

Modern Commerce Monitor™

State of SMB – Wave 8.0

April 2023



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METHODOLOGY

Objective: To obtain and track the shift of traditional services for human resources and payroll, supply chain management, finance and operations, customer relationship management, and advertising to SaaS tools and technology for small businesses. This information will be used internally for Localogy as well as for press releases and/or sales related material for its members.

(This report contains data collected from March 3- March 17, 2023.)

Method

100% of data collection was conducted online (via an online panel) among employees that work full time at a small business. Screening criteria included:

- + Full time employment
- + Working in one of the selected areas of focus (HR and payroll, supply chain management, finance and operations, customer relationship management, or advertising)
- + Have less than 500 employees
- + Be a retail, home services, personal services, automotive, or professional services business

Quota and Questionnaire

- + There were 1,073 interviews conducted for this particular wave. The data was collected between 3/3/23-3/17/23 via an online panel. Approximately, 150 respondents were targeted for each business segment.
- + The survey took about 15 minutes, on average, to complete.
- + Interviews were made available in English.

U.S. SaaS ADOPTION TRENDS

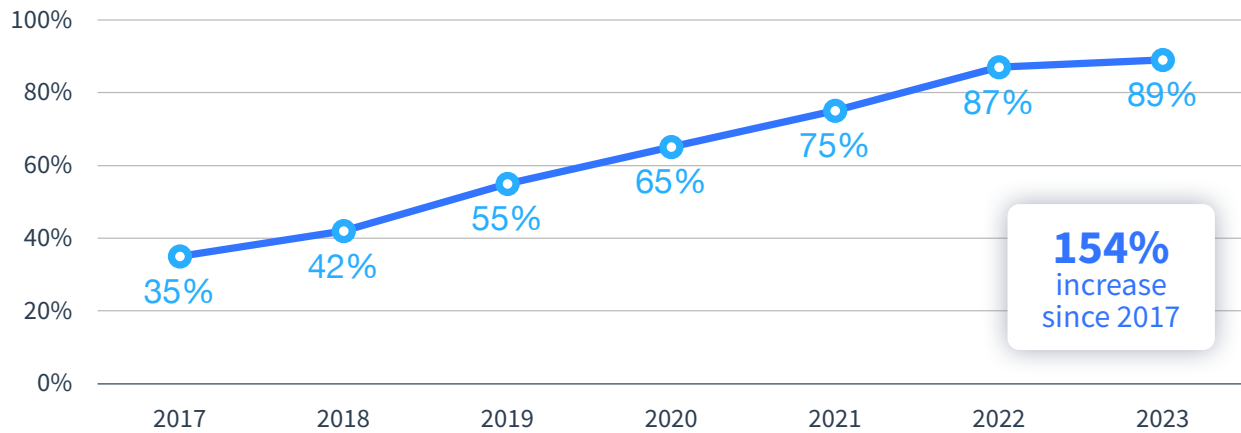


Summary

- Since 2017, the number of businesses utilizing SaaS software/tools has increased 154%. Today, 89% of SMBs utilize at least one SaaS service or tool to manage a critical business process on a monthly basis.
- Finance, operations, and supply-chain services lead the way in growth over the past few years.
- The trend isn't expected to stop. 40% of non-SaaS service users are expected to try a service and 55% of existing users will get more services over the next 6 to 12 months.
- Top growth areas include Payroll (40%) and CRM (40%).
- Key growth drivers have shifted some post pandemic. They include new capabilities (61%), and saving time (37%).
- SMBs stated they have not made the move to SaaS tools because they don't see the need (62%), and are happy with what they have (53%).
- Around 73% of SMBs stated the SaaS tools performed as expected or better than expected.

U.S. SMB Adoption Rates of SaaS Services

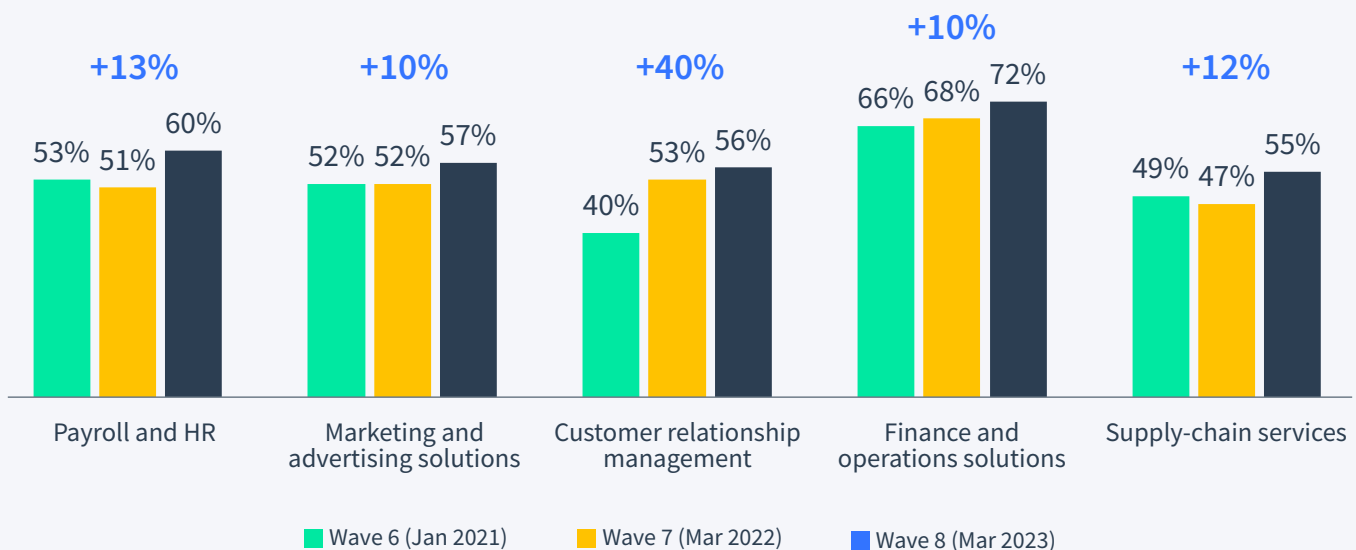
SaaS SOFTWARE AND TOOLS ARE QUICKLY BECOMING THE DEFAULT TECHNOLOGY FOR MANY SMBS*



Sources: Modern Commerce Monitor™ 2017-2023; 9,292 SMBs;
*Estimates based on SMBs that use SaaS services/tools at least once a month to support a business function.

Areas SMBs Have Shifted to SaaS Services

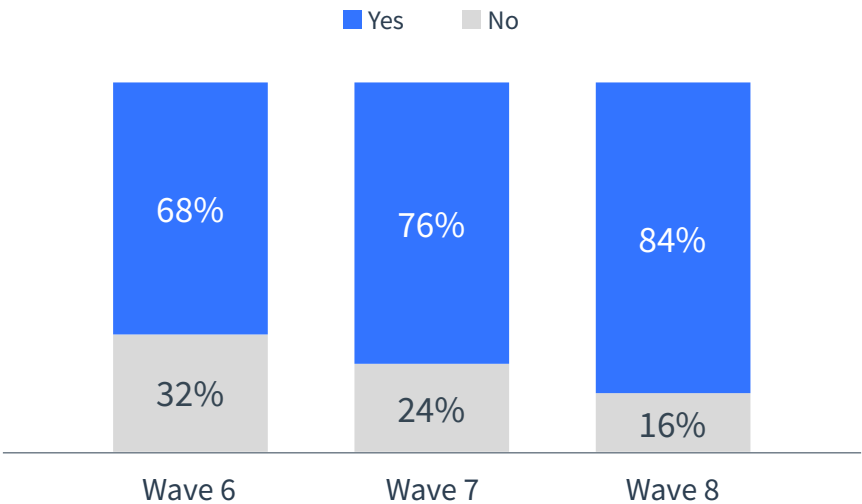
SMB owners are investing across the board in online services and tools



Source: Localogy Modern Commerce Monitor™; Main Wave 6: N=1,011 SMBs (January 2021);
Main Wave 7: N=1,049 SMBs (March 2022); Main Wave 8: N=1,073 SMBs, (March 2023).

Mobile App Usage by SMBs

DO YOU USE MOBILE APPS TO HELP OPERATE YOUR BUSINESS?



Source: Localogy Modern Commerce Monitor™; Main Wave 6: N=1,011 SMBs (January 2021); Main Wave 7: N=1,049 SMBs (March 2022); Main Wave 8: N=1,073 SMBs, (March 2023).

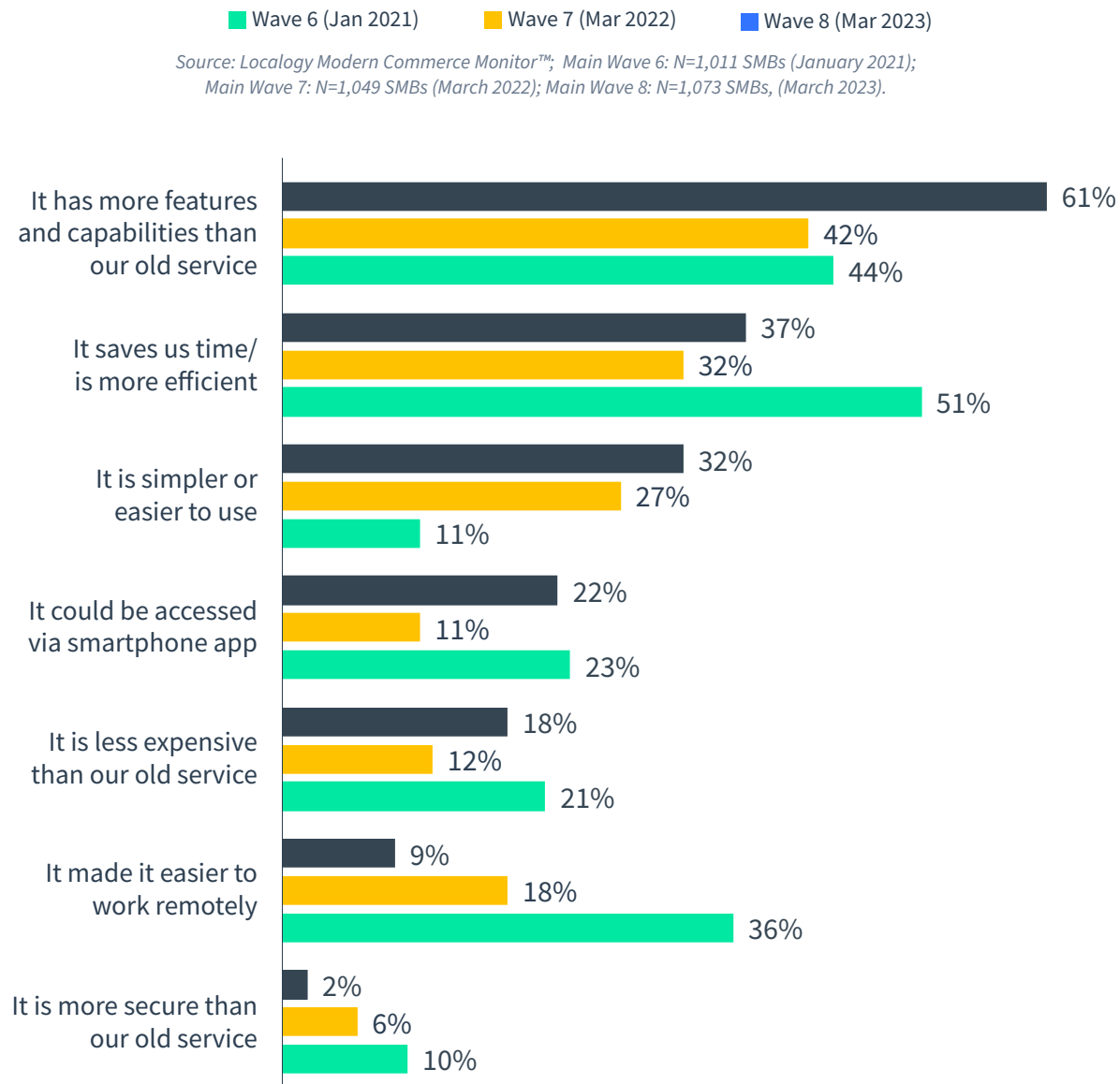
AVERAGE NUMBER OF APPS BUSINESS OWNERS USE



Source: Localogy Modern Commerce Monitor™; Main Wave 6: N=1,011 SMBs (January 2021); Main Wave 7: N=1,049 SMBs (March 2022); Main Wave 8: N=1,073 SMBs, (March 2023).

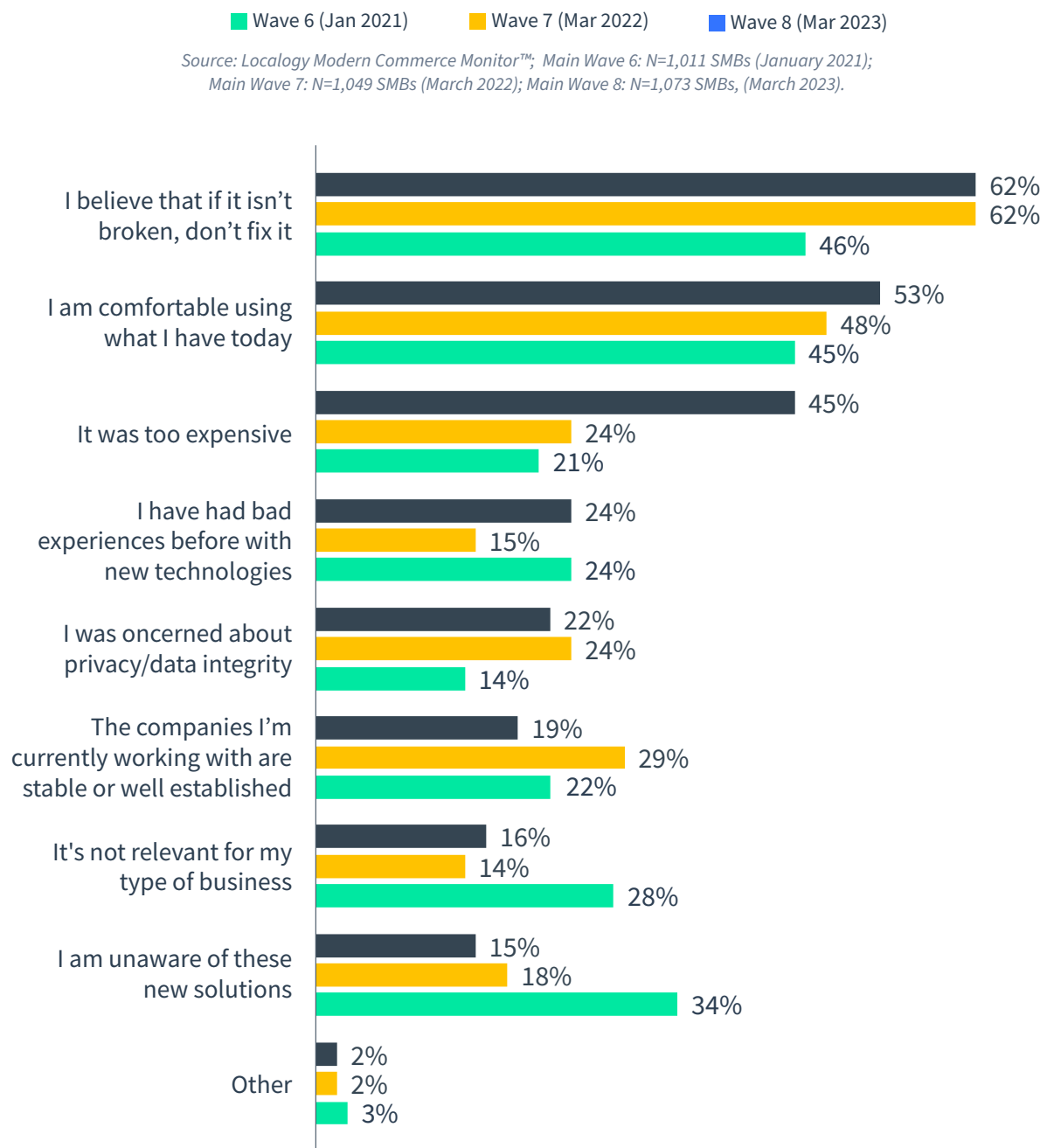
Top Reasons Why SMBs Have Shifted to SaaS Tools

Having more capabilities, saving time, and being simpler to use are the leading reasons for a shift to SaaS tools.



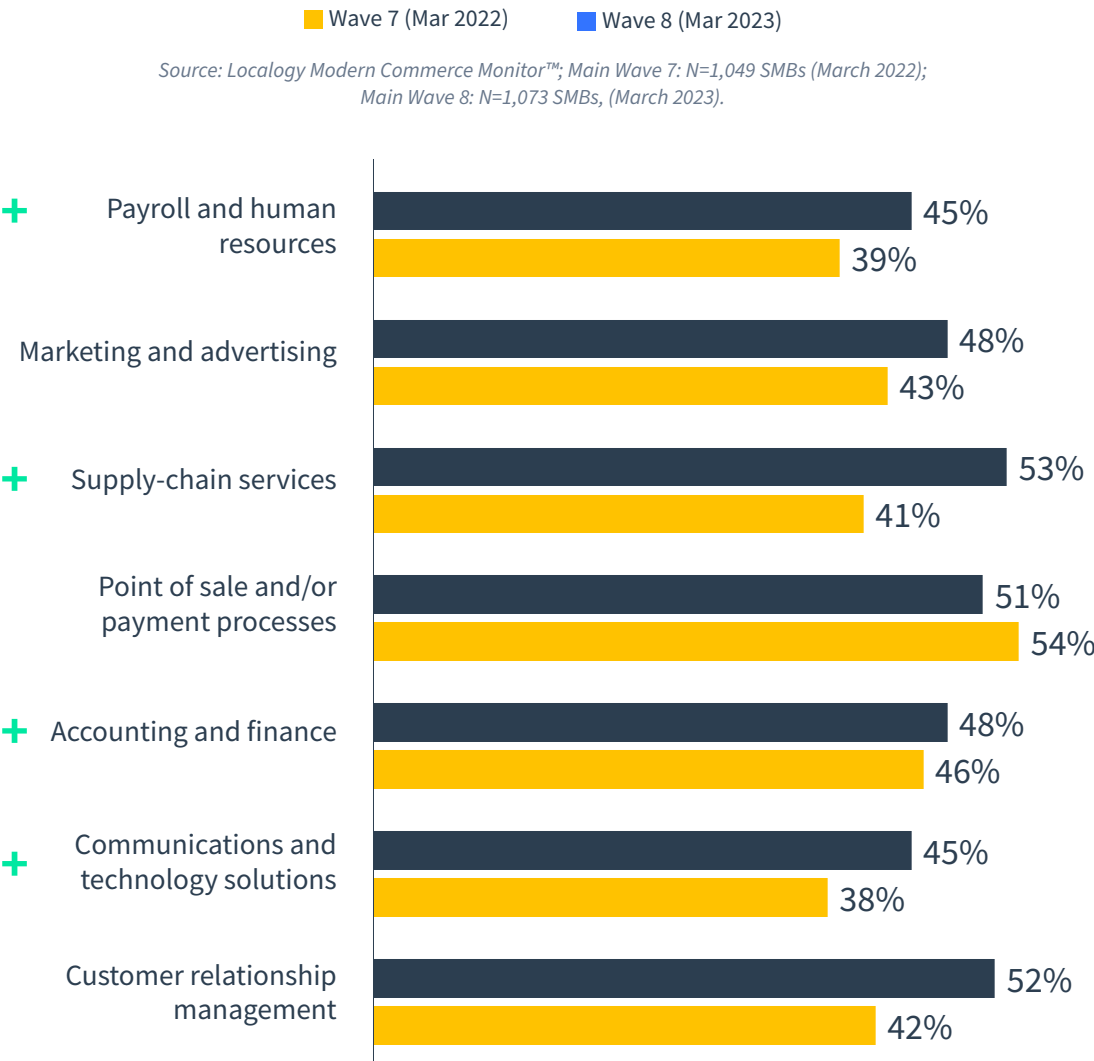
Top SMB Reasons For Not Shifting to SaaS Services/Tools

Status quo is the biggest hindrance to adoption.



To What Degree Have SAAS Services/Tools Met SMB Expectations

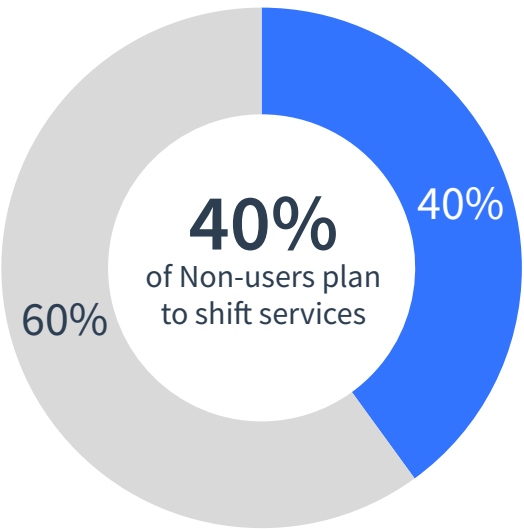
48% of SMBs say SaaS tools have exceeded expectations. 25%percent say they have performed as expected



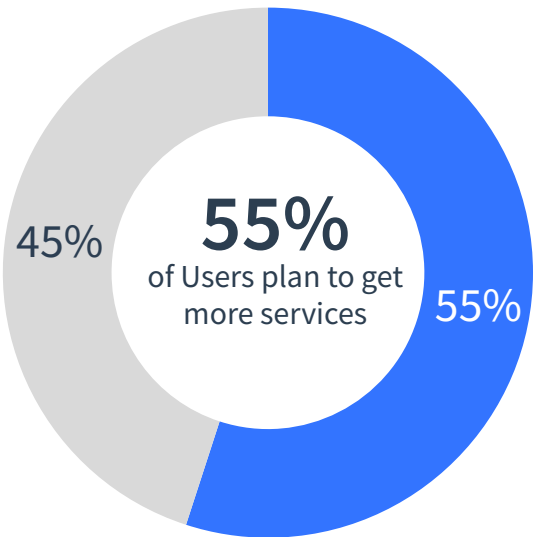
+ Top areas businesses have started using online solutions since the Covid-19 crisis.

SMB SaaS Adoption Trends

SMBs THAT DON'T USE SaaS SERVICES
THAT PLAN TO START USING THEM IN
THE FUTURE



SMBs THAT CURRENTLY USE SaaS
SERVICES THAT PLAN TO PURCHASE
MORE IN THE FUTURE



■ Yes ■ No

Source: Localogy Modern Commerce Monitor™; Main Wave 8: N=1,073 SMBs (March 2023).

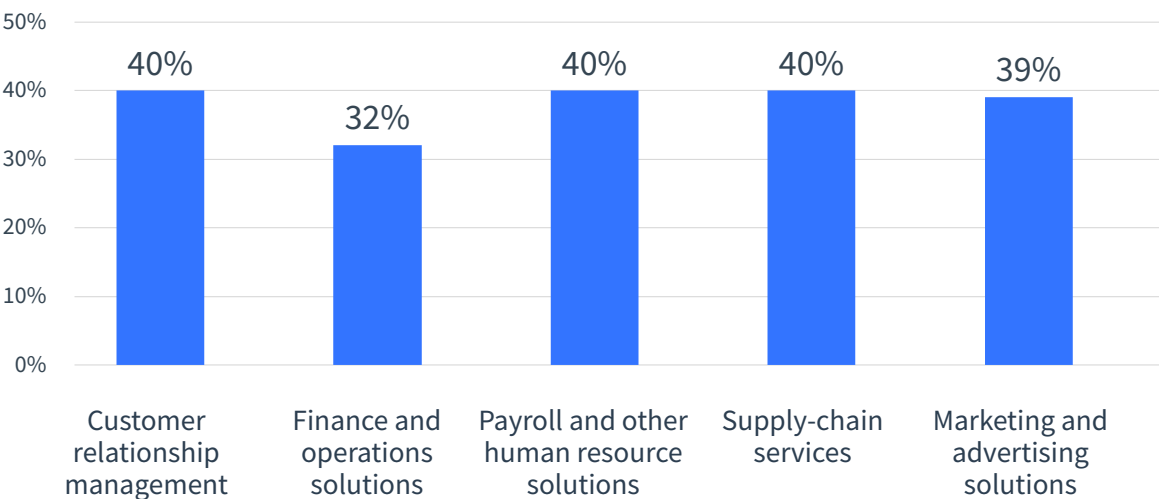


SMS SaaS Adoption Over Next 12 Months

Payroll and CRM are top of mind.

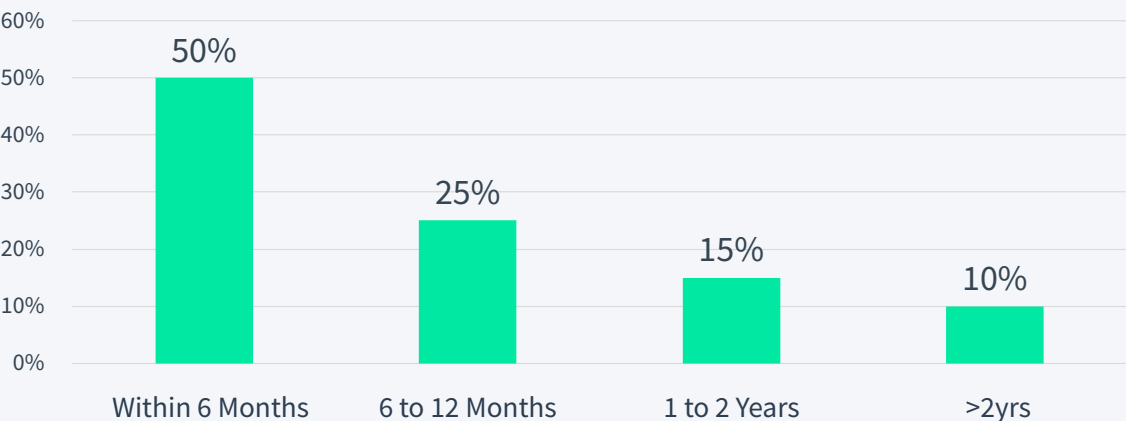
AREAS BUSINESSES PLAN TO SHIFT TO ONLINE SERVICES/TOOLS*

Source: Localogy Modern Commerce Monitor™; Main Wave 8:Mar 2023
*Includes SMB that already have adopted some services.



TIMING OF SHIFT

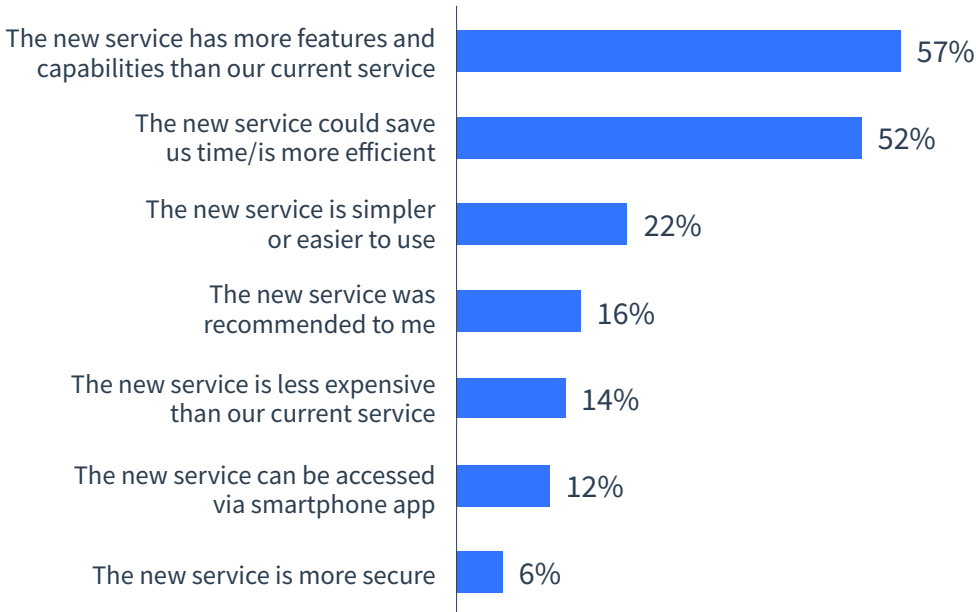
Source: Localogy Modern Commerce Monitor™; Main Wave 8:Mar 2023



Why SMBs Are Moving to New SaaS Solutions

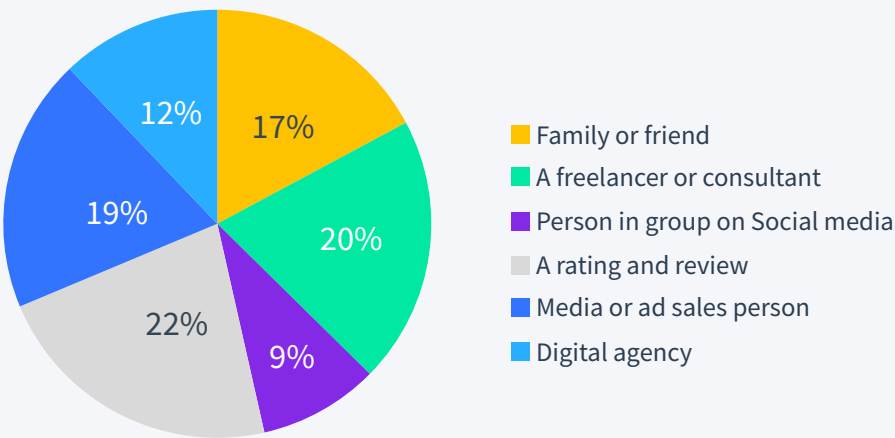
REASONS WHY SMBs ARE PLANNING TO MOVE TO SaaS SOLUTIONS

Source: Localogy Modern Commerce Monitor™; Main Wave 8: Mar 2023.



SaaS SOLUTION RECOMMENDATIONS

Source: Localogy Modern Commerce Monitor™; Main Wave 8: Mar 2023.



BENEFITS OF SaaS SERVICES/ TOOLS

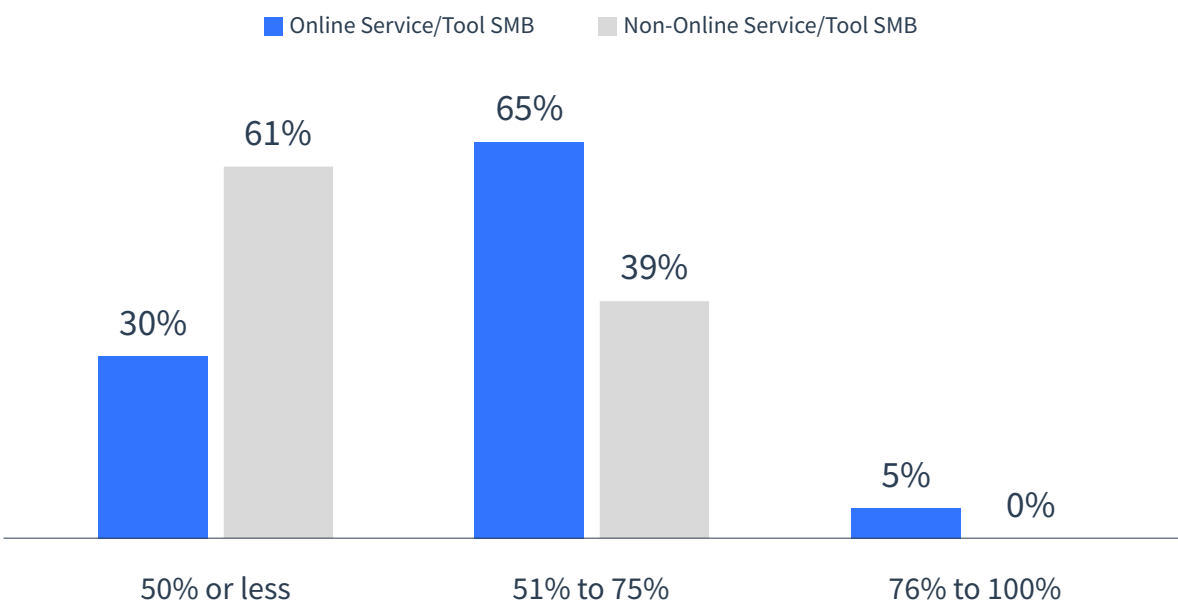


Summary

- SMBs utilizing SaaS services /tools spend 50%-60% more time on revenue generating activities versus nonusers.
- This has allowed SMBs to save money (53%), spend more time with customers (46%) and have more capabilities (36%).
- Unfortunately, only 51% of SMBs are utilizing the full capabilities of SaaS services /tools. This is up from 34% in 2022.
- Training is one of the biggest issues. Thirty-four percent of all SMBs state this is an issue. Another twenty-four percent stated they just haven't used it yet.

Time Spent on Revenue Generating Activities vs Manual Processes by SMBs

SMBs using SaaS services /tools experience a ~50-60% increase in time spent on revenue generating activities

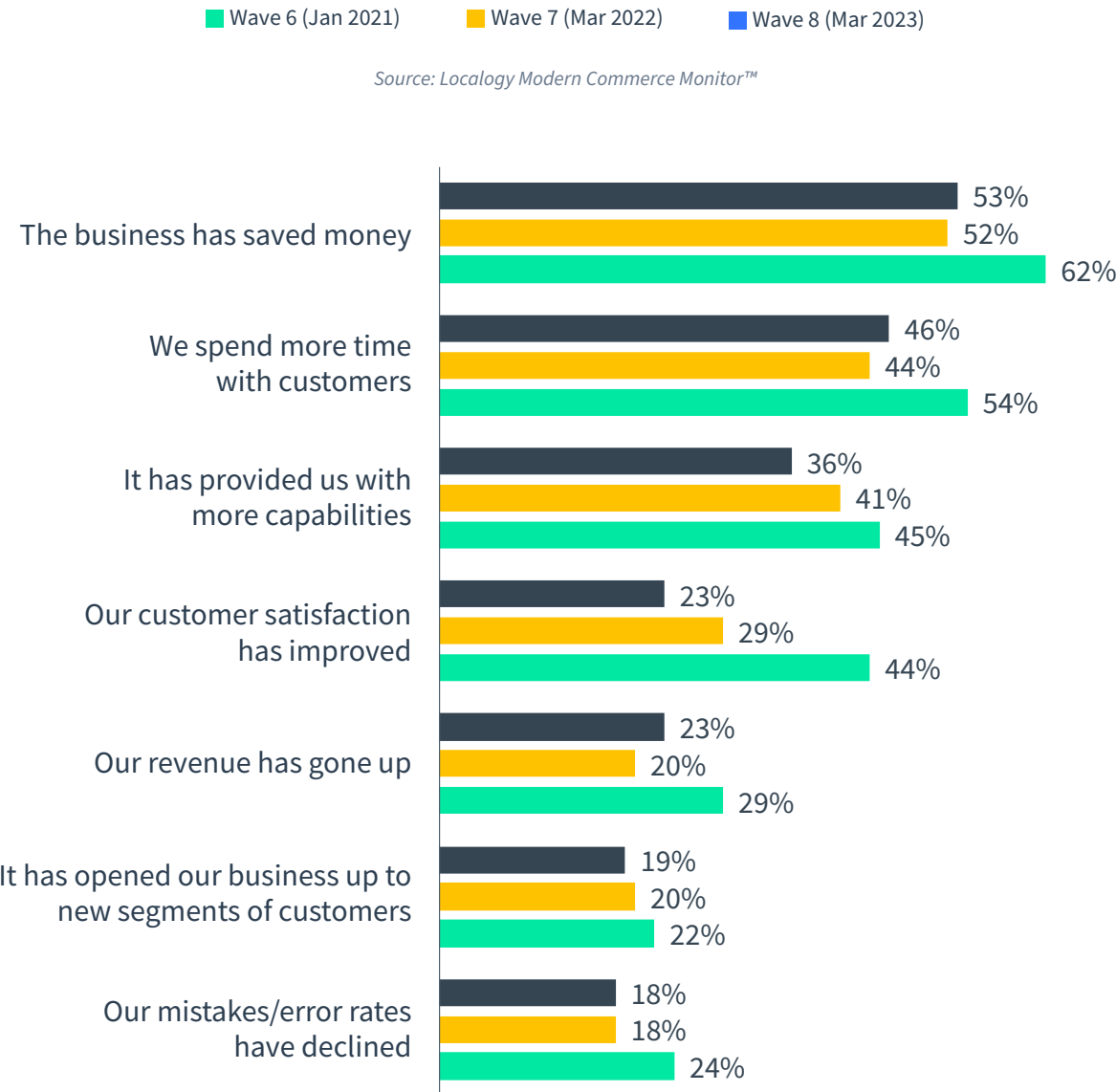


Source: Localogy Modern Commerce Monitor; Main Wave 8: N= 1,073 SMBs.



How switching to SaaS has helped SMBs

Benefits of using SaaS include saving money and spending more time with customers.

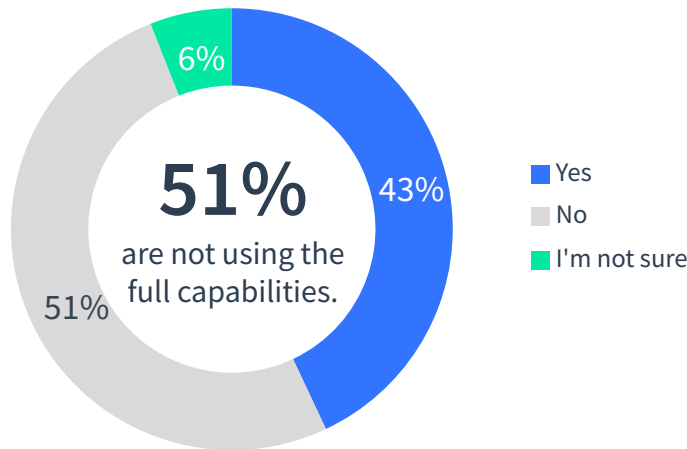


SMB Utilization of Full Capabilities of SaaS Products

Over 50% of SMBs are not using the full capabilities due to additional training, technology needs or just getting around to it.

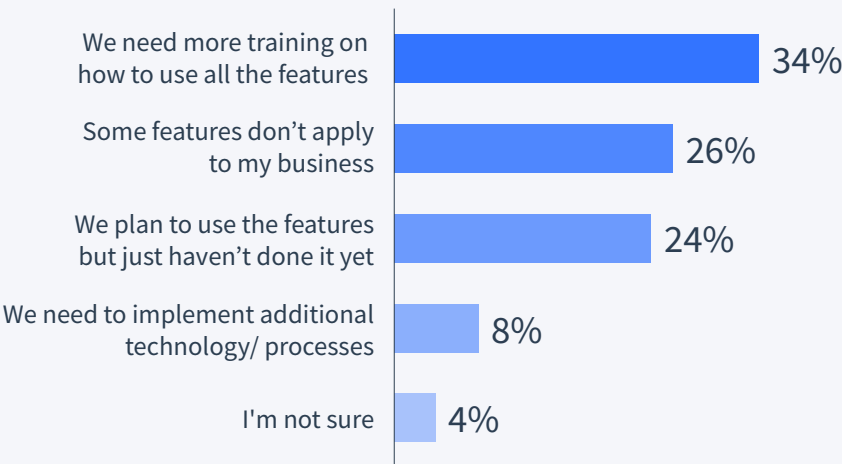
SMBs THAT ARE UTILIZING THE FULL CAPABILITIES OF SaaS SERVICES/TOOLS

Source: Localogy Modern Commerce Monitor™; Main Wave 8: N= 1,045 SMBs.



REASONS WHY SMBs ARE NOT UTILIZING ALL THE CAPABILITIES

Source: Localogy Modern Commerce Monitor™; Main Wave 8: N= 1,045 SMBs.



PURCHASING TRENDS

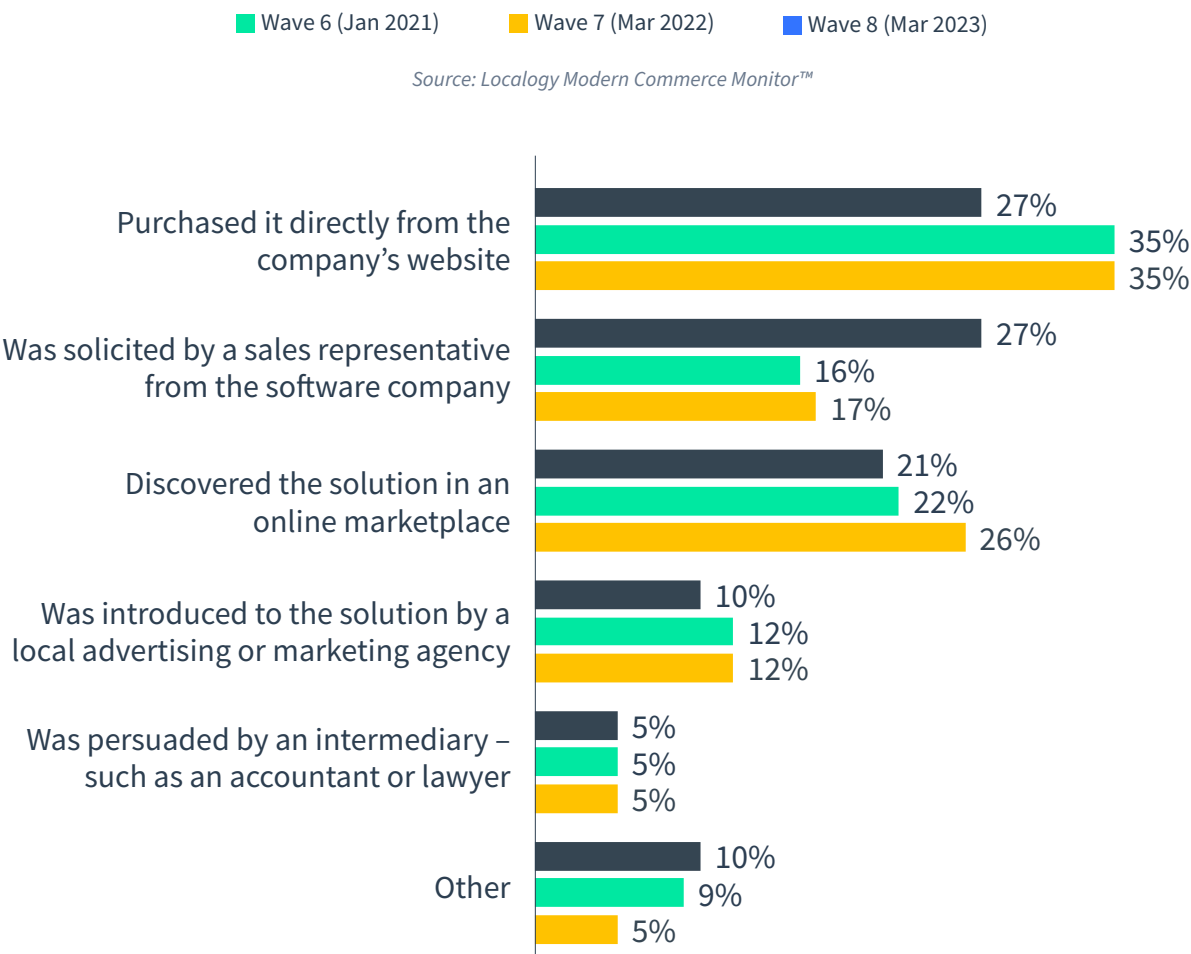


Summary

- Twenty-seven percent of SMBs purchased the services directly while another 27% got it through a sales rep.
- Try and buy is the most used purchase method with 51% of SMBs using a free version of the online service/tool prior to purchasing it.
- Freemium services are critical to adoption- 59% percent of SMBs stated the free trial was critical in their purchase decision.
- 48% is bought from a company they use to market or advertise their business.
- Forty percent of SMBs didn't use the services or have limited usage of initial purchased services due to service complexities, lack of training and misalignment of expectations.
- Online technology service providers are the top choice for partners- Forty-eight percent of SMBs would purchase new services from an online technology provider.
- Over half of SMBs work with more than 5 partners, however most would prefer to work with one.
- Few SMBs have consolidated services; those that do are looking at specialized providers.

Where Do SMBs Purchase Their SaaS Services/Tools?

Majority of SMBs purchased the services directly.

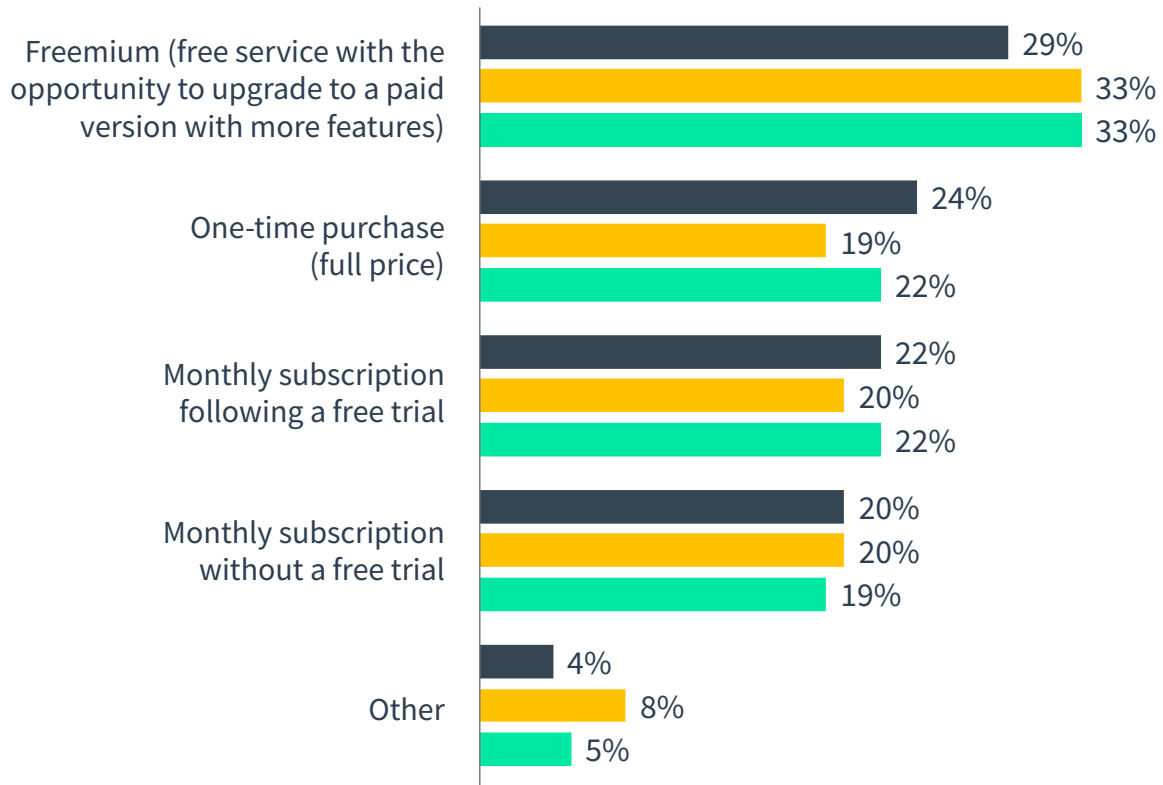


Pricing Models Match SMBs Recent SaaS Purchases

Try & Buy is the most widely used SMB purchase model.

■ Wave 6 (Jan 2021) ■ Wave 7 (Mar 2022) ■ Wave 8 (Mar 2023)

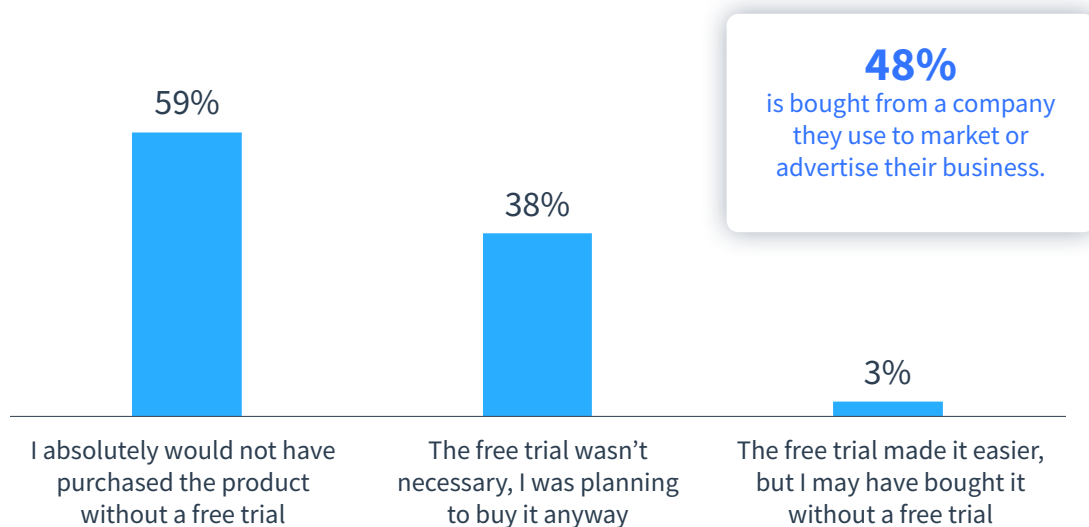
Source: Localogy Modern Commerce Monitor™



51% of SMBs bought SaaS services after a free trial.

Important of the Free Trial to SMB Purchase Decisions

SMBs (59%) stated the free trial was critical in their purchase decision.



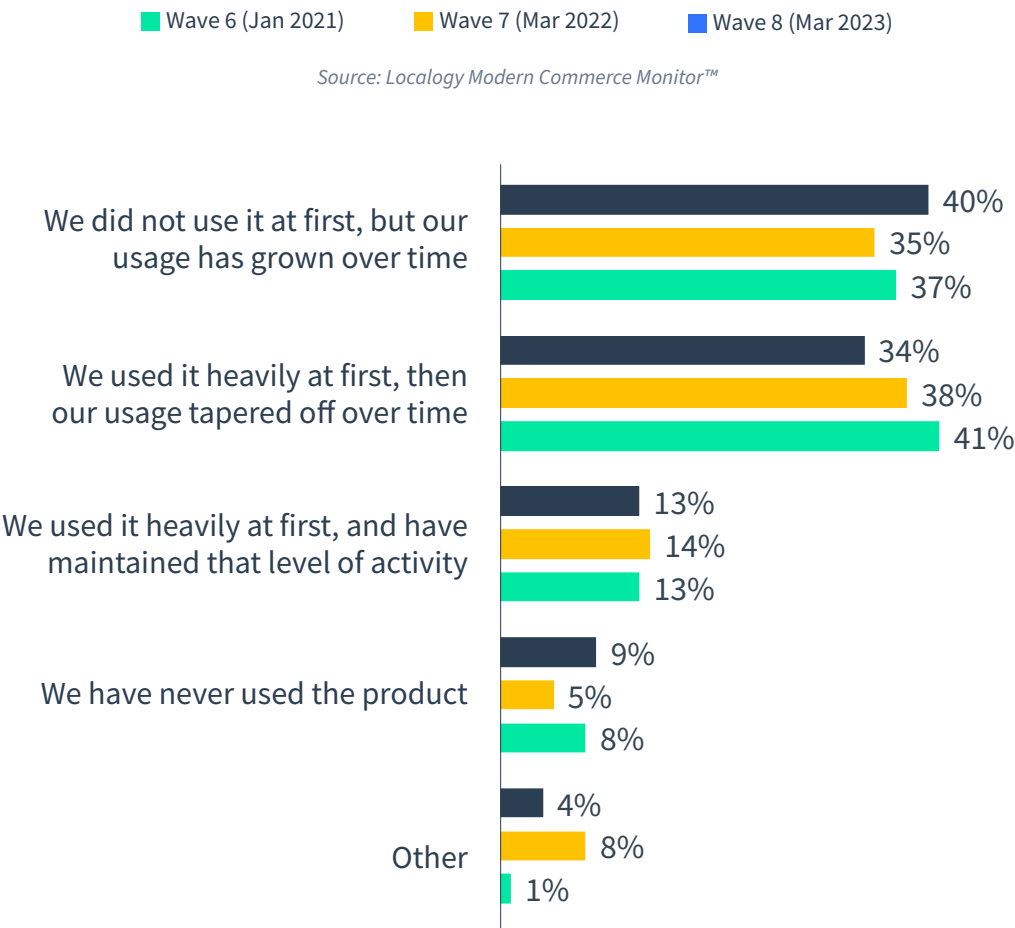
Source: Localogy Modern Commerce Monitor™; Main Wave 8.



SMB Post-purchase SaaS Engagement

Forty percent of SMBs didn't use the product or had limited usage due to service complexities, lack of training and misalignment of expectations.

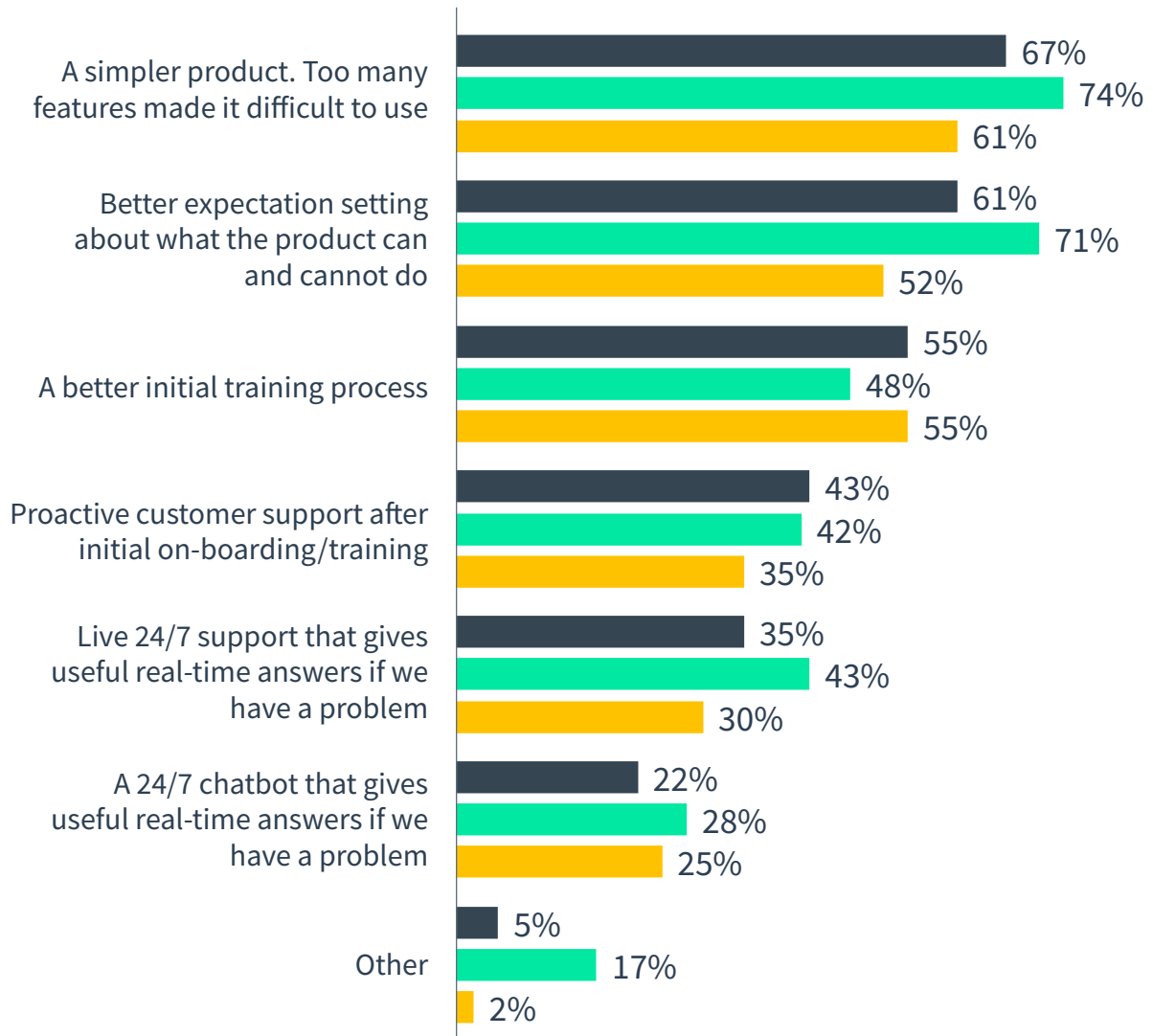
LEVEL OF ENGAGEMENT AFTER THE INITIAL PURCHASE OF THE SERVICE



IMPROVEMENTS THAT COULD BE MADE TO INCREASE USAGE / ENGAGEMENT

Wave 6 (Jan 2021) Wave 7 (Mar 2022) Wave 8 (Mar 2023)

Source: Locology Modern Commerce Monitor™



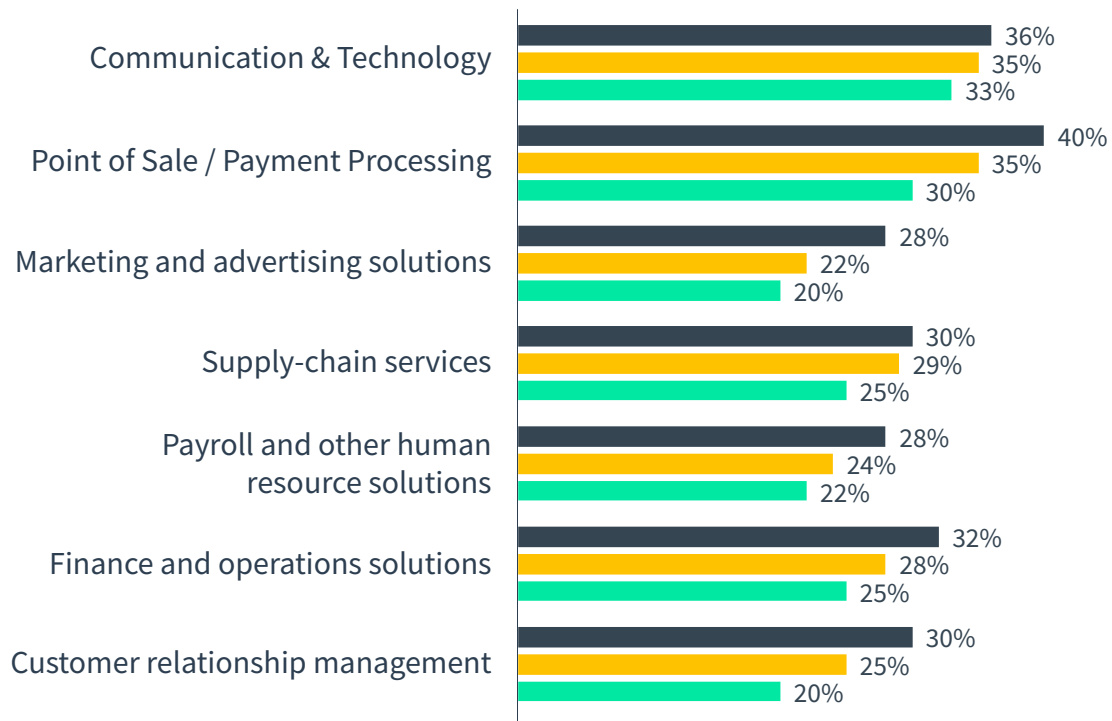
Face-To-Face Interactions With SMBs

Face-to-face sales interactions almost at same level as pre-pandemic

AREAS WHERE SMBs HAVE HAD FACE-TO-FACE SALES INTERACTIONS IN THE LAST 12 MONTHS

Wave 6 (Jan 2021) Wave 7 (Mar 2022) Wave 8 (Mar 2023)

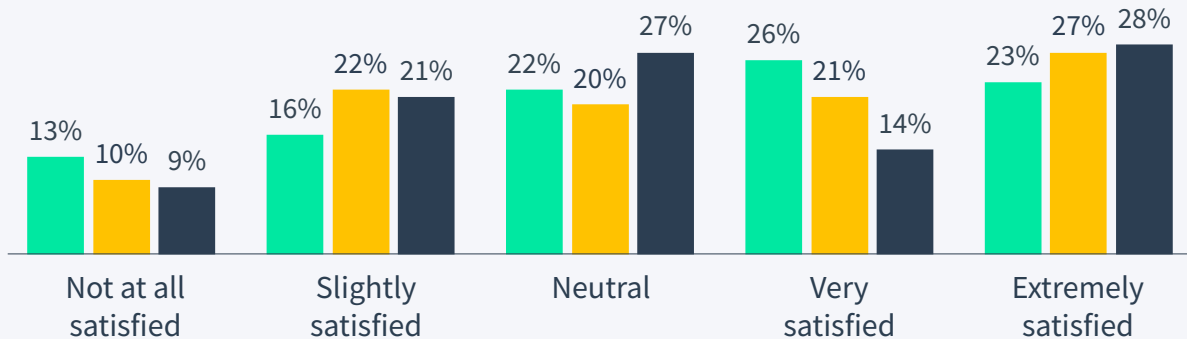
Source: Localogy Modern Commerce Monitor™



SATISFACTION LEVEL OF EXPERIENCE

Wave 6 (Jan 2021) Wave 7 (Mar 2022) Wave 8 (Mar 2023)

Source: Localogy Modern Commerce Monitor™



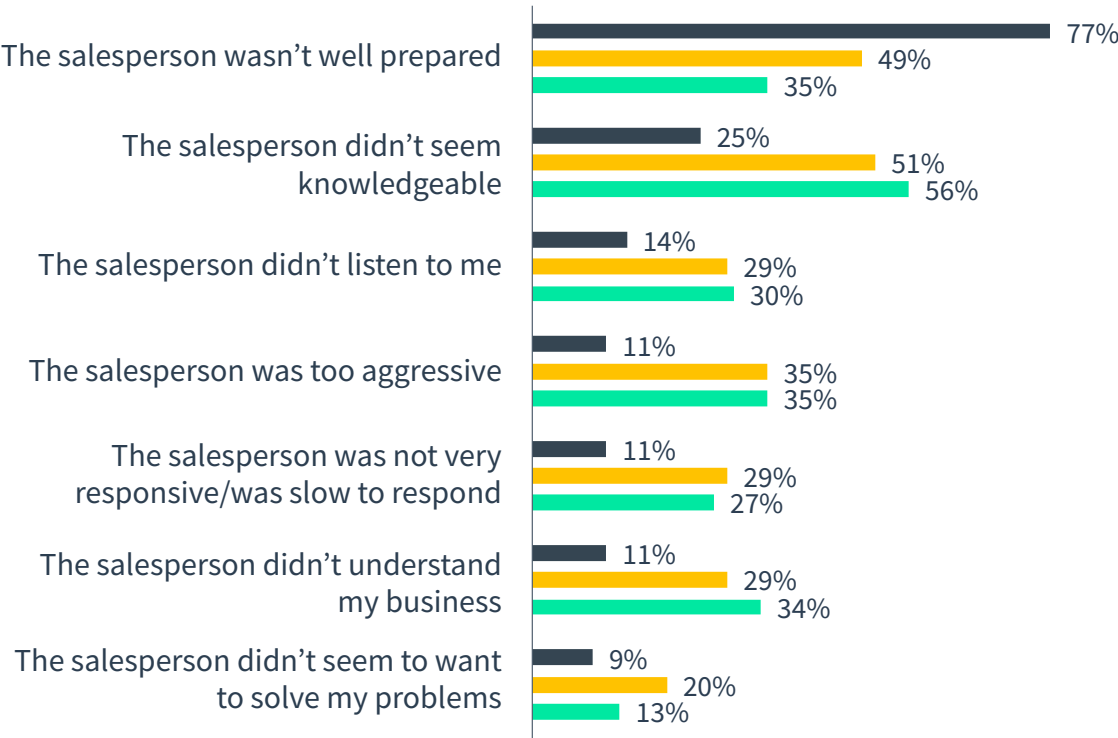
SMB Sales Process Satisfaction

Lack of knowledge, and not being prepared drove poor sales experiences.

TOP 3 REASONS FOR DISSATISFIED SALES EXPERIENCE

Wave 6 (Jan 2021) Wave 7 (Mar 2022) Wave 8 (Mar 2023)

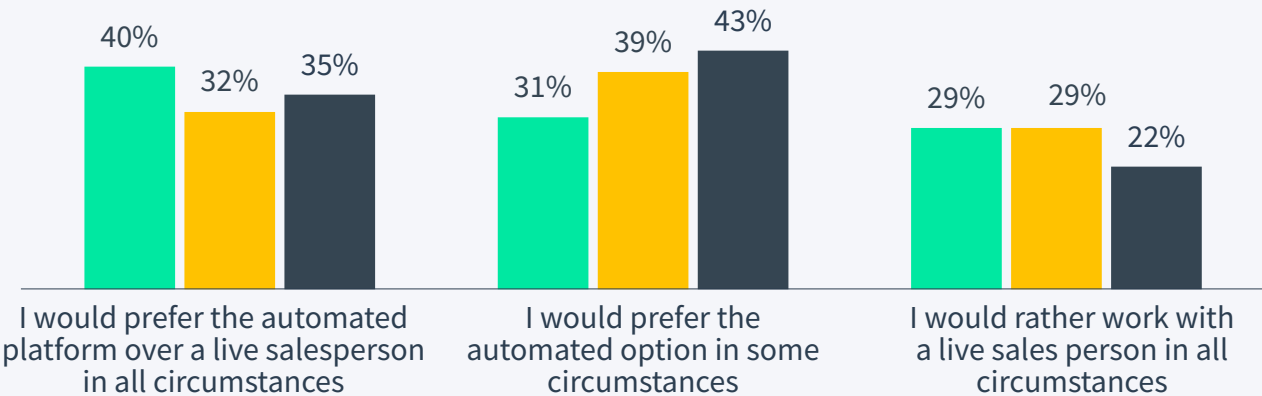
Source: Localogy Modern Commerce Monitor™



IF PRESENTED WITH AN AUTOMATED PROCESS, HOW WOULD YOU FEEL?

Wave 6 (Jan 2021) Wave 7 (Mar 2022) Wave 8 (Mar 2023)

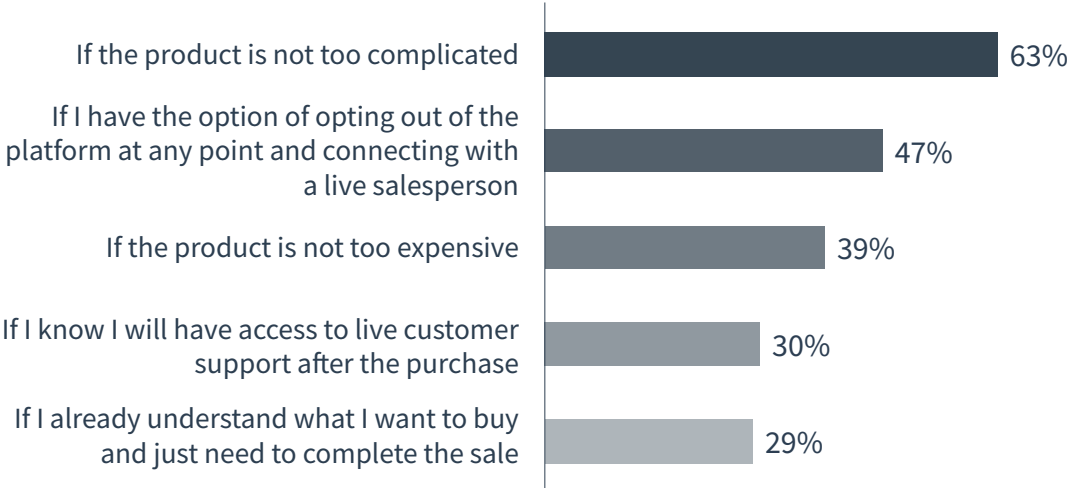
Source: Localogy Modern Commerce Monitor™



SMB Preferences to an Automated Sales Process

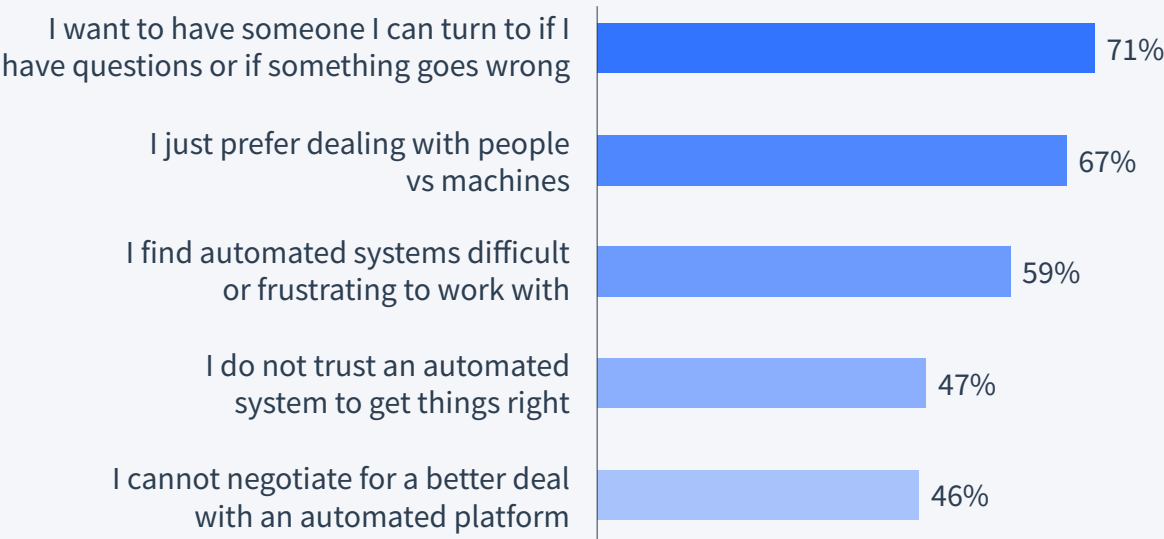
SITUATIONS WHERE BUSINESS OWNERS WOULD WANT TO USE AN AUTOMATED PROCESS

Source: Localogy Modern Commerce Monitor™



WHY BUSINESS OWNERS WOULD WANT TO USE A LIVE SALESPERSON OVER AN AUTOMATED PROCESS

Source: Localogy Modern Commerce Monitor™

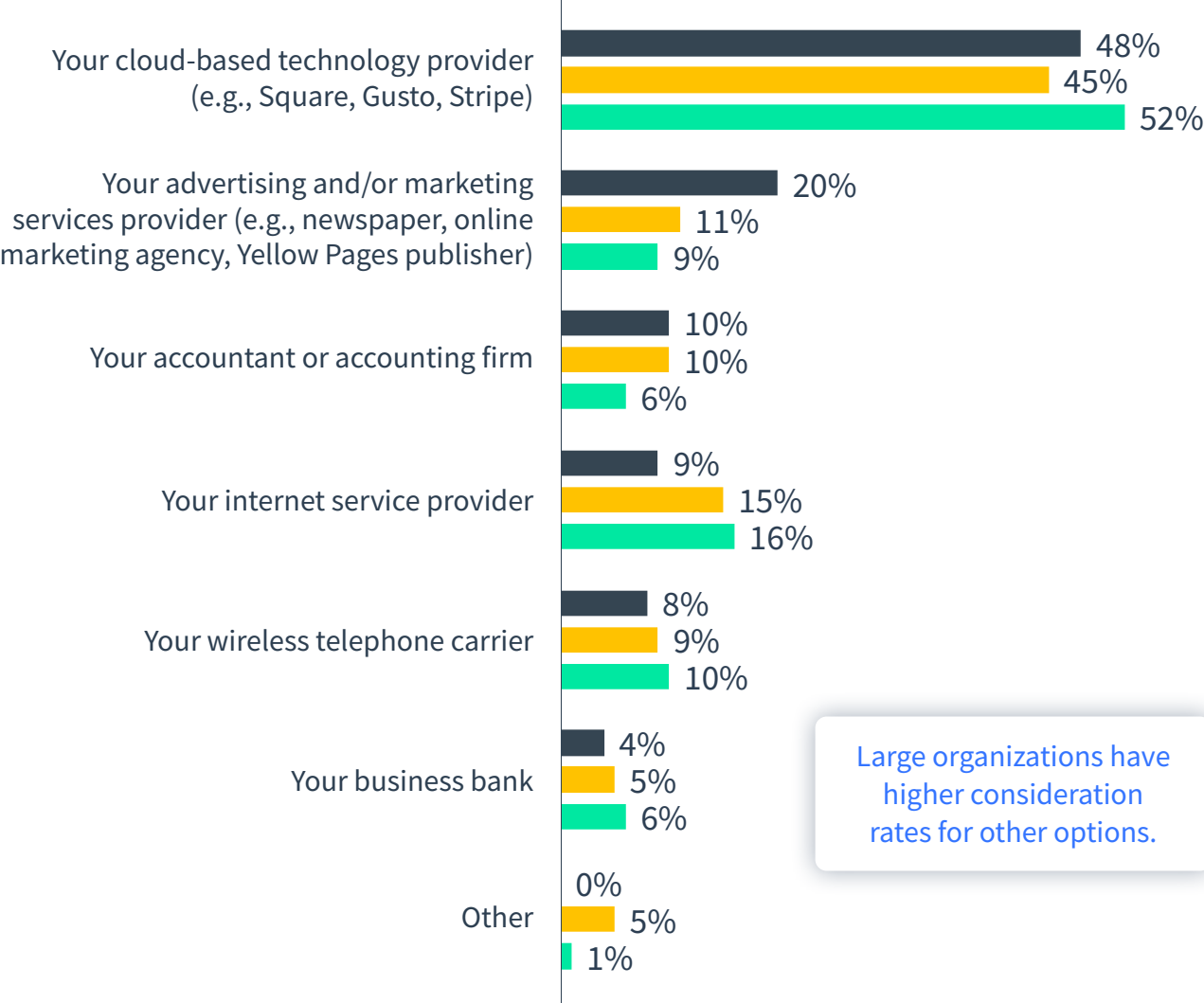


Top Choices for Partner to Purchase New Services From

Forty-eight percent of SMBs would purchase new services from an online technology provider. However, other options are gaining traction.

■ Wave 6 (Jan 2021) ■ Wave 7 (Mar 2022) ■ Wave 8 (Mar 2023)

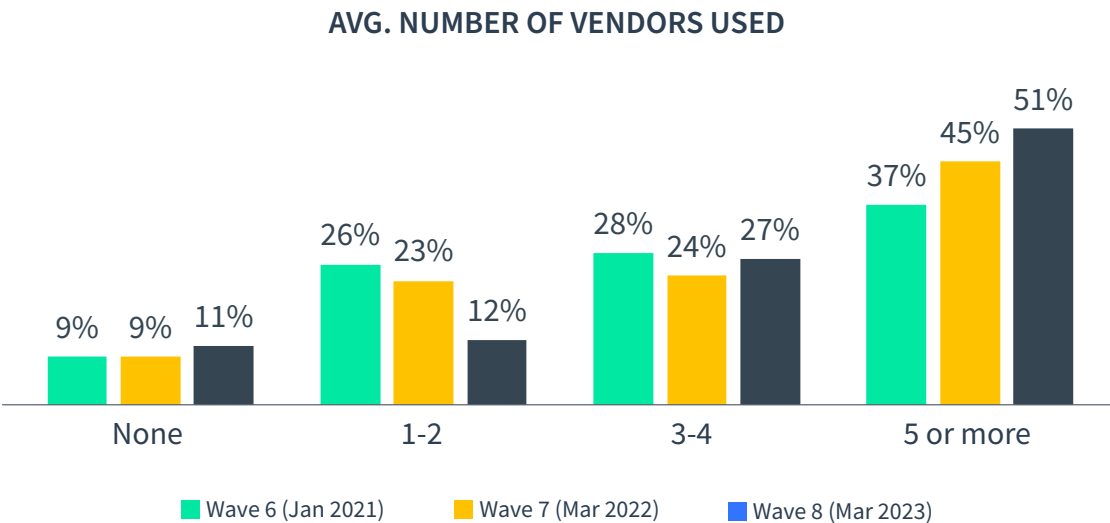
Source: Localogy Modern Commerce Monitor™



Large organizations have higher consideration rates for other options.

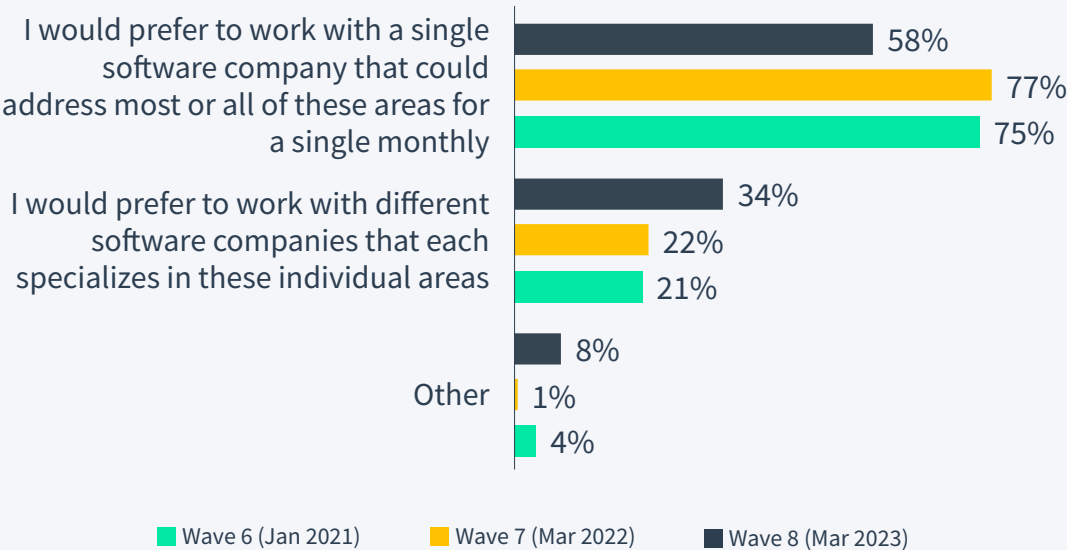
Number of Partners SMBs Work With

Over half of SMBs work with more than 5 partners, however most would prefer to work with one.



Source: Localogy Modern Commerce Monitor™

PREFERRED NUMBER OF VENDORS USED



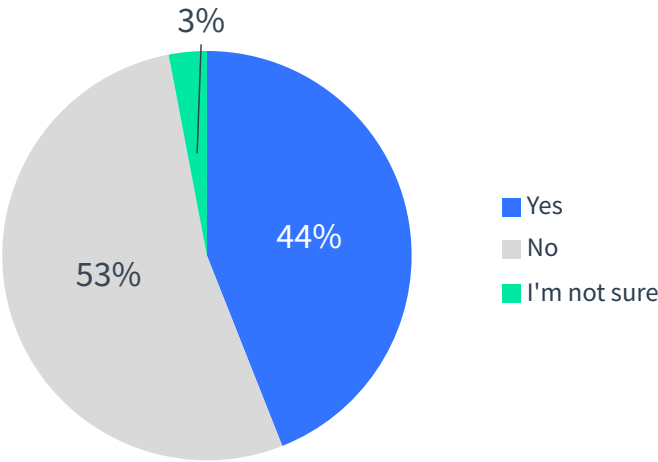
Source: Localogy Modern Commerce Monitor™

Vertical Specialized Partners Growing in Importance

Few SMBs have consolidated services; those that have are looking at specialized providers.

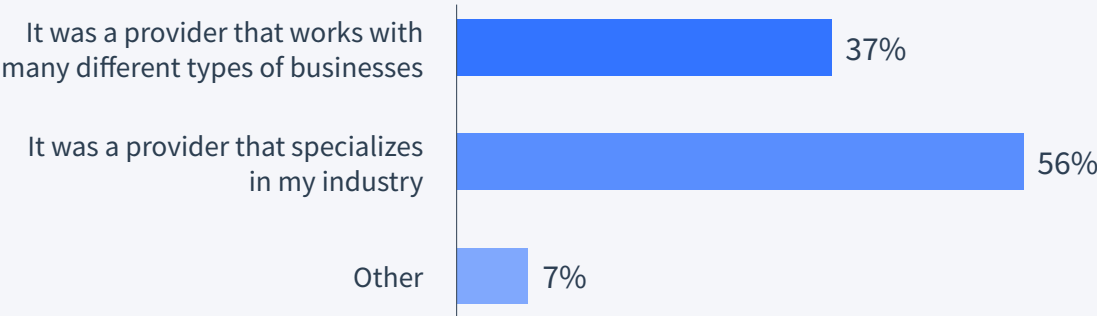
SMBs THAT HAVE CONSOLIDATED SaaS SERVICES TO ONE PROVIDER

Source: Localogy Modern Commerce Monitor™, Main Wave 8.



WHEN CONSOLIDATING, WHAT TYPE OF PROVIDER DID YOU USE

Source: Localogy Modern Commerce Monitor™, Main Wave 8.

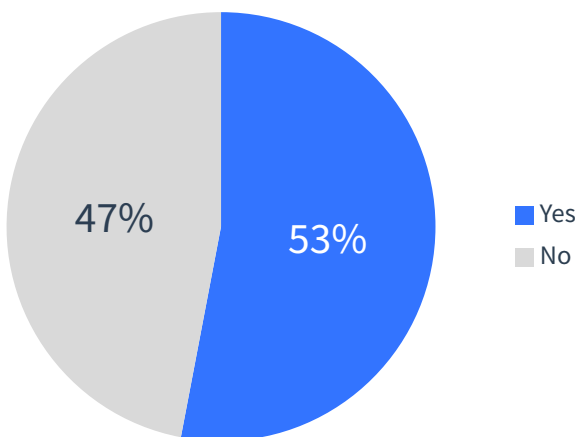


APPENDIX

SMB Retirement Planning

GIVEN YOUR STAGE OF LIFE, ARE YOU TAKING ANY STEPS OR GETTING ANY ADVICE ABOUT WHAT TO DO WITH YOUR BUSINESS WHEN YOU ARE READY TO RETIRE?

Source: Localogy Modern Commerce Monitor™; Main Wave 8.



WHAT IF ANY OF THE FOLLOWING STATEMENTS CHARACTERIZES YOUR APPROACH TO THINKING ABOUT RETIREMENT?

Source: Localogy Modern Commerce Monitor™; Main Wave 8.

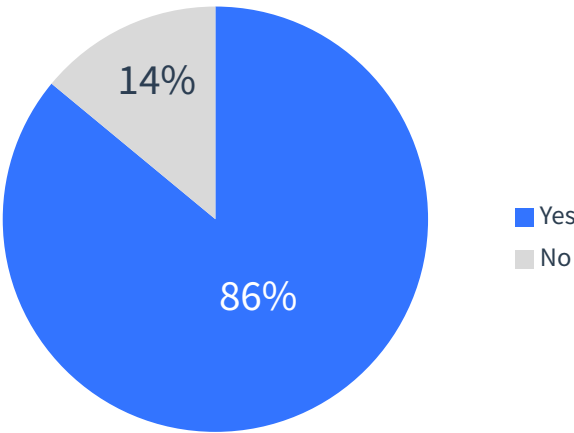


Digital Channels Used for Marketing Efforts

Most SMBs use digital channels for marketing.

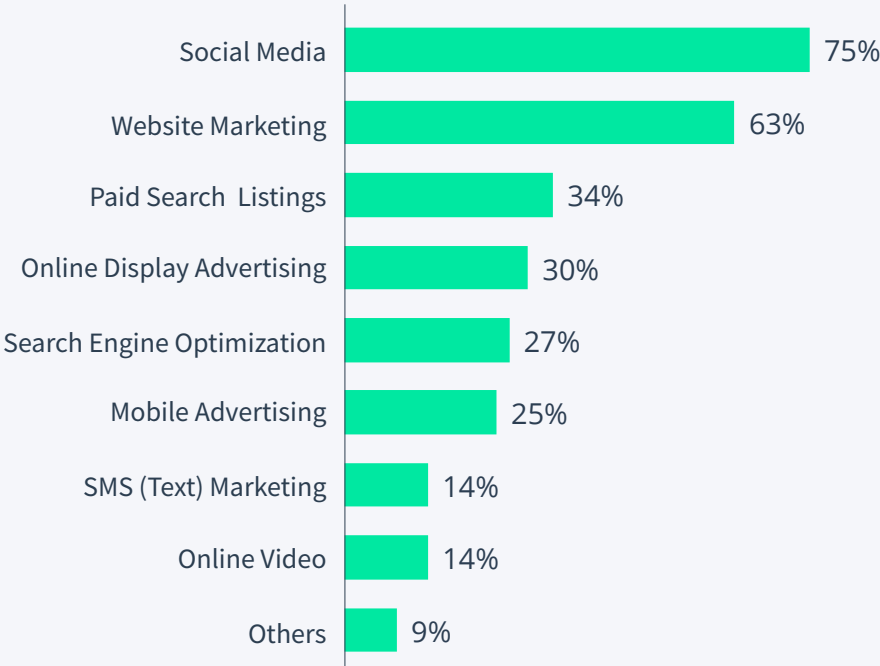
DOES YOUR BUSINESS USE DIGITAL CHANNELS FOR ADVERTISING OR MARKETING EFFORTS?

Source: Localogy Modern Commerce Monitor™; Main Wave 8.



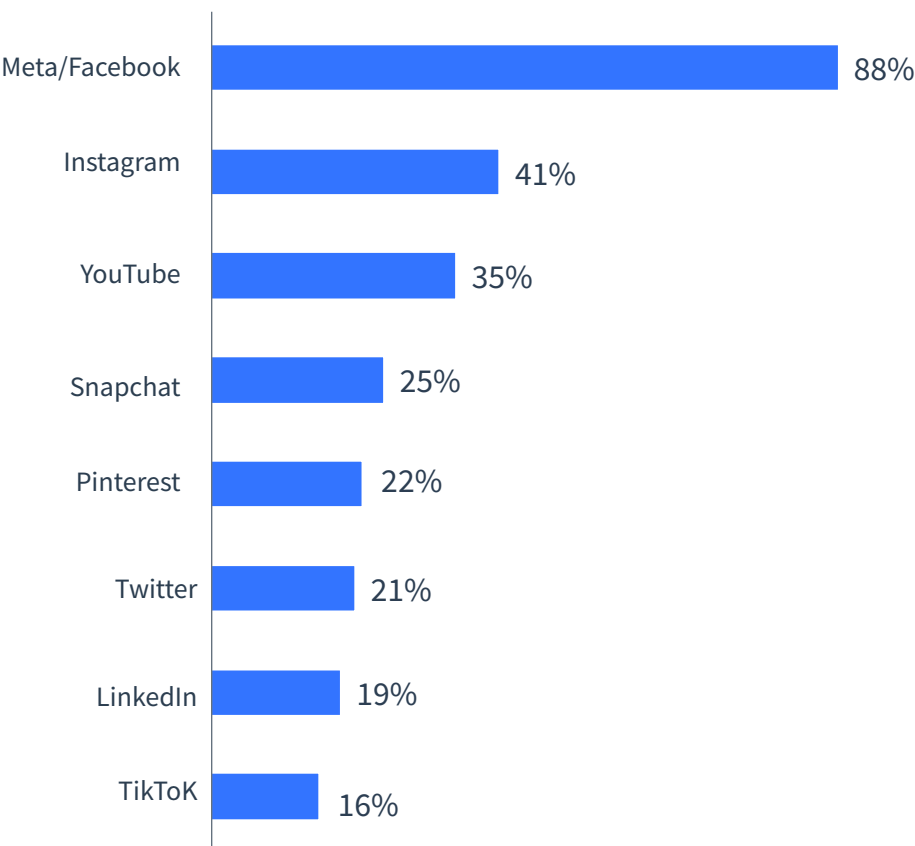
WHICH OF THE FOLLOWING DIGITAL MARKETING CHANNELS DO YOU USE FOR YOUR BUSINESS?

Source: Localogy Modern Commerce Monitor™; Main Wave 8.



Social Media Platform Utilization

Meta, Instagram, YouTube and Snapchat are the top platforms used.

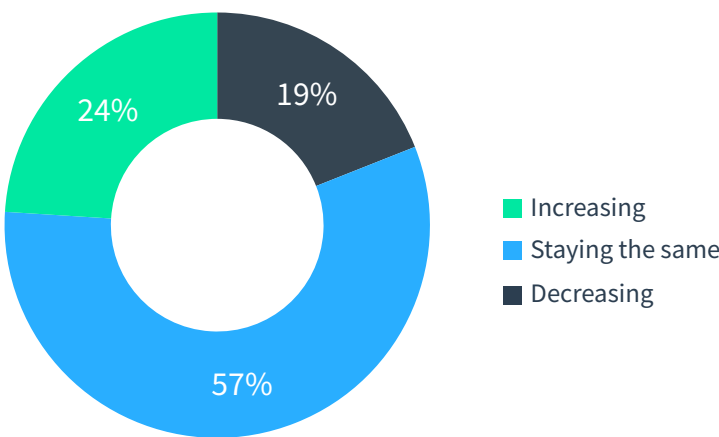


Social Media Budget Plans

24% of SMBs plan to increase social media budgets. Over 50% of investments are being shifted from other digital channels.

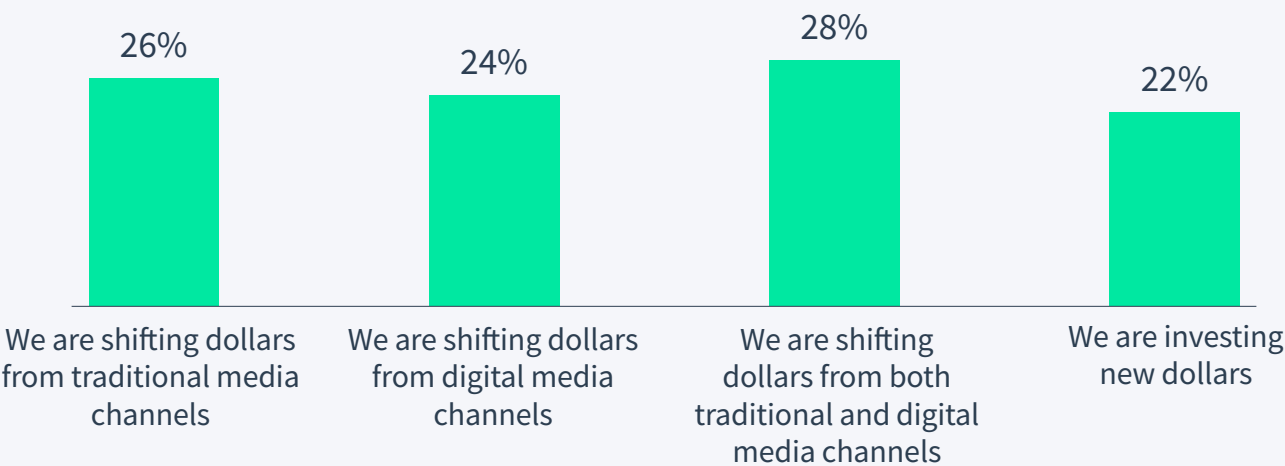
SOCIAL MEDIA BUDGET CHANGE

Source: Localogy Modern Commerce Monitor™; Main Wave 8



YOU INDICATED THAT YOU ARE INCREASING THE BUDGETS, IS THIS NEW ADVERTISING DOLLARS OR A SHIFT FOR OTHER MARKETING CHANNELS?

Source: Localogy Modern Commerce Monitor™; Main Wave 8

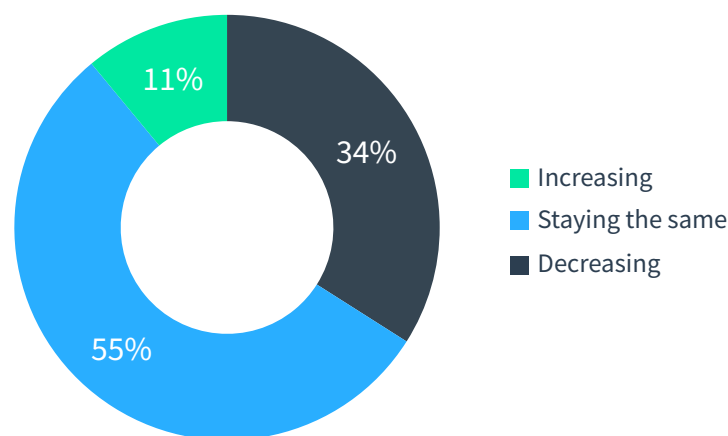


Search Media Budget Plans

11% of businesses are increasing search investments, most of the investment is from traditional channels.

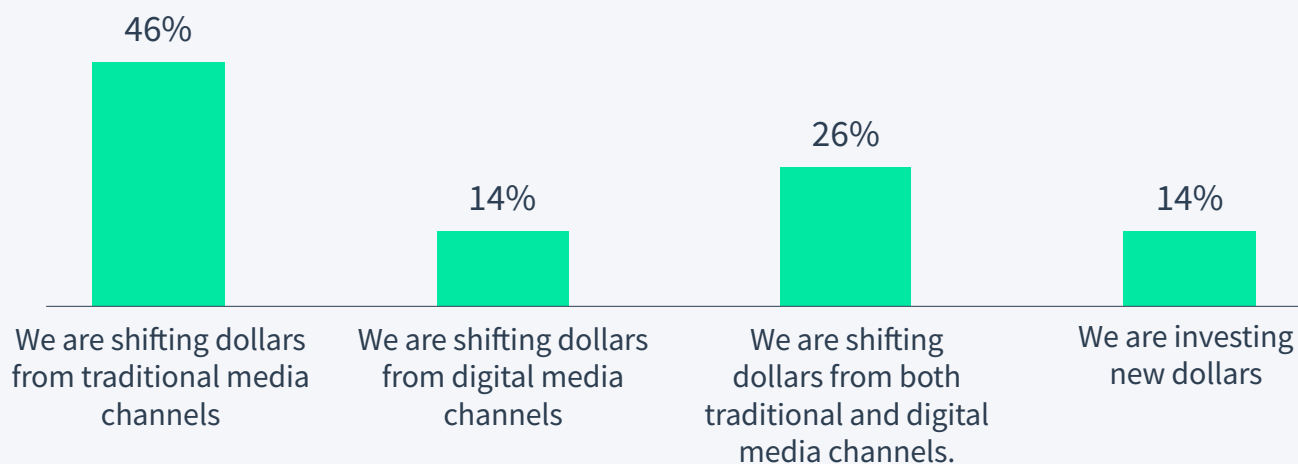
SEARCH MEDIA BUDGET CHANGE

Source: Localogy Modern Commerce Monitor™; Main Wave 8.



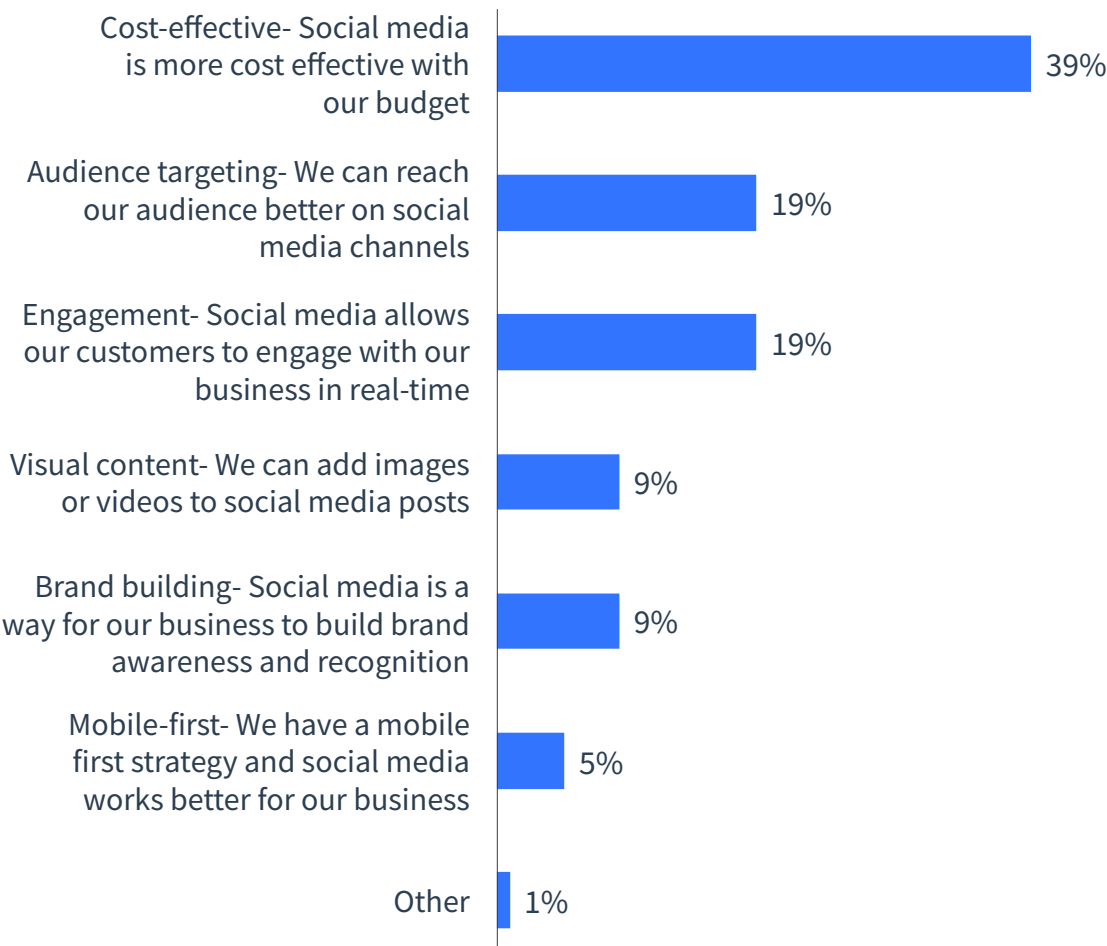
YOU INDICATED THAT YOU ARE INCREASING THE BUDGETS, IS THIS NEW ADVERTISING DOLLARS OR A SHIFT FOR OTHER MARKETING CHANNELS?

Source: Localogy Modern Commerce Monitor™; Main Wave 8.



Why the Shift to Social Media

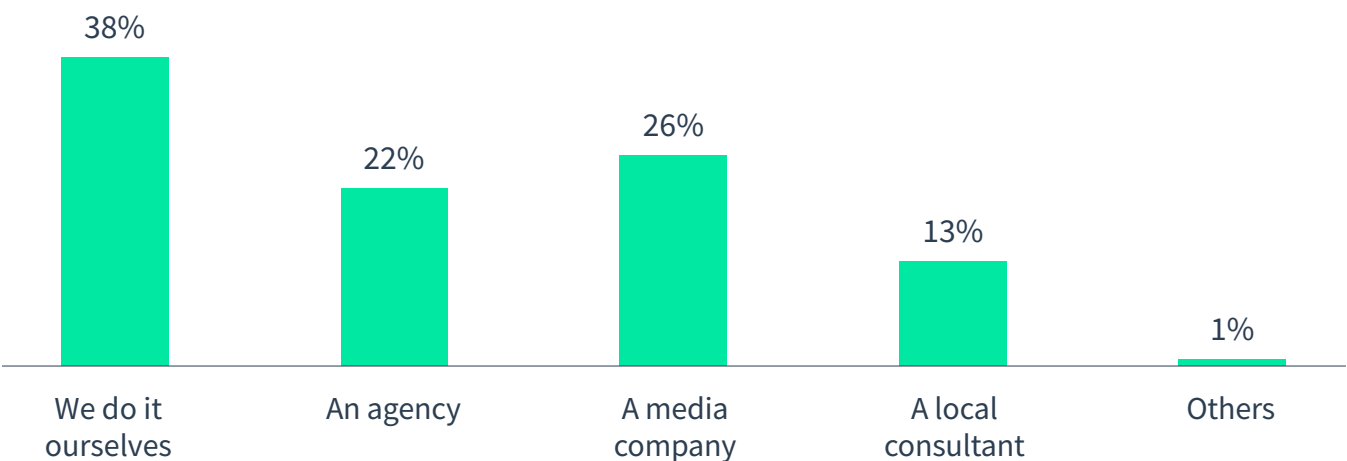
YOU INDICATED THAT YOU ARE SHIFTING BUDGETS FROM OTHER MARKETING CHANNELS TO SOCIAL MEDIA CHANNELS, WHAT IS THE MAIN REASON FOR THIS?



Source: Localogy Modern Commerce Monitor™; Main Wave 8.

Who Manages Digital Marketing Efforts

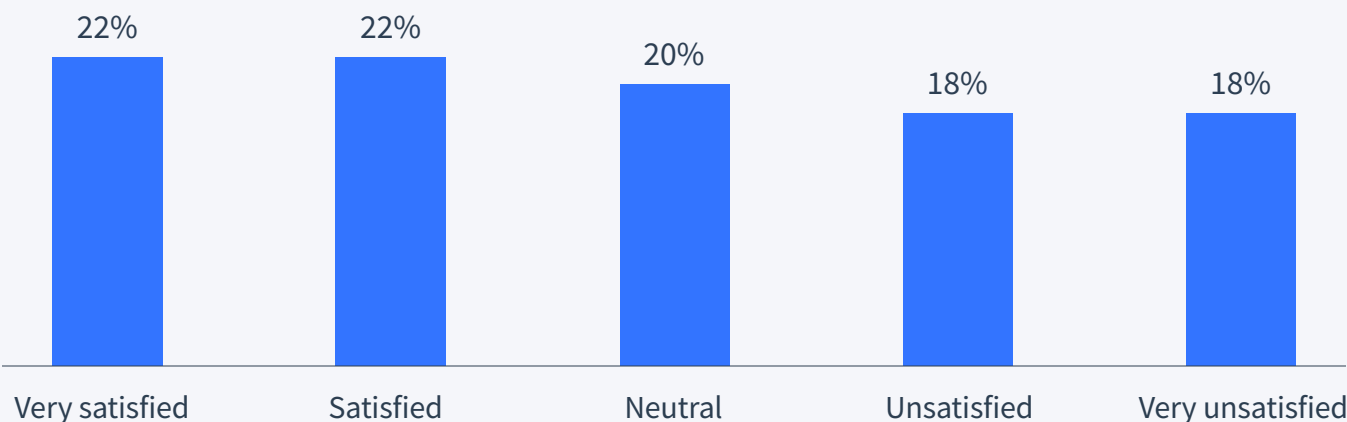
Nearly 40% of SMBs manage digital marketing efforts themselves.



Source: Localogy Modern Commerce Monitor™; Main Wave 8.

Satisfaction with Website Partners

Website vendor satisfaction is mixed in the marketplace.



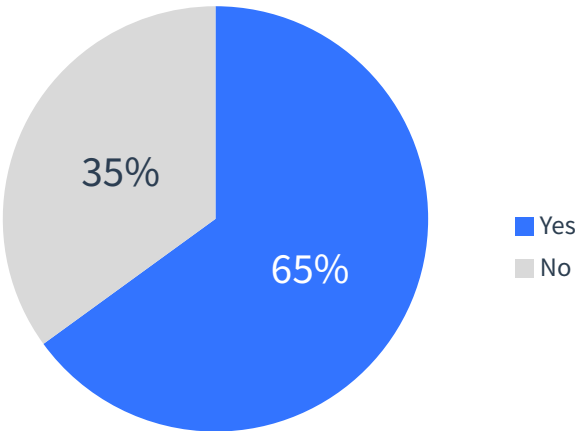
Source: Localogy Modern Commerce Monitor™; Main Wave 8.

SMB eCommerce Capabilities

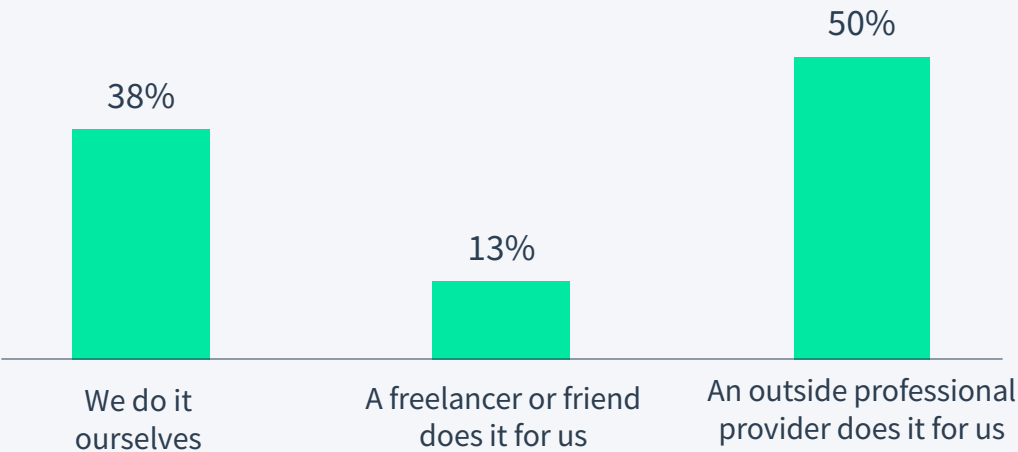
35% of SMBs have eCommerce capabilities, with over 50% using outside sources to manage websites

DOES YOUR BUSINESS HAVE ECOMMERCE CAPABILITIES?

Source: Localogy Modern Commerce Monitor™; Main Wave 8.



WHAT IF ANY OF THE FOLLOWING STATEMENTS CHARACTERIZES YOUR APPROACH TO THINKING ABOUT RETIREMENT?



Source: Localogy Modern Commerce Monitor™; Main Wave 8.

The Modern Commerce Monitor™ is a quantitative tracking study, that monitors SaaS adoption in the small business marketplace. This research, updated at least twice a year, provides a comprehensive view of how business are leveraging SaaS products and services.

Wave 8.0 was fielded in March 2023 and will next be updated in the spring of 2024. The online survey included over 1,000 respondents in the US.

About Us

For more than 20 years, Localogy has been the informed thought leader and unifying voice of Local. We empower members with the insights, resources, and connections they need to succeed and thrive in the Local marketplace.

Membership

We connect members with other strategic business partners and SMBs through events, content development, and targeted marketing services.

Research & Insights

Our team of Local industry experts conducts and facilitates proprietary and custom research & insights designed to educate, inform strategy or improve business outcomes.

Programs

We help Local marketing and technology providers grow, engage, and develop new skills through in-person meetings, conferences, analyst briefings, podcasts and online events.

Let's Talk Local

Interested in finding out more about Localogy membership, research or programs?

(800) 841-0639

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www.localogy.com