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SPECIAL SECTION: SMALL BUSINESS

What works in bridging the digital divide

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Martin Cabrera could run his small investment bank and institutional brokerage firm without an electronic trading system. But having the technology, instead of trading by phone, has enabled Cabrera Capital Markets to compete with firms triple its size.

"It builds credibility," said Cabrera, who is Mexican-American. "Without it, clients will think, 'They are a minority firm, so they probably don't have the systems we need. So, we're only going to do a certain amount of business with them.'"

A national study by the Urban Institute, a Washington-based think tank, suggests that if minority- and women- owned firms embraced technology, the U.S. economy could capture as much as \$200 billion in additional revenues.

Minority- and women-owned enterprises are the nation's fastest-growing business segment but are behind the learning curve when it comes to integrating technology into their day-to-day business practices. "They have to upgrade the tools to communicate electronically," said Ronald Langston, national director of the U.S. Department of Commerce's Minority Business Development Center in Washington.

"Unless you have the tools and technology to make you efficient in this knowledge economy, in the global world, you're not going to be a star player. You're going to be a spectator."

The technology gap, also known as "the digital divide," among minorities, particularly blacks and Hispanics, can be traced to lack of access to computers in poorly financed schools and at home, Langston said.

As business owners, many still have not caught up, which is why the Commerce Department has teamed up with corporations such as Microsoft to educate minority- and women-owned businesses about the benefits of technology products and services.

"They don't see the connection of the value proposition," Langston said. "They understand the phone, the TV, the computer. But as a business tool to promote efficiency--to look like IBM but not be IBM-- no."

For Cabrera, the benefits of trading electronically became obvious to him only after his clients insisted upon it.

"Clients give you feedback on what's important to them," said Cabrera, whose firm is among only a handful of Hispanic-owned institutional investment firms in the nation. "There's more likelihood of errors taking place by phone just because the markets are crazy and you're constantly trading."

For an initial set-up fee of \$15,000, Cabrera installed the NYFIX trading system in 2002. The following year, his annual revenues jumped by nearly \$500,000.

"We have the same bells and whistles that Goldman Sachs and Lehman [Brothers] has," he said. "So it allows us to compete with all the institutions in the business."

How to utilize the technology to benefit their businesses may elude some minority and women small business owners, said Kevin Wilson, director of the University of Missouri's Small Business Development Center in St. Louis.

"Most of them are trying to figure out ways of using technology to make their lives easier. It usually centers around, 'I want to get my Web site up. But what use is it once I get it up?'" Wilson said. "There are lots of high-tech gizmos out there to buy that can help a small business run more efficiently, if it works in the context of their plan."

From the start, Pamela Holt and Craig Huffman viewed technology as essential to the operation of their Chicago-based real estate brokerage firm called reChgo, which was founded a year ago.

Holt and Huffman, both African-American, installed a "follow me" telephone technology that allows agents to forward the office number to any phone. The move eliminated the need for office space, enabling Holt and Huffman to conduct business before their South Loop office opens this month.

"I was bored with how I saw real estate conducted," said Holt, who worked as a real estate agent for 21 years and also is an attorney. "Nobody was using technology."

The telephone system, called Covad, a provider of voice over Internet protocol and broadband services, includes a Web-based portal that agents can log onto to retrieve messages and receive faxes.

Today, reChgo boasts \$21 million in listings and a database of hundreds of prospective buyers who receive listings via e-mail. ReChgo also will produce audio and video podcasts of their most exclusive properties.

"Developers want innovative ways to highlight their product," said Huffman, a real estate developer. "I've been very frustrated with the lack of quality of real estate brokerage firms, particularly on the South and West Sides. When markets are hot, people get lazy."

Small businesses typically are the driving force behind innovation in the business world, Wilson said. Compared to bigger companies, "small businesses are far more nimble. You don't have as much bureaucracy internally, so they're able to develop research and development far quicker," he said.

Nicole Loftus says a big company would never have come up with the supply-chain model she has designed. Her firm, Zorch International, based in Chicago's River North neighborhood, eliminates the middleman by connecting Fortune 500 companies directly with the manufacturers of promotional merchandise.

Companies use an online server to place orders through one of Zorch's online stores, and the manufacturer is able to share expertise and provide service to their corporate customers, she said.

A "traffic controller" manages the transactions to ensure efficiency and quality control.

Loftus said her clients particularly like the minimum guaranteed savings of 25 percent, which she said wouldn't be possible without the use of technology.

Saving money is "what people are attracted to in the beginning. Then they find out that getting the middleman out of the way makes things happen so much faster," said Loftus, who projects earnings this year of \$12 million, a \$9 million increase from last year's revenues.

"The beauty is we're scalable. We can handle growth easily because we've got huge manufacturers handling the business for us," she said.

Look before taking the high-tech leap

Kevin Wilson, director of the University of Missouri's Small Business Development Center, offers a few tips for small businesses ready to take the tech leap:

Don't build your own Web site. "Unless you have the expertise, it will look homemade. Hire a graphic designer and a Web-savvy programmer who can work together to make a slick presentation."

Consult a technology expert or company to assess what services are right for your business. "They are immensely helpful in terms of helping small businesses put together a great corporate image."

Never do your own accounting. If you can't afford to hire an accountant, then outsource the work, Wilson suggests. Microsoft and Oracle also have consultants that can help.

Manage growth. "You don't want to stagnate, but the last thing you want to do is grow a business too fast where you run out of money."

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