

U.S. Senate Committee for Small Business & Entrepreneurship

“Growing Small Businesses in Rural Areas” Hearing, April 26th, 2017

TESTIMONY

James E Hobart
Alpaca Direct LLC

Good Morning.

Chairman Risch, ranking member Jeanne Shaheen and members of the committee thank you for the opportunity to testify today. I am James Hobart, Co-Owner of Alpaca Direct, and I am honored to share my experience as a small business owner in North Idaho and how we transformed my daughter's 4H project with pet alpacas into a thriving 'Click and Mortar' business serving over 100,000 customers in 30 countries.

For my wife, Kelley and I and our two children, nothing is more important than a close-knit family and community. When our daughter asked if she could raise alpacas on our ranch in 2005, we discovered the many unique benefits of alpaca fiber and wanted to share these products with others. We opened Alpaca Direct and a companion online store to share this durable, eco-friendly yarn with knitting and apparel enthusiasts all over the world.

For a small business in northern Idaho, our sales demographics may surprise you. 92% of our annual sales are online. Our customers are 85% female, 75% of them are 45+, and 30% are 65+. In the USA, our four top selling states are New York, California, Texas, and Florida.

We have used the Internet and social sites like Facebook, Pinterest and Google+ to stitch together a modern 'Click and Mortar' business. We rely on web search advertising and social networks to find customers who will be interested in our products and start conversations with them to better understand their needs. Today's advertising platforms like Google AdWords, and Facebook allows us to be very specific in utilizing our advertising dollars and measuring the ROI on our marketing efforts.

YouTube allows our staff to share knitting techniques and product reviews with a global audience. There are people all over the world who don't have a local yarn shop. We want to become their local yarn shop even though we're based in northern Idaho. With online social tools, we can do that, and they have become part of our community.

Creating a loyal customer is no different in the online world than in the physical world. Here are seven key principles we established for our business.

1. Listen to our customers and create conversations with them vs. talking at them
2. Treat our employees and customers as part of our family
3. Build trust by selling great products we can stand behind
4. Deliver great customer service...every day
5. Do what's best for the customer, and it will be what's best for us as a company
6. Offer the best products at competitive prices by operating efficiently
7. Continuously evolve to serve our customers

The internet has allowed us to amplify our message and openly share these principles. I'm happy to say our customers have responded by telling others resulting in over 51,000 active

Facebook fans and it grows daily. The amplification and transparency effect of the internet is a huge benefit for small businesses who do what they say and live by their principles.

We're a small business in a small town. For hundreds of years, in a small town, to thrive you needed to treat your customers well since they were your neighbors. Now the internet has made this type of transparency true for everyone, not just the small town and not just the small businesses. When you don't treat your customers well, everyone knows, and everyone is your neighbor as we have witnessed so clearly in recent weeks with some of America's largest companies.

Challenges

The growth we've enjoyed has not come without challenges. Two key areas we feel need attention are improved internet access and affordable healthcare for our employees.

Essentially, the on-ramps to the digital highway need more access for rural areas. Our competitors in larger cities are operating on the equivalent of a 12-lane freeway while our access to that freeway is like a worn-out toll road, with potholes maintained by a single-source provider with little incentive to make improvements. This limits our ability to live-stream store events with our customers and limits their engagement with us. In the very near future, this will become a differentiator for our ability to deliver competitive service.

As for healthcare, we all know the issues around high costs and limited access. Despite this, we are blessed to have phenomenal employees who love their jobs and truly care for our customers. Most of our employees are part-time moms who drop their kids off at school and pick them up in the afternoons with an average commute of about 5 minutes. We recently lost a great bookkeeper who worked five years for us but had to take another job with a large company just to get healthcare for her husband who was a local plumber in his late 50's and needed a hip replacement.

We like to think we're making an impact on our community. Our weekly knitting groups fill our store with knitting enthusiasts who share their skills and create lifelong friendships. They are constantly knitting for specific causes and charities to help veterans and people in need. Our alpaca socks keep our customer's feet warm all winter better than any other socks on the market. We get customer comments every year thanking us for the gift of warm feet during cold winters.

Entrepreneurs have realized the world is flat and you can run your business from where you want to live, not where you must live. In our case, we discovered Coeur d' Alene, Idaho on vacation back in 2005 and left Silicon Valley for a simpler life and a more efficient place to run our business. Burt Rutan a famous aerospace designer and 1st winner of the Space-X award recently made Coeur d' Alene his home along with many other entrepreneurs and technologists. Even the co-founder of C-Span Robert Titsch has discovered our town and lives nearby. This trend will continue to play out in small towns across America, and I want to thank you for giving me the opportunity to share my perspective on how small businesses can grow and thrive in today's internet economy.