

Buying Online Yields Net Value

Firms are saving money with Web deals for everything from equipment parts to supplies to services; shipping costs can eat into gains **BY JUDITH MESSINA**

WHEN ROBERT STOR BOUGHT \$30 WORTH OF supplies on eBay three years ago, he did it out of curiosity. He wanted to see what all the hype was about and whether he could buy the same items online that he bought from traditional vendors.

After a few purchases, he was hooked. Today, the \$30 is \$10,000, more than 10% of his total business purchases. He says that figure is likely to get bigger.

"We've grown to rely on the Internet," says Mr. Stor, a partner in Copycats Inc., a Manhattan-based printing and copying company with nearly 30 employees and revenues of more than \$2 million. "We found

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Pointers for setting up an online retailing operation. **Page 14**

we could use it to maintain competitiveness by controlling our costs." Small companies throughout the region are increasingly doing the same. They are flocking to the Internet to scoop up the supplies, equipment and services—from booking hotel reservations to managing payroll—that they need to help run their businesses.

While small business purchasing online is nowhere near as big as online selling, it is expanding at a rapid clip, driven largely by the potent combination of convenience and price. Last year, U.S. businesses bought \$2 billion worth of supplies, secondhand equipment and items for resale on eBay alone. The figure was double their purchases in 2002.

"Buying online is faster, and you get rebates," says Rosalind Resnick, chief executive of Axxess Business Centers, a Manhattan-based consultant to small businesses. Ms. Resnick uses the Internet to buy computers and copy paper, among other things.

But as popular as the Internet has become

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NET EFFECT: By purchasing toner and other items on the Internet, Robert Stor says, he saves as much as 50% for his printing and copying firm, Copycats.

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Online purchasing yields net value

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for purchasing, the Web has its limitations. For one thing, shipping costs on bulky items can cancel out much of the promised savings. In addition, online buyers take risks, especially at auction sites, where a no-return policy is in force.

"The disadvantage is that if something is wrong with an item, maybe it's actually easier to walk into Best Buy and say, 'This thing doesn't work,'" says Merle Sandler, senior research analyst in Interna-

tional Data Corp.'s small and medium business program.

Still, many small business owners are finding it difficult to resist the savings in money and time that are made possible by the Net. Many who had put a toe in the water a few years ago are increasing their online purchases.

Today, 90% of small firms nationally have made at least one purchase online, up from 70% in 2000, according to a survey by IDC. The company predicts that the total

amount of online purchases will continue to grow as buyers get more comfortable with the medium.

Catering to needs

To serve that growing market, online services such as eBay, Google and Yahoo! have set up small business operations in the last two years. At the same time, dozens of other Web sites help companies comparison shop and match would-be buyers with eager vendors worldwide.

BuyerZone, for example, whose

customers are primarily small businesses with fewer than 100 employees, is expecting 400,000 new users this year, a 100% increase.

"The savings are highly tangible for small businesses," says Jordan Glazier, senior director and general manager of eBay Business.

The lure of such windfalls was all it took to hook lower Manhattan's Wall Street Network, a 7-year-old systems integrator with 10 employees. Four years ago, the company bought a few switches and firewall

devices on the Web as an experiment. Today, it uses the Web for many of those purchases, saving from 25% to 50% on devices that normally cost anywhere from \$150 to \$1,500.

Since the company often tests applications on equipment that duplicates the environment in its customers' offices, Wall Street Network also scours online sites for discontinued items. "Ninety-eight percent of the time we find it online," says Kristina Mazelis, Wall Street Network's chief financial officer.

Web shopping has also become essential for Art Lazarus, a principal in Machinery Values Inc., which refurbishes and resells old metal-working equipment. Mr. Lazarus first turned to the Internet in 1999 to buy computer equipment for his 35-employee, \$10 million company.

Today, he uses the Internet for nearly half of his purchasing, buying, among other things, computers, all of his tools and a sizable portion of his inventory of used equipment.

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A spare part for a discontinued fax server was found on eBay for 99 cents

Mr. Lazarus has turned to the Web for the spare parts he needs to keep his office equipment humming. When a key part on his fax server broke a few years ago, he couldn't get a new one because the machine had been discontinued. He found the part on eBay for 99 cents.

"Without that part, the machine would have been worthless," says Mr. Lazarus.

Attractive savings

In contrast, Copycat's Mr. Stor uses the Internet only for common items—such as toner, developer and binding equipment—that he could get at any number of places in Manhattan. The attraction of shopping online is the savings, which he figures can amount to 50%.

Even companies that don't actually buy online are increasingly turning to the Web to comparison shop. Christopher Van Buren, a mortgage broker in the Bronx, was recently looking for a firm to manage his 30-employee payroll. Ordinarily, he says, he would have called the biggest name in the business and paid the going rate.

However, Mr. Van Buren discovered BuyerZone, a Web site that matches buyers with sellers looking for new business. Within days he got responses from six payroll firms, one of which he ended up using at a savings of about 20%.

"I'm a small guy," says Mr. Van Buren. "But you find that there are competitors out there who give fairer prices and are not penalizing you because you're a small company." ■