

Wave V Topline Results

Modern Commerce Monitor V-I



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METHODOLOGY

Objective: To obtain and track SMBs shift of traditional services for human resources and payroll, supply chain management, finance and operations, customer relationship management, and advertising to SaaS products and services.

(This report contains data collected from Jan 20- Feb 7, 2020.)

Method

100% of data collection was conducted online (via an online panel) among employees that work full time at a small business. The survey was fulfilled by Thrive Analytics. 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 1,117 interviews conducted for this particular wave. The data was collected between 1/20/20-2/07/20 via an online panel. Approximately, 150 respondents were targeted for each business segment.
- + The survey took about 14 minutes, on average, to complete.
- + Interviews were made available in English.
- + Results were weighted based on Census business sizes.

U.S. SaaS ADOPTION TRENDS



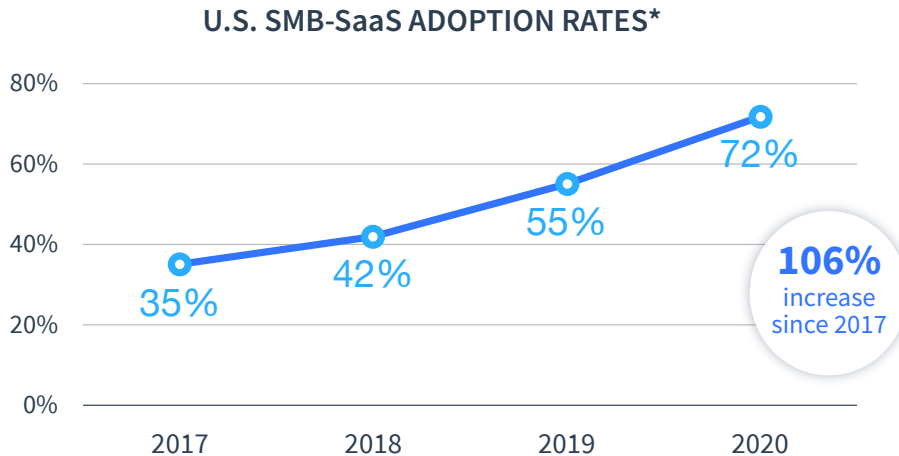
Summary

Since 2017, the number of small businesses utilizing SaaS products has increased 106%. Today, SaaS adoption for business's operations is becoming ubiquitous with almost three quarters of SMBs utilize at least one product/service. Other trends include:

- Finance, operations (+200%) and supply-chain services (+180%) lead the way in growth over the past few years.
- 40% of non-SaaS users are expected to try a product and 55% of existing users will buy more products over the next 18 to 24 months. This is slightly down from the prior survey wave.
- Top growth areas include CRM (45%) and Marketing & Advertising (43%).
- Businesses that are driving growth tend to have younger decision makers, are in early business life stages, have employees and are looking for ways to acquire, retain and serve customers better.
- SMBs stated they have not made the move to SaaS products because they are happy with what they have (45%) or don't know about new products that can help them (36%).
- Around 48% of SMBs stated the SaaS products performed better than expected. This is down from around 60% in the prior wave of the survey.

SMB-SaaS service adoption keeps expanding

SaaS products are quickly becoming the default technology for many SMBs.



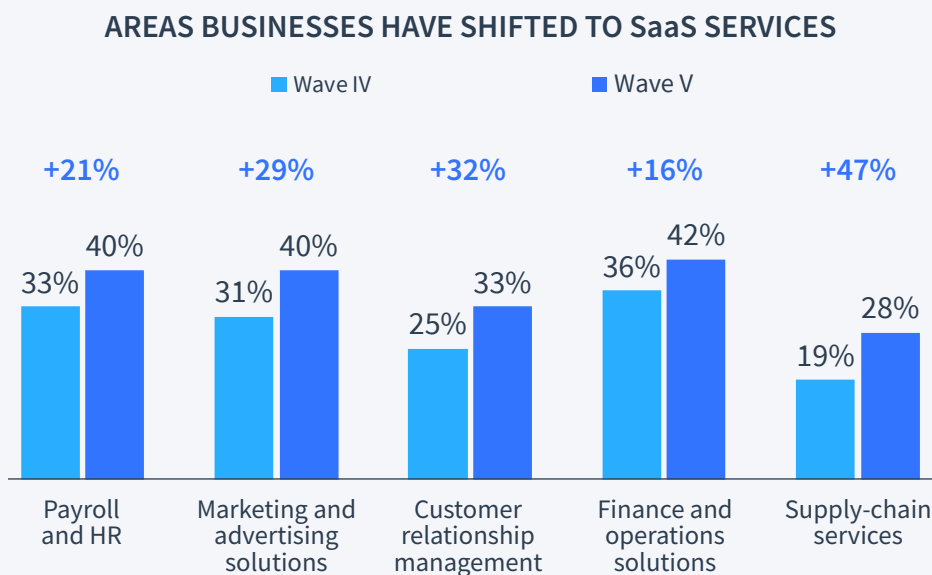
This steady upward curve has been fueled by a variety of factors including generational change, consumer behavior and the democratization of enterprise software.

Sources: Modern Commerce Monitor™ 2017-2020; 5,146 SMBs;

*Estimates based on SMBs that use SaaS services at least once a month to support a business function.

SMBs are adopting SaaS solutions in all areas

Finance, operations and supply-chain services lead the way.

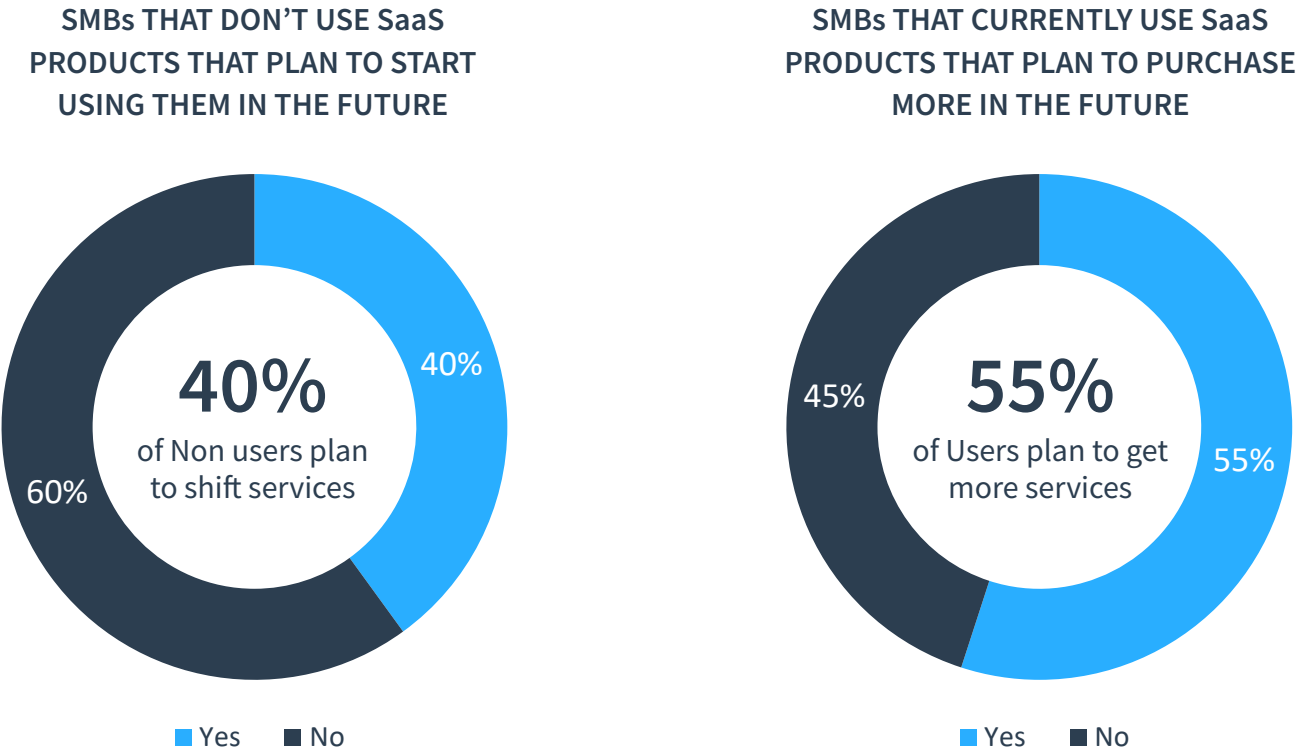


As SMBs adopt more SaaS products throughout their business, this will drive demand for tools that provide integration across products.

Source: Localogy Modern Commerce Monitor™; Wave IV was conducted in 2019 on 1,015 SMBs; Wave V was conducted in 2020 on 1,117 SMBs.

The adoption trend is expected to continue

Four in ten SMBs that don't use SaaS products plan to start using them.



Source: Localogy Modern Commerce Monitor; Wave V: N= 1,117 SMBs.

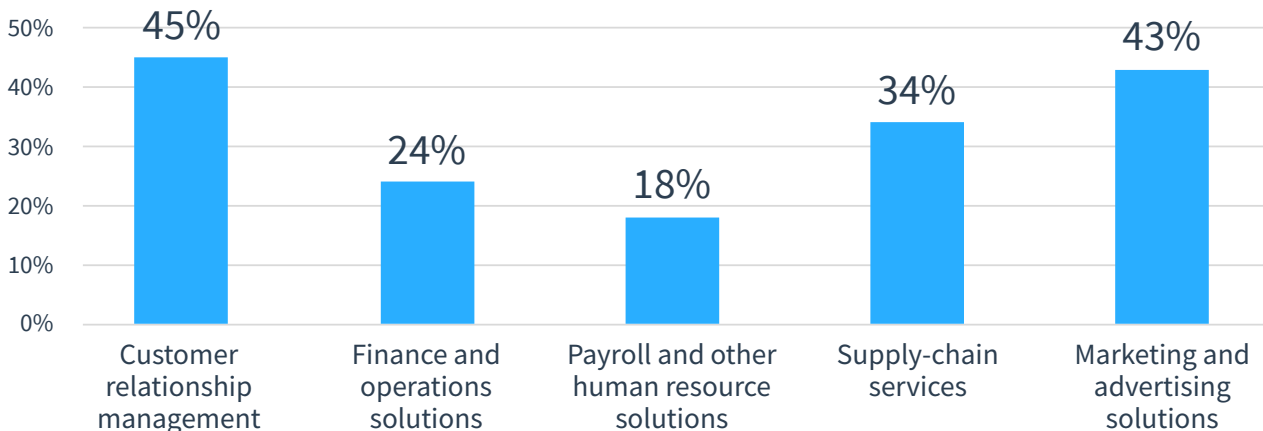


With the strong adoption of SaaS products over the past year, it is encouraging to see that SMBs plan to continue that trend with 55% looking to purchase more products in the future.

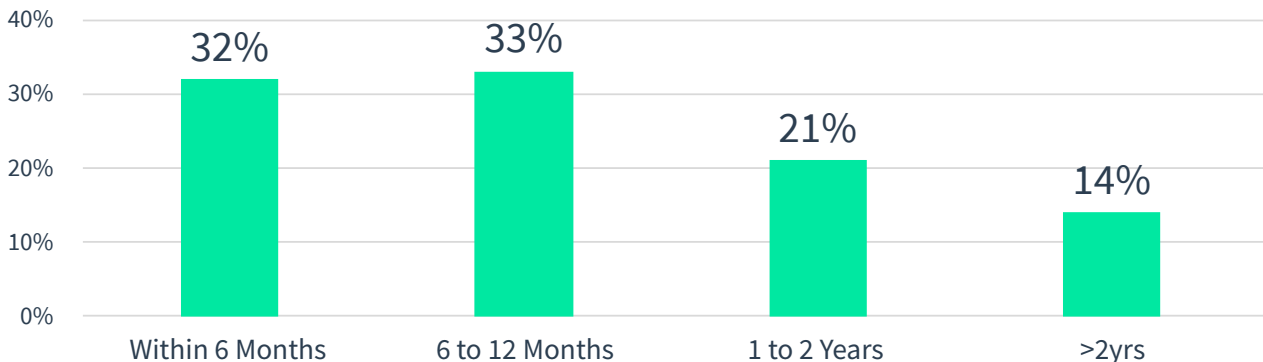
Adoption will continue for all business areas

CRM, marketing services and supply-chain are top areas for adoption over the next 18 months.

AREAS BUSINESSES PLAN TO SHIFT TO SaaS SERVICES*



TIMING OF SHIFT



Source: Localogy Modern Commerce Monitor™; Wave V; Base: 956 SMBs
*Includes SMB that already have adopted some services.



SMBs continue to prioritize the need for SaaS solutions that are closest to the customer, either for new customer acquisition or existing customer management.

Profile of SMB-SaaS buyers

Growth is being driven by a number of business characteristics and needs.

SMB SaaS BUYER INDEX		
Generation of Decision Maker	Gen Z	121
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Source: Localogy Modern Commerce Monitor™; Wave V was conducted in 2020 on 1,117 SMBs.



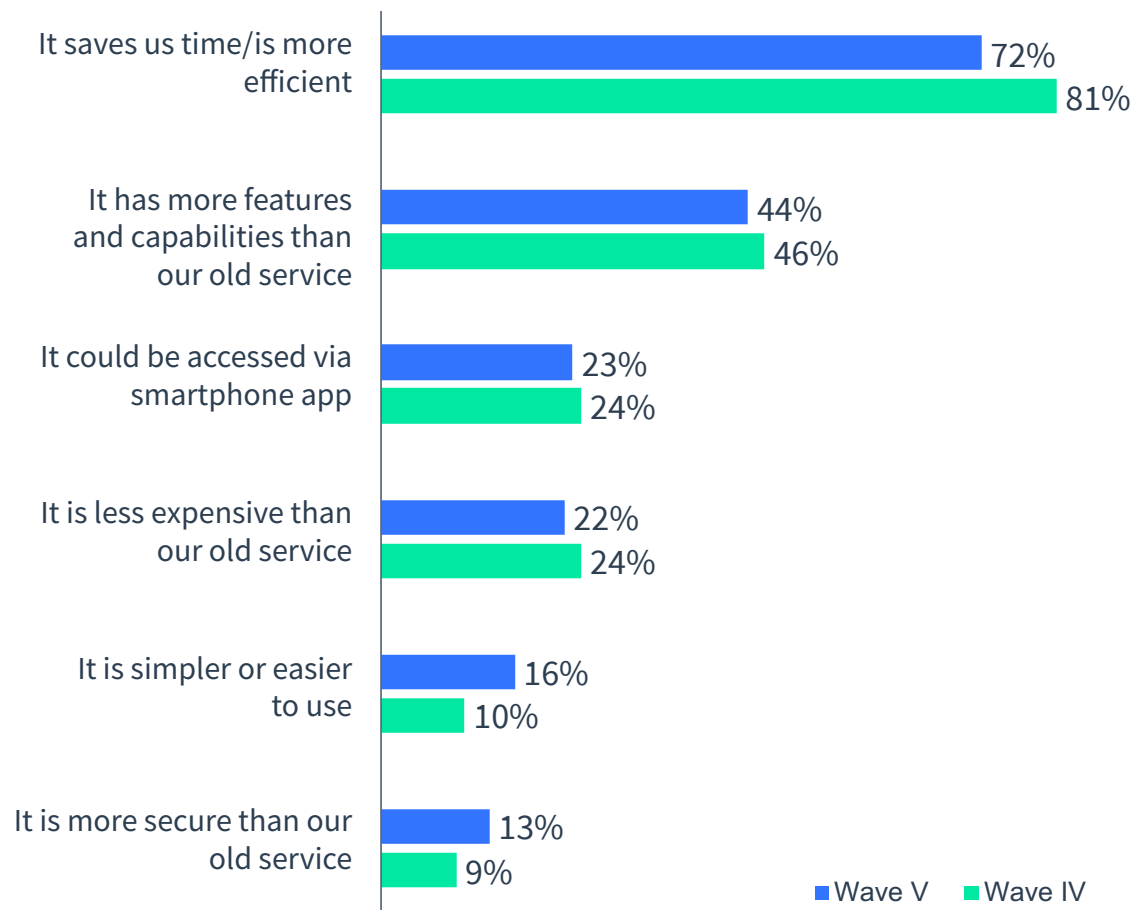
Companies that index higher for SaaS adoption are more likely to be in growth mode and focused on the things they can control like customer acquisition and retention, cash flow, collections and finding the time they need to make the business stronger.

Enhanced capabilities and saving time are main reasons for change

There has been some slight increases in the importance of security and simplicity of the services over the past year.

TOP 2 REASONS WHY SMBs HAVE SHIFTED TO OR ARE CONSIDERING SaaS PRODUCTS

Source: Localogy Modern Commerce Monitor; Wave IV: N= 795 SMBs; Wave V: N= 923 SMBs.



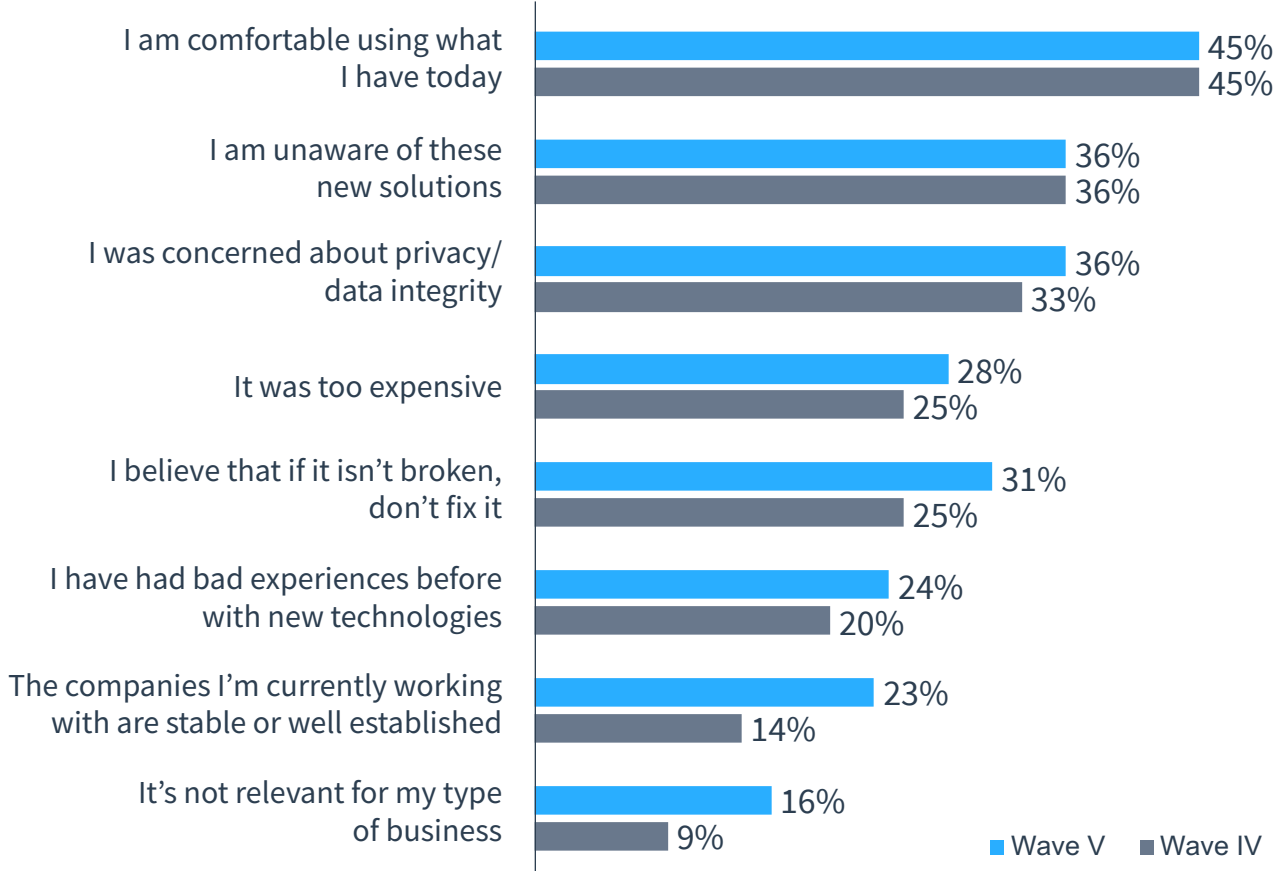
SMBs have been very consistent in expressing that their top priority is to earn back time to spend on more productive activities.

Market awareness and status quo are hindrances to adoption

SMBs stated they have not made the move to SaaS tools because they are happy with what they have or don't know about new services that can help them.

TOP REASONS FOR NOT SHIFTING TO SaaS

Source: Localogy Modern Commerce Monitor; Wave IV: N= 1,005 SMBs; Wave V: N= 1,044 SMBs.



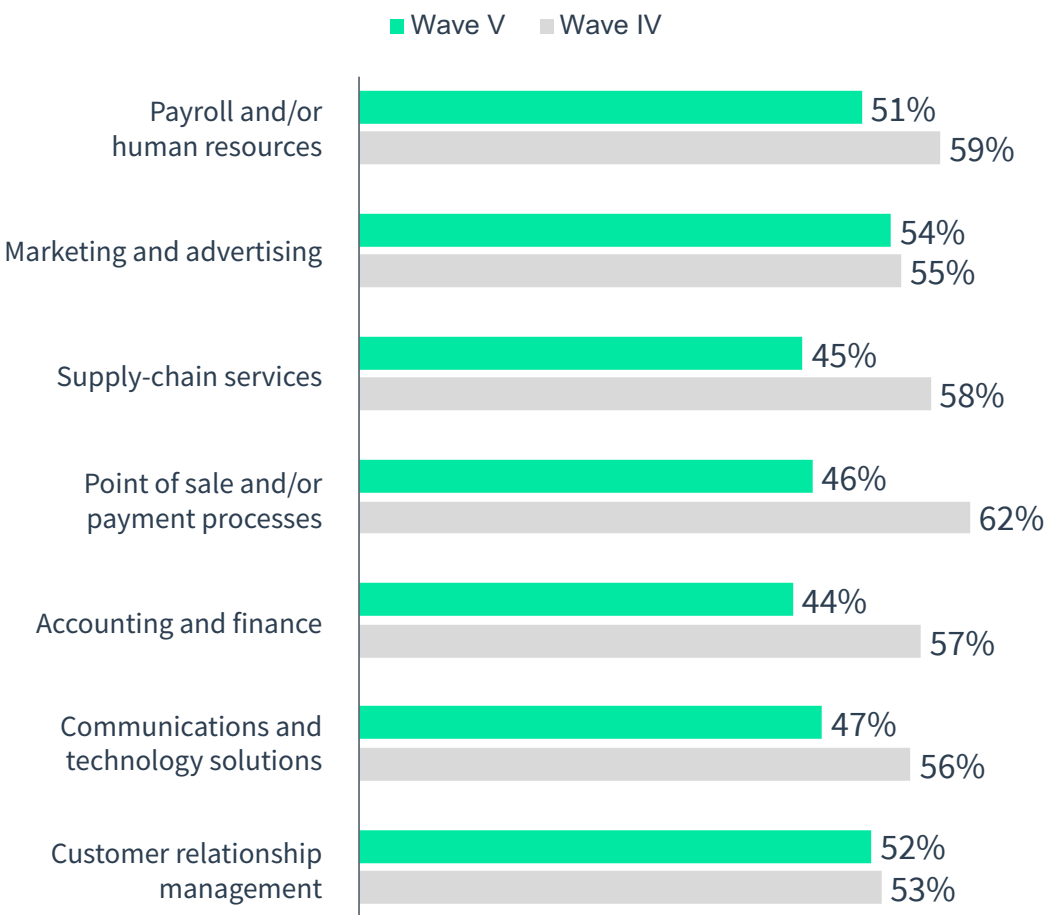
Greater growth potential exists by overcoming marketing gaps and SMB privacy concerns.

The majority of SaaS products meet or exceed expectations

While the majority of expectations are being met, there have been declines in better than expected in the past year.

TO WHAT DEGREE HAVE THE SaaS SERVICES MET THE EXPECTATIONS

Source: Localogy Modern Commerce Monitor; Wave IV: N= 322 SMBs; Wave V: N= 411 SMBs.



SMBs expectations continue to grow with increased dependency on SaaS products, which can be met with customer-centric innovation.

BENEFITS OF SaaS SERVICES



Summary

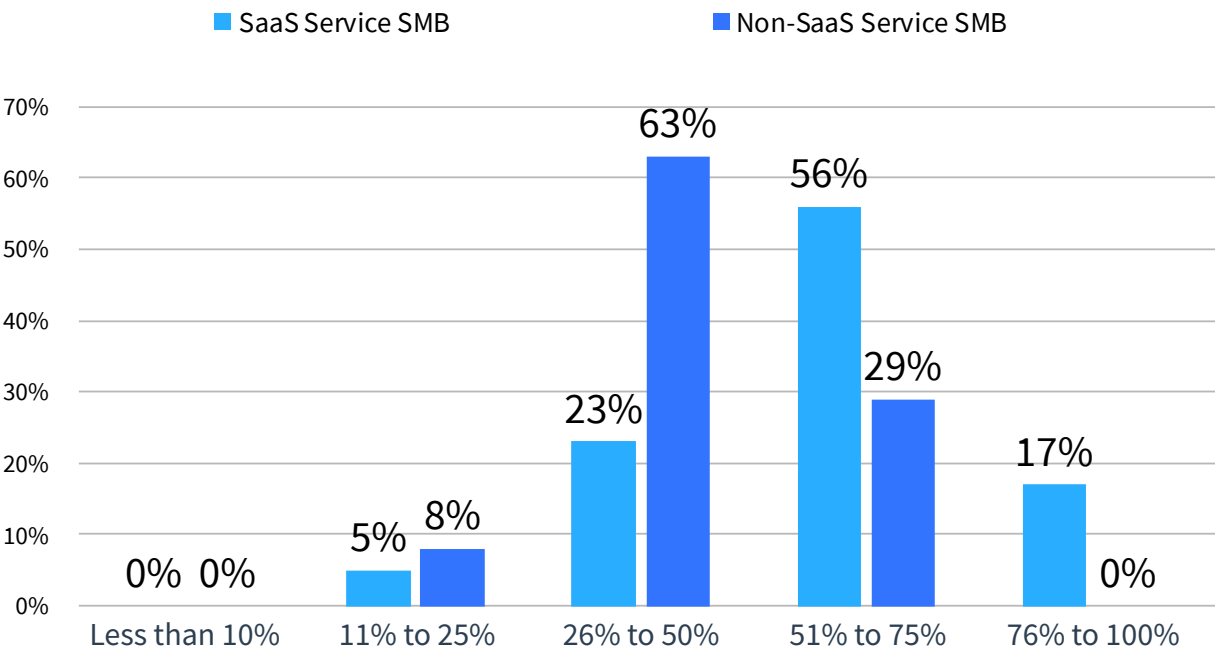
- Businesses utilizing SaaS services spend 65%-75% more time on revenue generating activities versus non users.
- This has allowed businesses to spend more time with customers (49%), improve satisfaction levels (46%), increase revenue (33%) and reduce error rates (24%).
- Unfortunately, only 36% of businesses are utilizing the full capabilities of SaaS products.
- Training is one of the biggest issues. Twenty-two percent of all businesses state this is an issue, however this jumps to 35% with employer businesses and 45% when the decision maker is a Boomer or older.
- All of these results fall in line with the results from the prior wave of research.

SaaS users spend more time with customers

SMBs using SaaS products experience a ~65-75% increase in time spent on customer facing activities.

AVG SMB TIME SPENT WITH CUSTOMERS VS MANUAL PROCESSES

Source: Localogy Modern Commerce Monitor; Wave V: N= 1,117 SMBs.



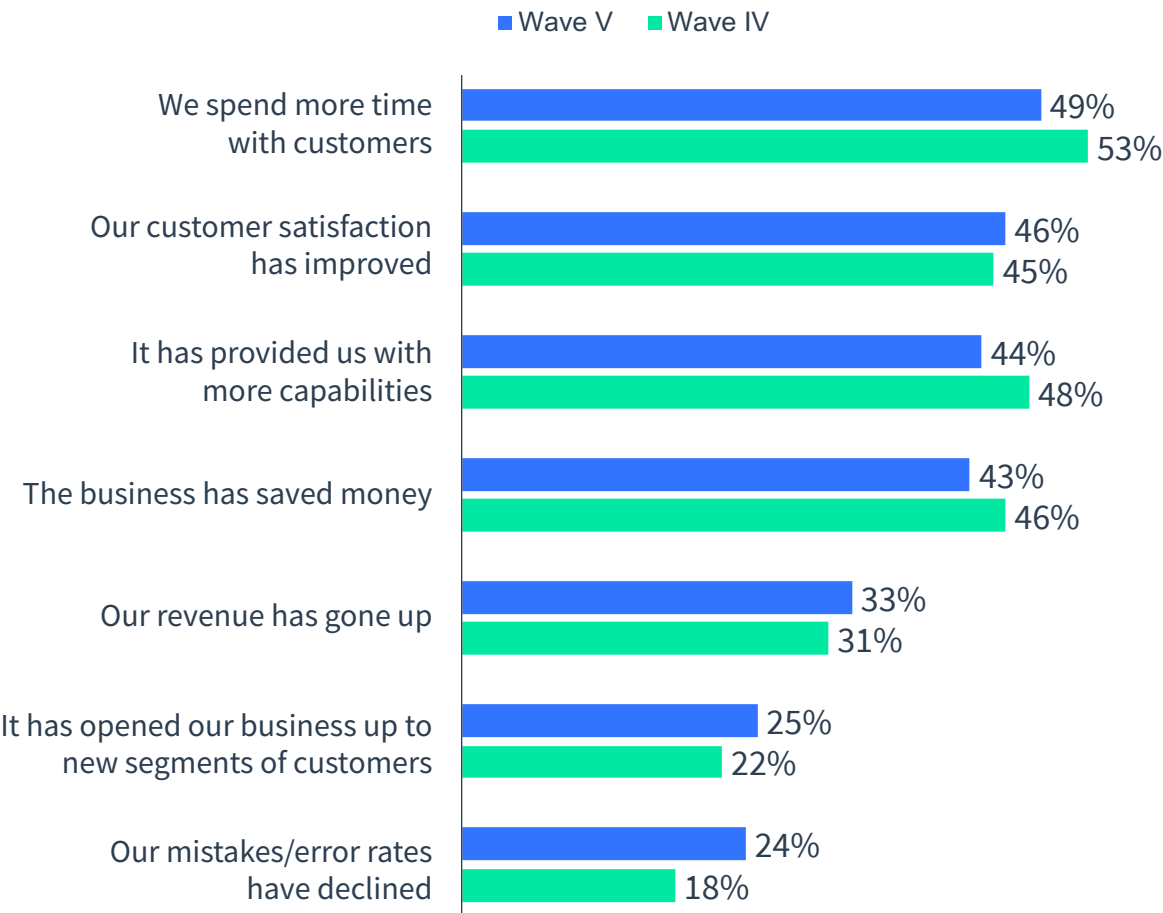
73% of SMBs using SaaS products spend more than half their time on customer facing activities, compared with just 29% for those who do not use SaaS products.

SMB benefits from using SaaS services

SaaS users gain more time with customers, reduced costs and improved satisfaction levels.

TOP 3 WAYS SWITCHING TO SaaS SERVICES HAS HELPED YOUR BUSINESS THE MOST

Source: Localogy Modern Commerce Monitor; Wave IV: N= 795 SMBs; Wave V: N= 923 SMBs.

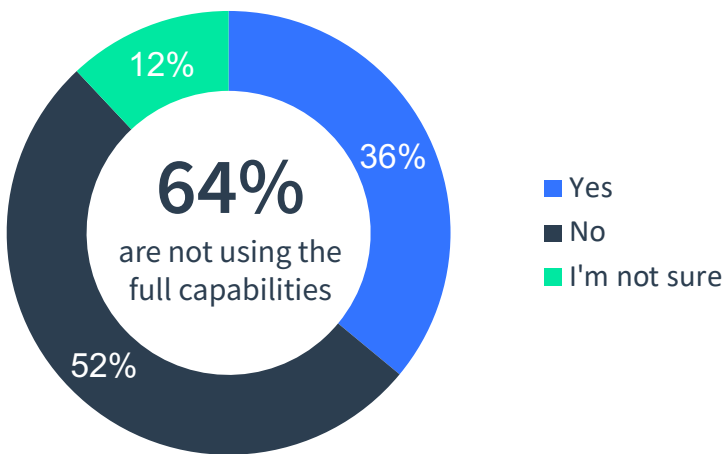


SMBs utilization of full capabilities of SaaS products

Over 50% of SMBs are not using the full capabilities due to additional training, technology needs or time constraints.

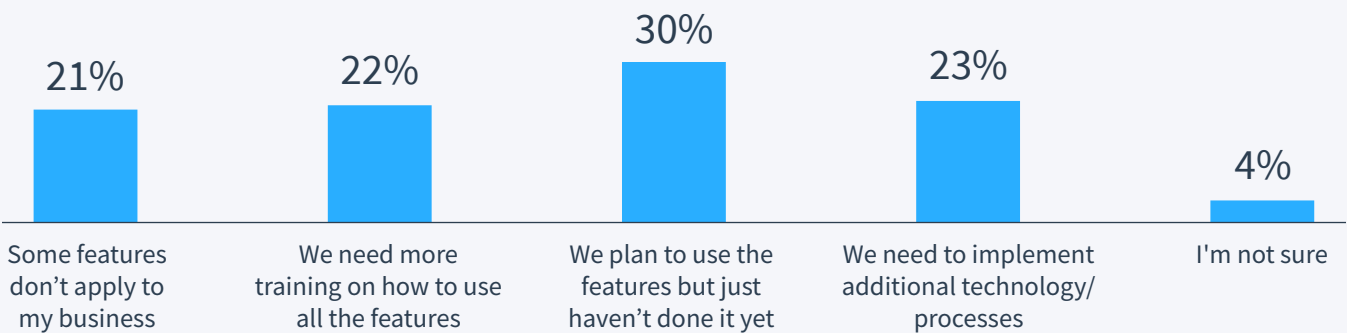
SMBs THAT ARE UTILIZING THE FULL CAPABILITIES OF SaaS SERVICES

Source: Localogy Modern Commerce Monitor; Wave V: N= 923 SMBs.



REASONS WHY SMBs ARE NOT UTILIZING ALL THE CAPABILITIES

Source: Localogy Modern Commerce Monitor; Wave V: N= 923 SMBs.



***Training is much higher for business with employees (35%) and older decision makers (45%).**



Product simplicity should be considered to improve utilization and avoid increased training and implementation costs.

PURCHASING TRENDS



Summary

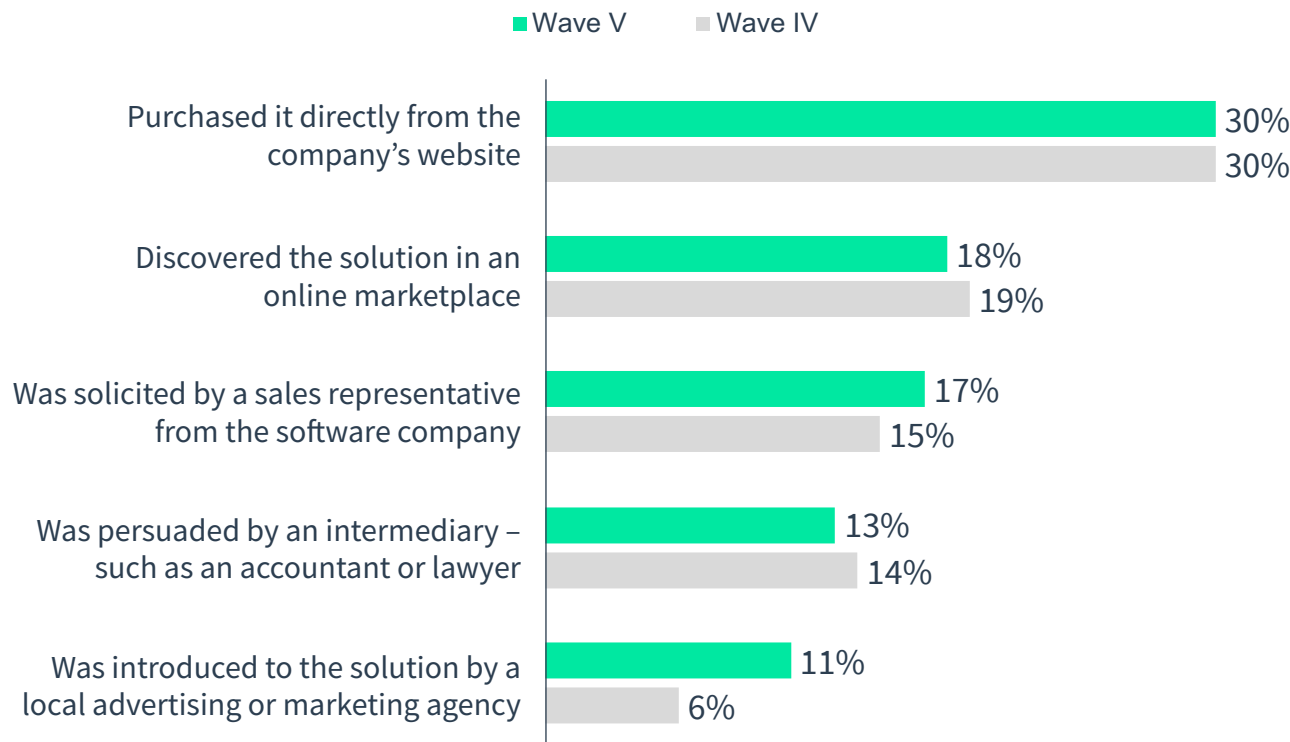
- Thirty percent of SMBs purchased SaaS services directly while another 18% bought it through an online marketplace.
- Try and buy is the most used purchase method with 62% of SMBs using a free version of the SaaS service prior to purchasing it.
- Freemium services are critical to adoption, with 60% percent of SMBs stating the free trial was critical in their purchase decision.
- Seventy-two percent is bought from a company they have done business with in the past.
- Nearly half 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.
- SaaS providers are the top choice for partners. Forty-five percent of SMBs would purchase new services from a SaaS technology provider.
- More than half of SMBs work with more than three partners. Most would prefer to work with just one.
- Few SMBs have consolidated services; those that do are looking at specialized providers.

Majority of SMBs purchase SaaS services directly

Thirty percent of SMBs purchased services directly while another 18% got it through an online marketplace.

WHERE SMBs PURCHASED SaaS SERVICES

Source: Localogy Modern Commerce Monitor; Wave IV: N= 795 SMBs; Wave V: N= 923 SMBs.



*Large businesses are 3X more likely to purchase from an agency.



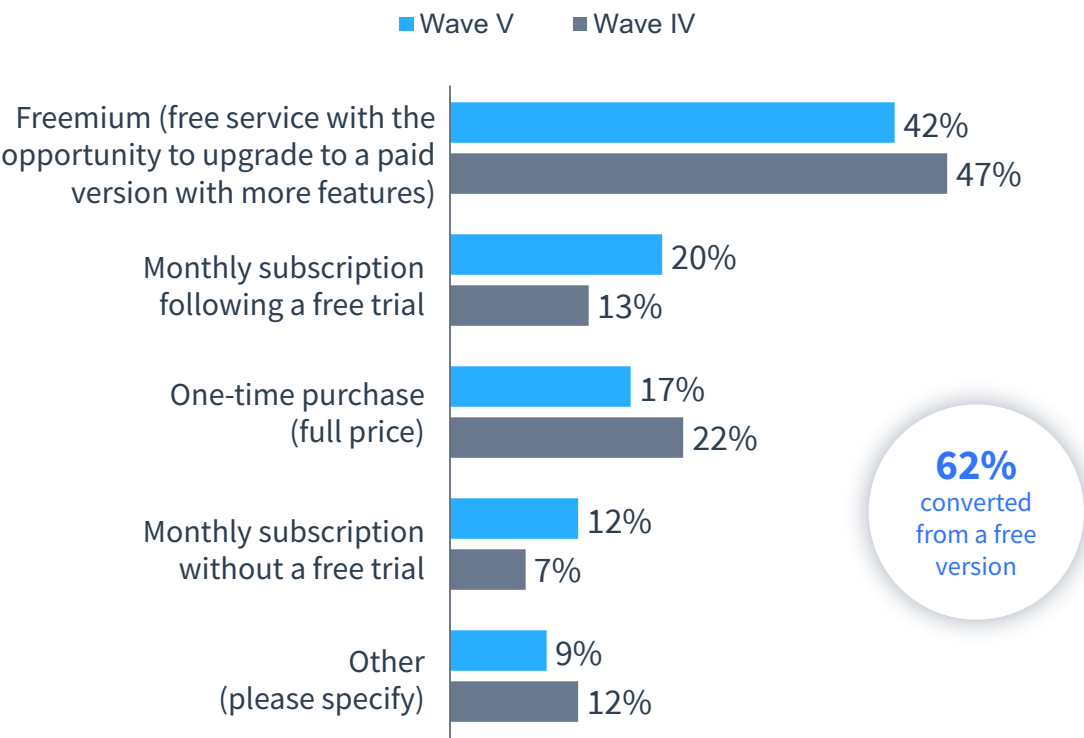
With the majority of SMB services continuing to be purchased from the same sources consistently year-over-year, it is interesting to note the growing role of agencies in this SaaS world.

Try and buy is the most used purchase method

Sixty-two percent of SMBs use a free version of a SaaS service prior to purchasing it.

PRICING MODEL THAT LED TO YOUR MOST RECENT PURCHASE

Source: Localogy Modern Commerce Monitor; Wave IV: N= 795 SMBs; Wave V: N= 923 SMBs.



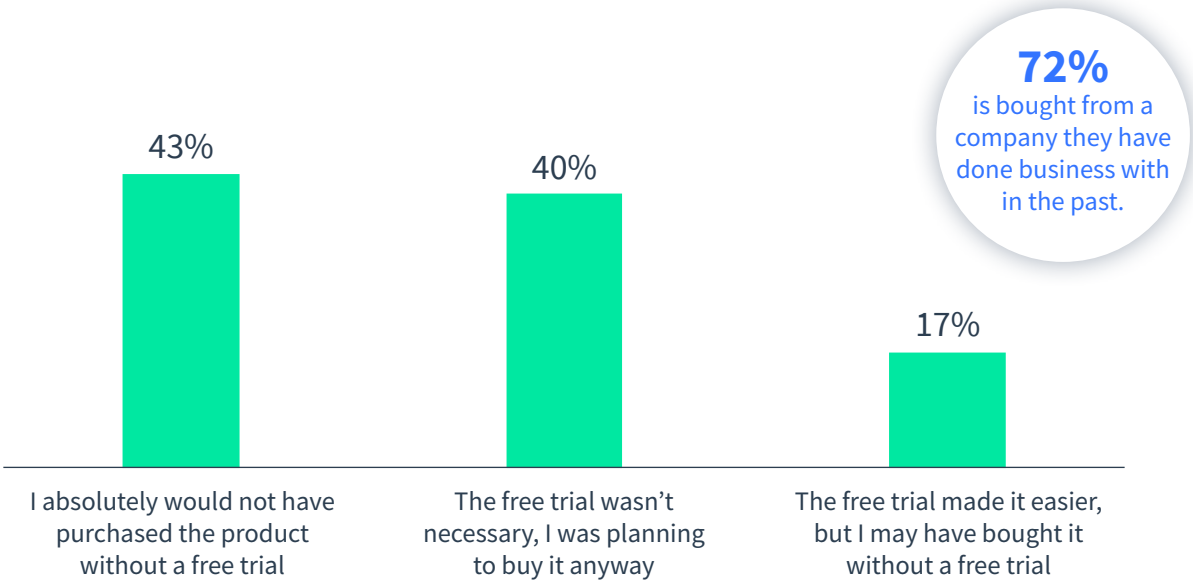
De-risking the software purchase decision is critical to converting SMBs into paying customers.

Free trials and the purchase journey

Forty-three percent of SMBs stated the free trial was critical in their purchase decision.

IMPORTANCE OF THE FREE TRIAL TO YOUR PURCHASE DECISION

Source: Localogy Modern Commerce Monitor; Wave V: N= 923 SMBs.



*74% of millennials expect a free trial.



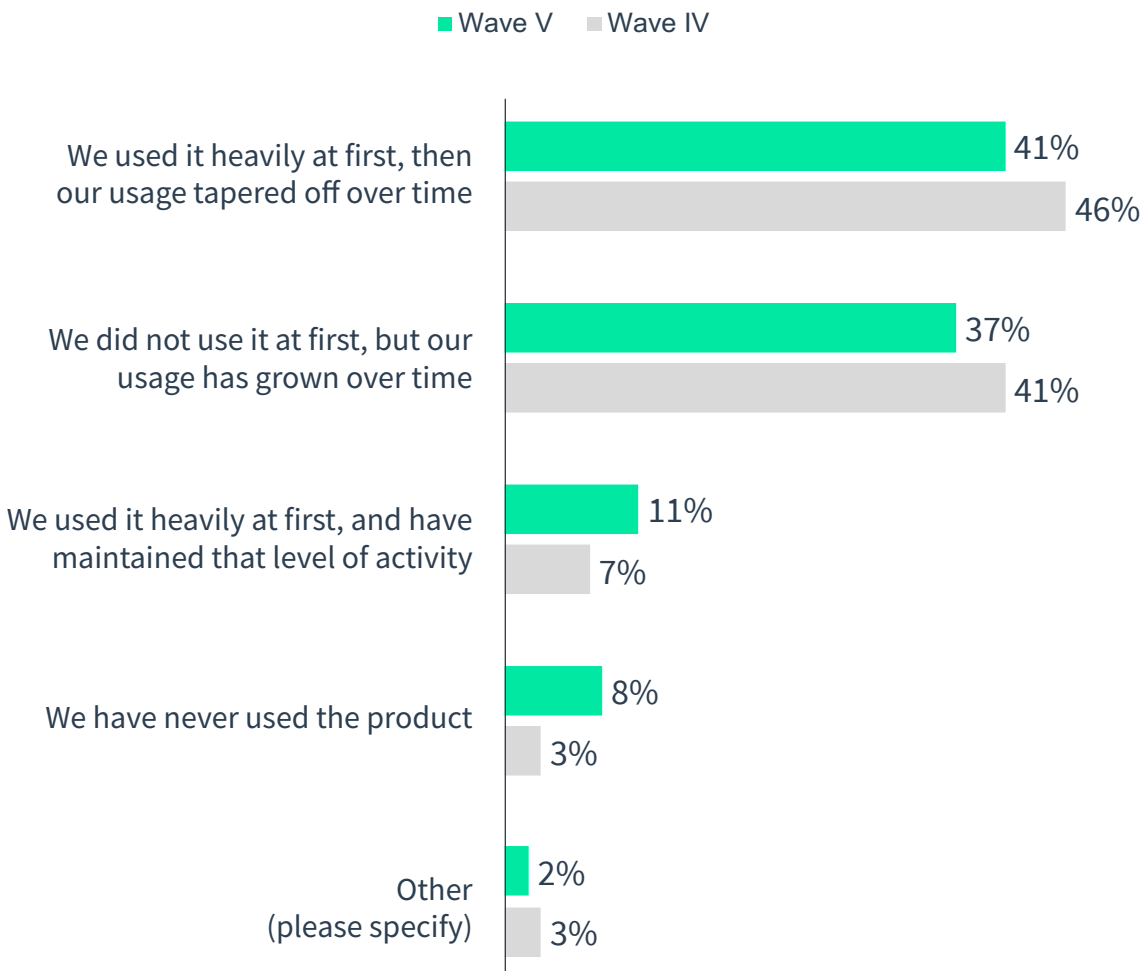
With 40% of SMB planning to buy with out a free trial, further qualification of buyer personas should reduce conversion times.

Up front improvements can be made to increase adoption

Nearly half of SMBs didn't use the services or have limited usage due to service complexities, lack of training and misalignment of expectations.

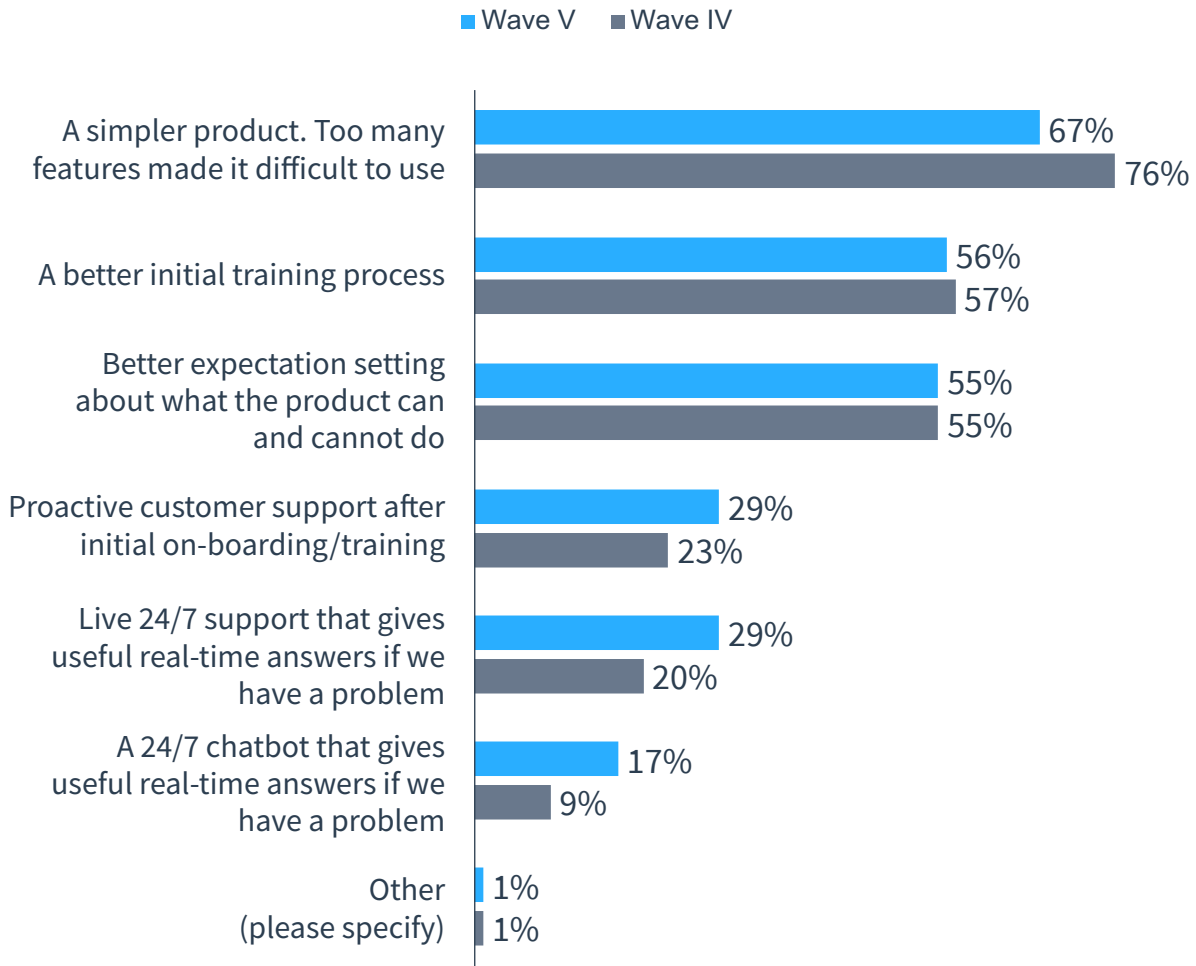
LEVEL OF ENGAGEMENT AFTER THE INITIAL PURCHASE OF THE SERVICE

Source: Localogy Modern Commerce Monitor; Wave IV: N= 395 SMBs; Wave V: N= 454 SMBs.



IMPROVEMENTS THAT COULD BE MADE TO INCREASE USAGE/ENGAGEMENT

Source: Localogy Modern Commerce Monitor; Wave IV: N= 395 SMBs; Wave V: N= 454 SMBs.



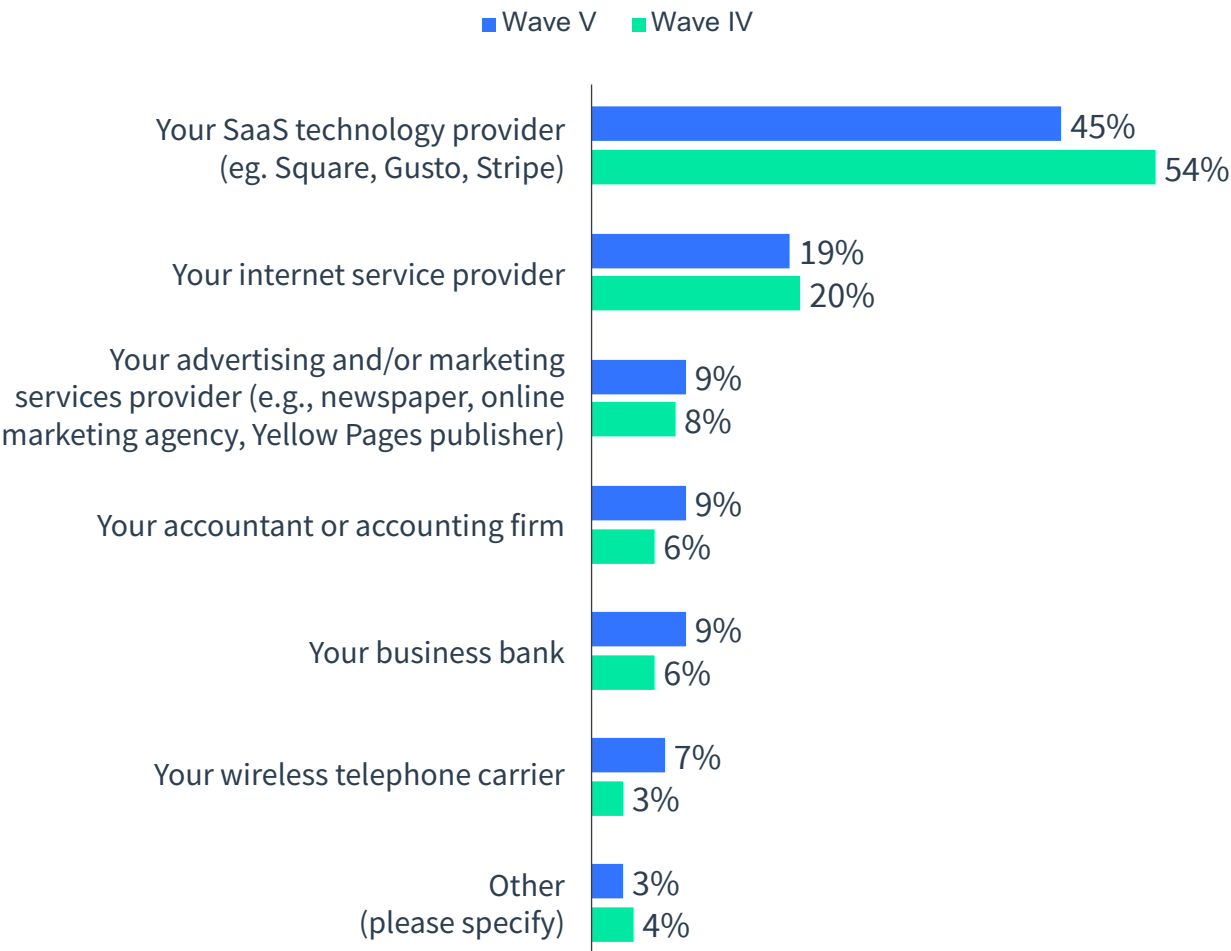
With 67% stating a “simpler product” would increase utilization, product teams need to achieve the right balance between functionality and ease of use. The results would reduce the burden of training and simplify expectation setting.

SaaS technology providers are the top choice for partners

Nearly half of SMBs would purchase new services from a SaaS technology provider.

IF YOU WERE TO CONSIDER PURCHASING SERVICES OUTSIDE OF THE CORE SERVICE OFFERING OF A PARTICULAR PROVIDER, FROM WHICH WOULD YOU BE MORE LIKELY TO DO SO?

Source: Localogy Modern Commerce Monitor; Wave IV: N= 1,015 SMBs; Wave V: N= 1,117 SMBs.



*Large organizations have higher consideration rates for other options.



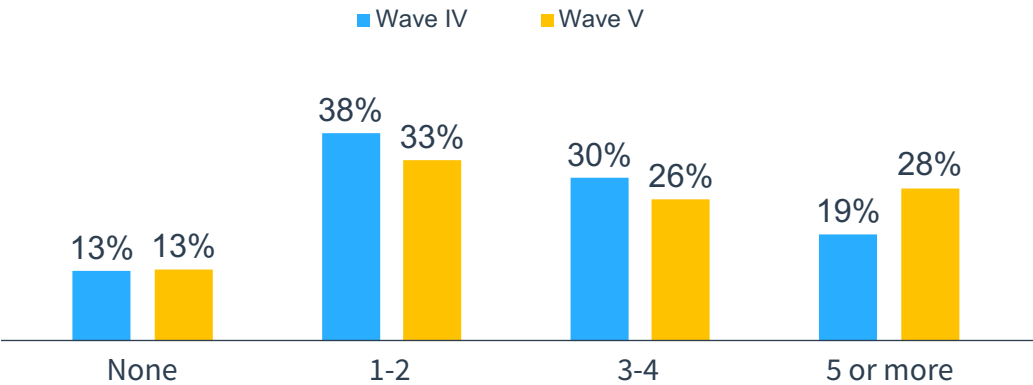
Technology first channels continue to lead as SMB trusted advisors for incremental SaaS purchases.

SMBs prefer a single partner but work with many

Over half of SMBs work with more than 3 partners, despite their stated desires.

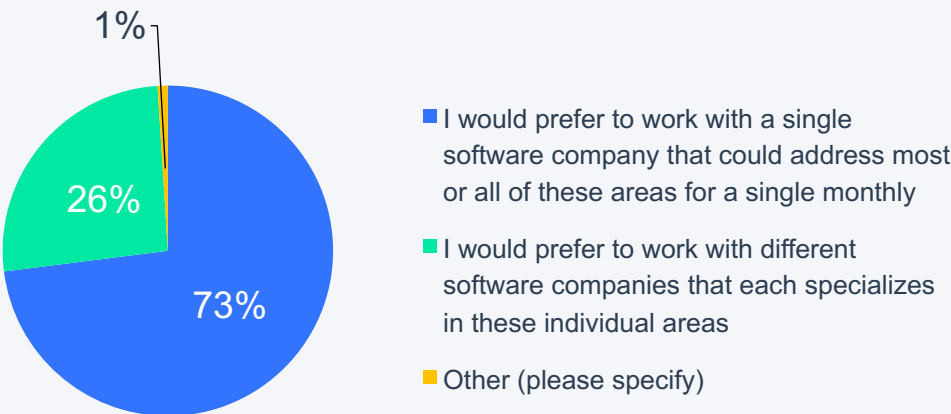
AVG. NUMBER OF VENDORS USED

Source: Localogy Modern Commerce Monitor; Wave IV: N= 1,015 SMBs; Wave V: N= 1,117 SMBs.



PREFERRED NUMBER OF VENDORS USED

Source: Localogy Modern Commerce Monitor; Wave IV: N= 1,015 SMBs; Wave V: N= 1,117 SMBs.



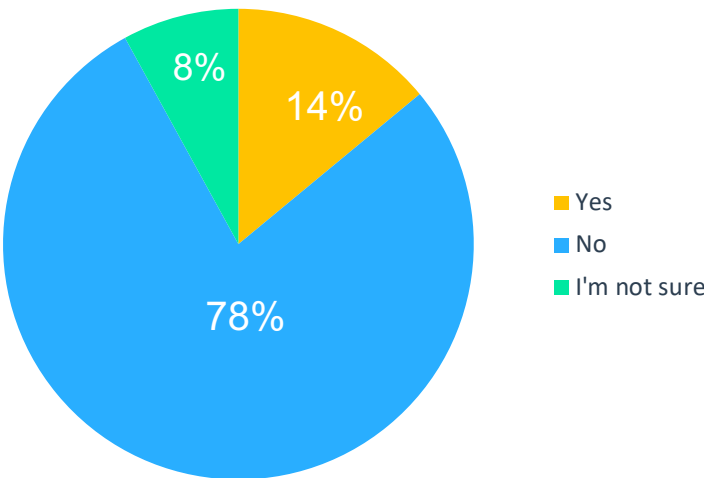
The utopian desire for a single SaaS provider continues to be elusive.

Few SMBs have consolidated services

Vertical specialized partners are becoming more important.

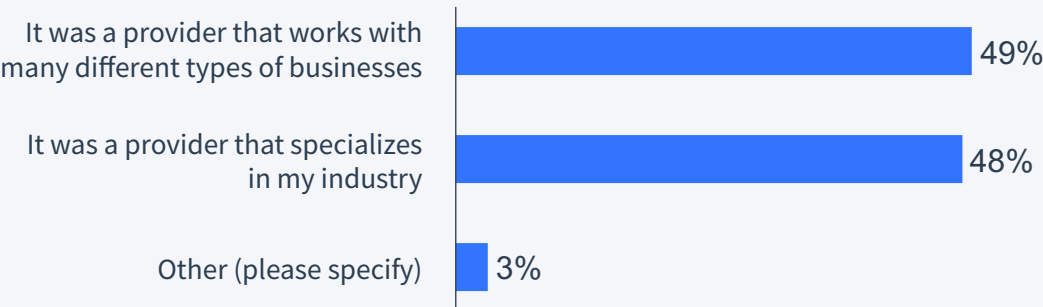
SMBs THAT HAVE CONSOLIDATED SaaS SERVICES TO ONE PROVIDER

Source: Localogy Modern Commerce Monitor; Wave V: N= 1,117 SMBs.



WHEN CONSOLIDATING, WHAT TYPE OF PROVIDER DID YOU USE

Source: Localogy Modern Commerce Monitor; Wave V: N= 1,117 SMBs.



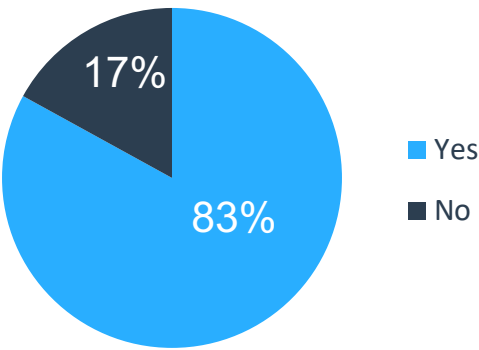
***Home Services, Automotive, Health & Medical segments have higher rates for specialized providers.**

SMB FUTURE TRENDS

Over 80% of business owners over 55 have thought about the future of their business...half plan to sell or turn it over to a family member

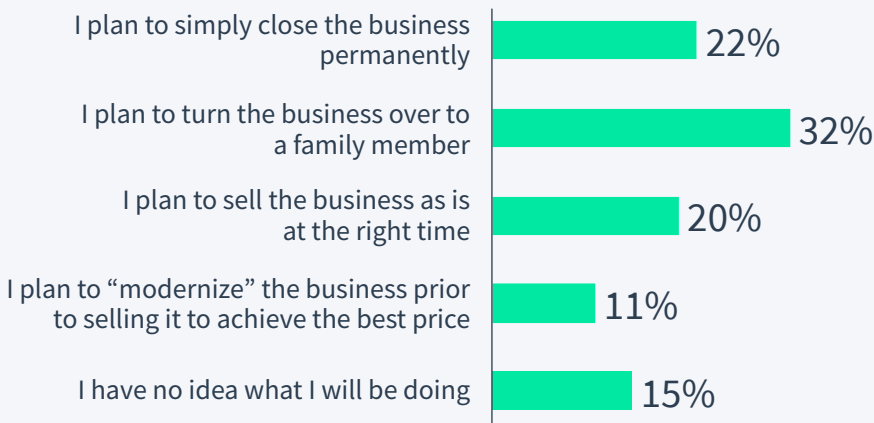
GIVEN YOUR STAGE OF LIFE, ARE YOU TAKING ANY STEPS OR GETTING ANY ADVICE ABOUT WHAT TO DO WITH YOUR BUSINESS WHEN YOU ARE READY TO RETIRE?

Source: Localogy Modern Commerce Monitor; Wave V: N= 374 SMBs.



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

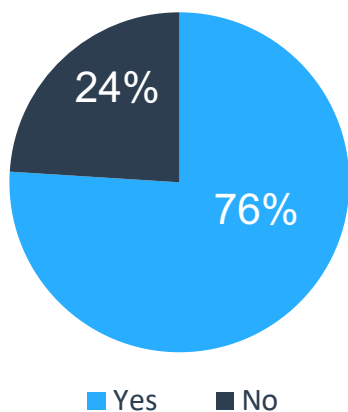
Source: Localogy Modern Commerce Monitor; Wave V: N= 374 SMBs.



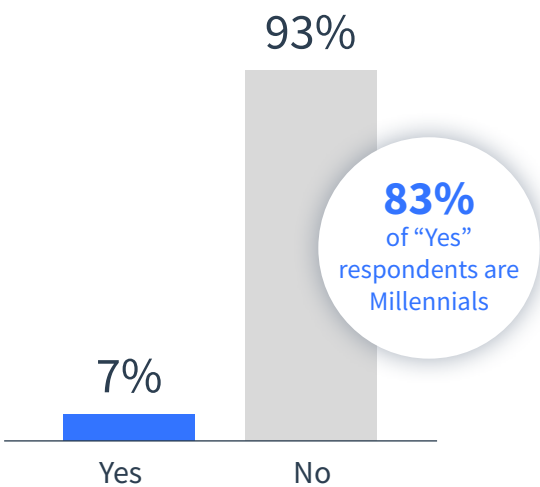
Ownership transitions to younger, tech-first generations will accelerate SMB SaaS adoption rates.

Most business owners are familiar with the term cryptocurrency, while few accept it as payment

ARE YOU AWARE OR HAVE YOU HEARD THE TERM CRYPTOCURRENCY BEFORE TODAY?



DOES YOUR BUSINESS CURRENTLY ACCEPT CRYPTOCURRENCY AS A FORM OF PAYMENT FOR GOODS OR SERVICES?



Source: Localogy Modern Commerce Monitor; Wave V; N= 1,117 SMBs.



While not a common features of today’s SMB, the high level of awareness of cryptocurrency suggests a solid foundation for crypto adoption when demand reaches critical mass.

The Modern Commerce Monitor™ is a quantitative tracking study, that monitors cloud-based service 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 V was fielded in February 2020 and will be updated at least three more time by the fall of 2020. The online survey included over 1,100 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 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?

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