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Small businesses fuel boom in virtual networking sites

12:49 ET, Mon 7 Jul 2008

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By Deborah L. Cohen

CHICAGO (Reuters.com) -- Small businesses thrive on their ability to network and as they shift that zeal to get-together online, they're fueling a trend in specialized, business-focused communities.

Forrester Research Inc. expects small businesses' adoption of social networking technology to grow by 20 to 33 percent this year alone.

"The great thing about social networking and these sites is that it allows businesses to connect with each other in ways they never could before - and very quickly," says Charlene Li, a Forrester analyst who specializes in online networks. "It's just important to be able to tap people for their expertise because small businesses don't have a lot of resources."

Many entrepreneurs have begun to carve out small business communities on spaces originally designed for individual users, such as the online directories Myspace.com and Facebook. Palo Alto, California-based Facebook counts some 80,000 users who have registered as small business owners, says Alex Craddock, head of small business marketing for VISA, which partnered with Facebook late last month to create the VISA Business Network.

The free community, which will be supported by online advertising, is designed to help small businesses connect with each other through robust searching tools and to gain access to resources such as "ask the expert forums" through partnerships with media outlets like the Wall Street Journal. Facebook was already seeing 20,000 new small businesses sign up each month, says Craddock, a trend that influenced VISA's decision about where to house the network.

"Let's go where small businesses already are," he says. "We're actually going to be adding value to a destination where small businesses are already hanging out."

Phil Tepfer, a young entrepreneur, is just the type of user the new Facebook network appeals to. Tepfer's Sail Proud Apparel, which launched late last year, projects just \$40,000 in 2008 sales of performance sailing apparel; its fledgling staff has limited resources.

Yet Tepfer mines online social networks for connections to potential suppliers, sailors who might eventually become customers and market research. In addition to Facebook, he is an active member of the largely professional network LinkedIn, the event networking site Meetup.com and Yahoo groups.

"For a company that's starting out that has no money -- it's a cheap and easy way to

get your name out there," says Tepfer. "From the beginning, (it) was a huge influence in how we shaped the business."

A host of specific networking groups has spawned to meet small companies' specialized needs. Among the more successful is Ladies Who Launch (ladieswholaunch.com), a free network which is dedicated to budding female entrepreneurs seeking inspiration and support from fellow women-run start-ups.

"What Ladies Who Launch does is provide a community where people can connect - and move their business idea forward," says Amy Swift, chief product officer for the New York-based site, which counts more than 50,000 users. "You want to be on a community for people that are speaking your language."

Swift notes that variety of specialized sub-communities have formed around specialized industries. "Let's say you are thinking about launching a jewelry company," she says. "You might join the jewelry group to see who these people are. What kind of information are they exchanging? What are the important conferences? Is it better to get a Nordstrom account or 20 boutiques?"

Raisecapital.com is another specialized social networking site. It matches entrepreneurs seeking financing with potential investors. Guru.com links freelancers with companies in need of their services.

Many small businesses use social networks almost exclusively to market their products, finding they offer a quick and inexpensive way to get the word out to large groups of existing and potential customers.

"Social networking spaces such as MySpace are a fantastic source to generate traffic to my Web site through grass roots marketing efforts," says Valerie Johnson, founder and CEO of Las Vegas-based Big Feet Pajama Co., which has been manufacturing footed sleepwear for two and a half years.

Johnson, who often uses the social network to send emails when her PJs are featured at celebrity events, estimates that 5 to 7 percent of the traffic on her Web site comes from MySpace.

Regardless of how small companies make use of them, online social networks - still in their infancy - will likely take on increased importance as membership builds.

Says VISA's Craddock: "It really is the future of networking for small businesses."

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