

Wave V-III State of SMB - Jul. 2020

Modern Commerce Monitor™



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METHODOLOGY

Objective: As businesses are addressing the immediate challenges that COVID-19 represents, Localogy is monitoring the current and future impact of the crisis on the local marketplace through incremental waves of the Modern Commerce Monitor™ Wave V.

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 6/3/2020- 6/17/2020.)

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 1,014 interviews conducted for this particular wave. The data was collected between 6/3/20-6/17/20 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 balanced on Census business size and regional distribution.

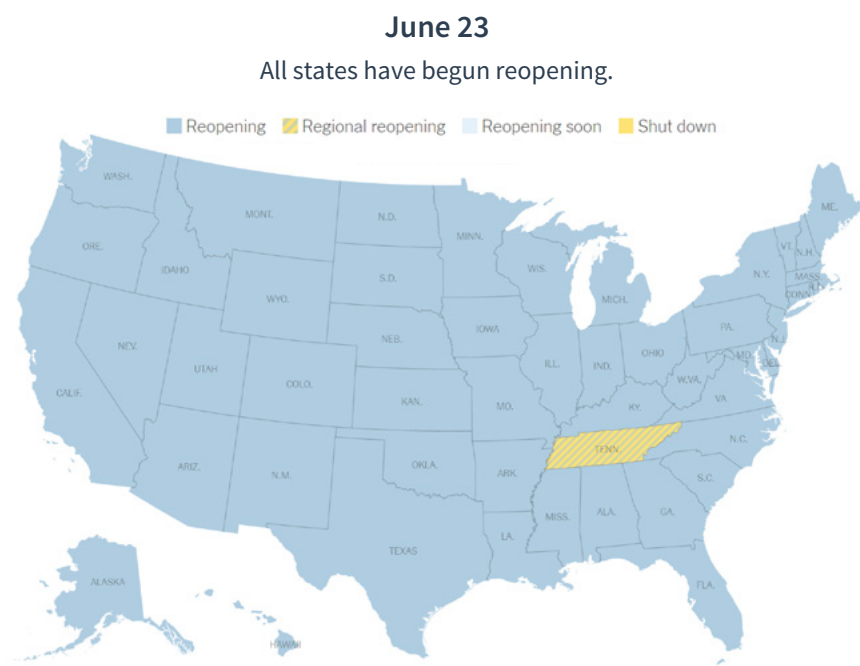
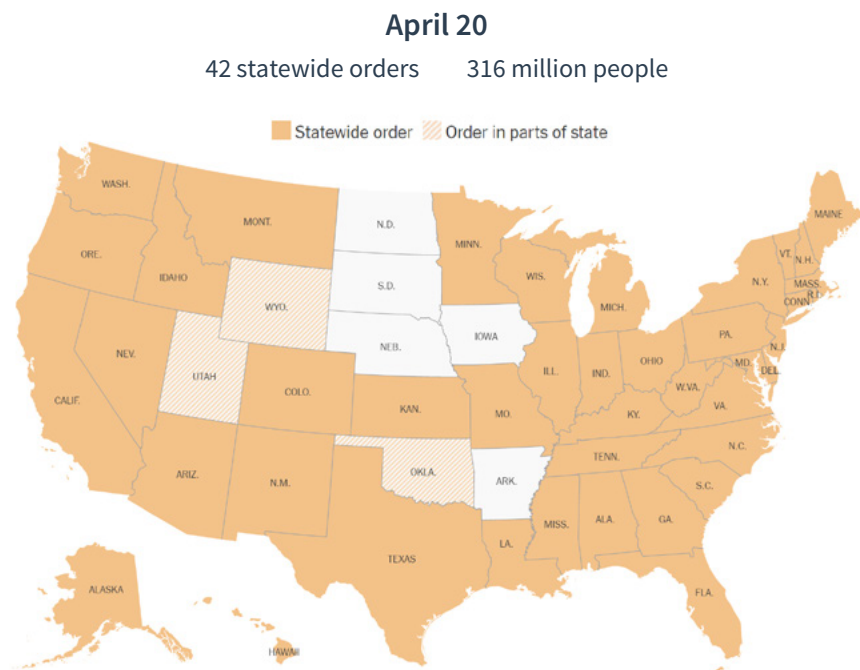
U.S. LOCAL MARKETPLACE LANDSCAPE



Summary

- As the first half of 2020 comes to an end, many of the nation's small businesses are getting back up and running and learning how to operate in a pandemic environment.
- In April, about a third of businesses across the US were closed. Nearly 60% of the open businesses were operating at reduced capacities, and half of the small businesses had to furlough or layoff employees.
- Today, 88% of small businesses are open. While this is good news, there still are several challenges facing the small business community.
- 39% of businesses are still operating at reduced capacity, and 40% still have laid off/furloughed workers. In addition, 66% of businesses still have employees working remotely.
- Businesses don't plan to make any more cuts unless the economic conditions worsen.
- Business owners have invested significantly in technology, to operate in this new environment. Initial investment was related to remote worker productivity, however focus has expanded to other functional areas of their business.
- The main reason for the adoption continues to be mobility, versus prior year's efficiency driver.
- For the most part, business owners are satisfied with the new tools. The rating is higher than in the past, but this may change over time as things get back to normal.

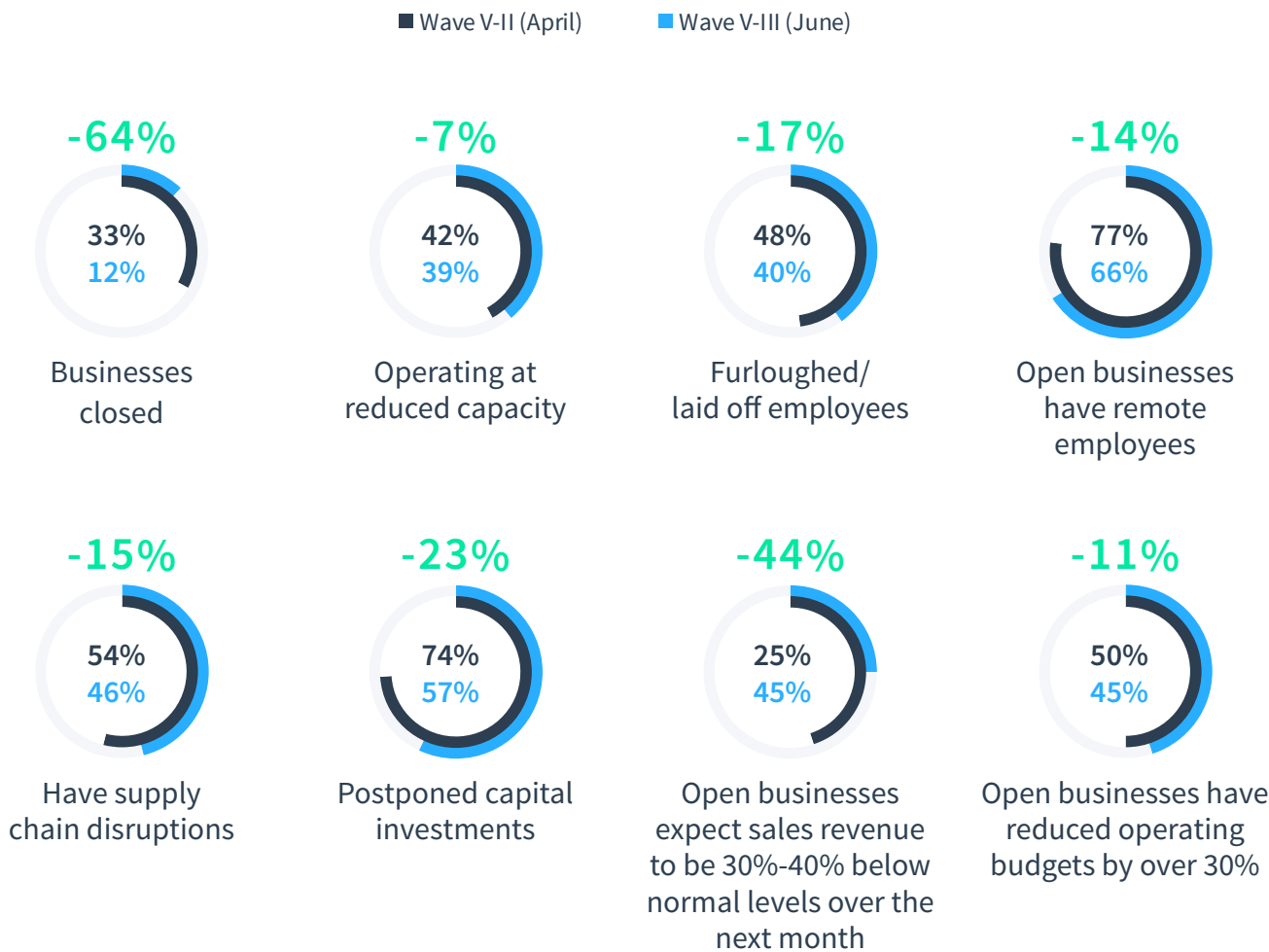
Since the peak of closures in April, all US States have started reopening in various phases.



Sources: New York Times, local governments and news reports.

Since April, operating conditions for small businesses have improved in all areas.

A snapshot of the local marketplace shows the challenges that business owners are overcoming.



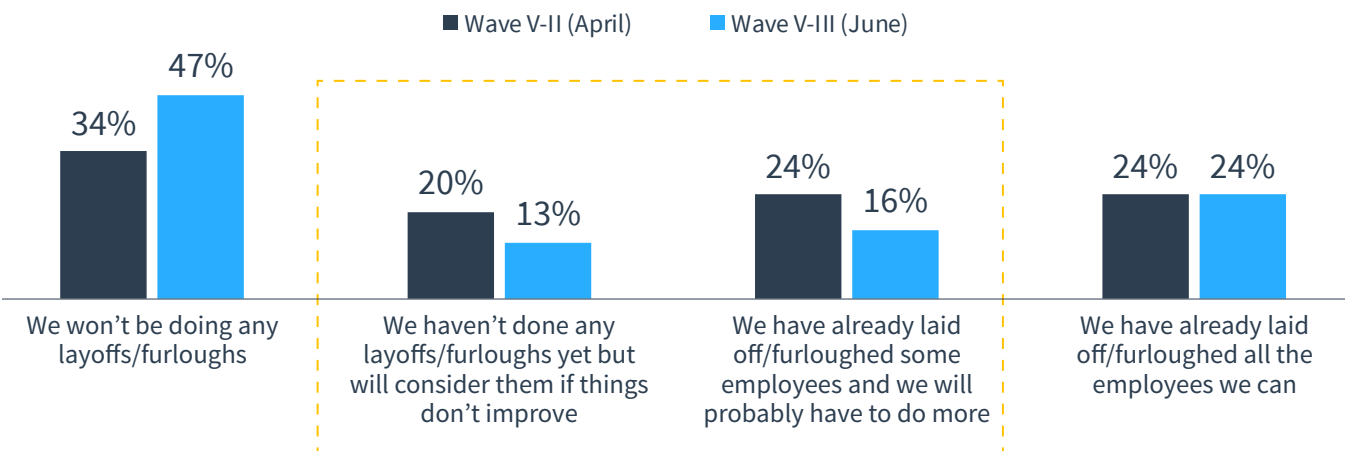
Source: Localogy Modern Commerce Monitor™;
Wave V-II: N= 1,011 SMBs (April, 2020); Wave V-III: N= 1,014 SMBs (June, 2020).

88% of local businesses are now open for business.



The majority of businesses are not expecting to do more employment cuts.

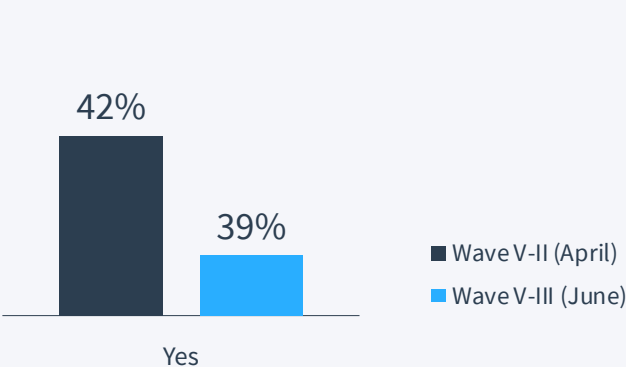
WHAT IS YOUR OUTLOOK ON LAYOFFS/FURLOUGHS OVER THE NEXT 1-2 MONTHS FOR YOUR BUSINESS?



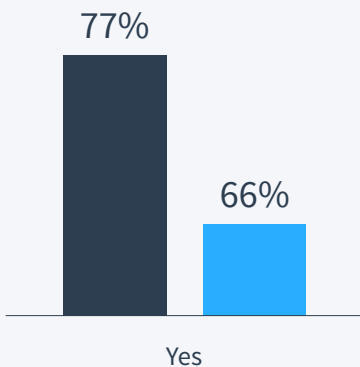
Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 1,011 SMBs (April, 2020); Wave V-III: N= 1,014 SMBs (June, 2020).

Many businesses continue to operate at a reduced capacity and have remote workers.

IS YOUR BUSINESS OPERATING AT A REDUCED CAPACITY?



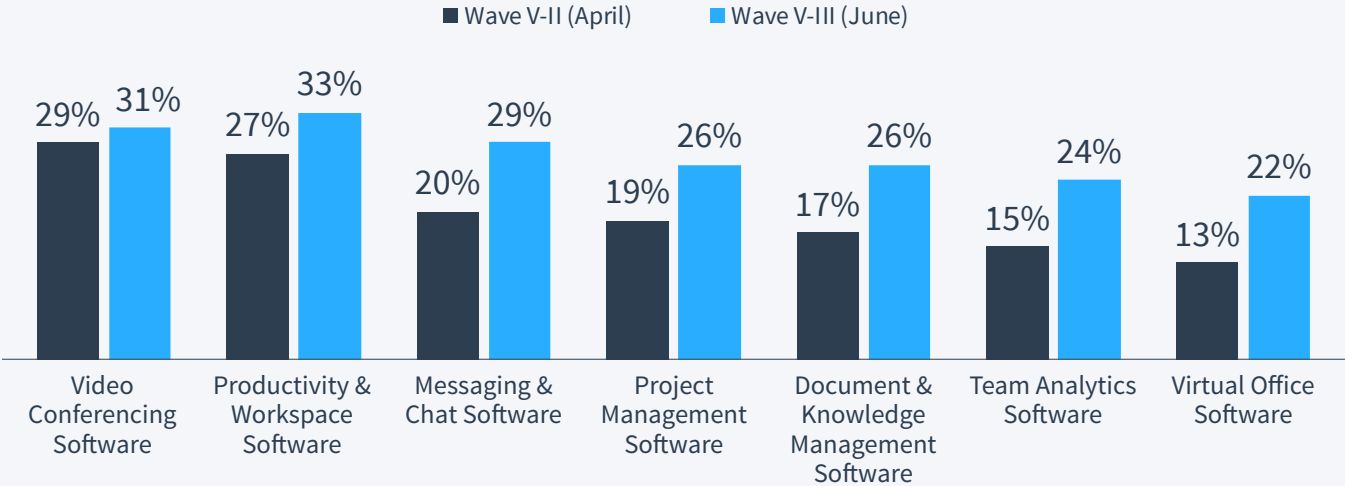
DOES YOUR BUSINESS HAVE REMOTE EMPLOYEES?



Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 1,011 SMBs (April, 2020); Wave V-III: N= 1,014 SMBs (June, 2020).

Top areas businesses invested in to help remote workers.

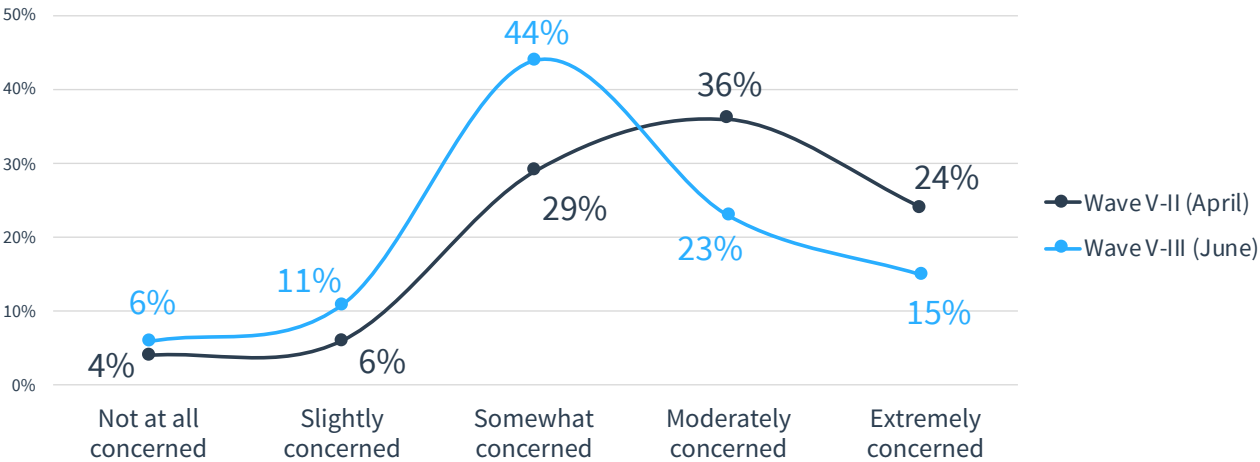
MOST HAVE INVESTED IN TECHNOLOGY TO HELP WITH PRODUCTIVITY



Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 682 SMBs (April, 2020); Wave V-III: N= 968 SMBs (June, 2020).

Business owners are now becoming less concerned with remote worker productivity.

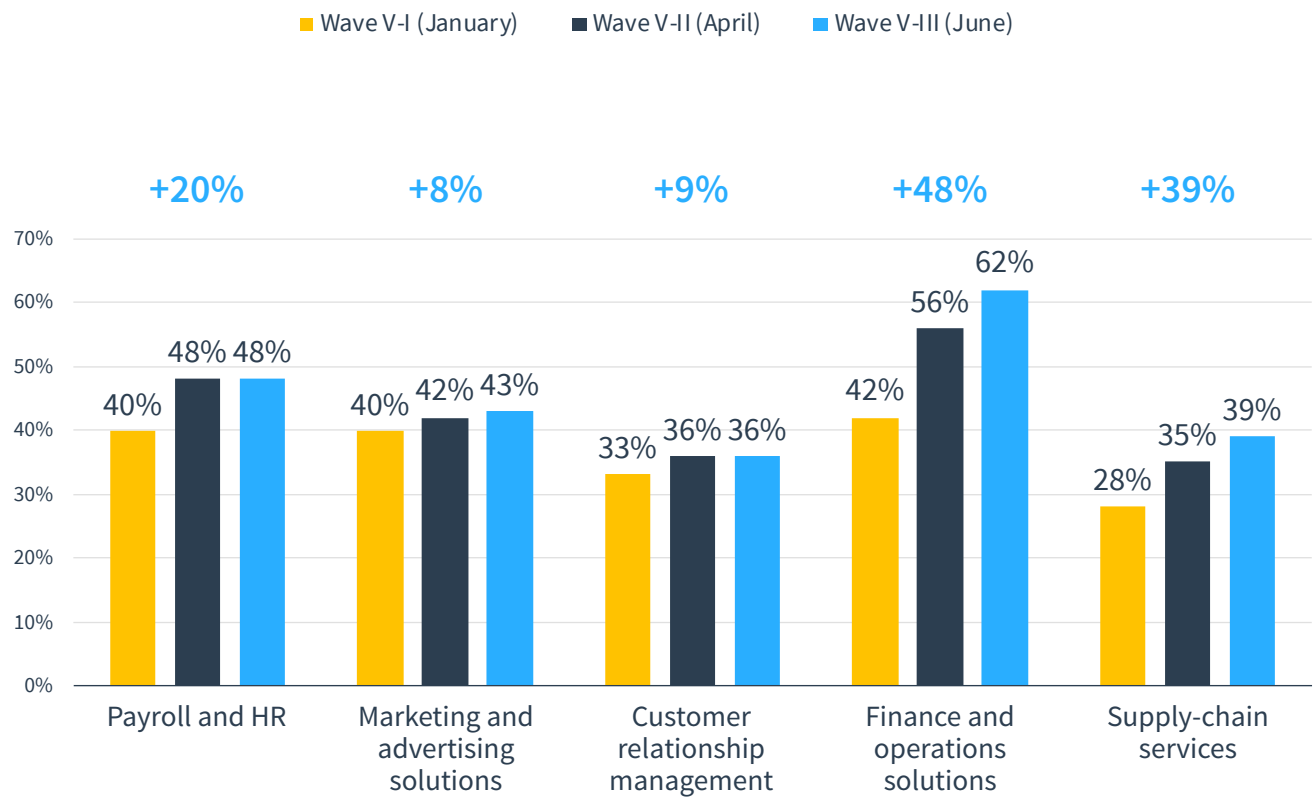
LEVEL OF CONCERN WITH THE OVERALL PRODUCTIVITY OF THE WORKFORCE AS THEY WORK VIRTUALLY



Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 523 SMBs (April, 2020); Wave V-III: N= 367 SMBs (June, 2020).

Business owners are investing across the board in online tools and services.

AREAS BUSINESSES HAVE SHIFTED TO ONLINE SERVICES



Source: Localogy Modern Commerce Monitor™; Wave V-I was conducted in January, 2020 on 1,117 SMBs. Wave V-II: N= 1,011 SMBs (April, 2020); Wave V-III: N= 1,014 SMBs (June, 2020). Note- Numbers have been adjusted for businesses that are closed due to COVID-19 crisis.

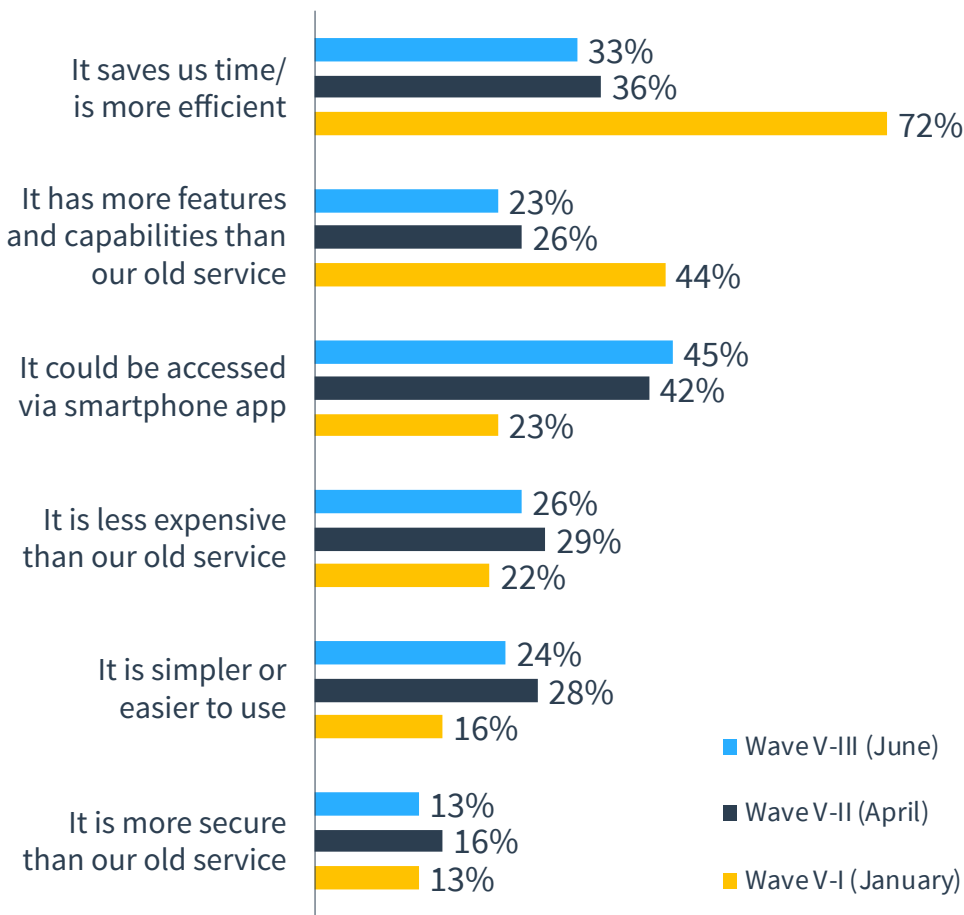


Finance & operations, supply-chain and marketing & advertising continue to grow.

Reasons leading the SMB shift to SaaS tools.

TOP REASONS WHY SMBs HAVE SHIFTED TO SaaS SERVICES

Source: Localogy Modern Commerce Monitor™; Wave V-I: N= 923 SMBs; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs.

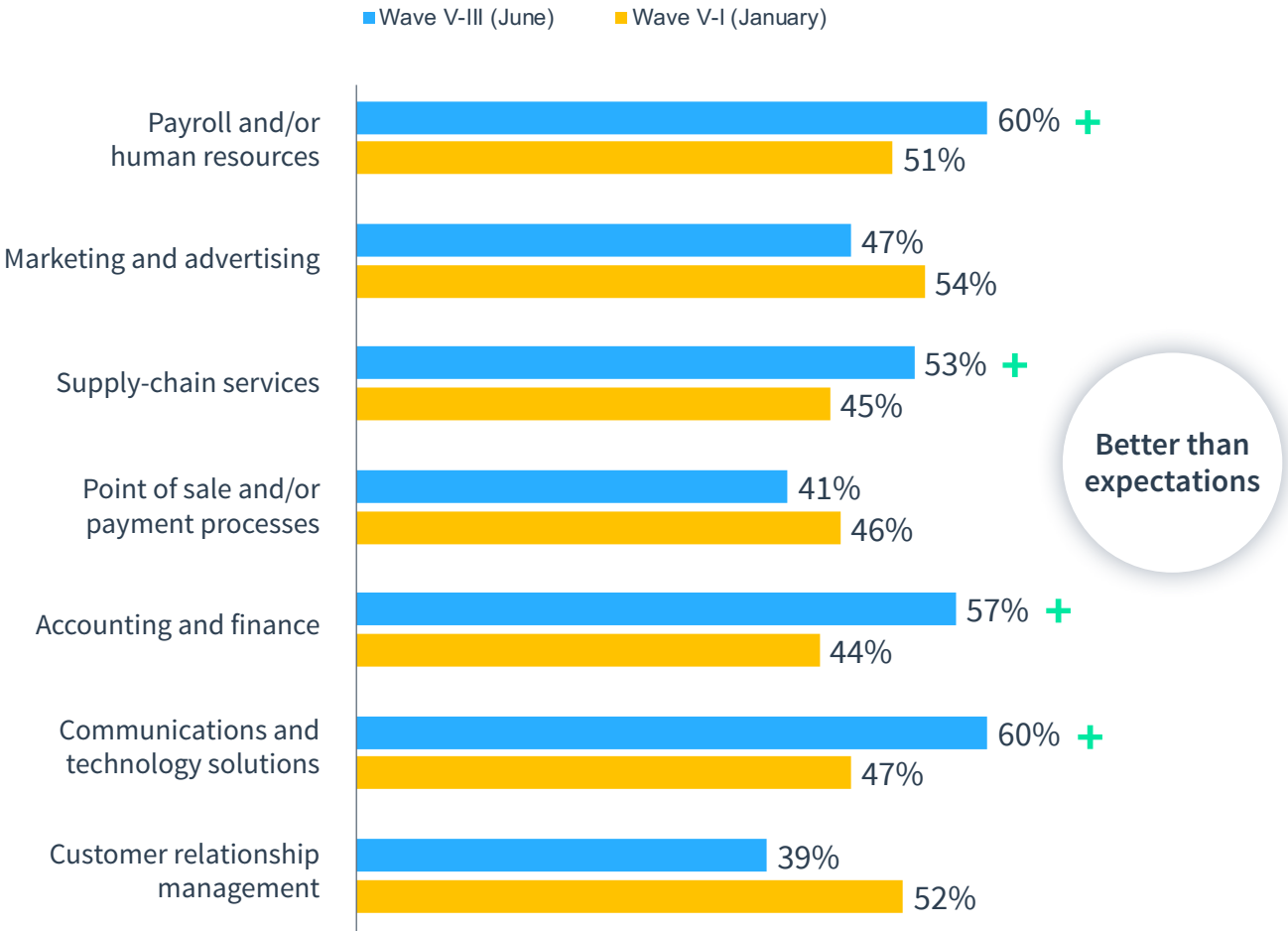


Business owners continue to prioritize having access anywhere.

SMB satisfaction level with SaaS products.

TO WHAT DEGREE HAVE THE ONLINE SERVICES MET YOUR EXPECTATIONS

Source: Localogy Modern Commerce Monitor™; Wave V-I: N= 411 SMBs (January 2020) ; Wave V-III: N: 339 SMBs (June, 2020).



+ Top areas businesses have started using online solutions since the Covid-19 crisis.
All show higher satisfaction scores.

MOBILE APPS



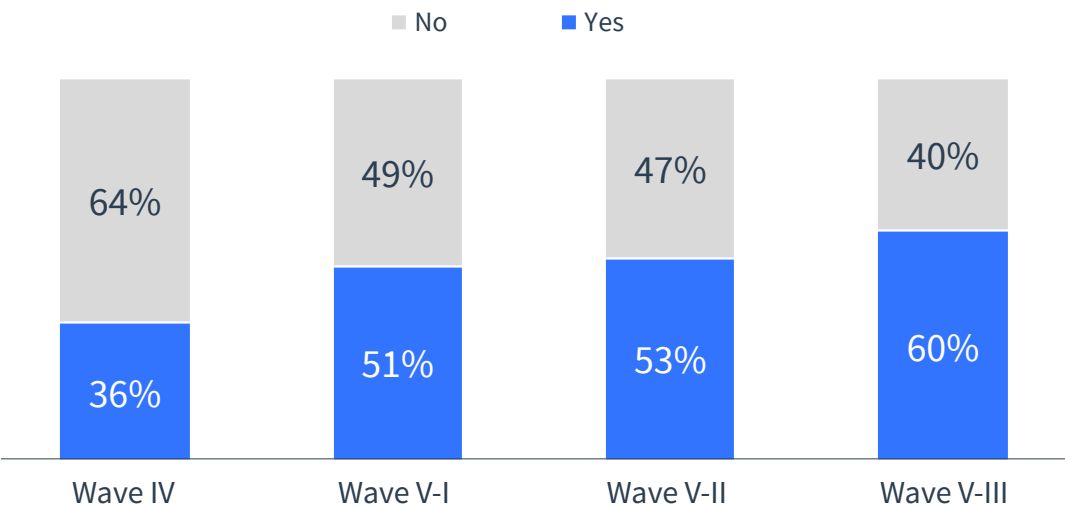
Summary

- Sixty percent of businesses use mobile apps to help manage their business. This is up 67% from 2019 and is expected to continue to climb.
- The average business uses 6.2 mobile apps. This has more than doubled over the past year.
- While business owners are continuing to rely on mobile apps, they do have concerns over data security and privacy.
 - 38% of businesses are moderately or extremely concerned over security.
 - 46% of businesses are moderately or extremely concerned with privacy.

Over half of businesses use mobile apps to help manage their business...

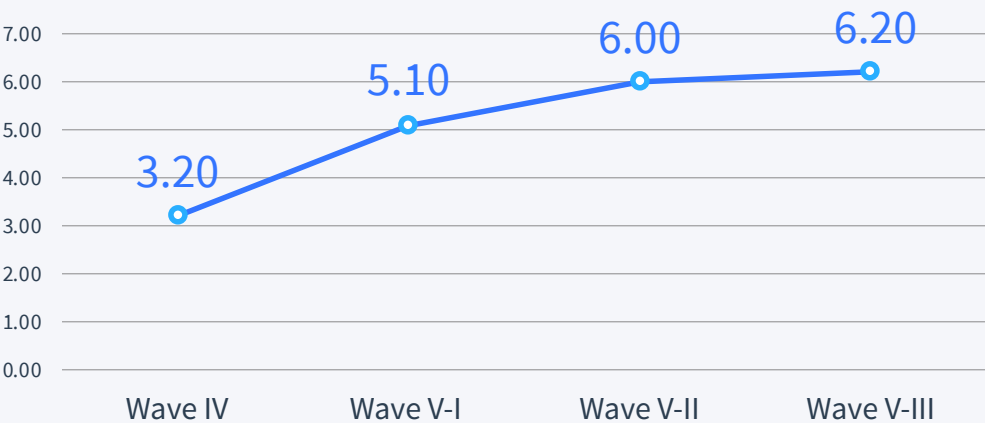
DO YOU USE MOBILE APPS TO HELP OPERATE YOUR BUSINESS?

Source: Localogy Modern Commerce Monitor™;
Wave IV: N= 1,015 SMBs; Wave V-I: N= 1,117 SMBs; Wave V-II: N= 1,011 SMBs; Wave V-III: N= 1,014 SMBs



AVERAGE NUMBER OF APPS BUSINESS OWNER USE

Source: Localogy Modern Commerce Monitor™;
Wave IV: N= 1,015 SMBs; Wave V-I: N= 1,117 SMBs; Wave V-II: N= 1,011 SMBs; Wave V-III: N= 1,014 SMBs

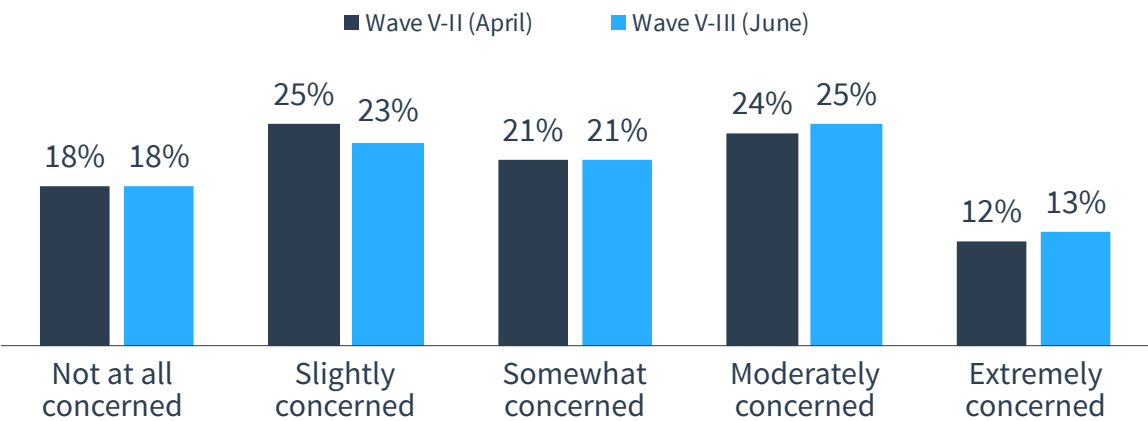



The average SMB now uses more than 6 mobile apps.

SMB concerns about SaaS data security and privacy issues when used by remote employees.

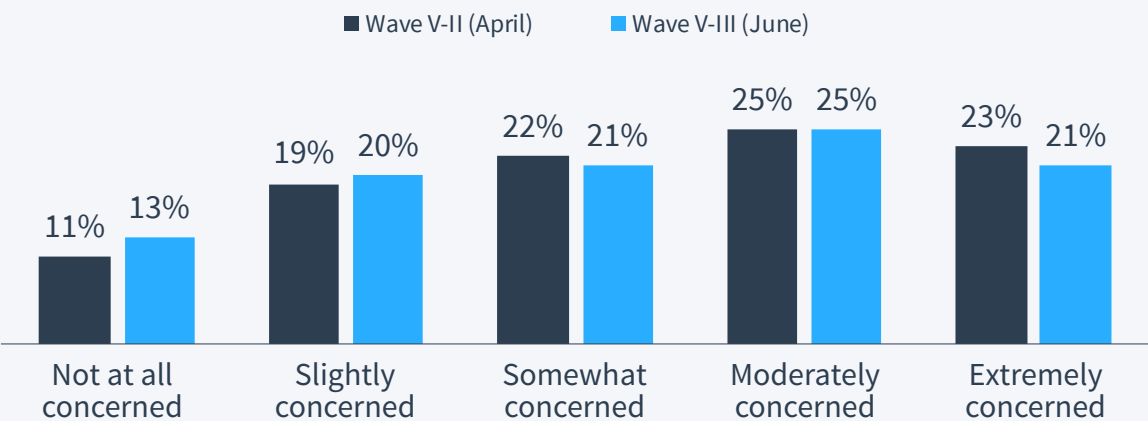
HOW CONCERNED ARE YOU WITH THE OVERALL SECURITY OF THE SOFTWARE YOU PURCHASED BEING USED REMOTELY BY EMPLOYEES?

Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs.



HOW CONCERNED ARE YOU WITH THE OVERALL PRIVACY OF THE INFORMATION IN THE SOFTWARE /TOOLS BEING USED REMOTELY BY EMPLOYEES?

Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs.



46% of business owners remain concerned about privacy issues.

PURCHASING TRENDS

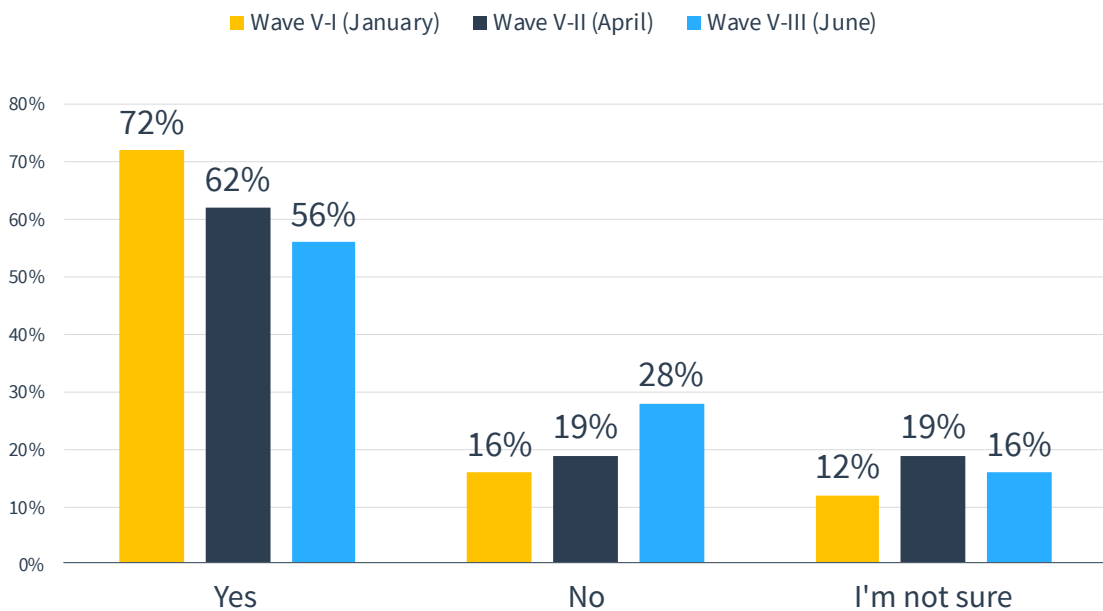


Summary

- More business owners are looking to new providers for online services, with 28% doing so during this crisis. This is up 211% over the past year.
- Up 47% from the past research wave, 44% of small business owners are purchasing the software directly from a website. Another 15% acquired it through an online marketplace.
- Try and buy is the most used purchase method, with 64% of SMBs using a free version of the online service prior to purchasing it.
- Freemium services are critical to adoption- According to our last major wave of research, 60% percent of SMBs stated the free trial was crucial to their purchase decision. Given the current economic conditions, it should not be surprising that this has not changed.
- When asked what providers could do during this challenging time, business owners continue to expect flexible contracts and payments, as well as additional recommendations, technical support, education, and training.

SMB source for new SaaS services.

WAS YOUR RECENT SOFTWARE PURCHASE FROM A COMPANY YOU HAVE CONDUCTED BUSINESS WITH BEFORE?



Source: Localogy Modern Commerce Monitor™; Wave V-I: N= 923 SMBs; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs.

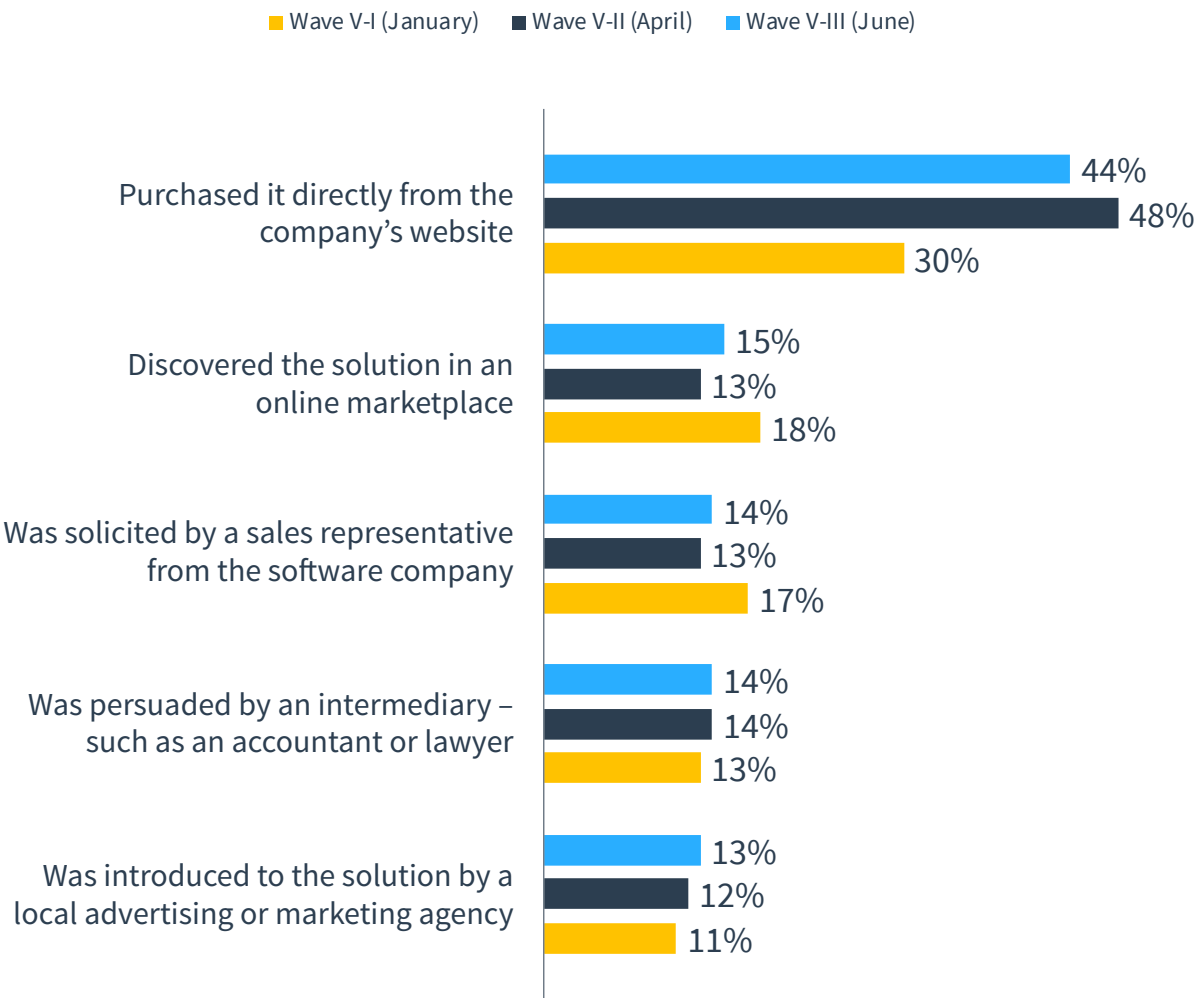


22% decrease in utilization of a current or past provider, since January 2019.

SMB SaaS purchase path.

WHERE SMBs PURCHASED THEIR ONLINE SERVICES

Source: Localogy Modern Commerce Monitor™; Wave V-I: N= 923 SMBs; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs.

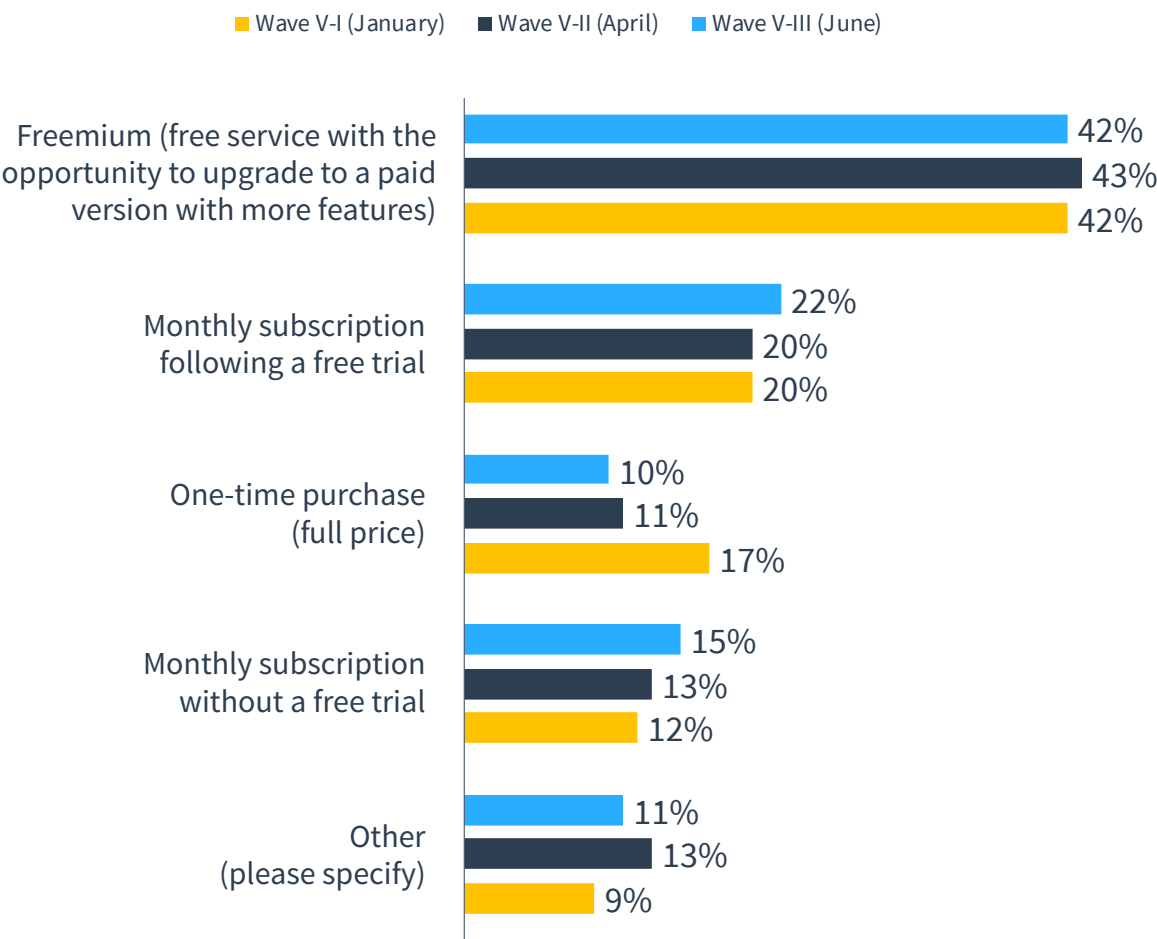


59% of SMBs continue trend of "Buy It Yourself" (BIY).

Pricing model experienced when adopting new SaaS products.

PRICING MODEL THAT MOST CLOSELY MATCHES YOUR MOST RECENT PURCHASE

Source: Localogy Modern Commerce Monitor™; Wave V-I: N= 923 SMBs; Wave V-II: N= 538 SMBs, Wave V-III: N= 636 SMBs.

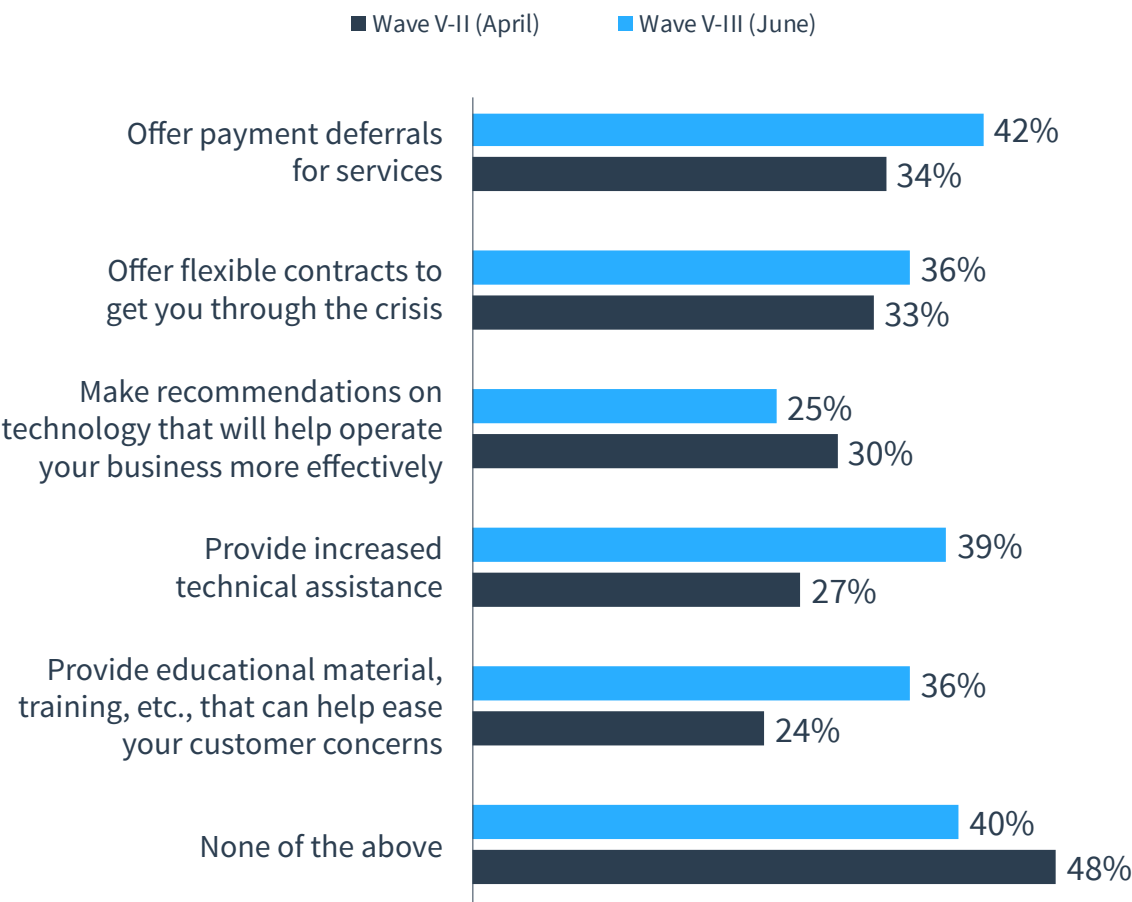


64% bought the service after a free trial.

Business owners looking for help during the COVID-19 recovery.

WHAT CAN CURRENT SaaS PARTNERS DO DURING THE COVID-19 CRISIS TO HELP YOUR BUSINESS?

Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 532 SMBs; Wave V-III: N= 636 SMBs.



Payment pressures grow, while product simplification jumps in importance.

LOOKING FORWARD

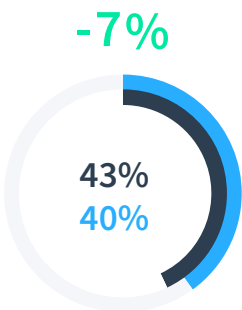


Summary

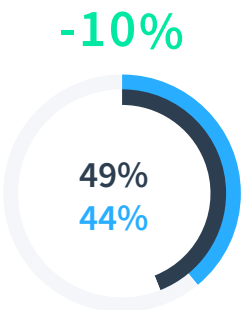
- As restrictions are being lifted, business owners expect it will take some time to recover fully. Most feel (44%) it will take at least 9 months to recover fully.
- Forty percent of business owners are moderately or extremely concerned about the long-term sustainability of their business.
- Over half (55%) plan to increase operational budgets over the next few months.
- Within six months, 80% of business owners stated they would be spending significantly more on marketing/promotion.
- Going forward, business owners feel they will be more willing to utilize technology, have remote workers, and conduct more business online.

Business owners becoming more optimistic about recovery.

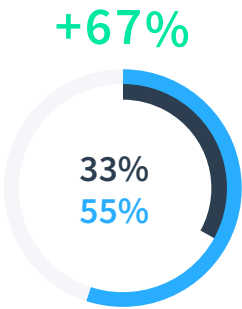
■ Wave V-II (April) ■ Wave V-III (June)



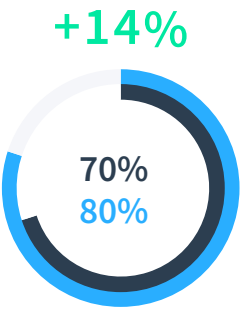
Are moderately or extremely concerned about the long-term sustainability of their business



Think it will take at least 9 months for their business to fully recover



Will increase operational budgets over the next 3 months



Expect to spend significantly more on marketing and promotion in 3 to 6 months

Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 1,011 SMBs; Wave V-III: N= 1,014 SMBs

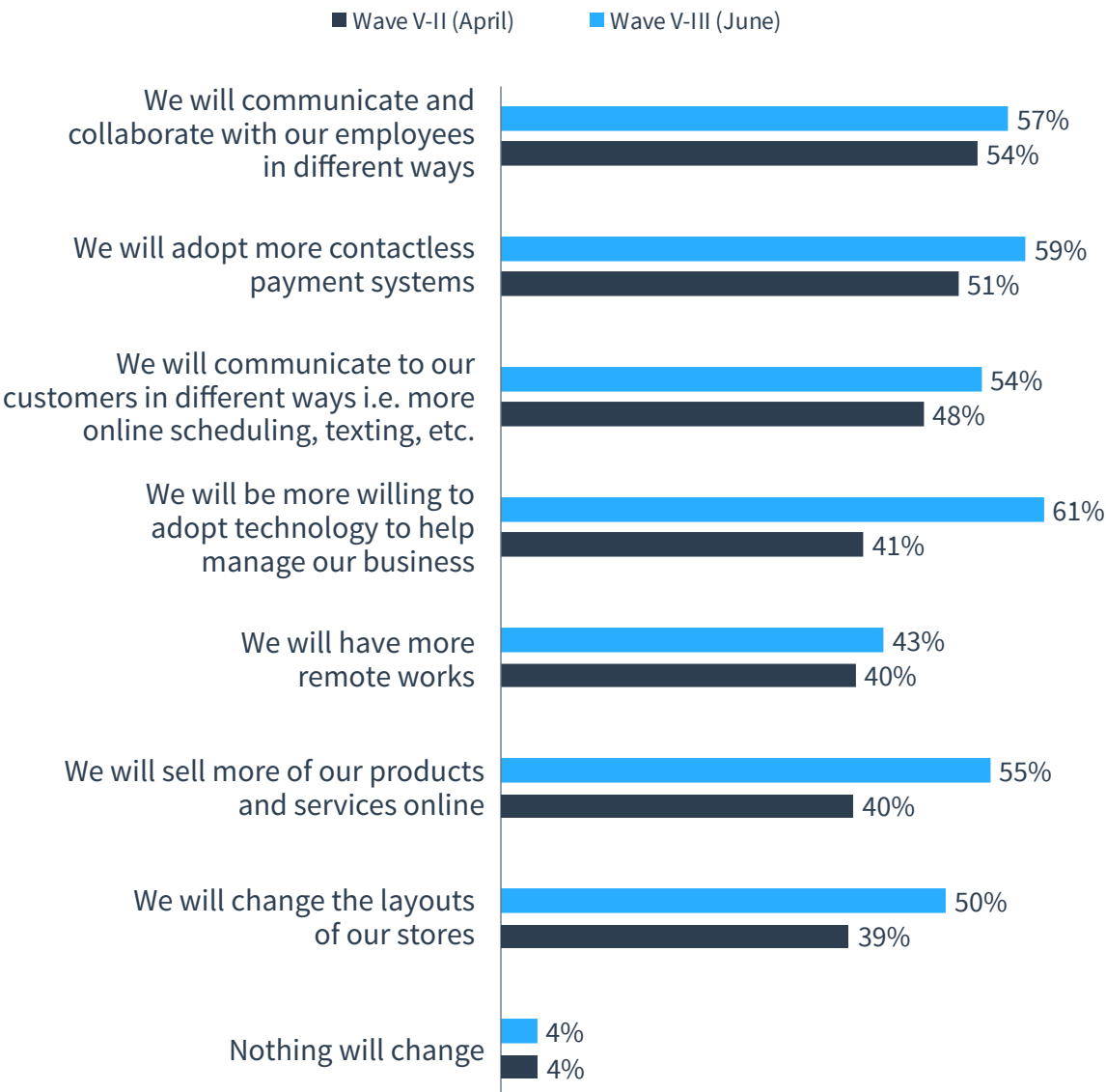


Operations and marketing & promotions lead in increase in spend areas.

SMB owner expectations of operational changes.

HOW COVID-19 CRISIS WILL IMPACT YOUR BUSINESS IN THE FUTURE?

Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 1,002 SMBs; Wave V-III: N= 1,005 SMBs.

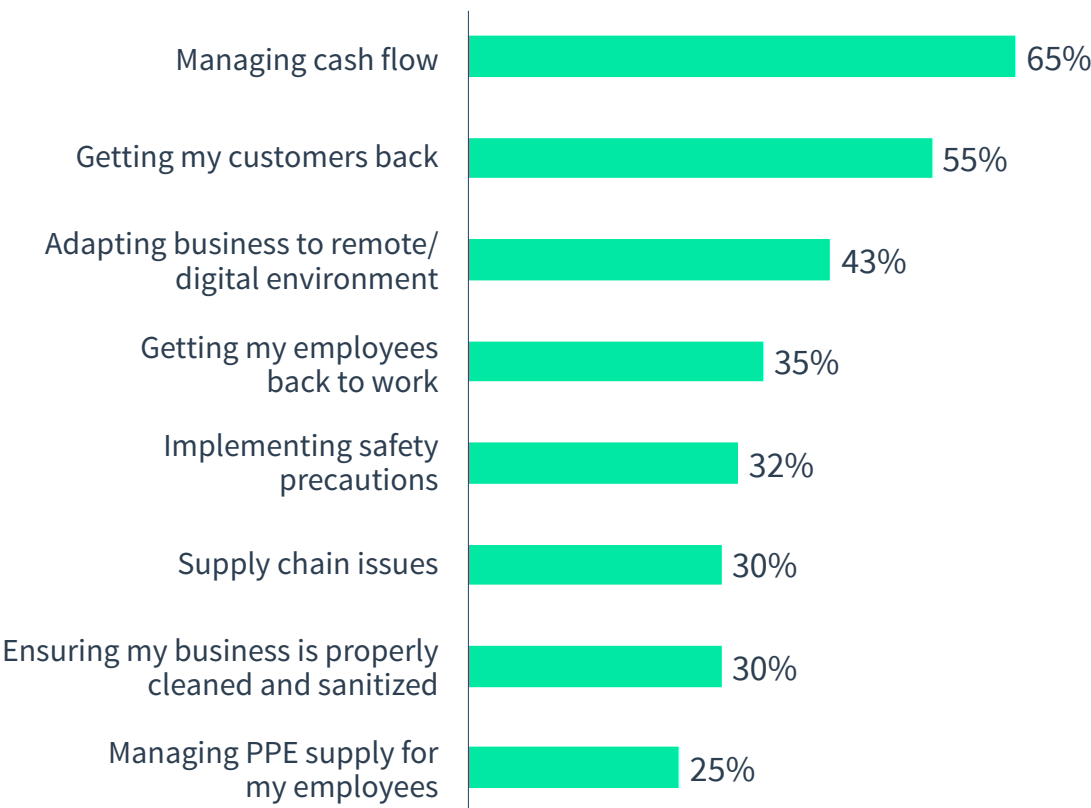


Expected technology adoption led by operational tech and contactless payments.

Top areas of concern for business owners.

TOP THREE AREAS OF CONCERN FOR YOUR BUSINESS OVER THE NEXT FEW MONTHS

Source: Localogy Modern Commerce Monitor™; Wave V-III; N= 1,005 SMBs.

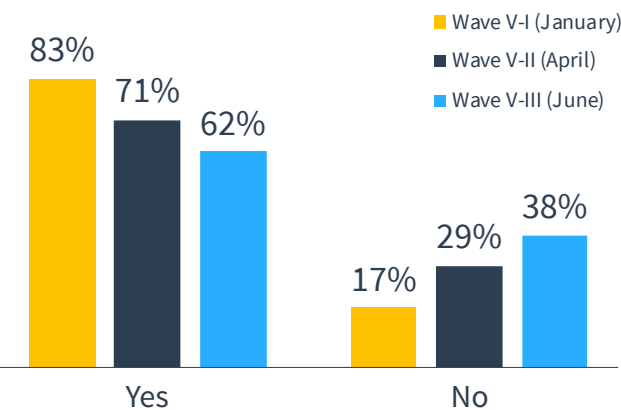


Cash flow and getting customers back, are prime concerns.

Over 60% of business owners over 55 have thought about the future of their business.

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?

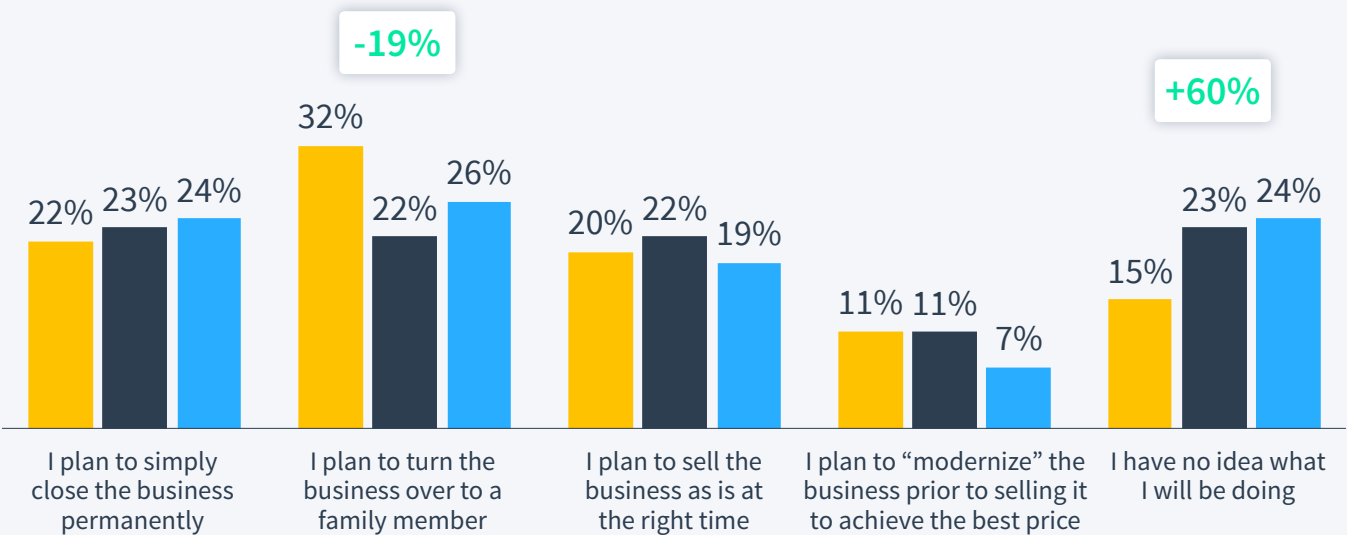
Source: Localogy Modern Commerce Monitor™; Wave V-I: N= 374 SMBs; WaveV-II: N= 372 SMBs; Wave V-III: N= 279 SMBs.




67% stated their plans have been impacted due to the current situation.

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

Wave V-I (January) Wave V-II (April) Wave V-III (June)



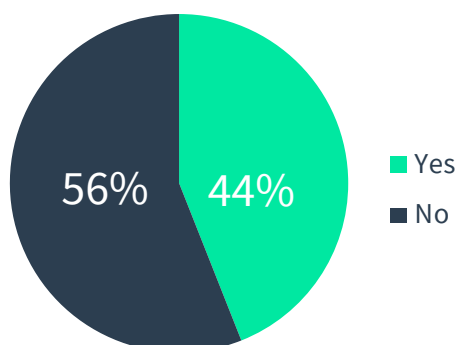
Source: Localogy Modern Commerce Monitor™; Wave V-I: N= 374 SMBs; WaveV-II: N= 372 SMBs; Wave V-III: N= 279 SMBs.

APPENDIX

Investing in ecommerce capabilities to meet new consumer demands.

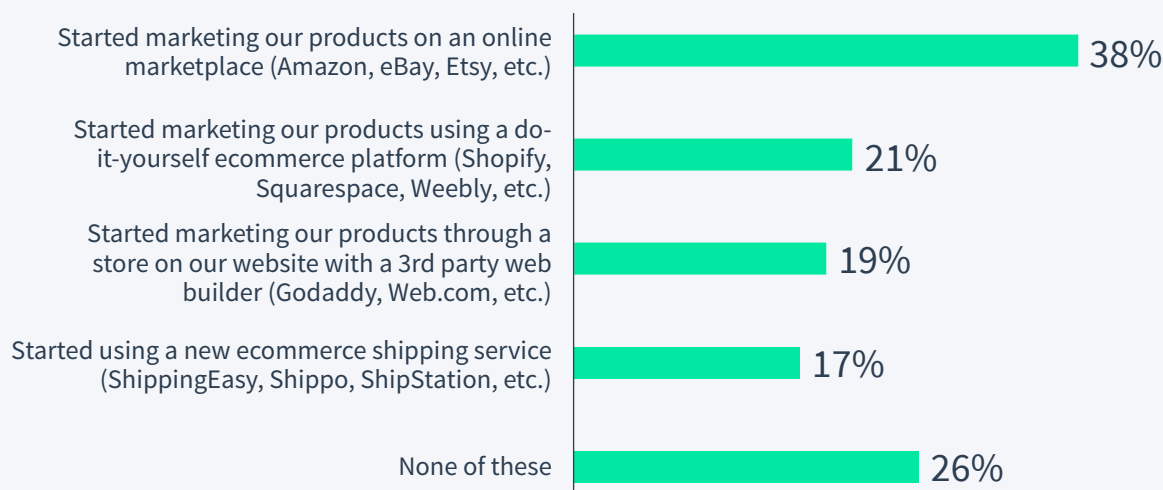
SINCE THE START OF THE COVID-19 CRISIS, HAS YOUR BUSINESS INVESTED IN EXPANDING YOUR WEBSITE/ECOMMERCE CAPABILITIES?

Source: Localogy Modern Commerce Monitor™, Wave V-III.



WHAT ARE SOME OF THE THINGS YOU HAVE DONE?

Source: Localogy Modern Commerce Monitor™, Wave V-III.



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-III completed June 2020 updates Wave V-II which was completed April 2020. The 2020 Modern Commerce Monitor™ will be updated at least one 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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