

State of SMB - Oct. 2020

Wave V-IV

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 4 waves of the 2020 Modern Commerce Monitor™.

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 9/21/2020- 10/7/2020.)

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 1,009 interviews conducted for this particular wave. The data was collected between 9/21/20-10/7/20 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.
- Results were balanced on Census business size and regional distribution.

U.S. LOCAL MARKETPLACE LANDSCAPE

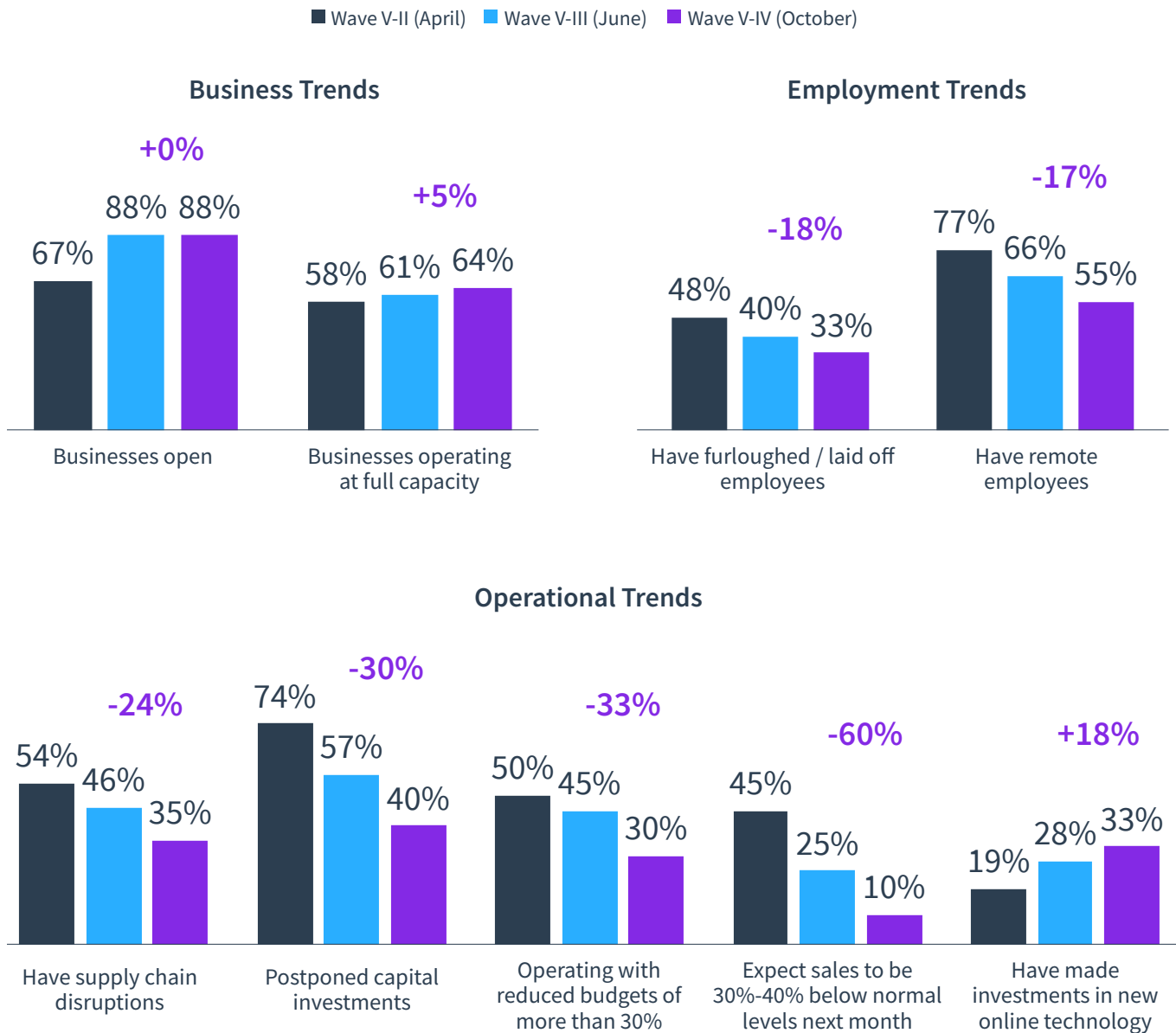


Summary

Small businesses have faced unprecedented challenges due to the COVID-19 pandemic for most of 2020. As we move into the fourth quarter of this year, our latest research wave shows there is growing optimism for the future in the small business community. 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.

- 36% of businesses are still operating at reduced capacity, and 33% still have laid off/furloughed workers. In addition, 55% of businesses still have employees working remotely.
- The good news is businesses don't plan to make any more cuts unless the economic conditions worsen.
- To operate in this new environment, a third of business owners have invested significantly in technology. Top areas are around the productivity of remote workers, however business owners have expanded to other functional areas of their business.
- The main reason for the adoption is more mobility, 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 is higher than in the past, but this may change over time as things get back to normal.

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



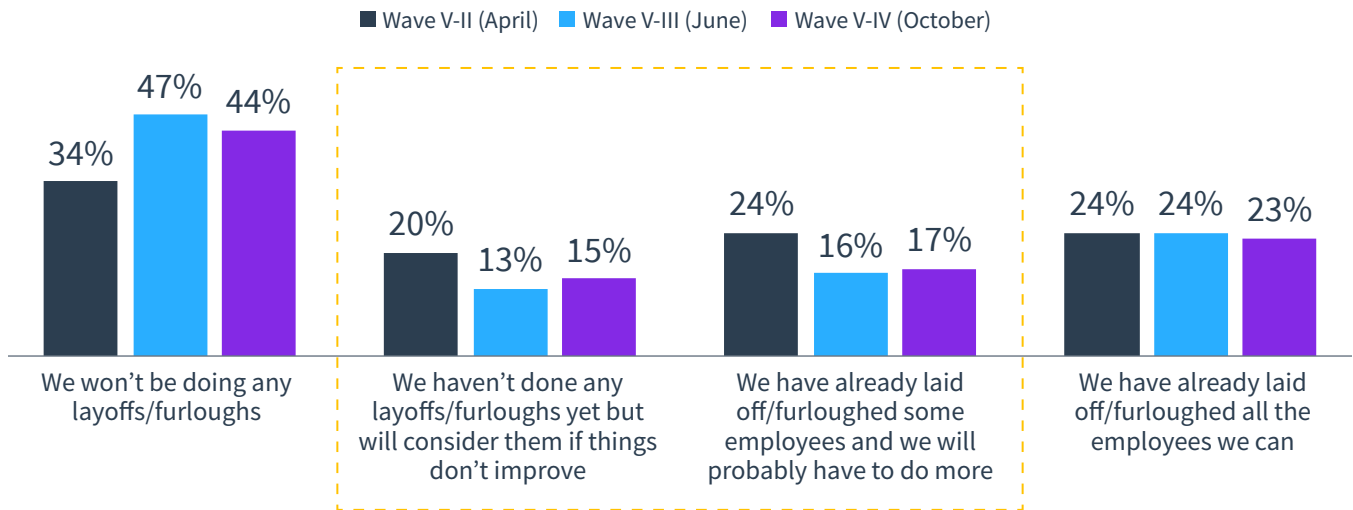
Source: Localogy Modern Commerce Monitor™;
Wave V-II: N= 1,011 SMBs (April, 2020); Wave V-III: N= 1,014 SMBs (June, 2020); Wave V-IV: N=1,009 SMBs (October, 2020).

88% of local businesses are now open for business.



SMB outlook on layoffs/furloughs

The majority of SMBs are not expecting additional employment cuts in the coming months ... unless things worsen

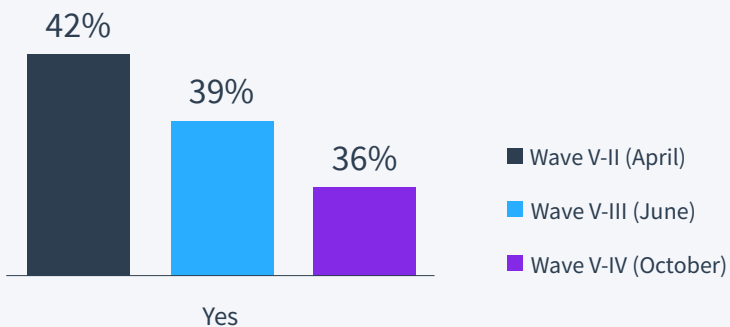


Source: Localogy Modern Commerce Monitor™;
Wave V-II: N= 682 SMBs (April, 2020); Mini Wave V-III: N= 555 SMBs (June, 2020); Mini Wave V-IV: N= 535 SMBs (October, 2020).

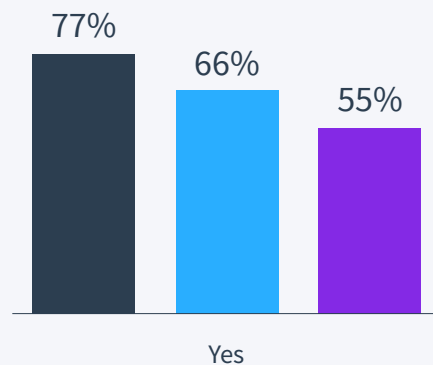
SMB operational status

With SMBs getting back to capacity, remote work is declining?

IS YOUR BUSINESS OPERATING AT A REDUCED CAPACITY?



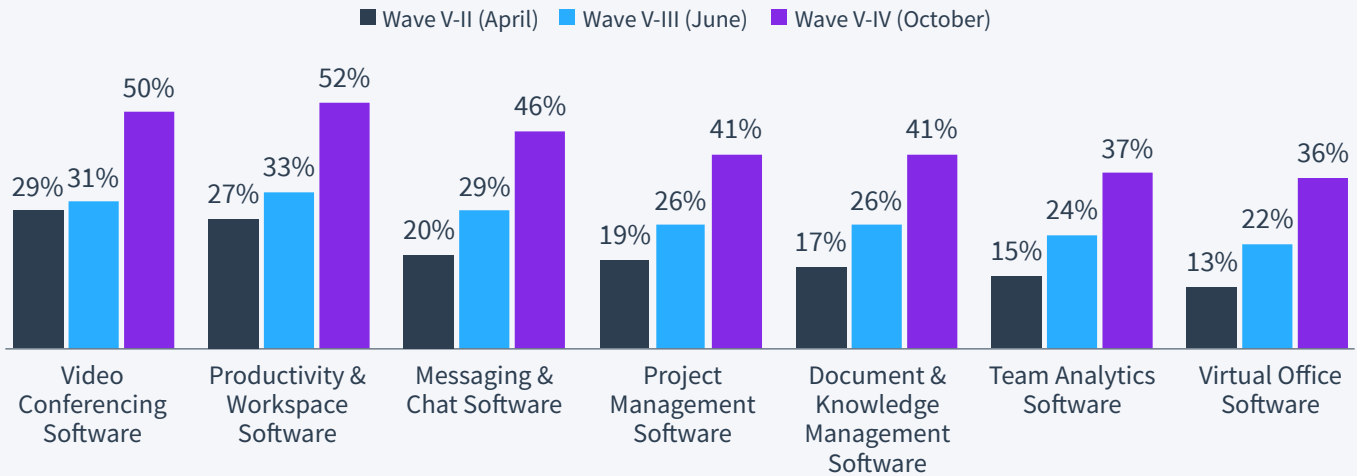
DOES YOUR BUSINESS HAVE REMOTE EMPLOYEES?



Source: Localogy Modern Commerce Monitor™;
Wave V-II: N= 682 SMBs (April, 2020); Mini Wave V-III: N= 672 SMBs (June, 2020); Mini Wave V-IV: N= 618 SMBs (October, 2020).

Top areas businesses invested in to help remote workers

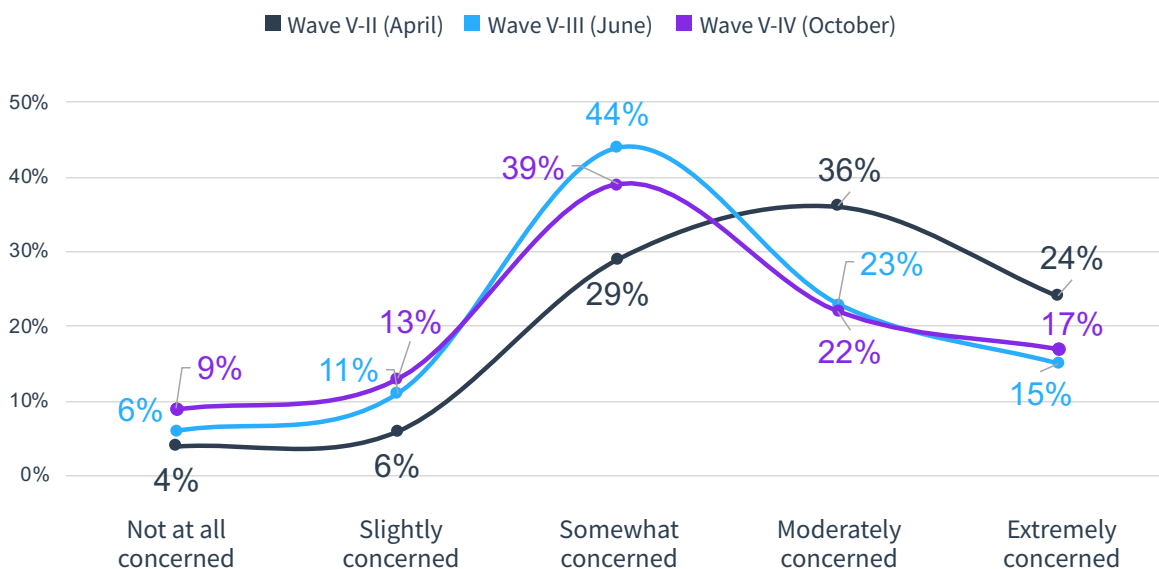
Most have invested in productivity related technology.



Source: Localogy Modern Commerce Monitor™;
Wave V-II: N= 682 SMBs (April, 2020); Mini Wave V-III: N= 968 SMBs (June, 2020); Mini Wave V-IV: N= 608 SMBs (October, 2020).

SMB level of concern with productivity of a virtual workforce

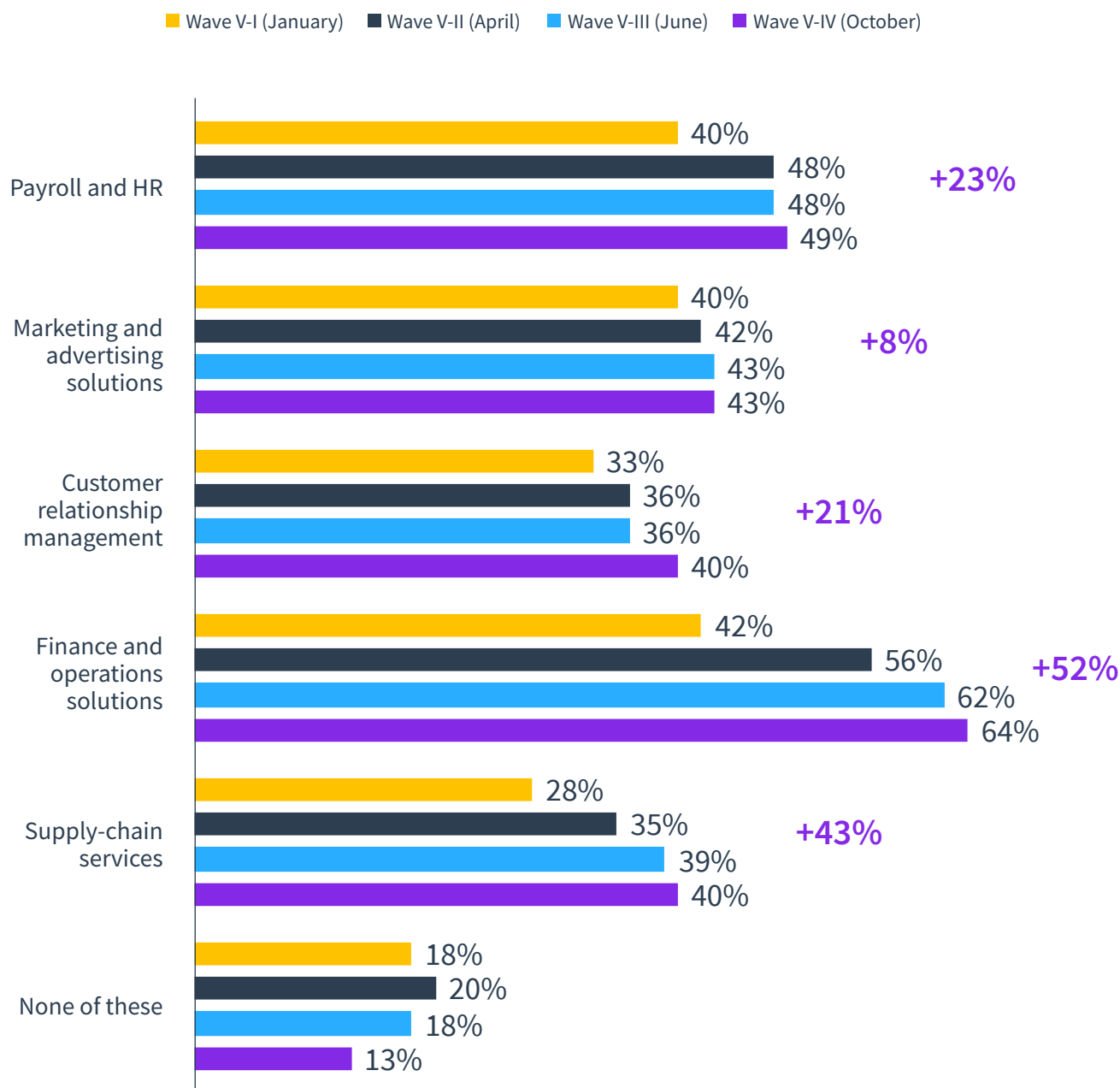
Business owners are becoming less concerned with remote worker productivity.



Source: Localogy Modern Commerce Monitor™;
Wave V-II: N= 523 SMBs (April, 2020); Wave V-III: N= 367 SMBs (June, 2020); Wave V-IV: N= 406 SMBs (October, 2020).

Areas businesses have shifted to SaaS

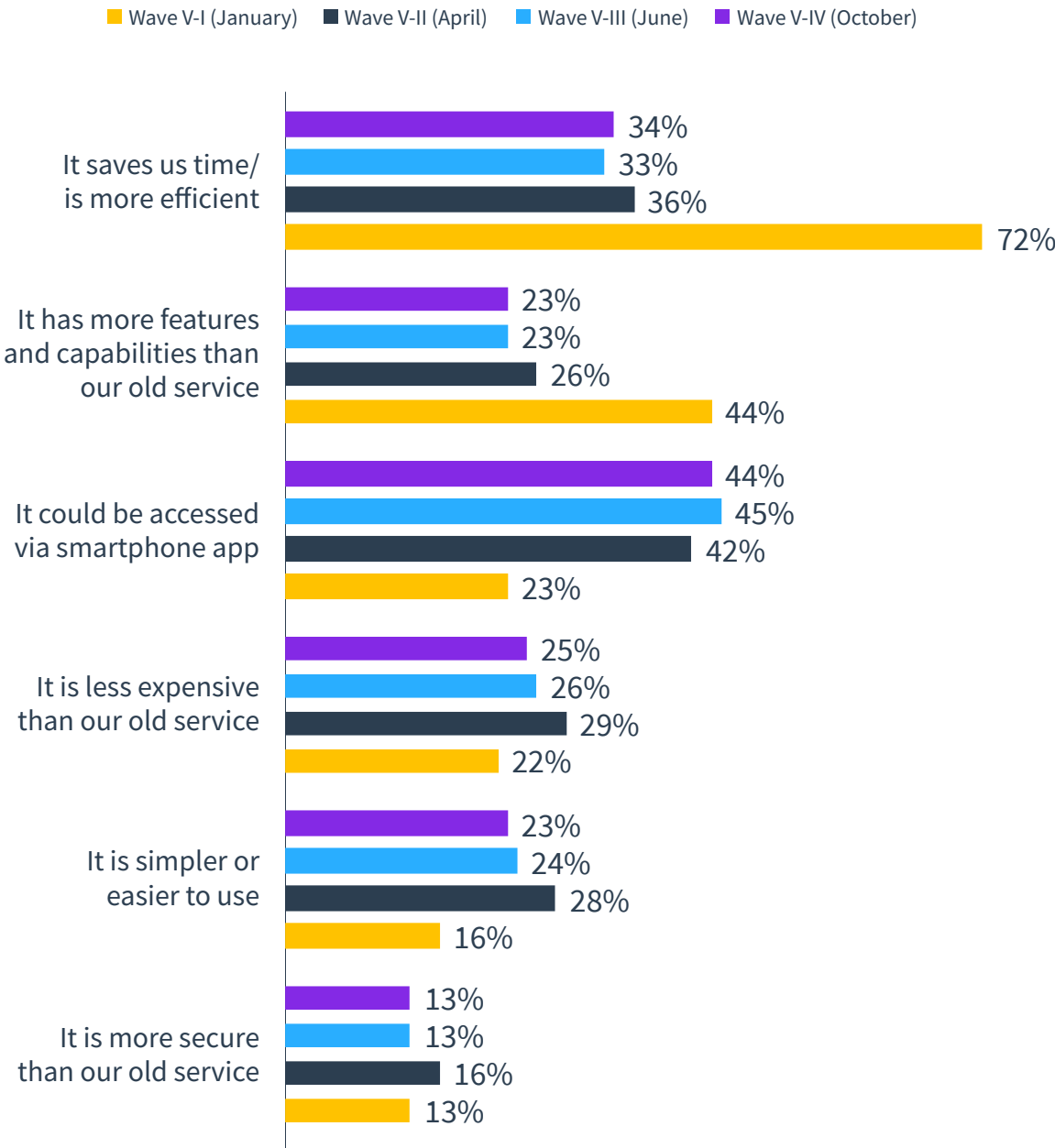
Business owners are investing across the board in SaaS tools and services.



Source: Localogy Modern Commerce Monitor™; Wave V-I: N= 1,117 SMBs; Wave V-II: N= 1,011 SMBs; Wave V-III: N= 1,014 SMBs; Wave V-IV: N=1,009 SMBs. Note- Numbers have been adjusted for businesses that are closed due to Covid-19 crisis.

Reasons leading the SMB shift to SaaS tools

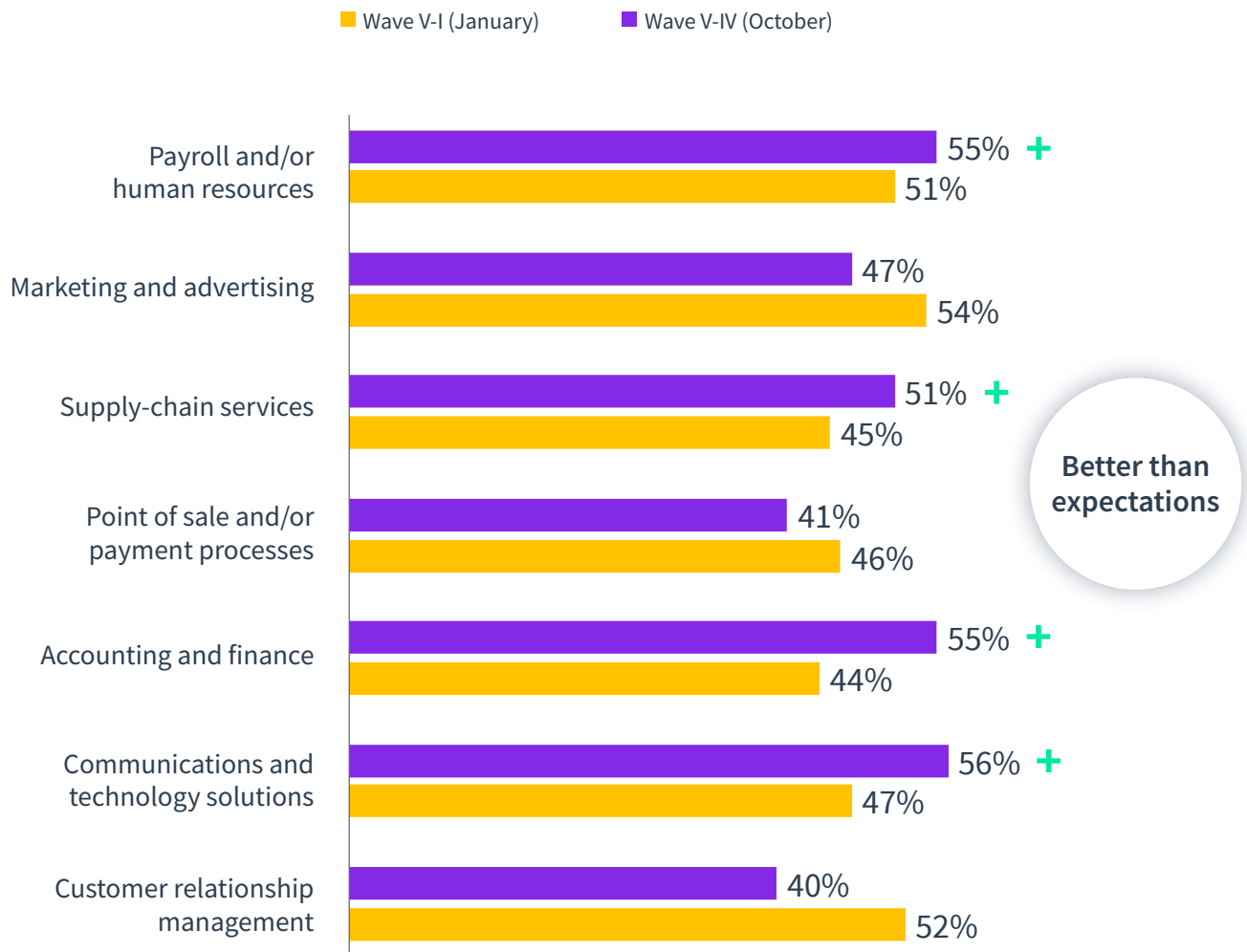
Accessibility continues to lead over time savings.



Source: Localogy Modern Commerce Monitor™;
Wave V-I: N= 923 SMBs; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs; Wave V-IV: N= 630 SMBs.

To what degree have the online services met your expectations

The majority of SaaS tools are meeting or exceeding expectations.



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

Source: Localogy Modern Commerce Monitor™; Main Wave V-I: N= 411 SMBs (January 2020) ; Mini Wave V-IV: N: 362 SMBs (October, 2020).

MOBILE APPS



Summary

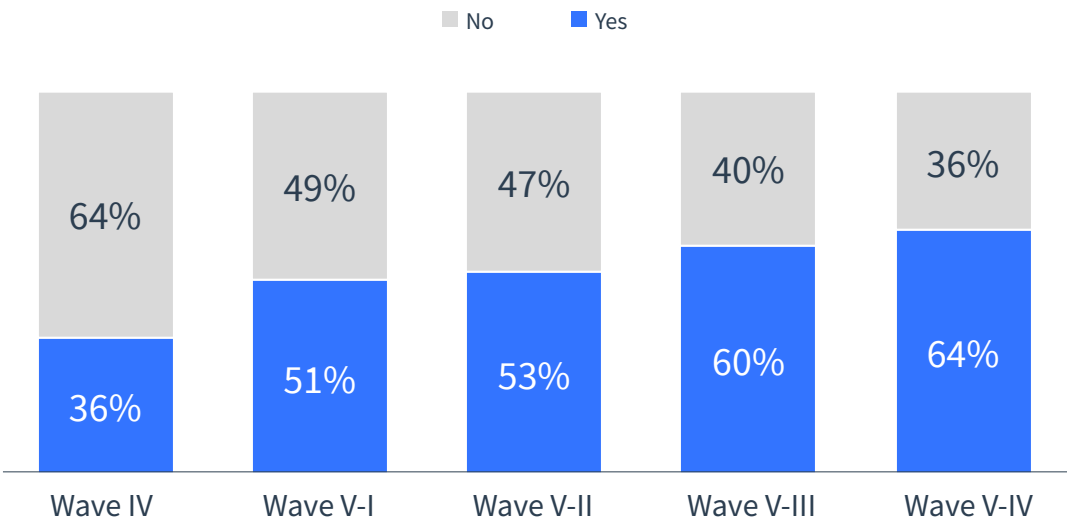
- Sixty-four percent of businesses use mobile apps to help manage their business. This is up 78% from 2019 and is expected to continue to climb.
- The average business uses 6.25 mobile apps. This has doubled over the past year.
- While business owners are continuing to rely on mobile apps, they do have concerns over data security and privacy. 39% of businesses are moderately or extremely concerned over security, and 45% are moderately or extremely concerned with privacy.

SMB mobile app adoption

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

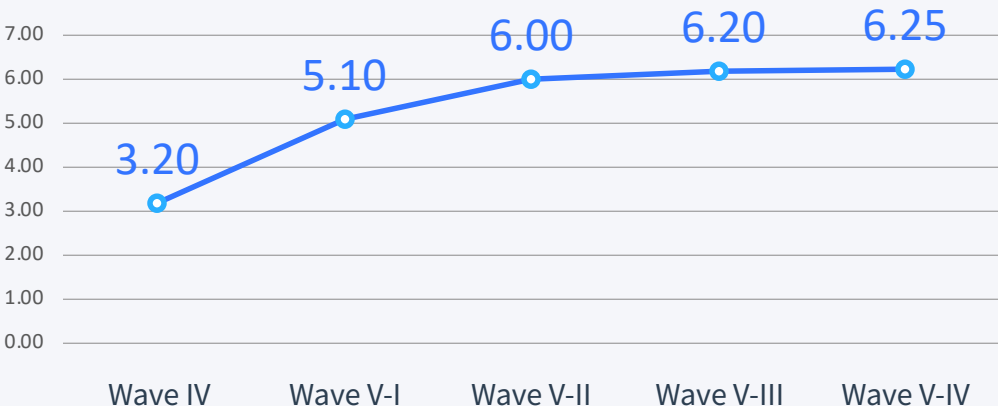
DO YOU USE MOBILE APPS TO HELP OPERATE YOUR BUSINESS?

Source: Localogy Modern Commerce Monitor™; Main 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; Wave V-IV: N=1,009 SMBs.



AVERAGE NUMBER OF APPS BUSINESS OWNER USE

Source: Localogy Modern Commerce Monitor™; Main 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; Wave V-IV: N=1,009 SMBs.

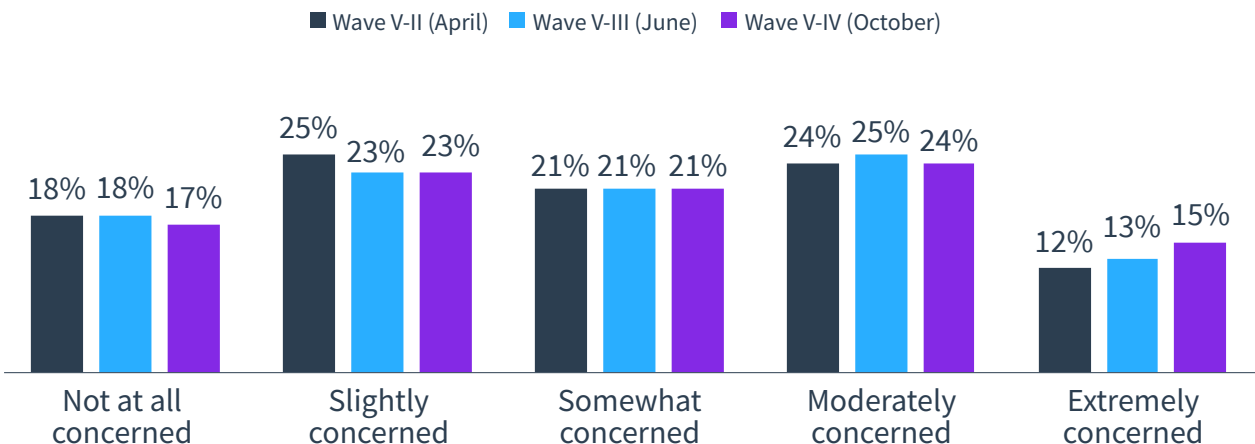


SMB views on data security and privacy

Continued concern about data security and privacy issues when used by remote employees.

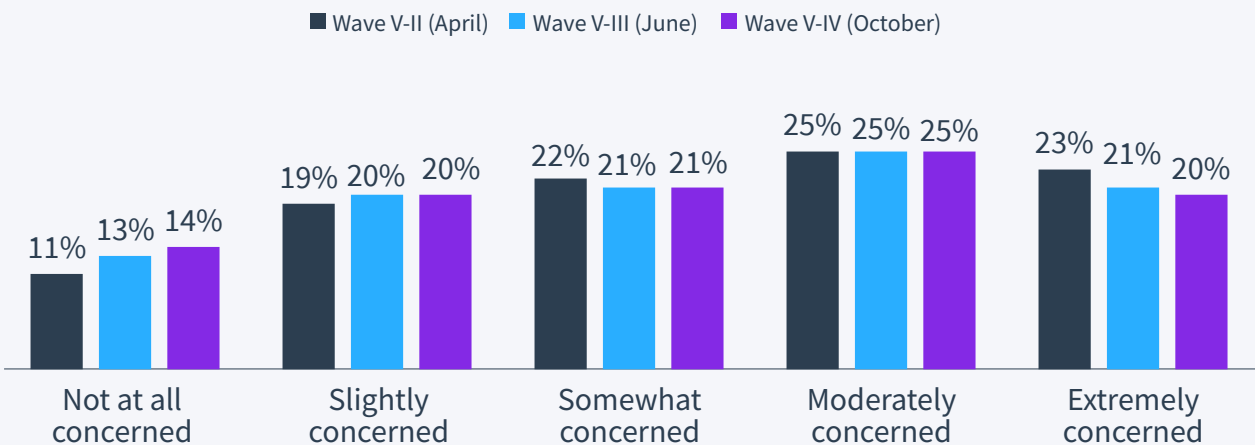
HOW CONCERNED ARE YOU WITH THE OVERALL SECURITY OF THE SOFTWARE YOU PURCHASED BEING USED REMOTELY BY EMPLOYEES?

Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs; Wave V-IV: N= 697 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; Wave V-IV: N= 697 SMBs.



PURCHASING TRENDS



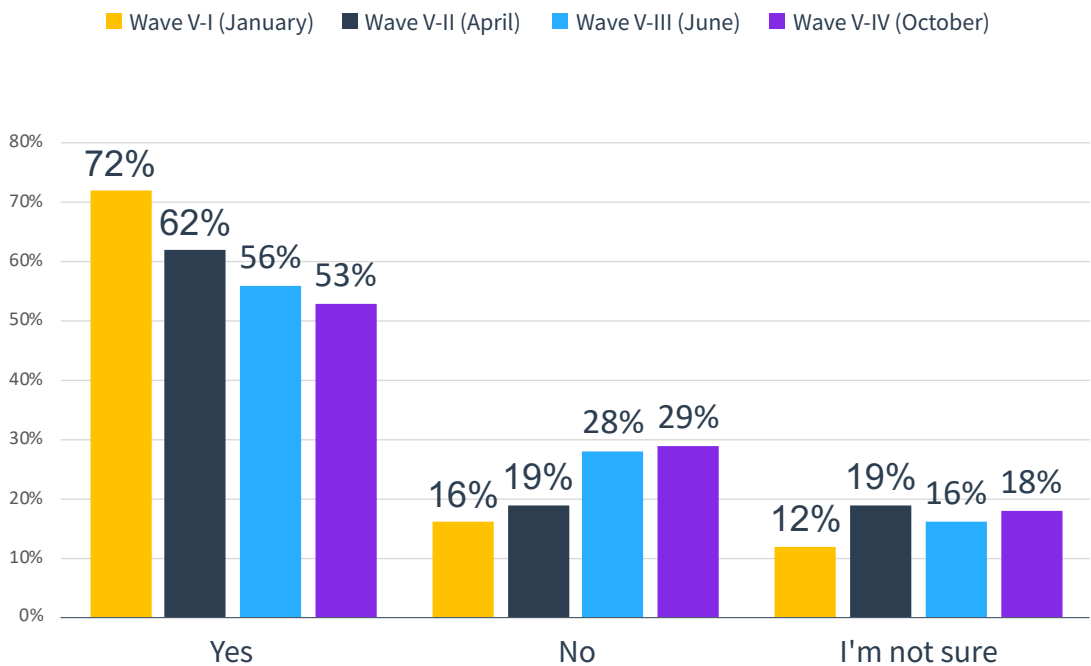
Summary

- More business owners are looking to new providers for online services, with 29% doing so during this crisis. This is up 222% since 2019.
- Up 40% from the 2019 research wave, 42% of small business owners are purchasing the software directly from a website. Another 16% got 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.
- Traditionally, 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, this probably has not changed.
- When asked what providers could do during this challenging time, business owners want flexible contracts and payments, as well as additional recommendations, technical support, education, and training.

SMB source for new SaaS services

Growing number of business owners looking for services from new providers.

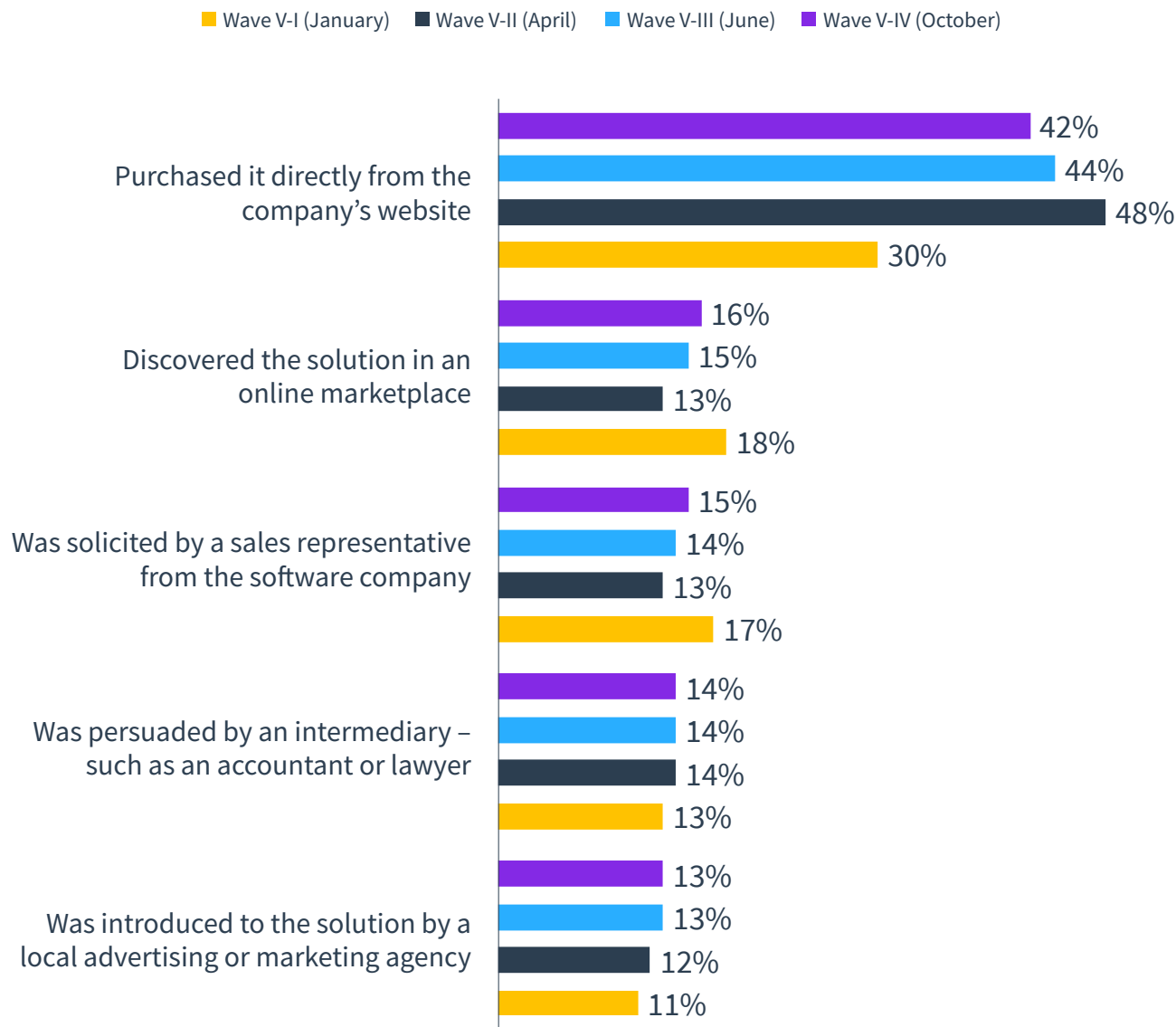
WAS YOUR RECENT SOFTWARE PURCHASE FROM A COMPANY YOU HAVE CONDUCTED BUSINESS WITH BEFORE?



Source: Localogy Modern Commerce Monitor™;
Wave V-I: N= 923 SMBs; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs; Wave V-IV: N= 688 SMBs.

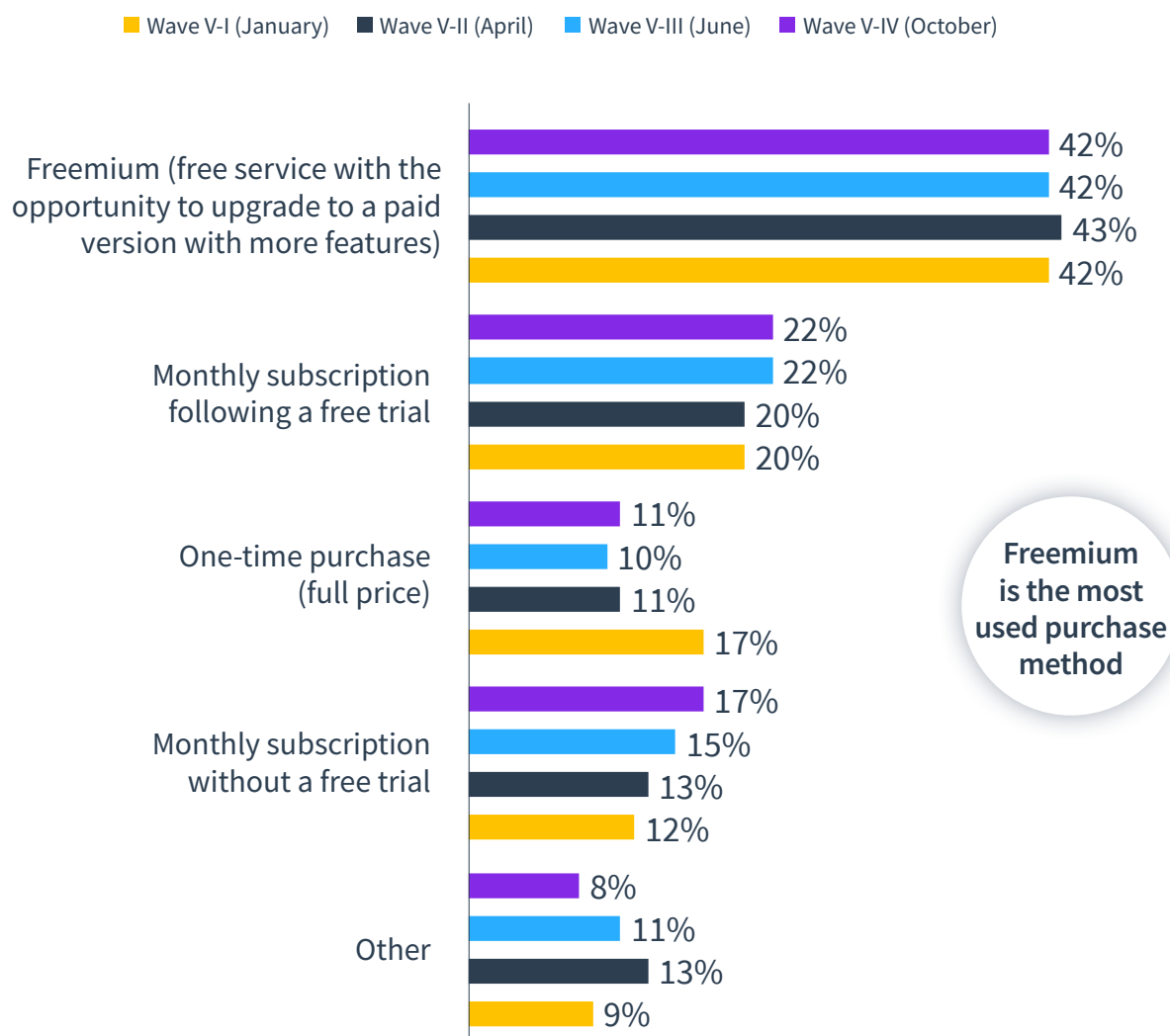
Where SMBs purchased their online services

Majority of SMBs purchase directly from websites and online marketplaces.



Source: Localogy Modern Commerce Monitor™;
Wave V-I: N= 923 SMBs; Wave V-II: N= 538 SMBs; Wave V-III: N= 636 SMBs; Mini Wave V-IV: N= 688 SMBs.

Pricing model that most closely matches most recent SaaS purchase



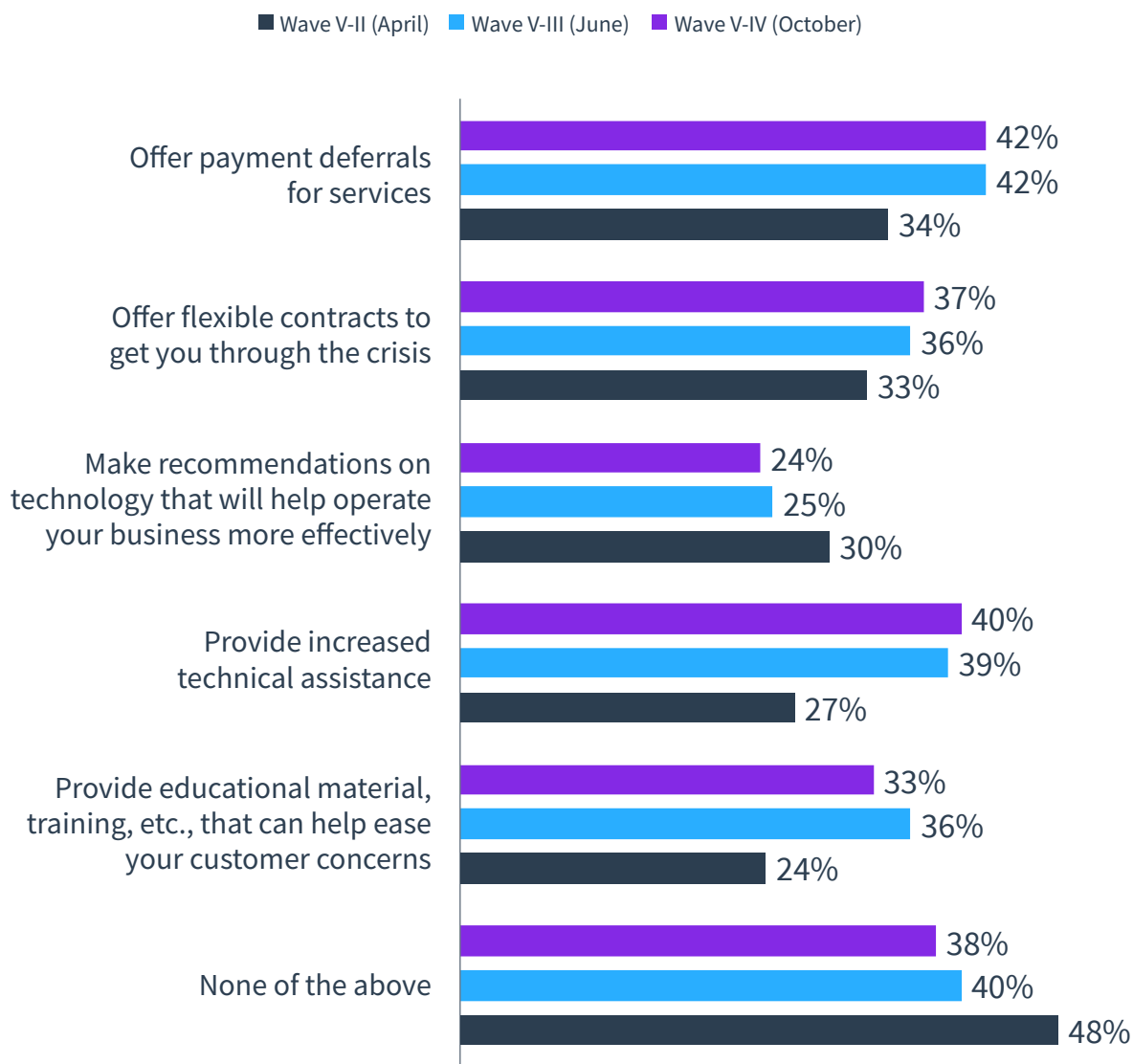
Source: Localogy Modern Commerce Monitor™;
Wave V-I: N= 923 SMBs; Wave V-II: N= 538 SMBs, Mini Wave V-III: N= 636 SMBs; Mini Wave V-IV: N= 688 SMBs.



64% bought the service after a free trial.

What current partners provide during the COVID-19 crisis to help SMBs

Most SMBs want higher levels of post sale support.



Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 532 SMBs; Wave V-III: N= 636 SMBs; Wave V-IV: N= 688 SMBs.

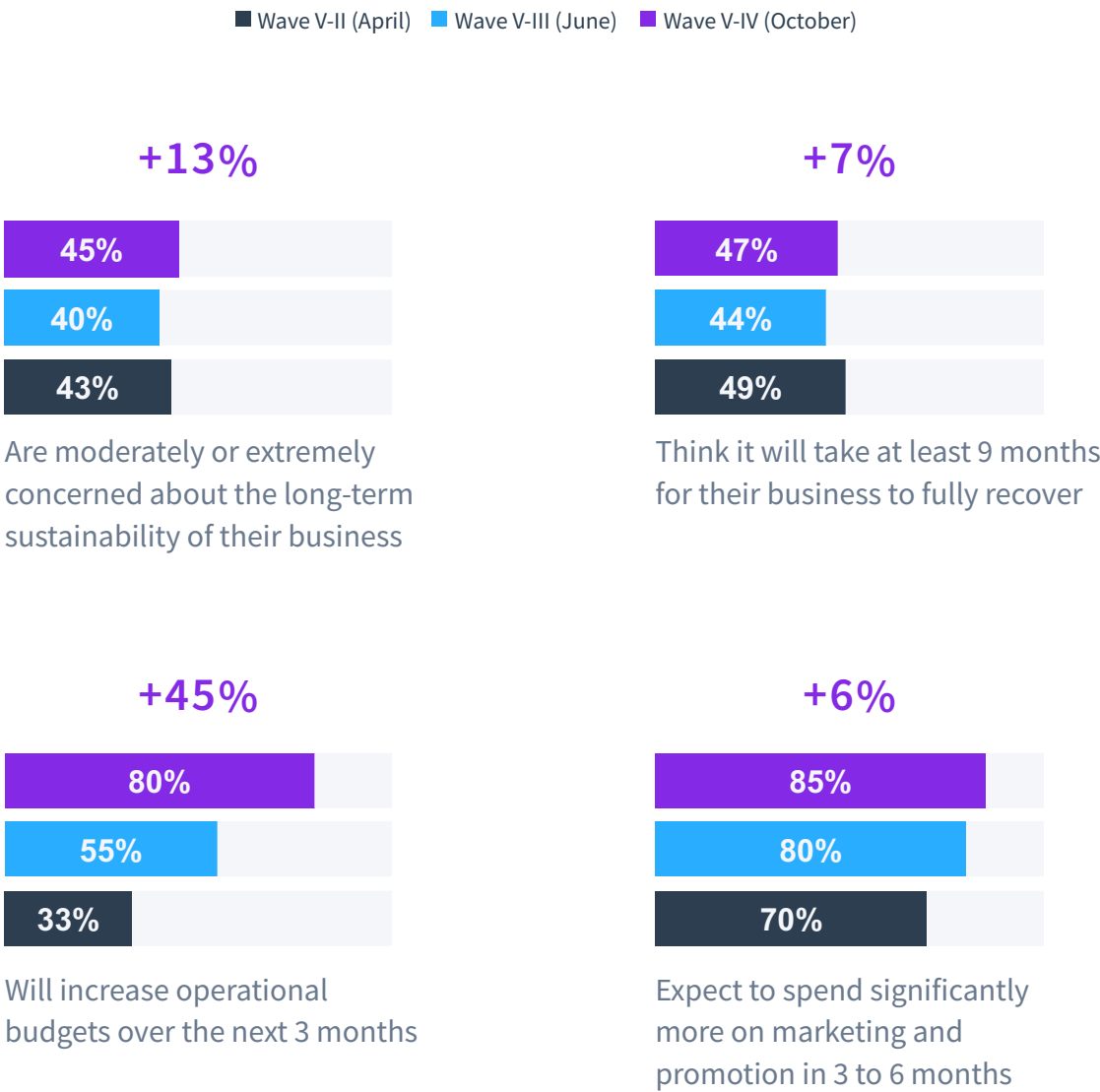
LOOKING FORWARD



Summary

- As we move into the remaining portion of 2020 and beyond, the majority of businesses are optimistic.
- Almost half of businesses (47%) feel it will take at less than 9 months to recover fully.
- Forty-five percent of business owners are moderately or extremely concerned about the long-term sustainability of their business.
- Eighty percent plan to increase operational budgets over the next few months.
- Within six months, 85% 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 owner views toward future



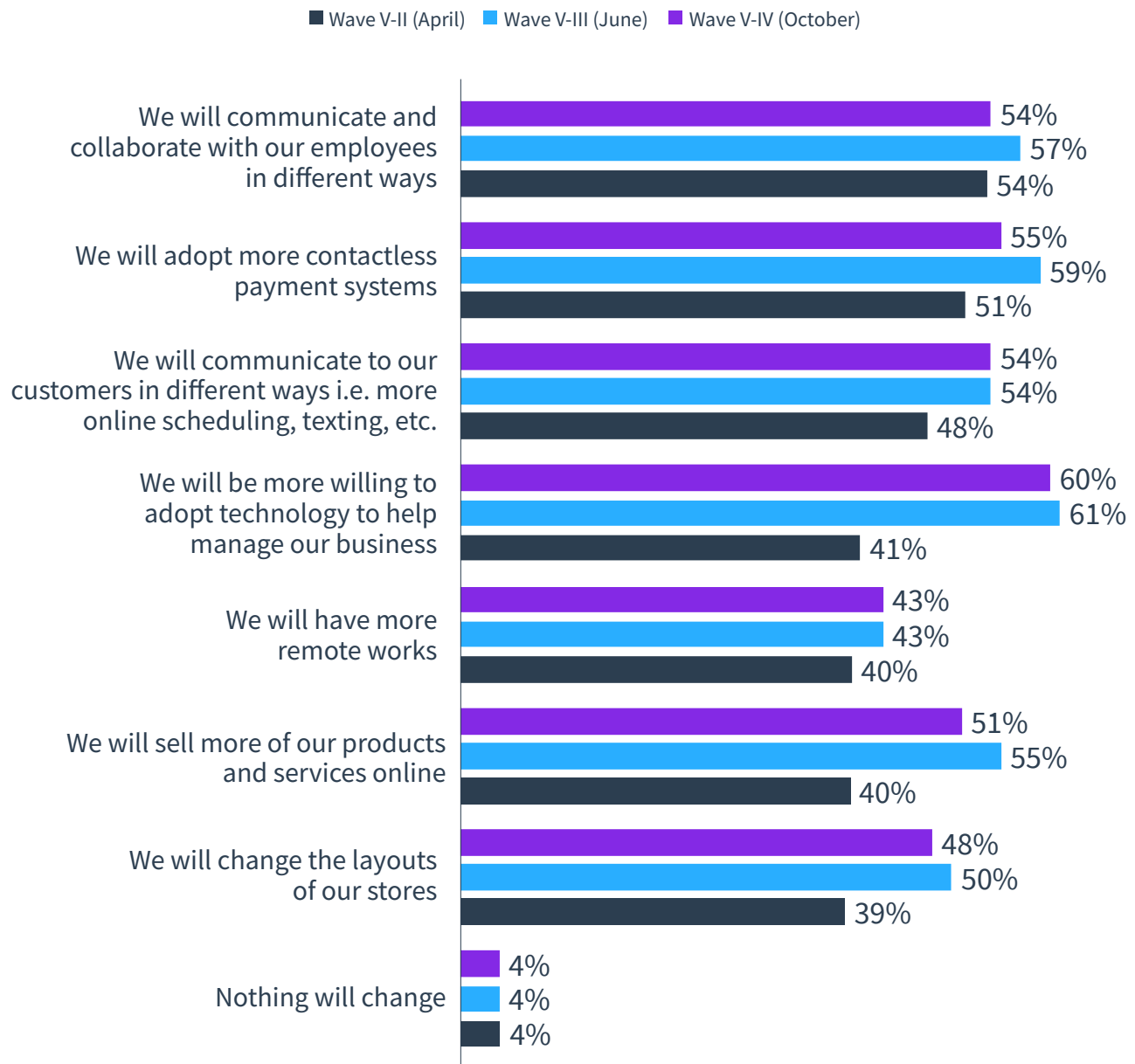
Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 1,011 SMBs; Wave V-III: N= 1,014 SMBs; Wave V-IV: N= 1,009 SMBs.



Business owners plan to increase spending, while expecting recovery will take some time.

Top ways COVID-19 will impact your business in the future

Business will be conducted in different ways.



Source: Localogy Modern Commerce Monitor™; Wave V-II: N= 1,002 SMBs; Wave V-III: N= 1,005 SMBs; Wave V-IV: N= 1,009 SMBs.

Top areas of concern for SMBs over the next few months

Starting to see declines in concerns around managing cash flow and gaining customers.



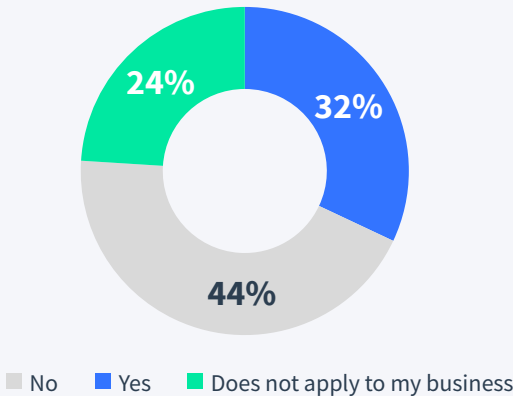
Source: Localogy Modern Commerce Monitor™; Wave V-III: N= 1,005 SMBs; Wave V-IV: N= 1,009 SMBs.

*These responses were not part of the Wave V-III question.

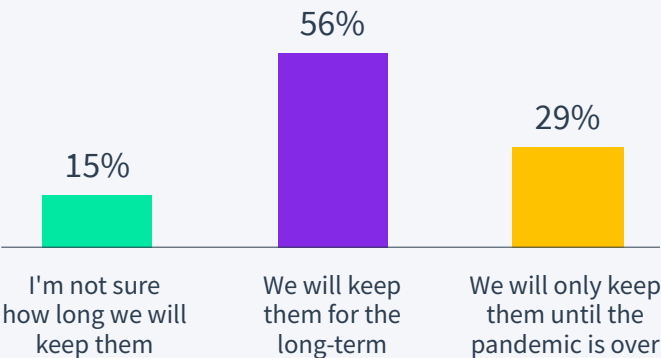
The future of remote delivery services

Remote delivery services apply to 76% of Local businesses.

SINCE THE START OF THE PANDEMIC, HAVE YOU ADDED REMOTE DELIVERY CAPABILITIES TO YOUR BUSINESS?



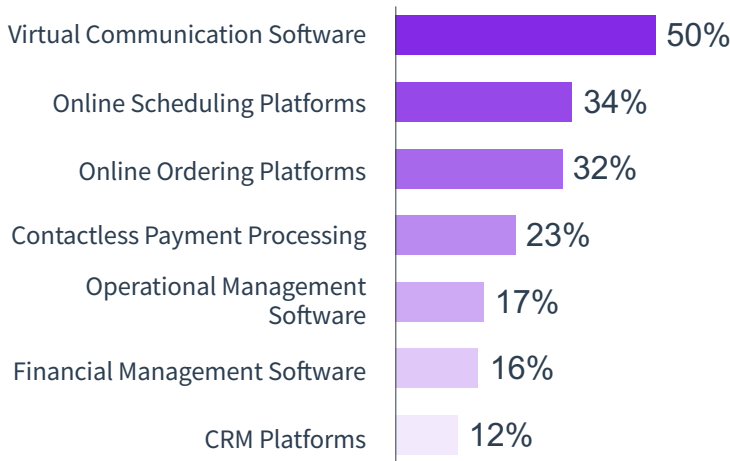
IS THIS SHORT-TERM OR DO YOU THINK YOU WILL KEEP THESE CAPABILITIES LONGER?



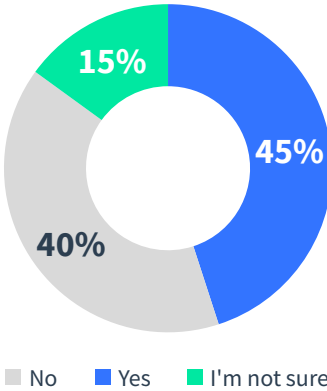
SaaS products adopted since start of pandemic

Business owners have adopted many types of SaaS tools, however over half are not sure they are getting the full benefits.

SaaS TOOLS ADOPTED SINCE START OF THE PANDEMIC



ARE YOU USING THE FULL CAPABILITIES OF YOUR NEW SOFTWARE PURCHASES?

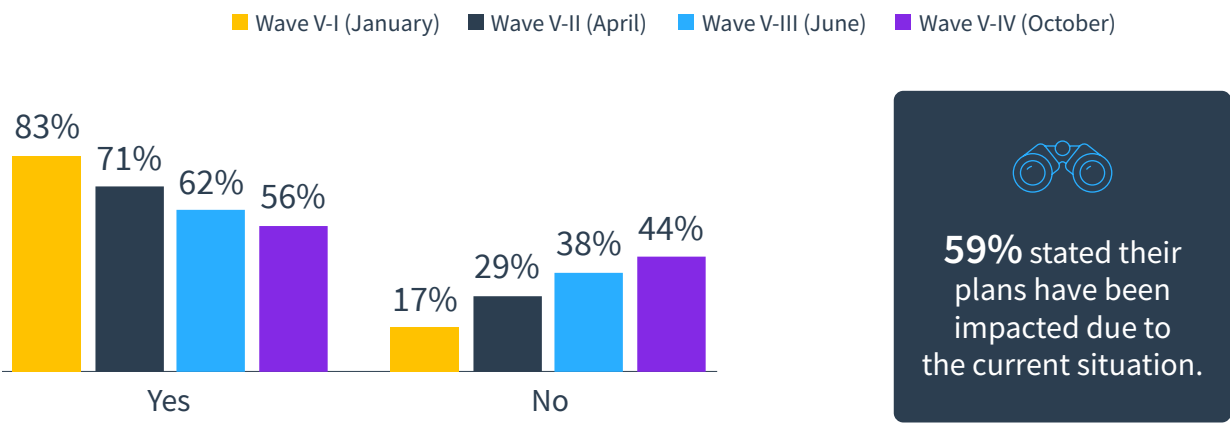


Source: Localogy Modern Commerce Monitor™; Wave V-IV; N=792 SMBs.

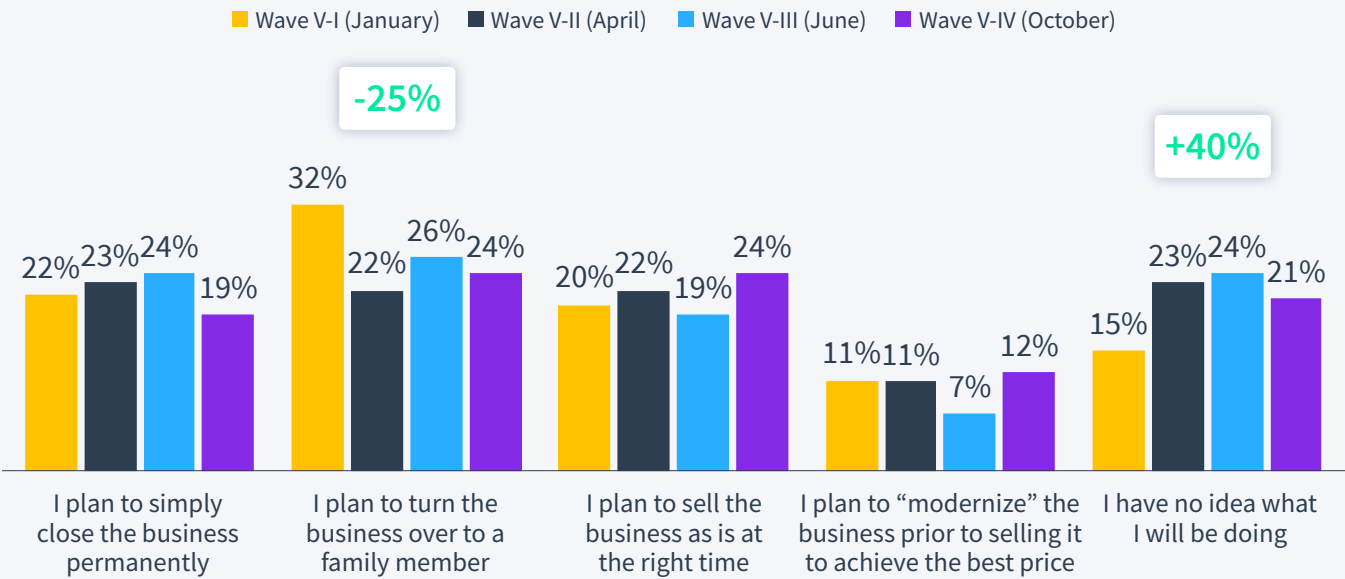
APPENDIX

Fifty-nine percent of business owners over 55 have thought about the future of their business...many stated the current situation has impacted their plans...with an uptick in uncertainty.

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?



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



Source: Localogy Modern Commerce Monitor™;
Wave V-I: N= 374 SMBs; Wave V-II: N= 372 SMBs; Wave V-III: N= 279 SMBs; Wave V-IV: N= 198 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-IV completed October 2020 updates Wave V-III which was completed June 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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