

Wave V-2 State of SMB - May 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 2020 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 April 13- April 24, 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 1,011 interviews conducted for this particular wave. The data was collected between 4/13/20-4/24/20 via an online panel. Approximately, 150 respondents were targeted for each business segment.
- + The survey took about 12 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

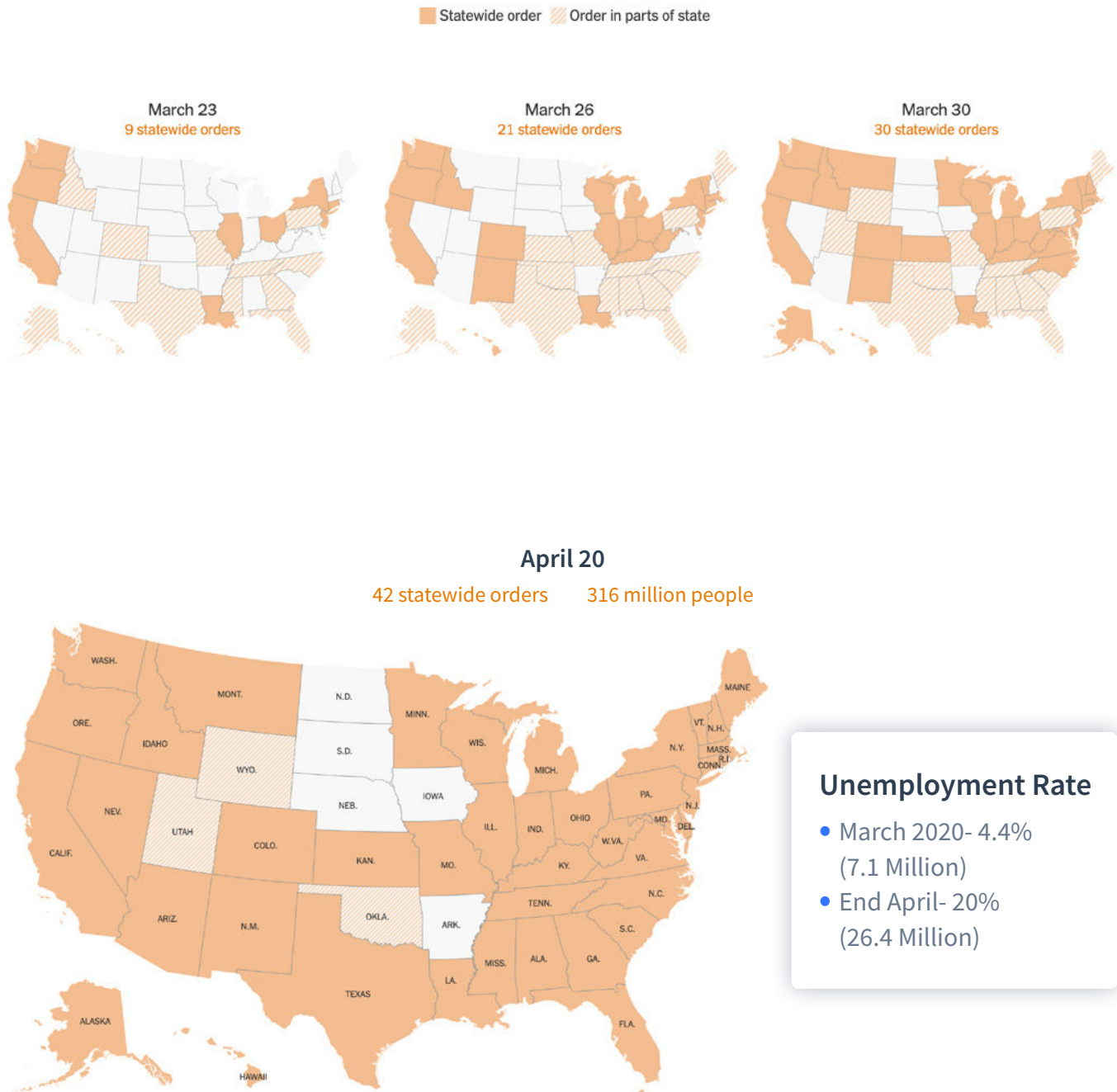


Summary

- Since March, the number of States implementing stay at home orders has steadily increased. Today, 42 States have implemented various forms of restrictions on consumers and businesses. This has lead to difficult business operation conditions.
- A third of businesses are closed temporarily and another 42% have reduced their capacity to meet the demands of the guidelines or reduced demand of customers.
- The majority of businesses have had to reduce staffing, operating budgets, capital expenditures, and other expenses to make up for revenue losses of 30% or more.
- Seventy-seven percent of businesses that have continued to operate have mandated or recommended employees work from home.
- Having remote workers has been challenging, as 62% of business owners felt unprepared. They lacked the necessary equipment and technology to work remotely.
- The crisis is forcing businesses to adopt digital technology. Top areas are around productivity of remote workers, however business owners have expanded to other functional areas of their business.
- The main reasons for the adoption is being more mobile i.e. working remotely. In the past it was more around efficiency.
- For the most part, business owners are satisfied with the new tools. The rating are higher than in the past but this may change over time as thing get back to normal.

Stay at home orders have blanketed the country

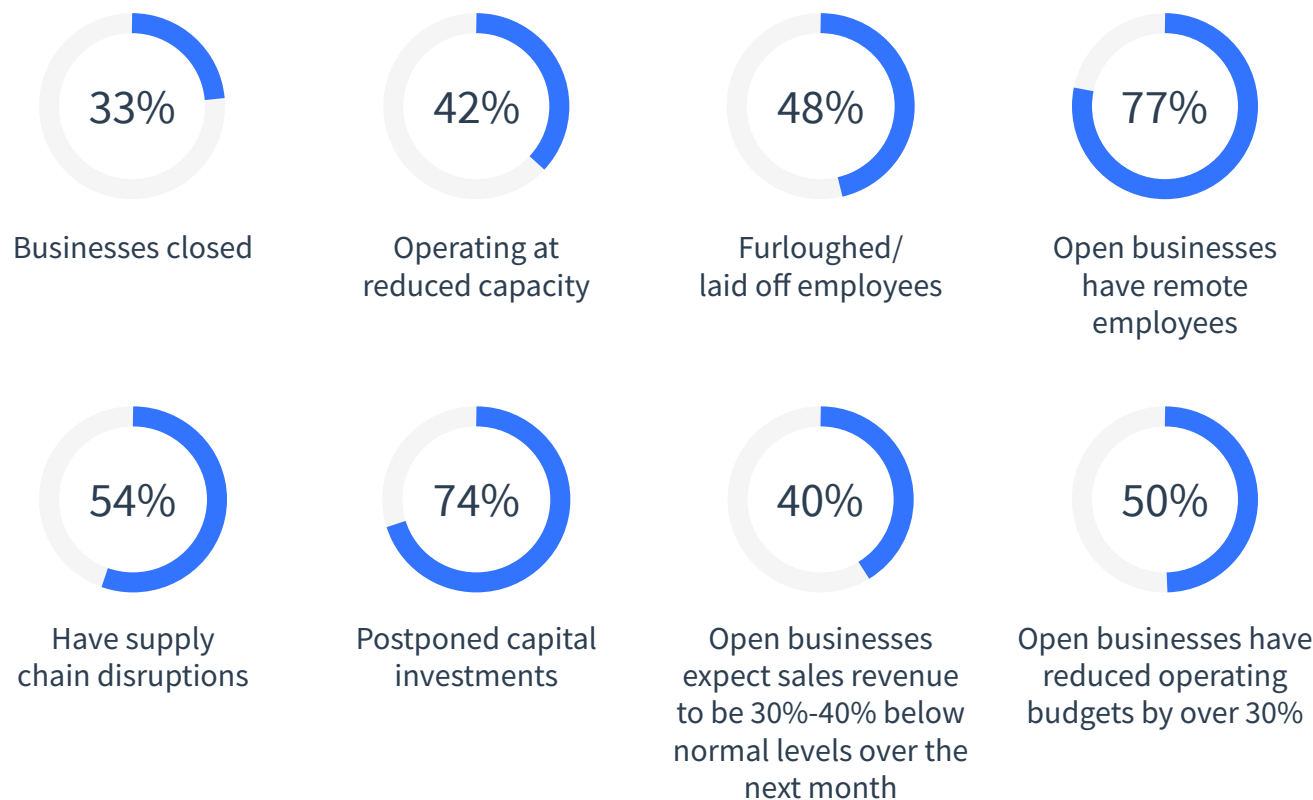
In a span of 45 days nearly all of the US is under quarantine conditions.



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

Restrictions have created tough operating conditions for small businesses

A snapshot of the local marketplace shows some of the challenges business owners face.



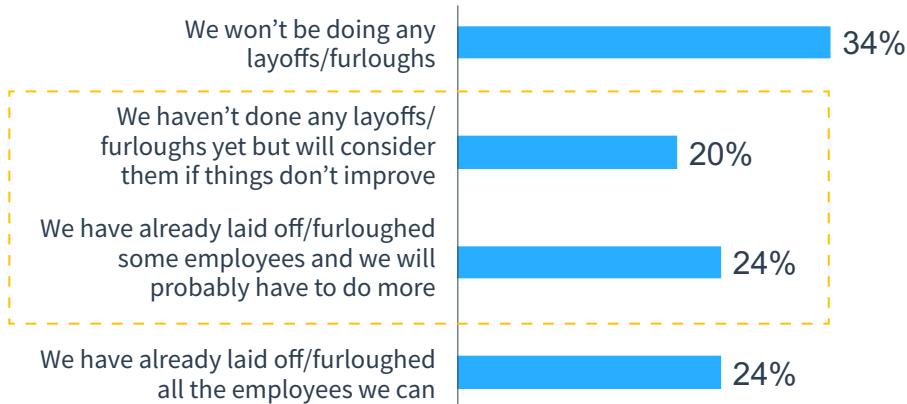
Source: Localogy Modern Commerce Monitor™, Mini Wave V-2; Base: 1,011 SMBs.

75%

of local businesses have temporarily closed or have reduced capacity in some way.

Furloughs and layoffs are expected to continue

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

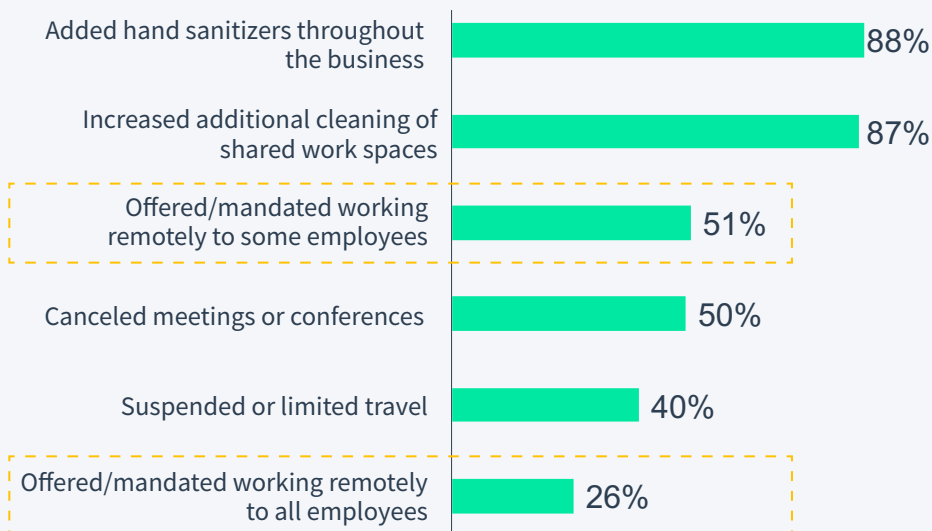


One out of four businesses still expect to furlough employees over the next 60 days.

Source: Localogy Modern Commerce Monitor™; Mini Wave V-2; Base: 682 SMBs.

Many local businesses have mandated remote work

WHAT MEASURES HAS YOUR BUSINESS DEPLOYED TO COUNTERACT COVID-19? (MULTIPLE RESPONSES)



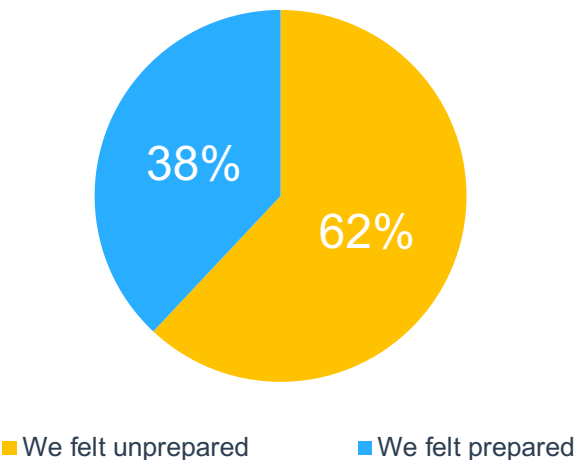
Over half of local businesses have mandated or offered employees the opportunity to work remotely.

Source: Localogy Modern Commerce Monitor™; Mini Wave V-2; Base: 682 SMBs.

SMB state of readiness for the COVID-19 change

HOW BUSINESS OWNERS FELT WITH EMPLOYEES WORKING REMOTELY

Source: Localogy Modern Commerce Monitor™; Mini Wave V-2; Base: 682 SMBs.

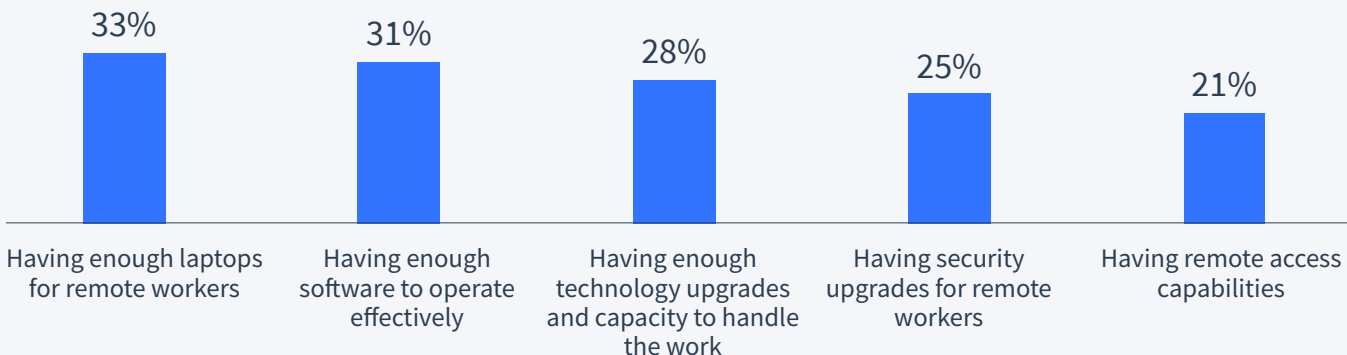



Over 60% of local business owners felt unprepared for remote workers.

Areas of Concern With Remote Employees

TOP AREAS BUSINESSES FELT UNPREPARED IN FOR HAVING REMOTE EMPLOYEES (MULTIPLE RESPONSES)

Source: Localogy Modern Commerce Monitor™; Mini Wave V-2; Base: 682 SMBs.

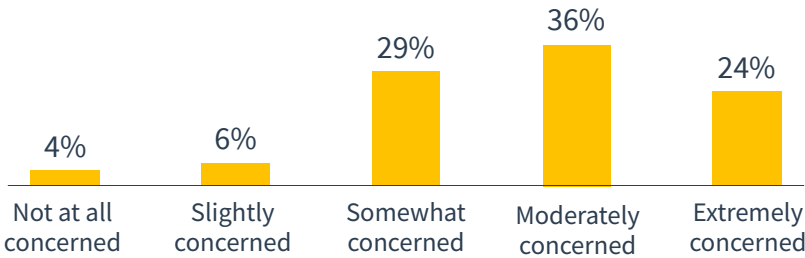



Over a third of local businesses lack enough technology to support remote workers.

Business owner concerns over productivity of remote workers

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

Source: Localogy Modern Commerce Monitor™; Mini Wave V-2; Base: 523 SMBs.

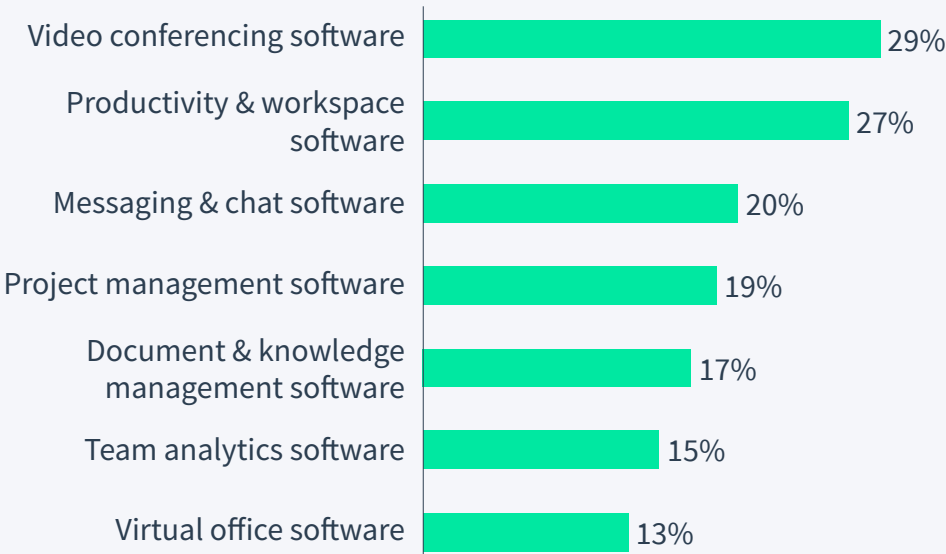


60% of business owners are moderately or extremely concerned about the productivity of remote workers.

Segments that businesses invested in technology to help with remote productivity

TOP AREAS BUSINESSES INVESTED IN TO HELP REMOTE WORKERS

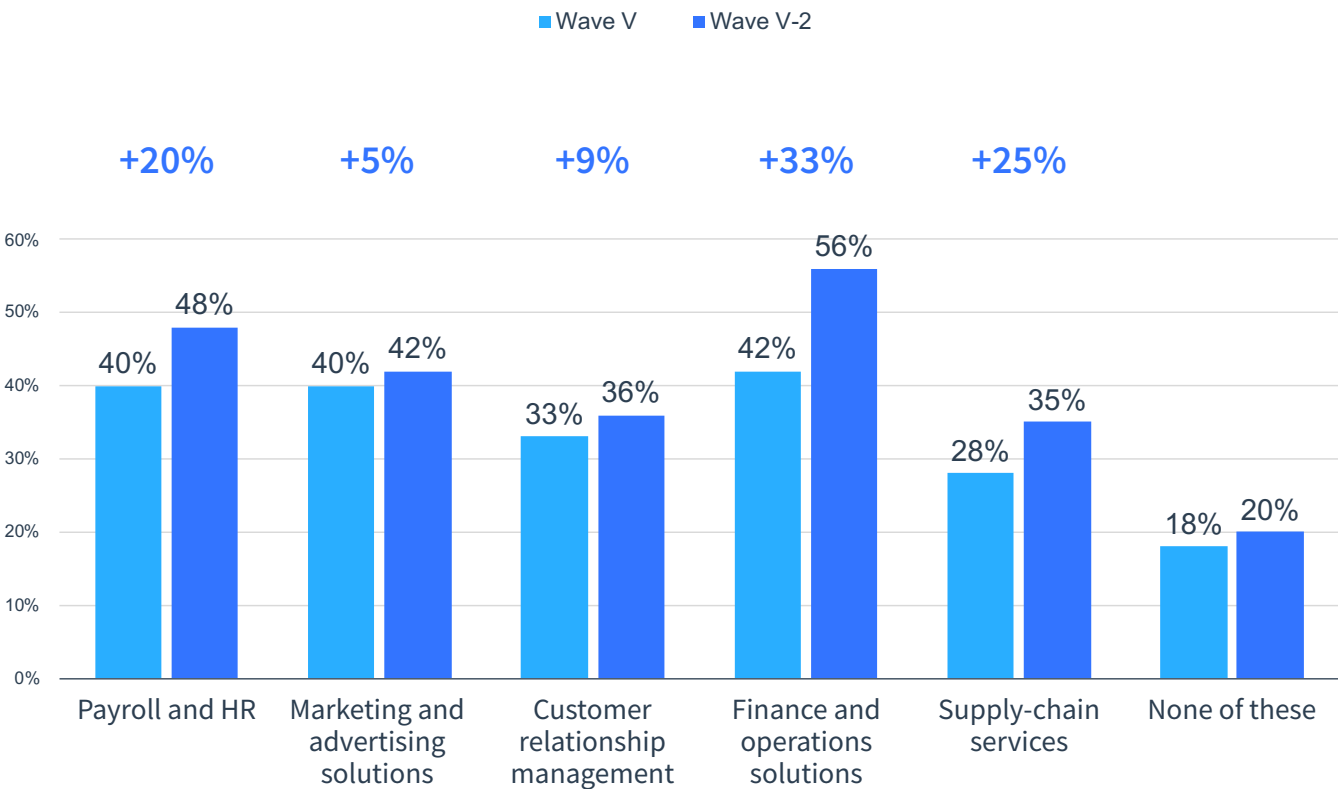
Source: Localogy Modern Commerce Monitor™; Mini Wave V-2; Base: 682 SMBs



49% of local businesses invested in technology to help remote workers.

Business owners are investment in online tools and services

AREAS BUSINESSES HAVE SHIFTED TO ONLINE SERVICE



Source: Localogy Modern Commerce Monitor™; Wave V was conducted in January 2020 on 1,117 SMBs. Wave V-2 was conducted in April 2020 on 1,011 SMBs. Note- Numbers have been adjusted for businesses that are closed due to Covid-19 crisis.

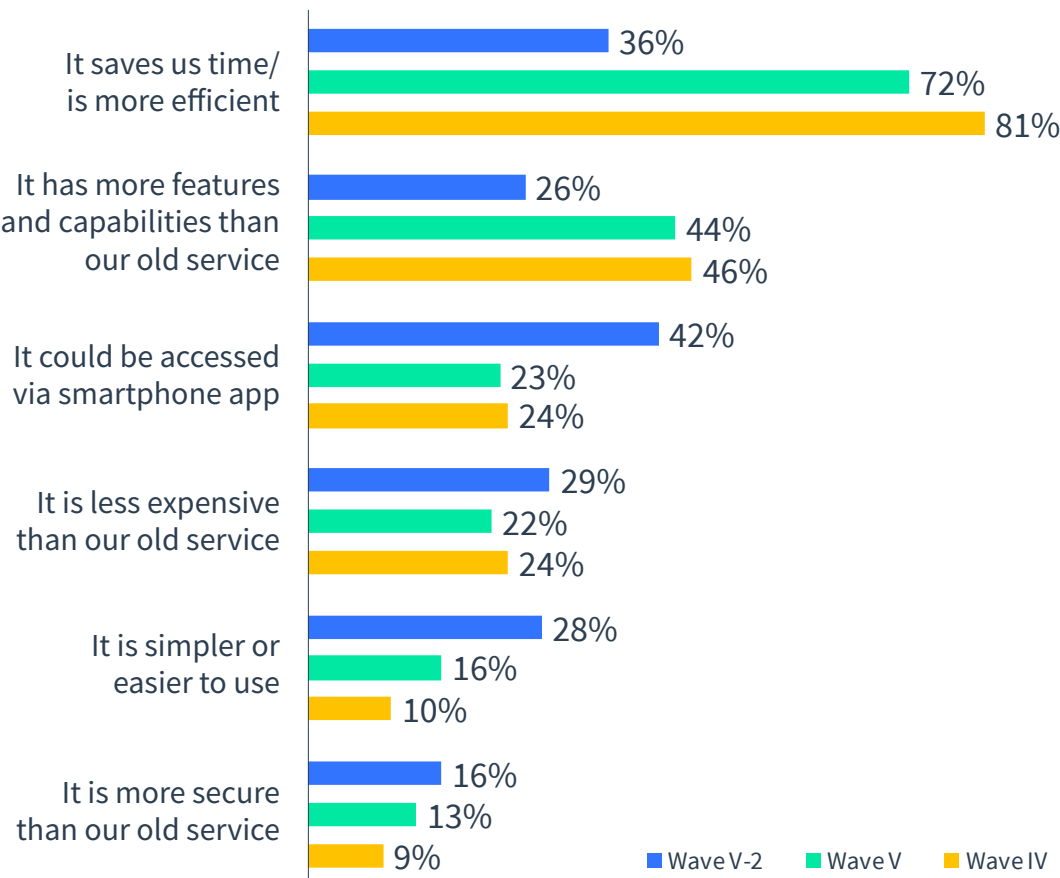


HR, payroll, finance, operations and supply-chain services lead the way.

Reasons leading the SMB COVID-19 shift to SaaS tools

TOP 2 REASONS WHY SMBs HAVE SHIFTED TO SaaS SERVICES

Source: Localogy Modern Commerce Monitor; Wave IV: N= 795 SMBs; Wave V: N= 923 SMBs; Wave V-2: N= 538 SMBs.

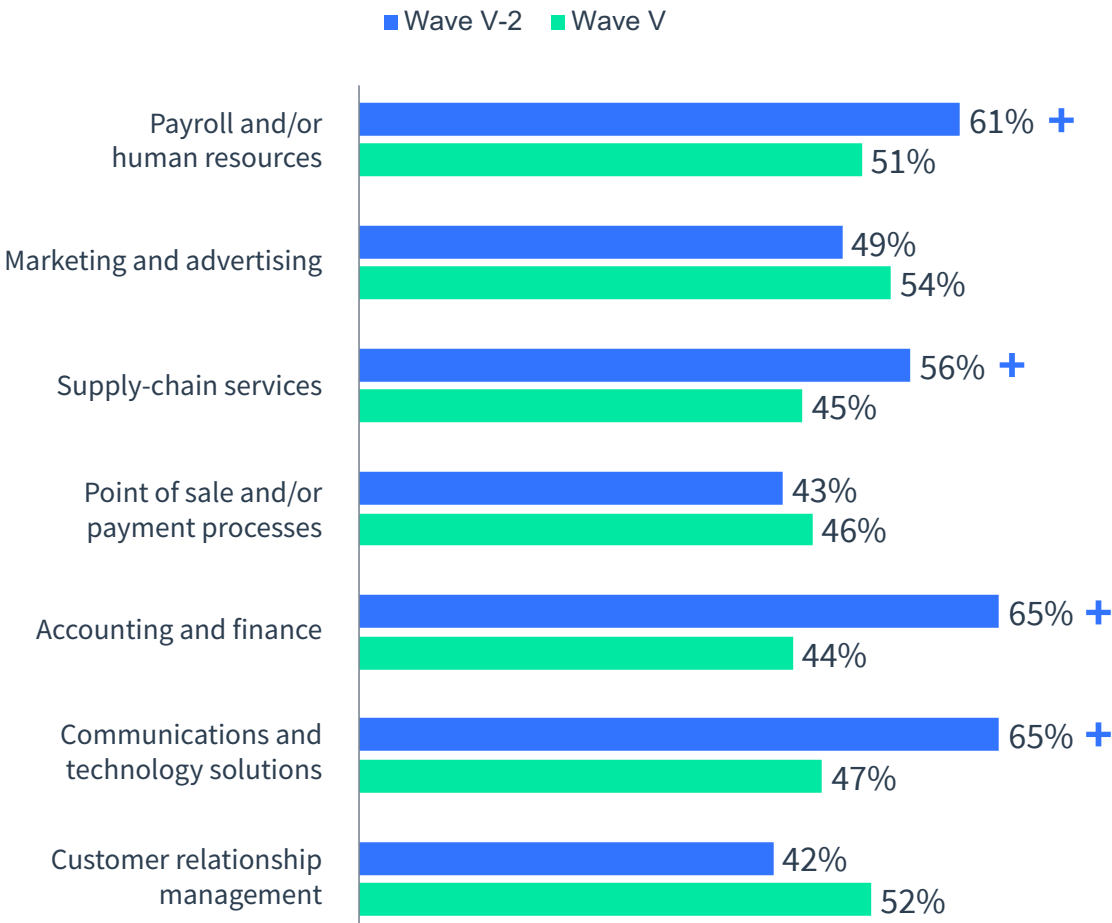


Business owners are now more concerned with having access anywhere.

SMB satisfaction level with SaaS products

TO WHAT DEGREE HAVE THE ONLINE SERVICES MET YOUR EXPECTATIONS

Source: Localogy Modern Commerce Monitor; Wave V: N= 411 SMBs; Wave V-2: N= 538 SMBs.



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



Newer products/areas being invested in, all show higher satisfaction scores.

MOBILE APPS



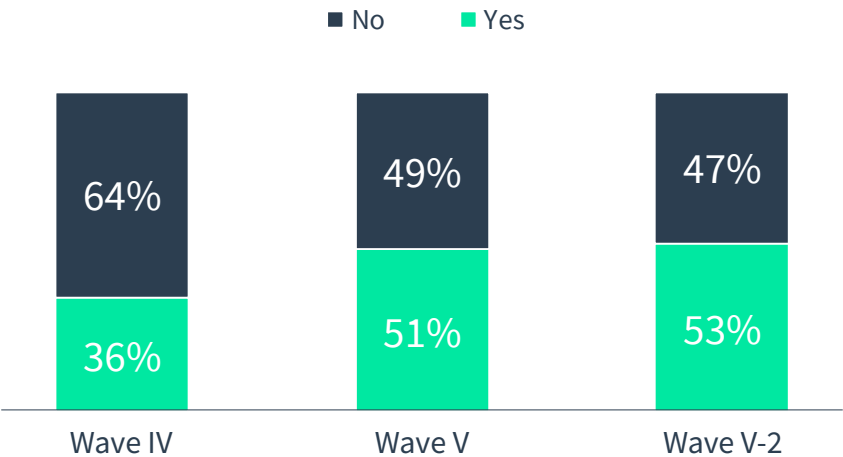
Summary

- Fifty-three percent of businesses use mobile apps to help manage their business. This is up 47% from 2019 and is expected to continue to climb.
- The average business uses 6 mobile apps. This has doubled over the past year.
- While business owners are continuing to rely on mobile apps, they do have concerns over data security and privacy.
 - + 36% of businesses are moderately or extremely concerned over security
 - + 48% are moderately or extremely concerned with privacy.

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

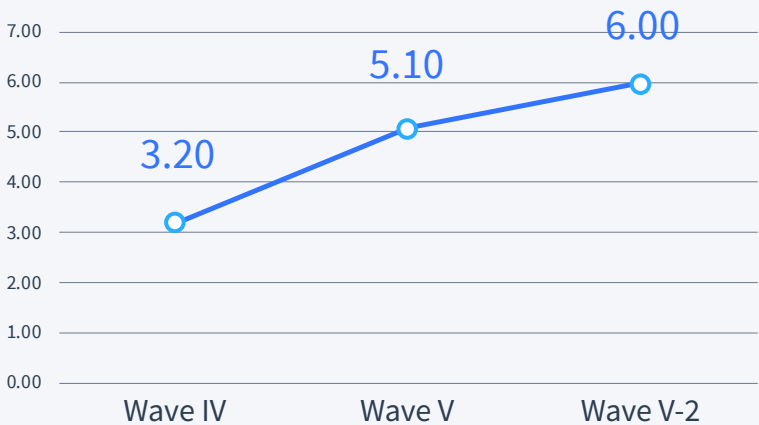
DO YOU USE MOBILE APPS TO HELP OPERATE YOUR BUSINESS?

Source: Localogy Modern Commerce Monitor; Wave IV: N= 1,015 SMBs; Wave V: N= 1,117 SMBs; Wave V-2: N= 1,011 SMBs.



AVERAGE NUMBER OF APPS BUSINESS OWNER USE

Source: Localogy Modern Commerce Monitor; Wave IV: N= 1,015 SMBs; Wave V: N= 1,117 SMBs; Wave V-2: N= 1,011 SMBs.

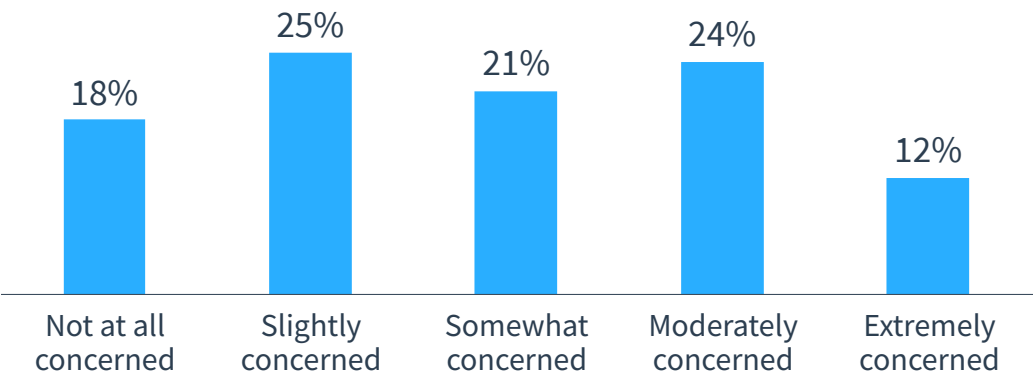


The average business now uses 6 mobile apps.

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

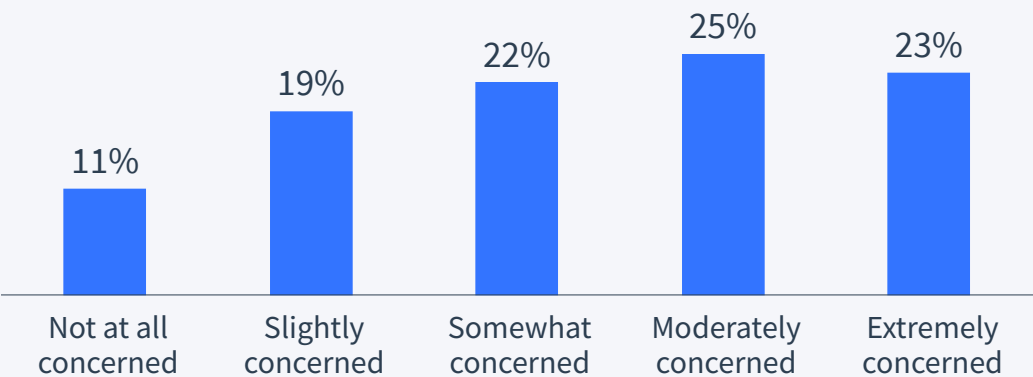
HOW CONCERNED ARE YOU WITH THE OVERALL SECURITY OF THE SOFTWARE YOU PURCHASED BEING USED REMOTELY BY EMPLOYEE?

Source: Localogy Modern Commerce Monitor; Wave V-2; N= 538 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-2; N= 538 SMBs.



48% of businesses concerned about privacy issues.

PURCHASING TRENDS

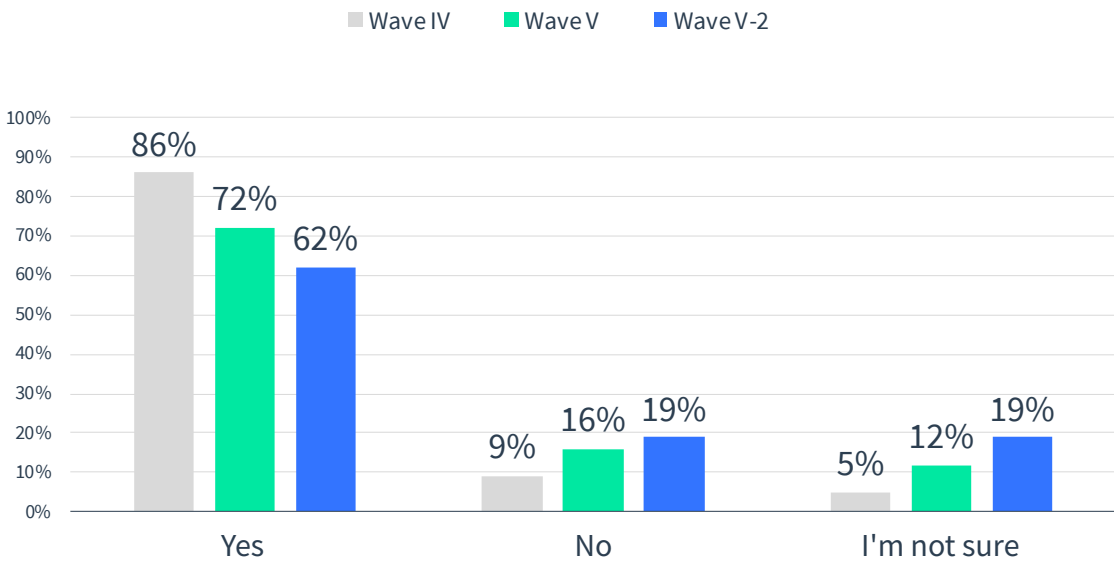


Summary

- More business owners are looking to new providers for online services with 19% doing so during this crisis. This is up 111% over the past year.
- Up 60% from the past research wave, 48% of small business owners are purchasing the software directly from a website. Another 13% acquired it through an online marketplace.
- Try and buy is the most used purchase method with 63% of SMBs using a free version of the online service prior to purchasing it.
- Traditionally, freemium services are critical to adoption. According to our Wave V of research 60% percent of SMBs stated the free trial was critical in their purchase decision. Given the current economic conditions, this has not changed.
- During this challenging time, 52% of business owners want flexible contracts and payments from their SaaS providers, 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 IN THE PAST?



Source: Localogy Modern Commerce Monitor; Wave IV: N= 795 SMBs; Wave V: N= 923 SMBs; Wave V-2: N= 538 SMBs.

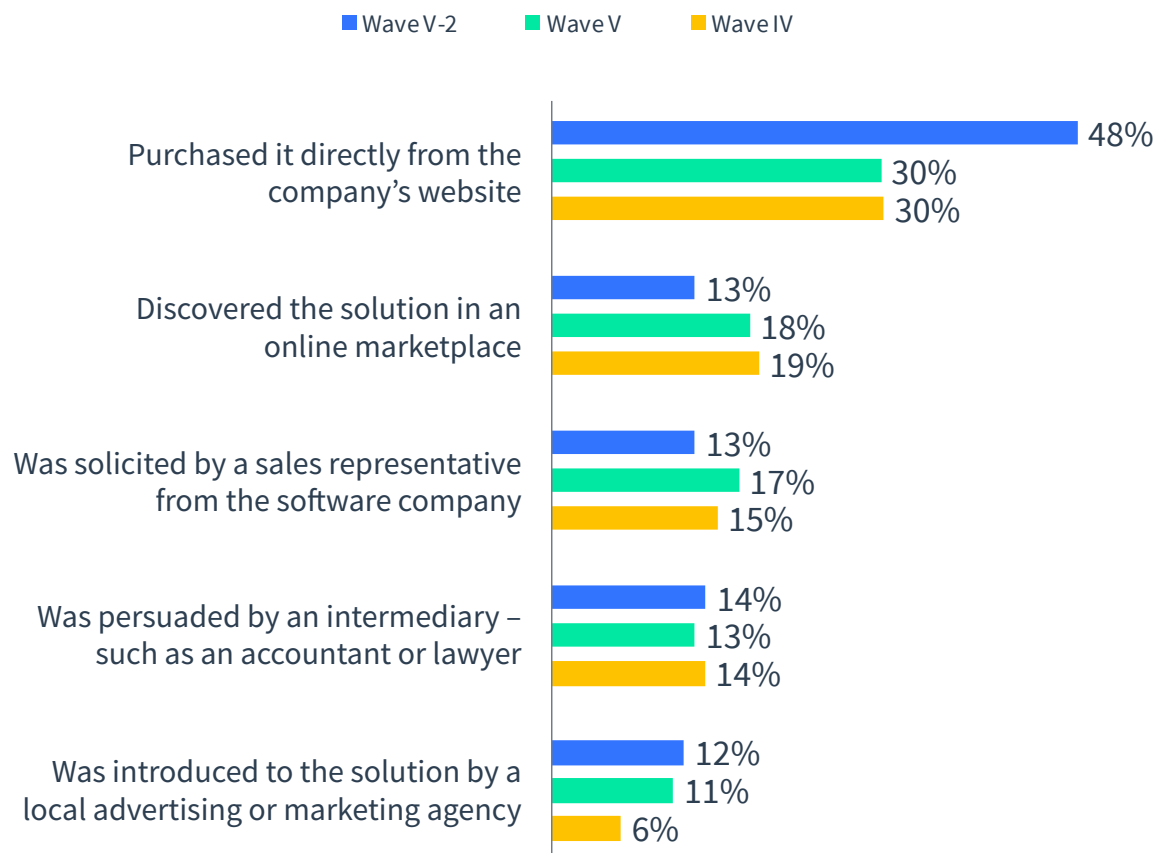


28% decrease in utilization of a current or past provider, since 2019.

SMB SaaS purchase path

WHERE SMBs PURCHASED THEIR SaaS PRODUCTS

Source: Localogy Modern Commerce Monitor; Wave IV: N= 795 SMBs; Wave V: N= 923 SMBs; Wave V-2: N= 538 SMBs.

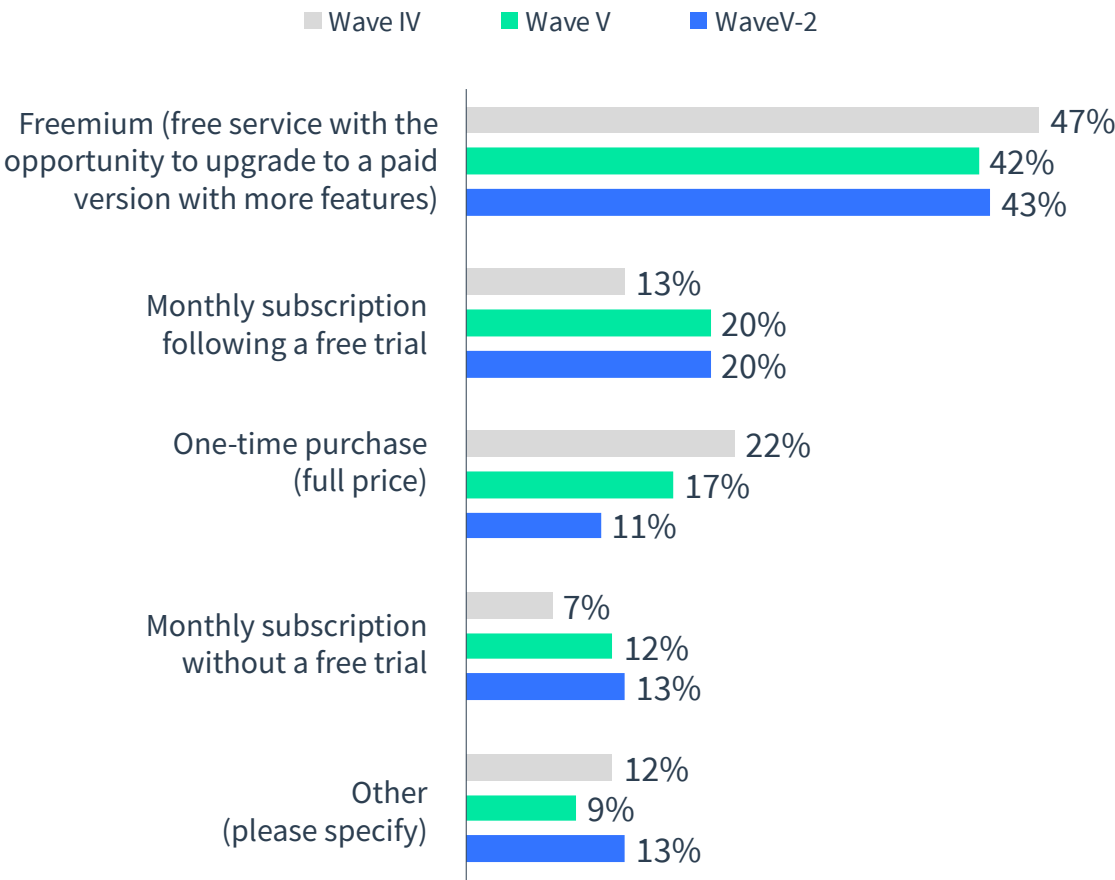


61% of SMBs purchased SaaS products without human intervention.

Pricing models experienced when adopting new SaaS products

PRICING MODEL THAT MOST CLOSELY MATCHES YOUR MOST RECENT PURCHASE

Source: Localogy Modern Commerce Monitor; Wave IV: N= 795 SMBs; Wave V: N= 923 SMBs; Wave V-2: N= 538 SMBs.

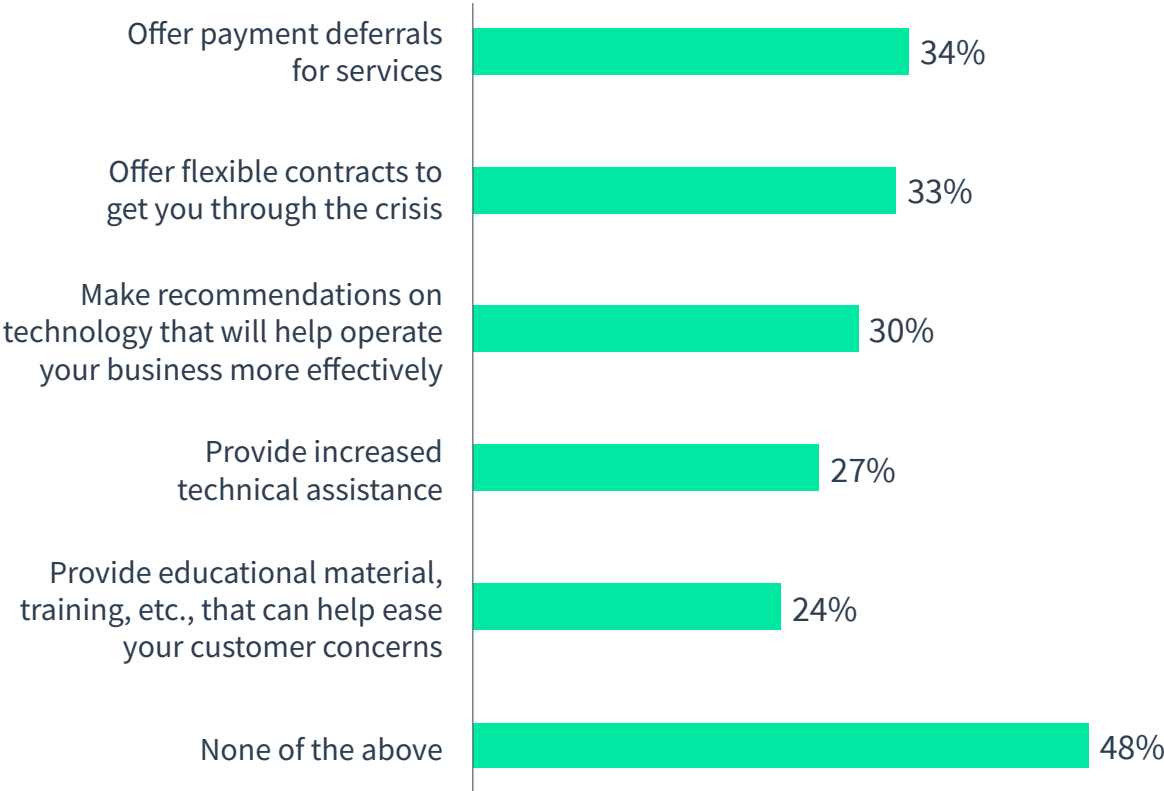


63% bought a SaaS product after a free trial.

Business owners looking for help during the COVID-19 crisis

WHAT CAN CURRENT SERVICE PROVIDERS DO DURING THE COVID-19 CRISIS TO HELP YOUR BUSINESS?

Source: Localogy Modern Commerce Monitor; Wave V-2; N= 532 SMBs.



Flexible payments lead, but product simplification is still key.

LOOKING FORWARD

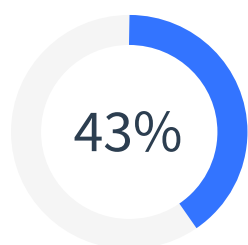


Summary

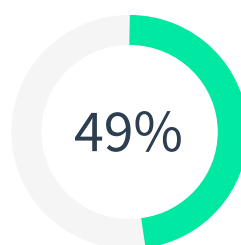
- As restrictions are being lifted, business owners expect it will take some time to fully recover. Most feel (49%) it will take at least 9 months to fully recover.
- Forty-three percent of business owners are moderately or extremely concerned about the long-term sustainability of their business.
- A third plan to increase operational budgets over the next few months.
- Within 6 months 70% of business owners stated they will 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.

As restrictions are being lifted, business owners expect it will take some time to fully recover

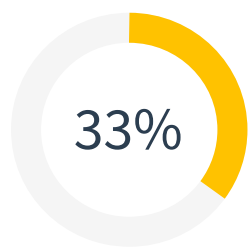
Source: Localogy Modern Commerce Monitor™; Mini Wave V-2; Base: 1,011 SMBs



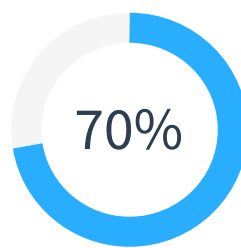
Are moderately or extremely concerned about the long-term sustainability of their business



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

BUSINESS EST. RECOVERY TIME

RETAIL	HOME SERVICES	PERSONAL SERVICES	AUTOMOTIVE
9-18 months	Within 6 months	6-18 months	Within 9 months
PROFESSIONAL SERVICES	HEALTH AND MEDICAL SERVICES	DINING AND ENTERTAINMENT	
Within 9 months	Within 9 months	6-18 months	

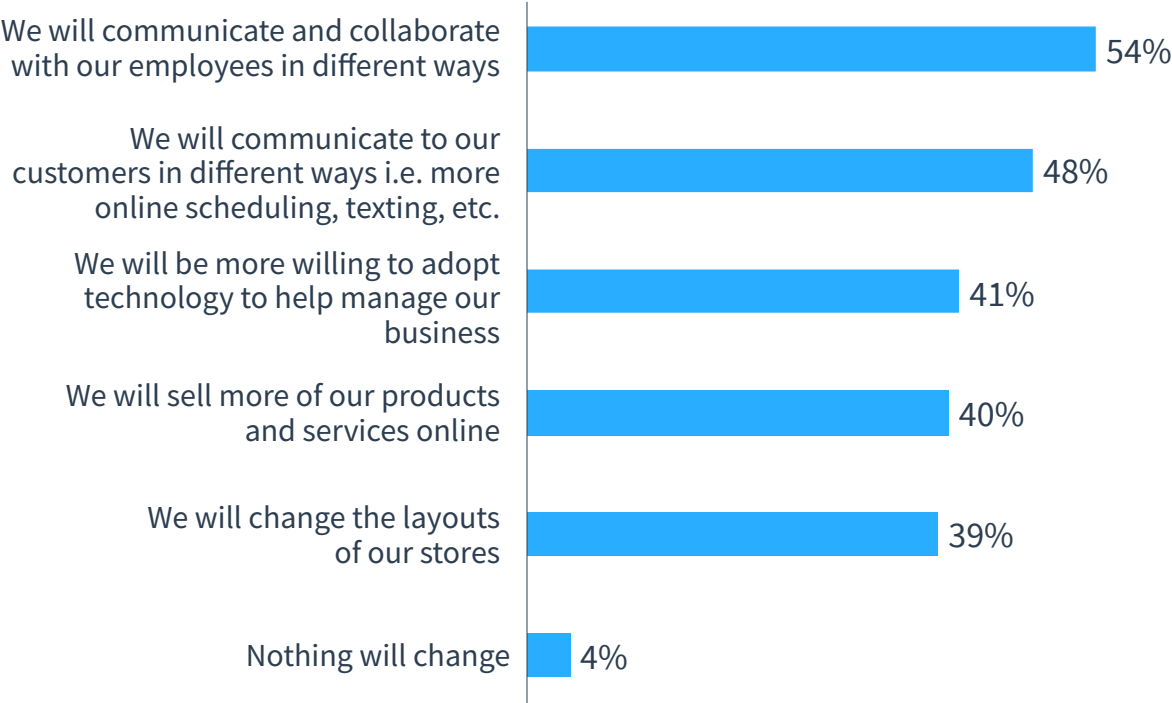


Most business owners think it will take at least 9 months to recover.

SMB owner expectations of operational changes

TOP WAYS THE COVID-19 CRISIS WILL IMPACT YOUR BUSINESS IN THE FUTURE

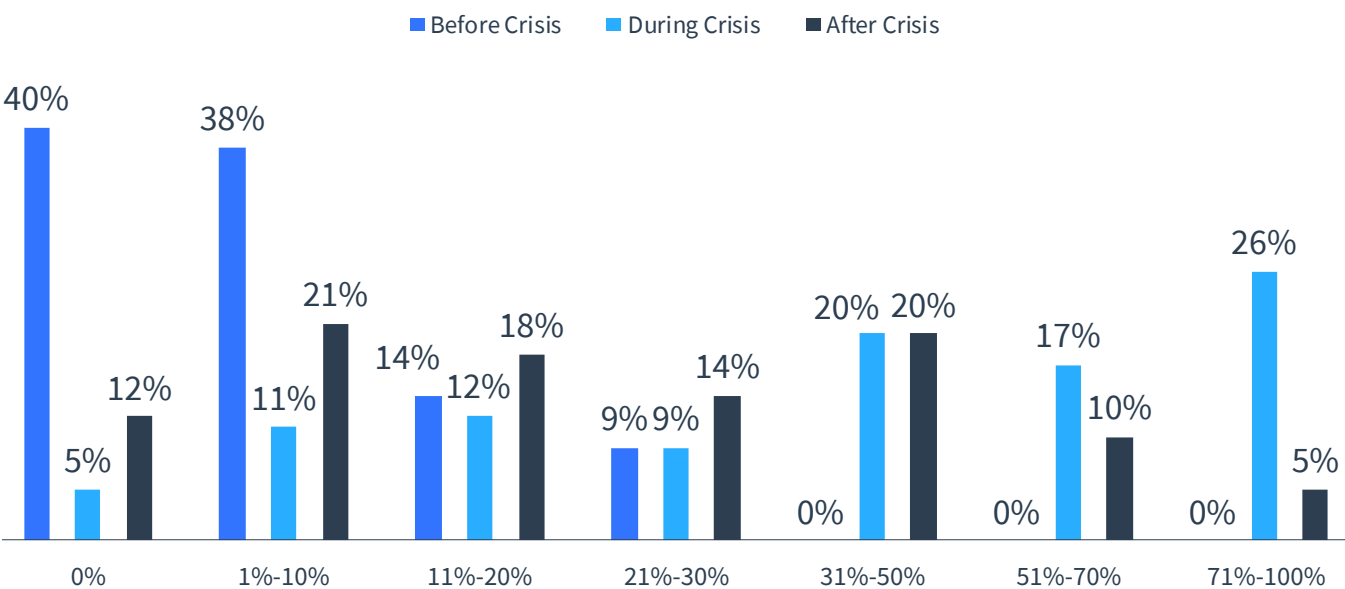
Source: Localogy Modern Commerce Monitor; Wave V-2: N= 1,002 SMBs.



SMBs will use technology to communicate differently with employees and customers.

Business owners views on continuing to work remotely in the future

WHAT PERCENTAGE OF YOUR WORKFORCE WILL OR HAVE WORKED REMOTELY ON A REGULAR BASIS BEFORE THE COVID-19 CRISIS, DURING THE CRISIS, AND IN THE FUTURE AFTER THE CRISIS IS OVER?



Source: Localogy Modern Commerce Monitor; Wave V-2; N= 523 SMBs.

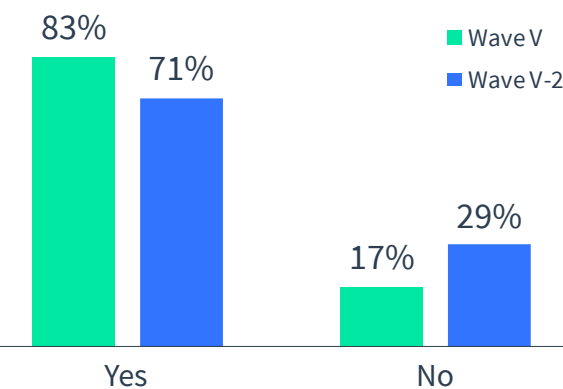


67% percent think at least 10% of their workforce will work remotely in the future.

Over 70% of business owners over 55 have thought about the future of their business

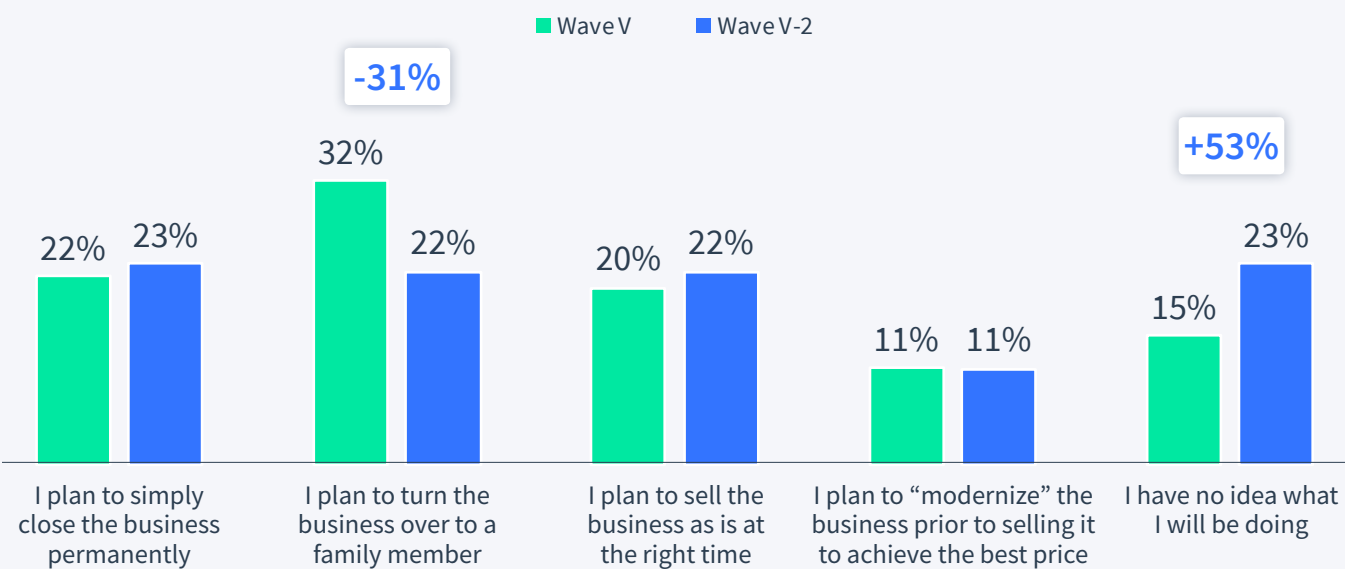
GIVEN YOUR STAGE OF LIFE, ARE YOU TAKING ANY STEPS OR GETTING ANY ADVICE ABOUT WHAT TO DO WITH YOUR BUSINESS WHEN YOU ARE READY TO RETIRE?

Source: Localogy Modern Commerce Monitor; Wave V: N= 374 SMBs; Wave V-2: N= 372 SMBs




74% 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?



Source: Localogy Modern Commerce Monitor; Wave V: N= 374 SMBs; Wave V-2: N= 372 SMBs.

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-2 completed April 24, 2020 updates Wave V which was completed February 2020. The 2020 Modern Commerce Monitor™ will be updated at least two more times 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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