leadership, and financial literacy. For instance, I can now identify problems and develop solutions using a design thinking framework to solve a complex problem.

I can utilize the business model canvas to communicate my business ideas, manage finances, and make sound business decisions through the financial literacy I learned in entrepreneurship.

This entrepreneurship venture contributed to my personal growth in several ways. I am experiencing a boost in self-confidence; entrepreneurship taught me how to bounce back from setbacks and increased my willingness to take calculated risks. By taking advantage of resources and support systems like the ODU Strome Entrepreneurial Center, I can improve my chances of success in the entrepreneurial world.

Meanwhile, I am still facing challenges as an entrepreneurship student. Some challenges are lack of experience, financial constraints, and time constraints. I have limited business experience and access to capital, making it challenging to start and grow a business. Also, I may need help balancing my academic commitments with my entrepreneurial activities.

Despite the challenges, I found entrepreneurship to be a valuable experience for me. By developing the skills and knowledge necessary to succeed, I gained the confidence and experience I need to launch my businesses and positively impact the world, my biggest dream.

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