

Modern Commerce Monitor™

State of SMB – Wave 6

February 2021



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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 online 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 Jan - Feb , 2021.)

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 1/20/21-2/10/21 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. TECH ADOPTION TRENDS

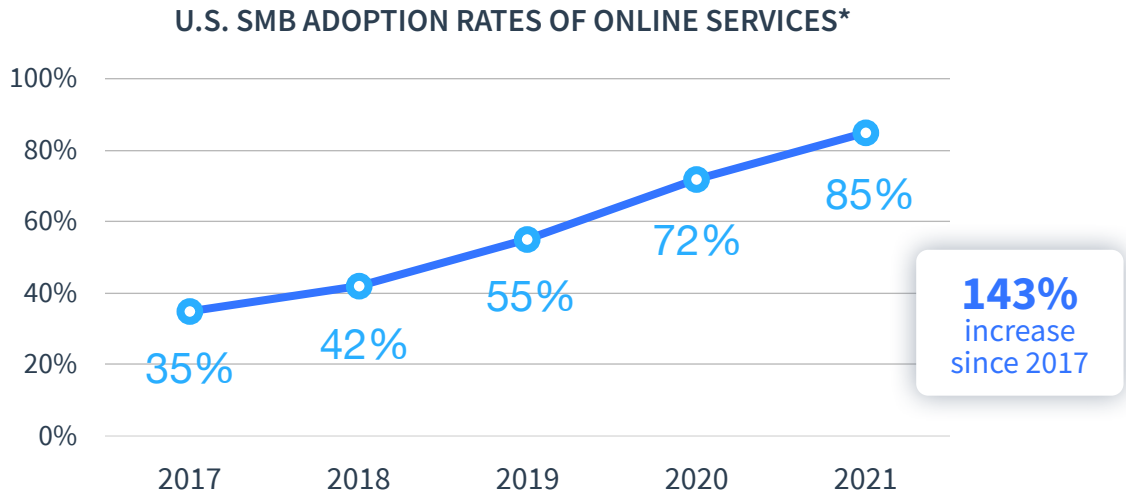


Summary

- Since 2017, the number of businesses utilizing online software/tools has increased 143%. Today, 85% of SMBs utilize at least one online 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. 65% of non-online service users are expected to try a service and 75% of existing users will get more services over the next 6 to 12 months.
- Top growth areas include Payroll services (52%) and CRM marketing (41%).
- Key growth drivers include being more efficient (51%), having more capabilities (44%), and being able to work remotely (36%). Remote capabilities have been a key driver since the start of the COVID-19 pandemic.
- SMBs stated they have not made the move to online tools because they are happy with what they have (45%) or don't know about new services that can help them (34%).
- Over 50% of SMBs stated the online tools performed better than expected. This is up in most areas compared to the prior wave of the survey.

Online Service Adoption Continues Expansion

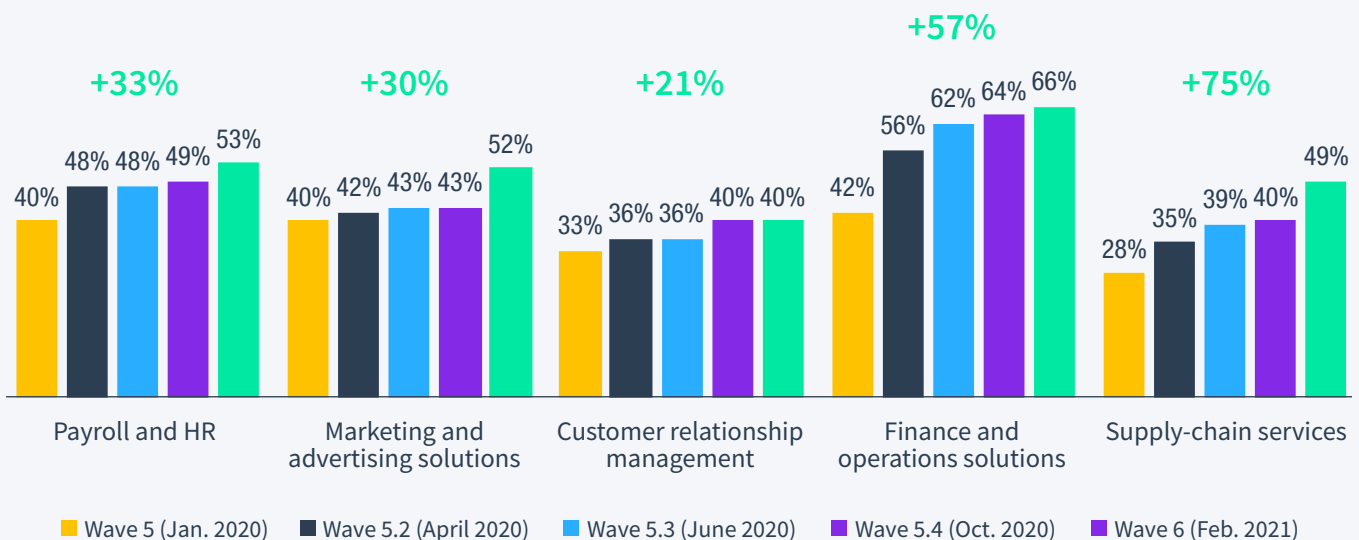
Online software and tools are quickly becoming the default technology for many SMBs.



Sources: Modern Commerce Monitor™ 2017-2021; 6,157 SMBs;
*Estimates based on SMBs that use online services/tools at least once a month to support a business function.

Areas SMBs Have Shifted To Online Services

SMBs are investing across the board in online services and tools.

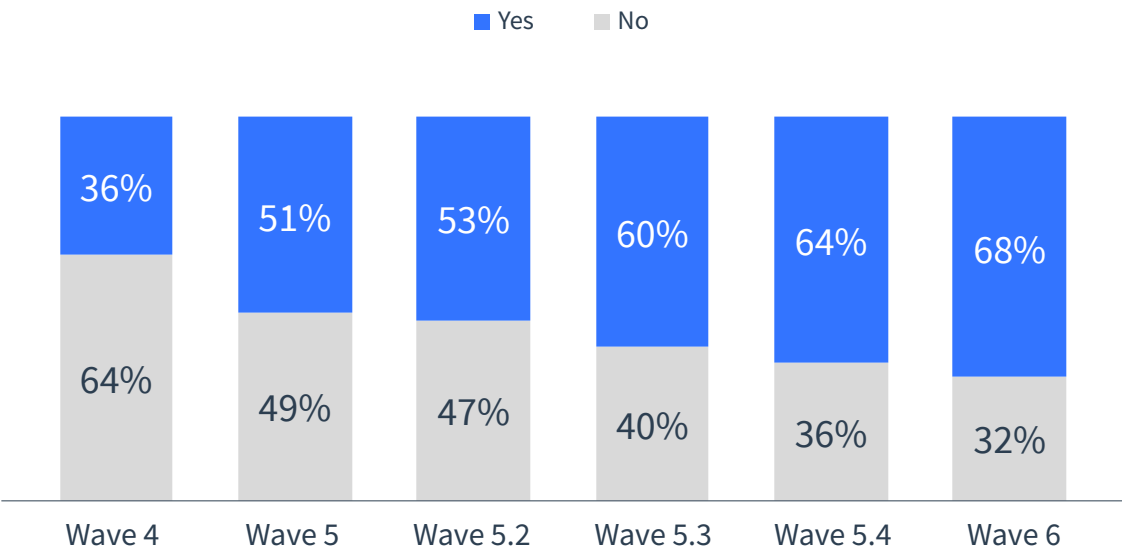


Source: Localogy Modern Commerce Monitor™, Feb 2021

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

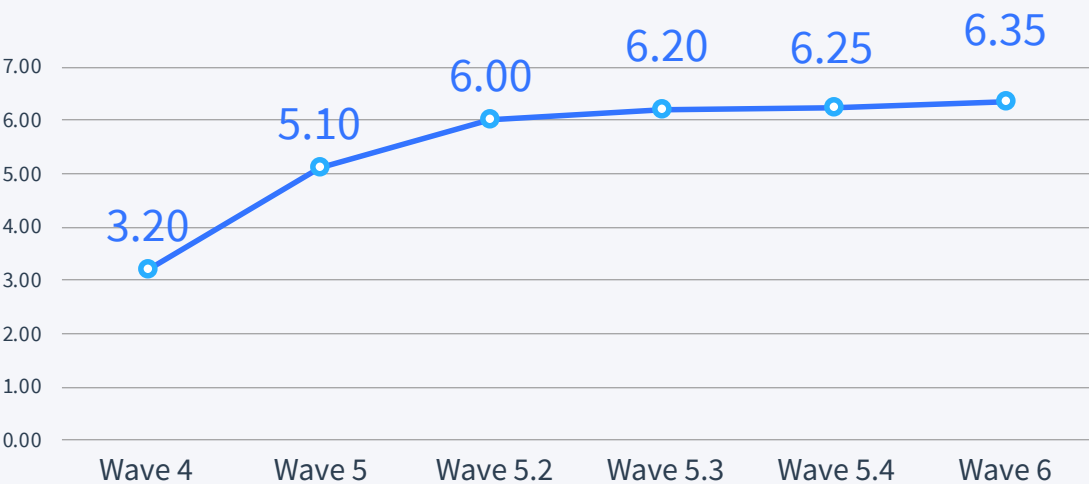
DO YOU USE MOBILE APPS TO HELP OPERATE YOUR BUSINESS?

Source: Localogy Modern Commerce Monitor™, Feb 2021



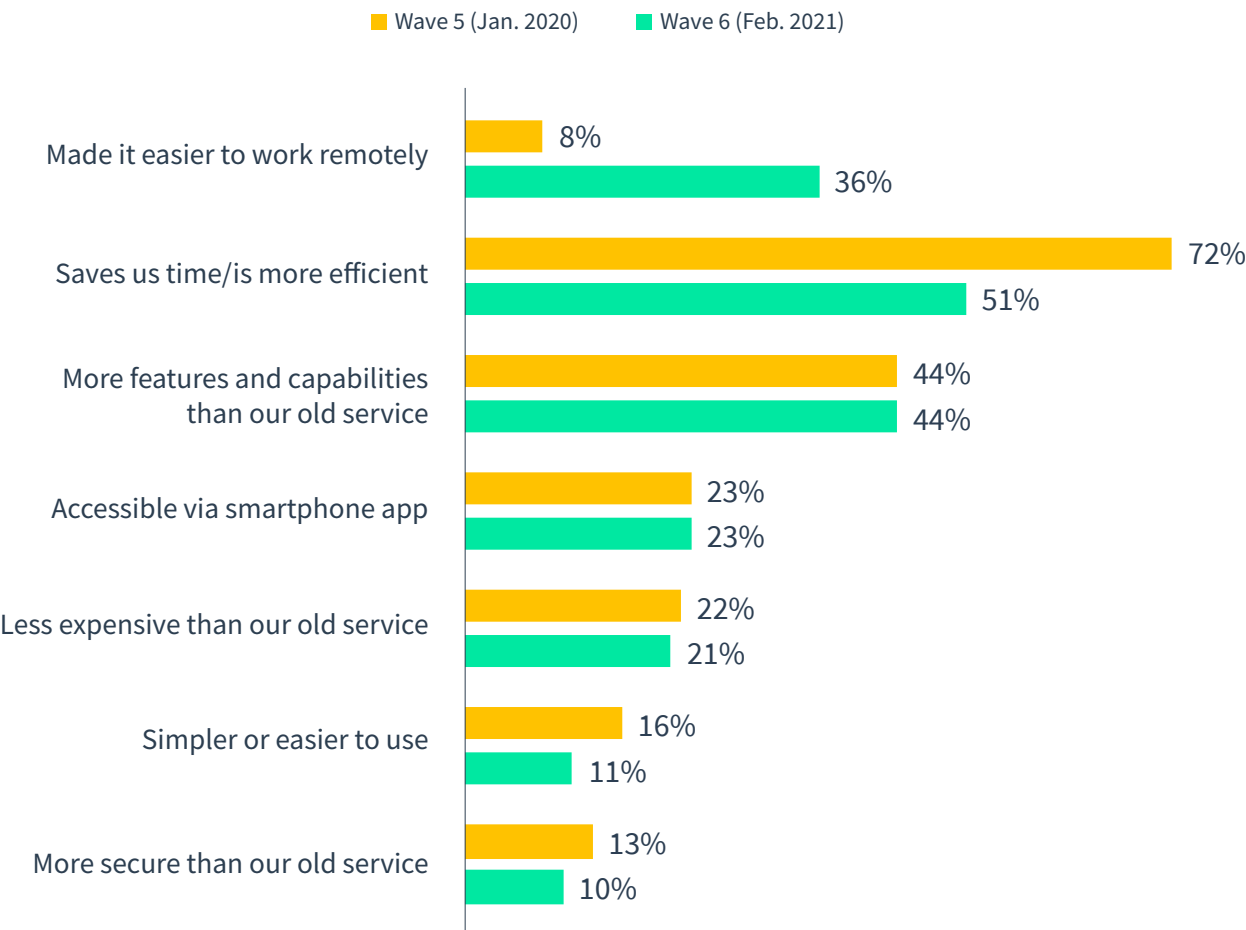
AVERAGE NUMBER OF APPS BUSINESS OWNER USE

Source: Localogy Modern Commerce Monitor™, Feb 2021



Top reasons why SMBs have shifted to online services

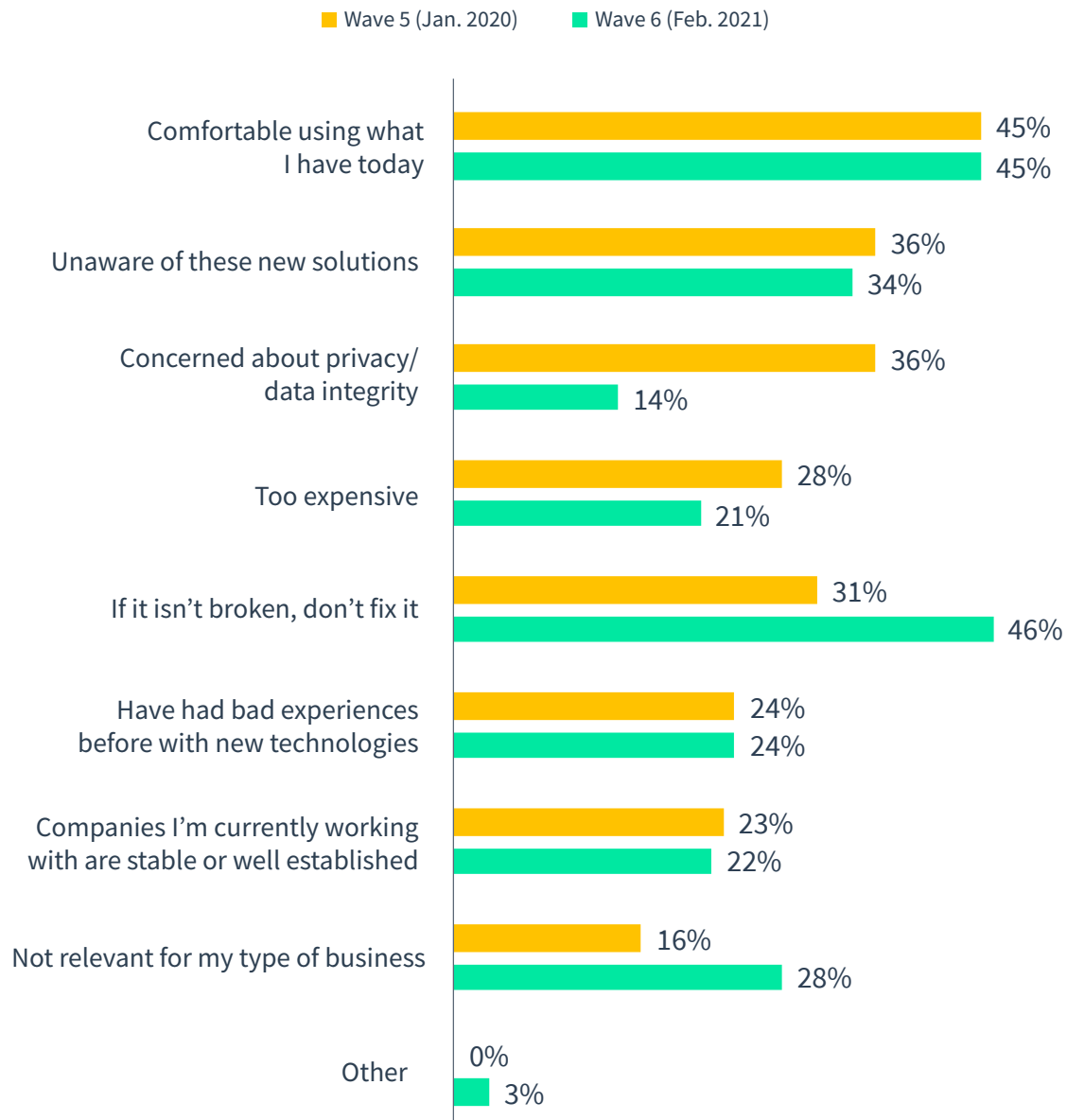
Saving time, more features and remote accessibility are the leading reasons for the shift to online tools.



Source: Localogy Modern Commerce Monitor™, Feb 2021

Top Reasons For Not Shifting to Online Services/Tools

Lack of market awareness and status quo are hindrances to adoption.

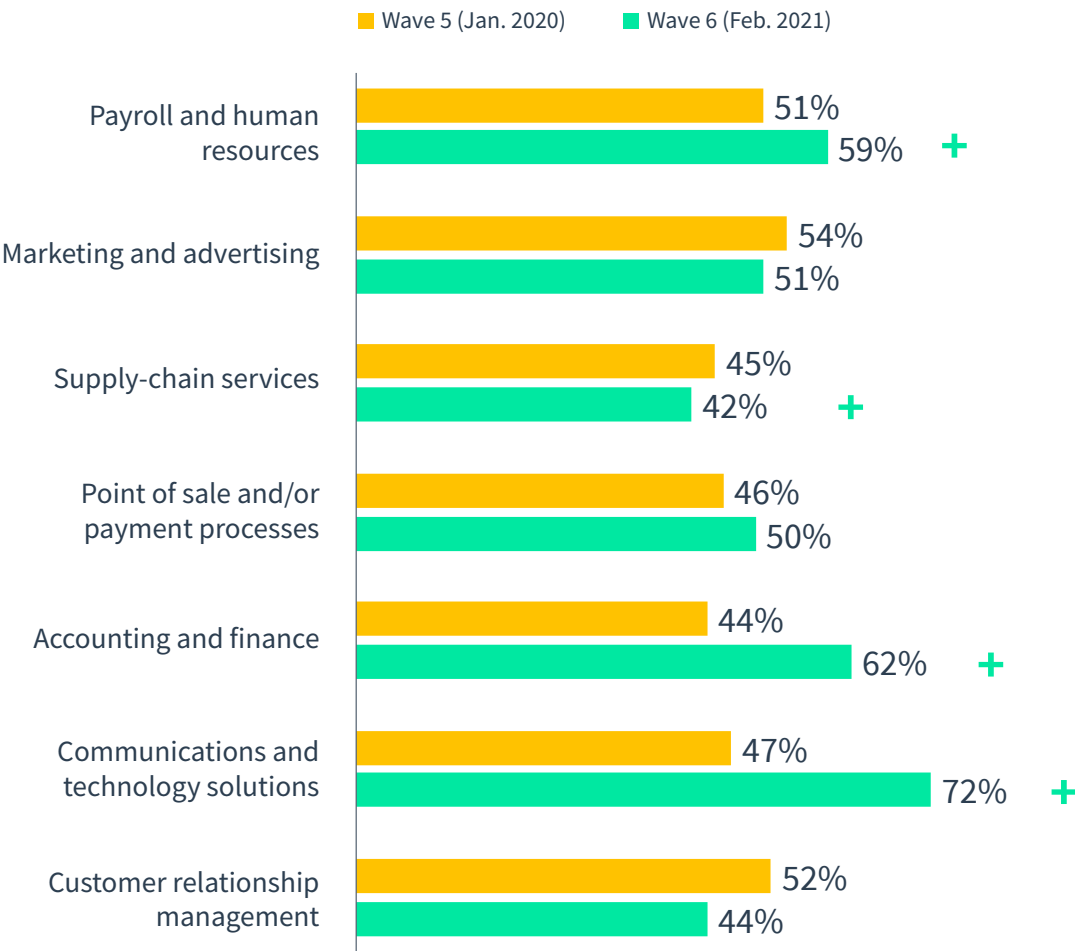


Source: Localogy Modern Commerce Monitor™, Feb 2021

The majority of online tools meet or exceed expectations

TO WHAT DEGREE HAVE THE ONLINE SERVICES/TOOLS MET YOUR EXPECTATIONS

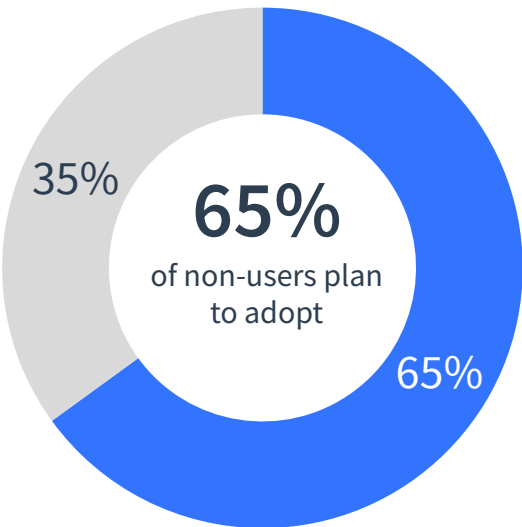
Source: Localogy Modern Commerce Monitor™, Feb 2021



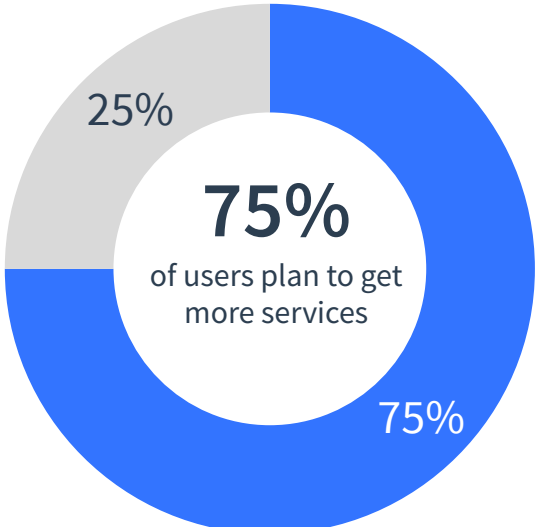
+ Top areas businesses have started using online solutions since the Covid-19 crisis. Most show higher satisfaction scores.

SMB online service adoption trends

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



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



■ Yes ■ No

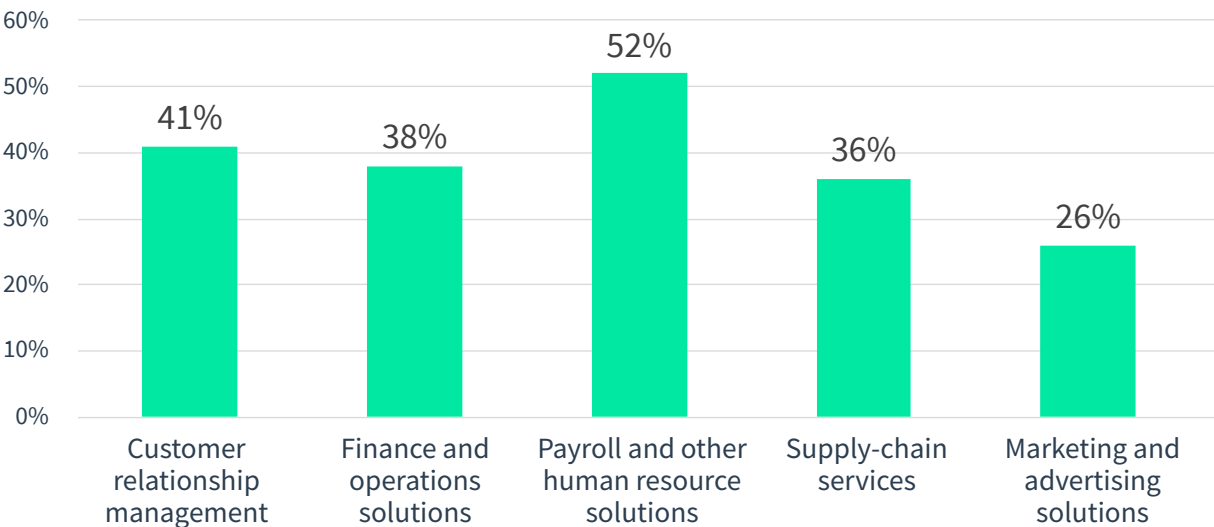
Source: Localogy Modern Commerce Monitor™, Feb 2021



Adoption will continue for all business areas

AREAS BUSINESSES PLAN TO SHIFT TO ONLINE SERVICES/TOOLS

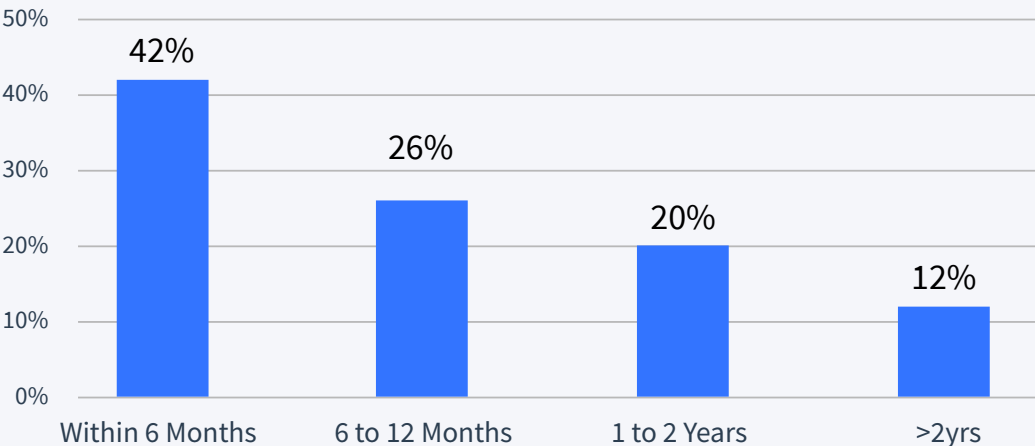
Source: Localogy Modern Commerce Monitor™, Feb 2021



Payroll & CRM are top areas for adoption over the next 12 months.

TIMING OF SHIFT

Source: Localogy Modern Commerce Monitor™, Feb 2021



BENEFITS OF ONLINE SERVICES/ TOOLS

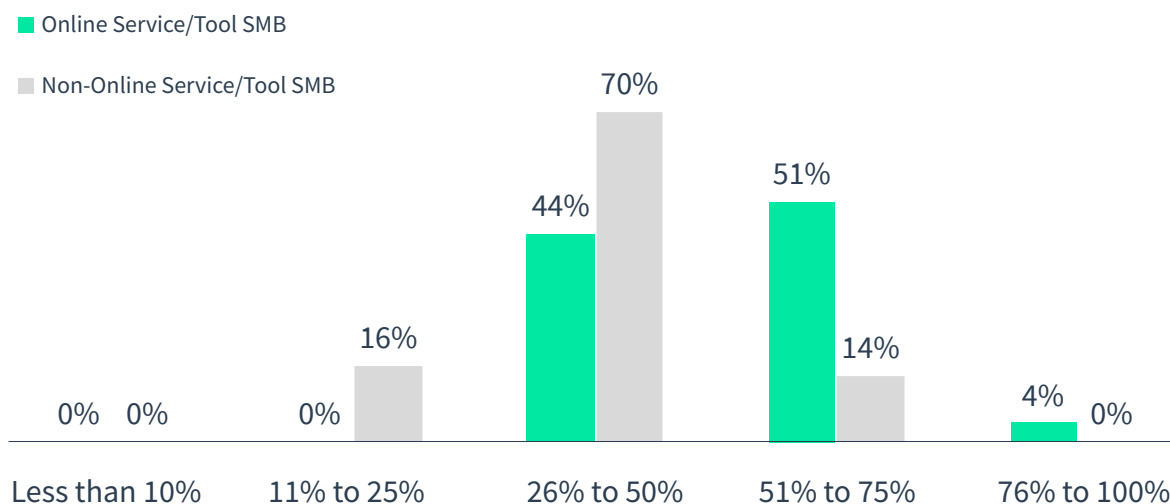


Summary

- Businesses utilizing online services /tools spend 65%-75% more time on revenue generating activities versus non-users.
- This has allowed businesses to spend more time with customers (54%), improve satisfaction levels (44%), increase revenue (29%) and reduce error rates (24%).
- Unfortunately, only 39% of businesses are utilizing the full capabilities of online services /tools.
- Training is one of the biggest issues. Twenty-three percent of all businesses state this is an issue. Another twenty percent stated they need to implement additional technology to be able to utilize the full capabilities of the new services /tools.
- All of these results fall in line with the results from the prior wave of research.

Average SMB time spent on revenue generating activities vs manual processes

SMBs using online services/tools experience a 65-75% increase in time spent on revenue generating activities.

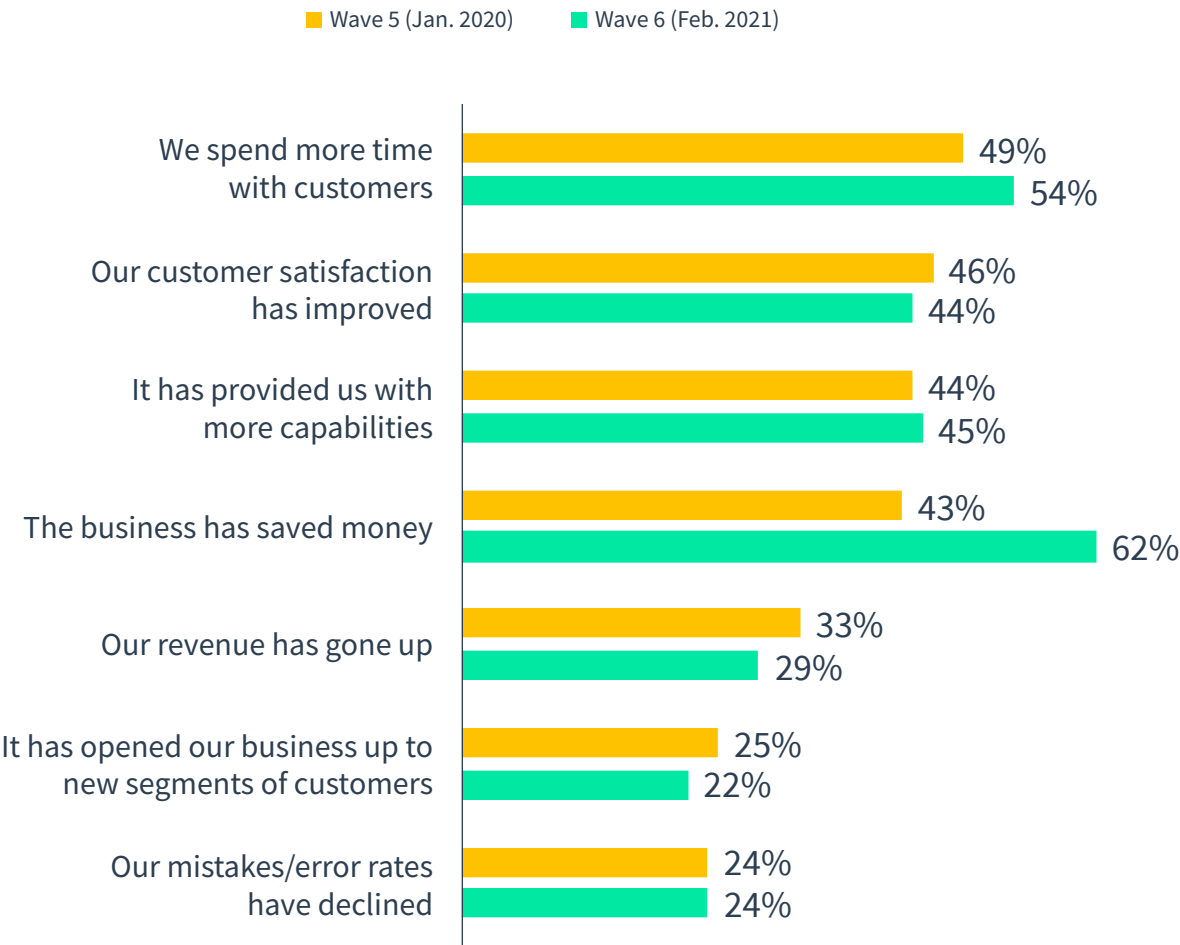


Source: Localogy Modern Commerce Monitor™, Feb 2021



Top benefits of SMBs switching to online services/tools

Top benefits include more time with customers, reduced costs, and improved satisfaction levels.



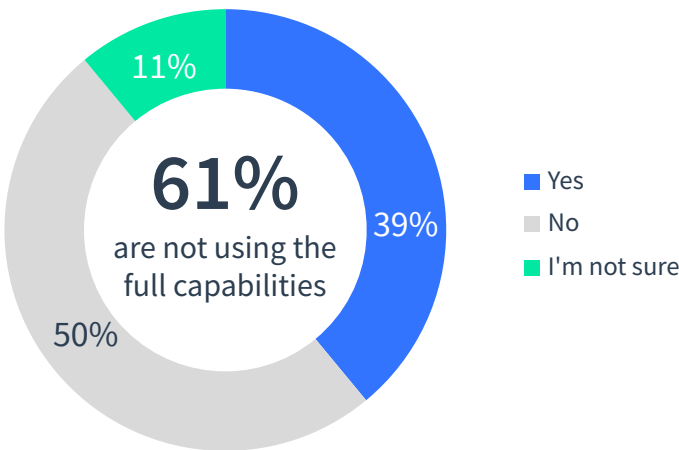
Source: Localogy Modern Commerce Monitor™, Feb 2021

SMBs are not utilizing the full capabilities of the services or tools

Over 60% of SMBs are not using the full capabilities due to additional training, technology needs or just getting around to it.

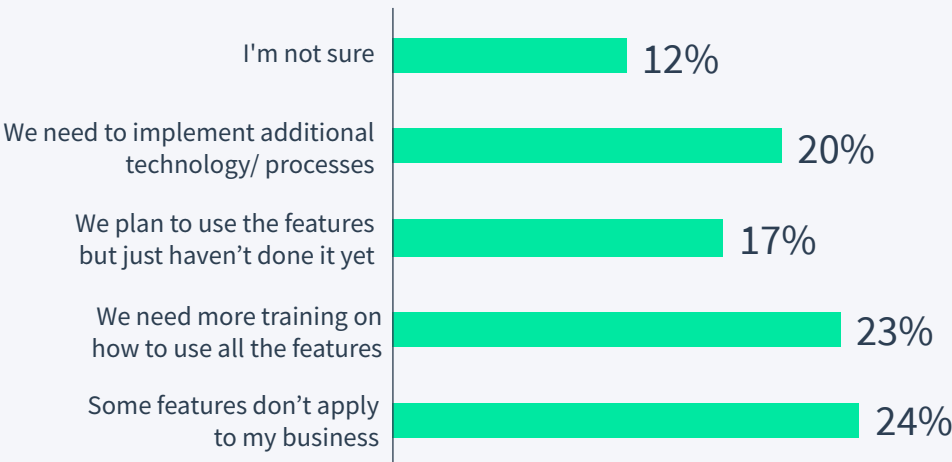
SMBs THAT ARE UTILIZING THE FULL CAPABILITIES OF ONLINE SERVICES/TOOLS

Source: Localogy Modern Commerce Monitor™, Feb 2021



REASONS WHY SMBs ARE NOT UTILIZING ALL THE CAPABILITIES

Source: Localogy Modern Commerce Monitor™, Feb 2021



PURCHASING TRENDS



Summary

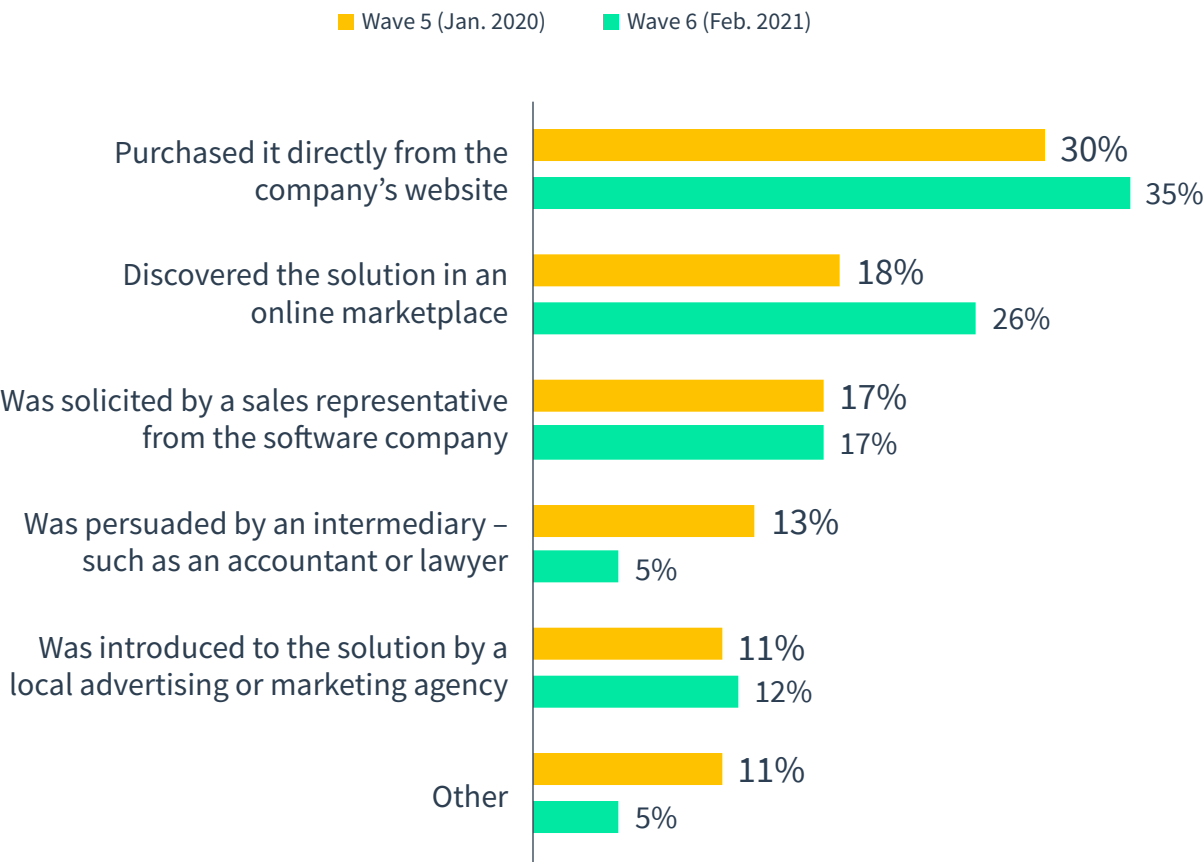
- Thirty-five percent of SMBs purchased the services directly while another 26% got it through an online marketplace. These numbers are up since the prior survey wave.
- Try and buy is the most used purchase method with 55% of SMBs using a free version of the online service/tool prior to purchasing it.
- Freemium services are critical to adoption- 44% percent of SMBs stated the free trial was critical in their purchase decision.
- 42% is bought from a company they use to market or advertise their business.
- 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.
- Online technology service providers are the top choice for partners- Fifty-two percent of SMBs would purchase new services from an online technology provider.
- Over half of SMBs work with more than 3 partners, however most would prefer to work with one.
- Few SMBs have consolidated services; those that do are looking at specialized providers.

Majority of SMBs purchase SaaS services directly

Thirty-five percent of SMBs purchased the services directly while another 26% got it through an online marketplace.

WHERE SMBs PURCHASED THEIR ONLINE SERVICES /TOOLS

Source: Localogy Modern Commerce Monitor™, Feb 2021

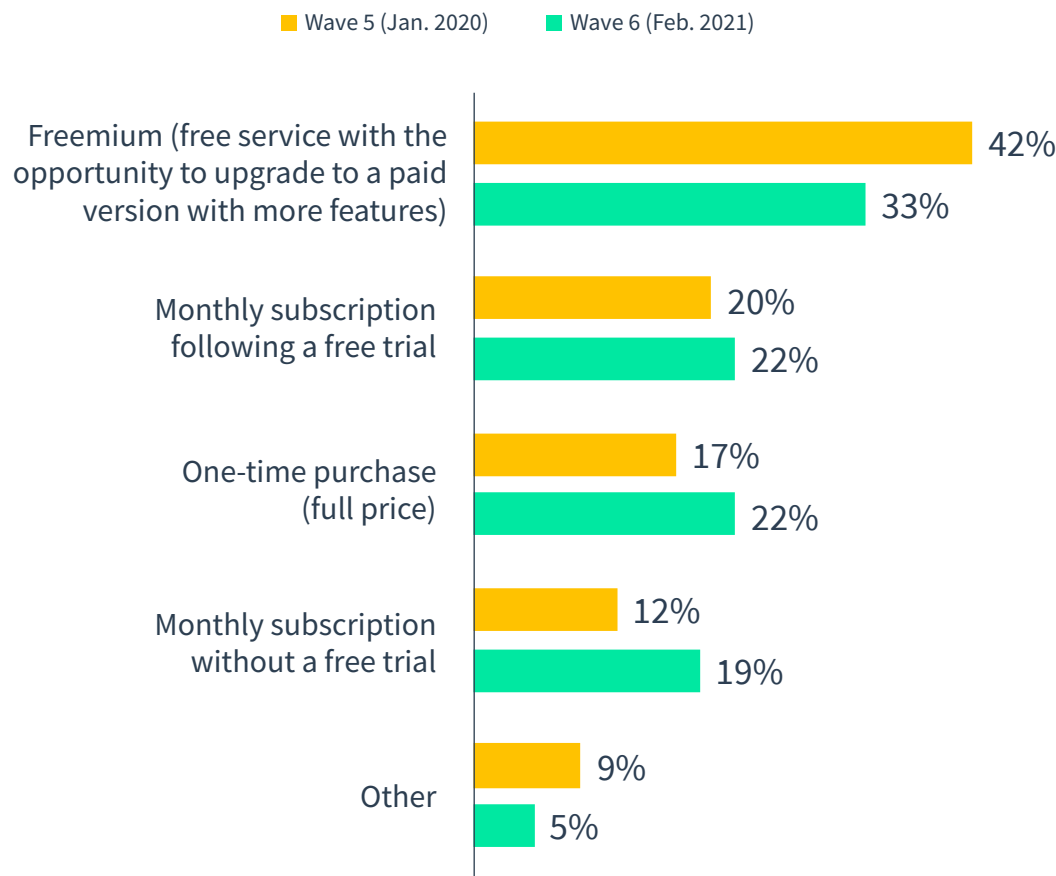


Try and buy is the most used purchase method

Fifty-five percent of SMBs use a free version of the online service /tool prior to purchasing it.

PRICING MODEL THAT MOST CLOSELY MATCHES SMBs MOST RECENT PURCHASE

Source: Localogy Modern Commerce Monitor™, Feb 2021



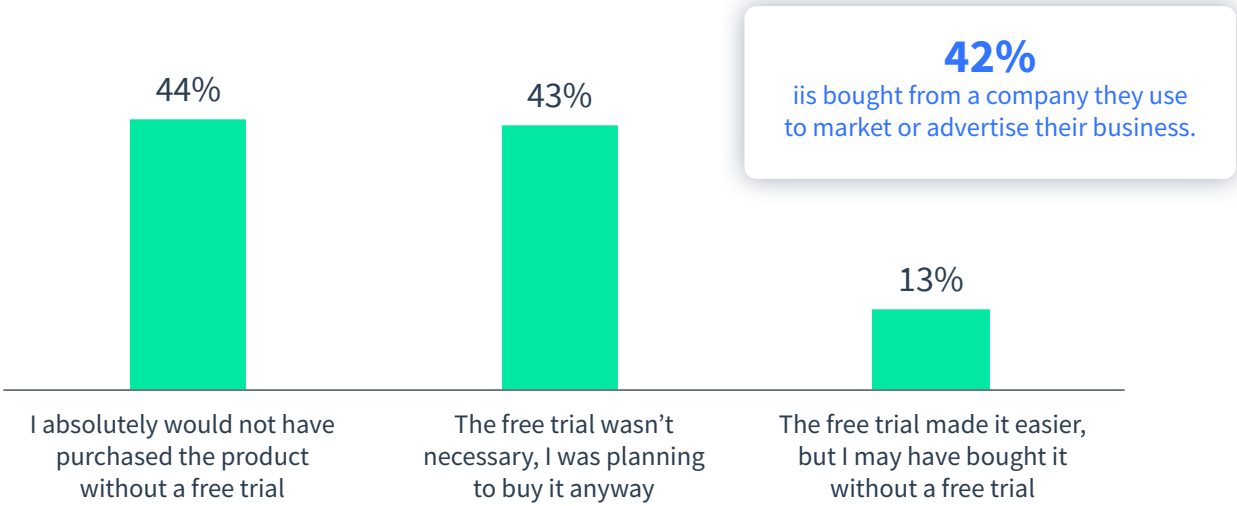
55% bought the service after a free trial.

Freemium services are critical to paid adoption

45% 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™, Feb 2021

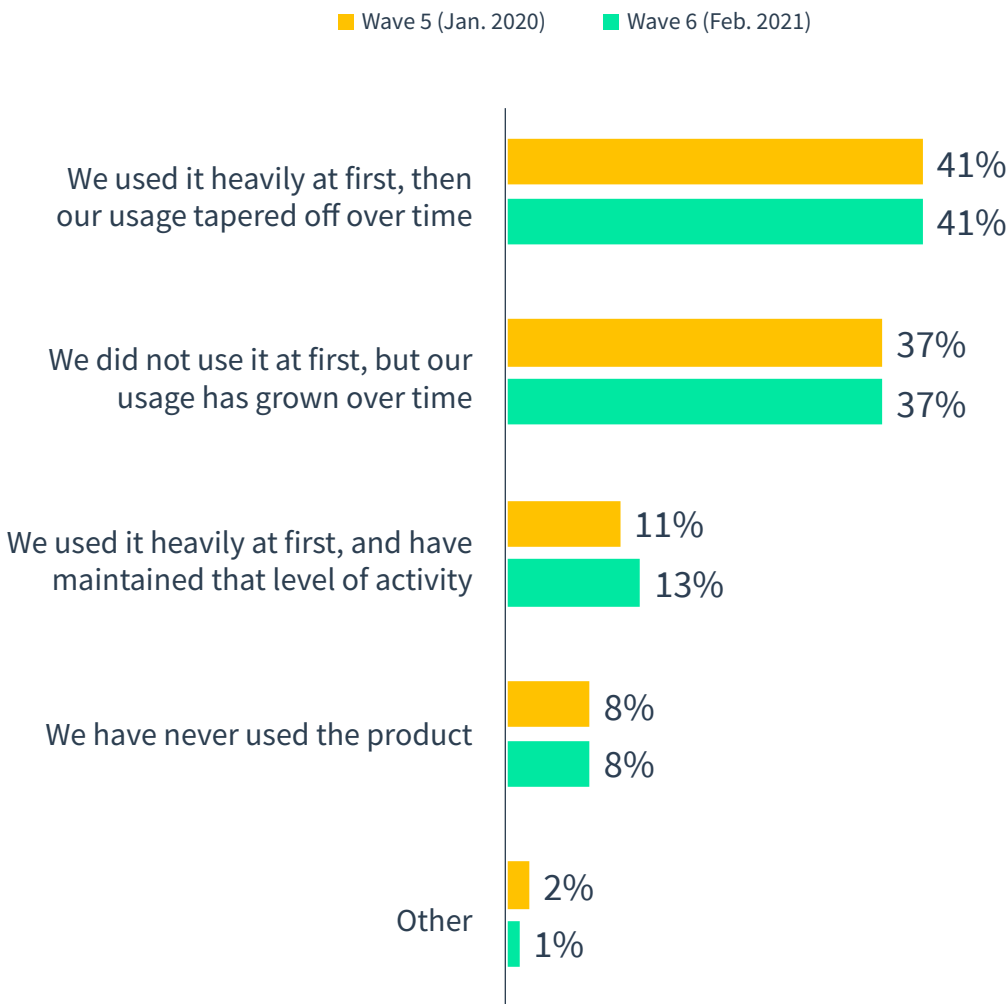


Levers to increase SMB-SaaS Engagement

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

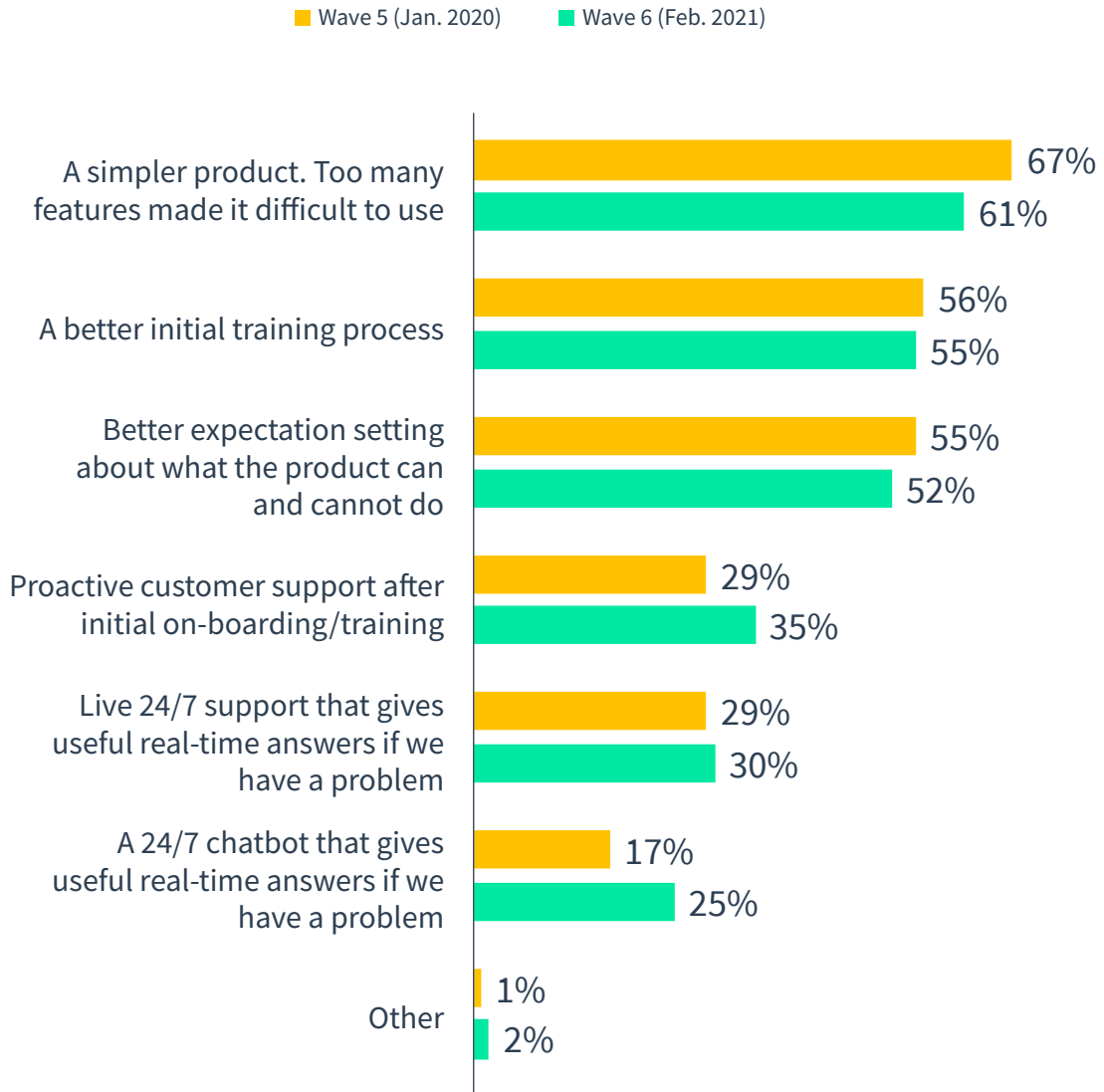
LEVEL OF ENGAGEMENT AFTER THE INITIAL PURCHASE OF THE SERVICE

Source: Localogy Modern Commerce Monitor™, Feb 2021



IMPROVEMENTS THAT COULD BE MADE TO INCREASE USAGE/ENGAGEMENT

Source: Localogy Modern Commerce Monitor™, Feb 2021

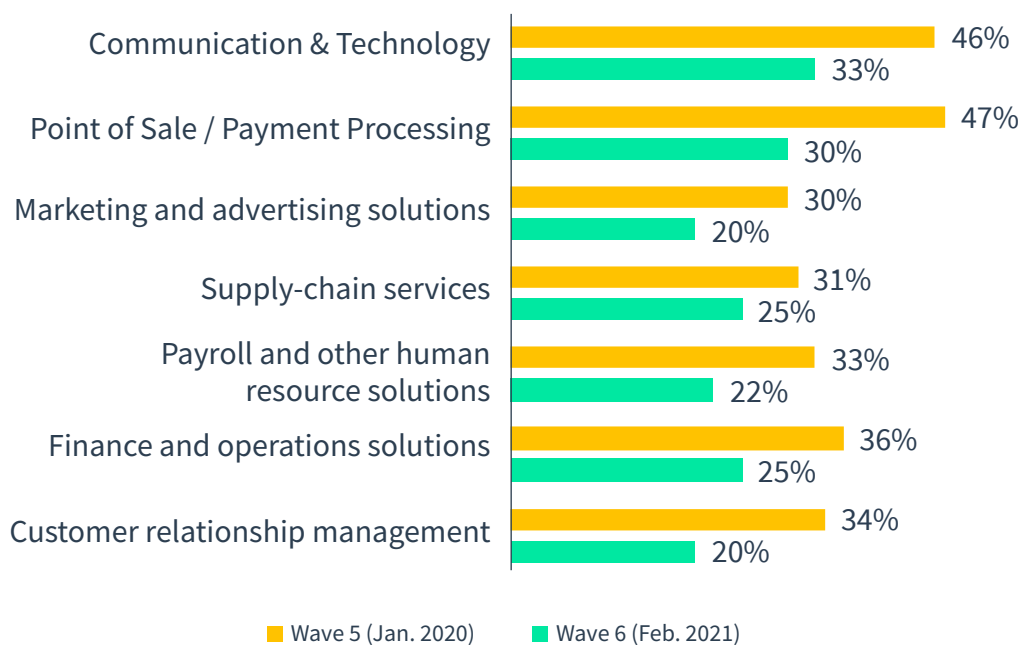


Face-to-face sales interactions are still happening though decreased due to COVID-19

Nearly, a quarter of purchases in the last twelve months involved face-to-face sales interactions. However, only half were satisfied with the experience.

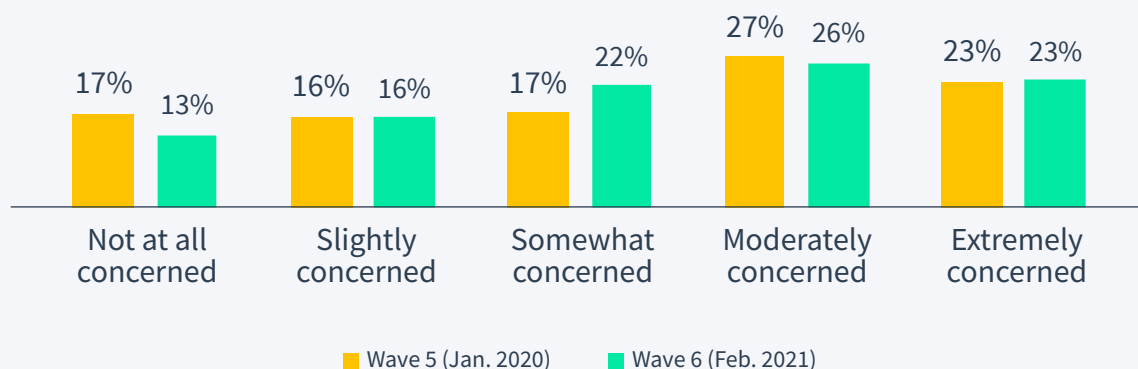
AREAS WHERE SMBs HAVE HAD FACE-TO-FACE SALES INTERACTIONS IN THE LAST 12 MONTHS

Source: Localogy Modern Commerce Monitor™, Feb 2021



SATISFACTION LEVEL OF EXPERIENCE

Source: Localogy Modern Commerce Monitor™, Feb 2021

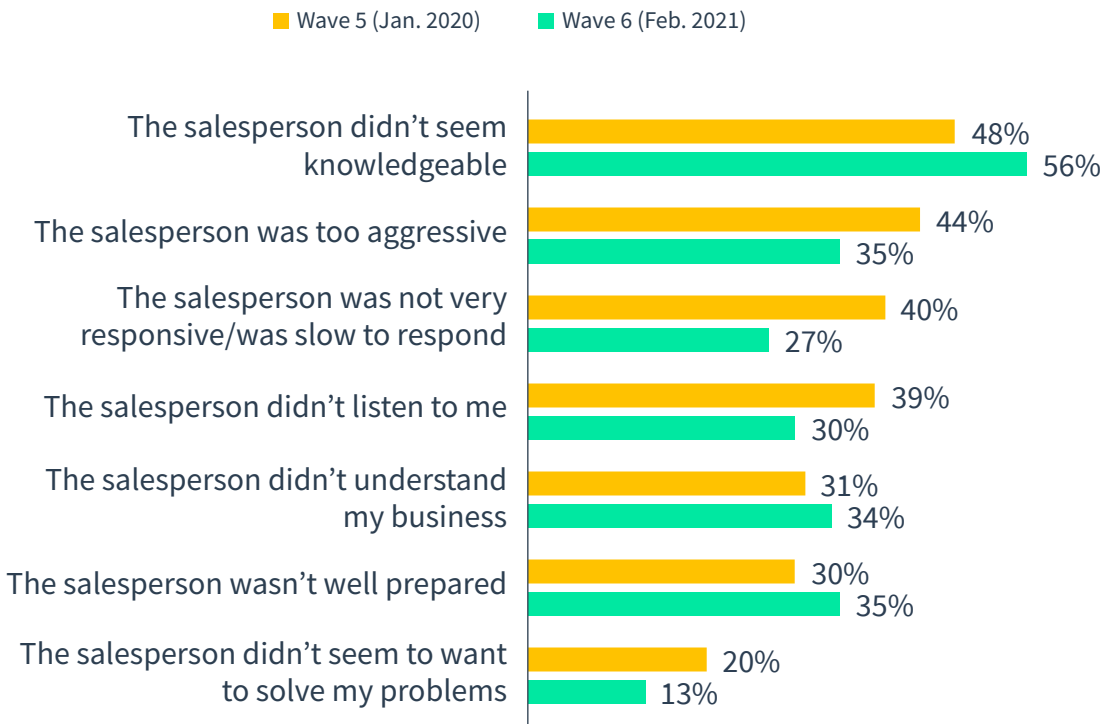


SMB sales preferences

Over half of SMBs would prefer to use an automated platform rather than deal with a salesperson.

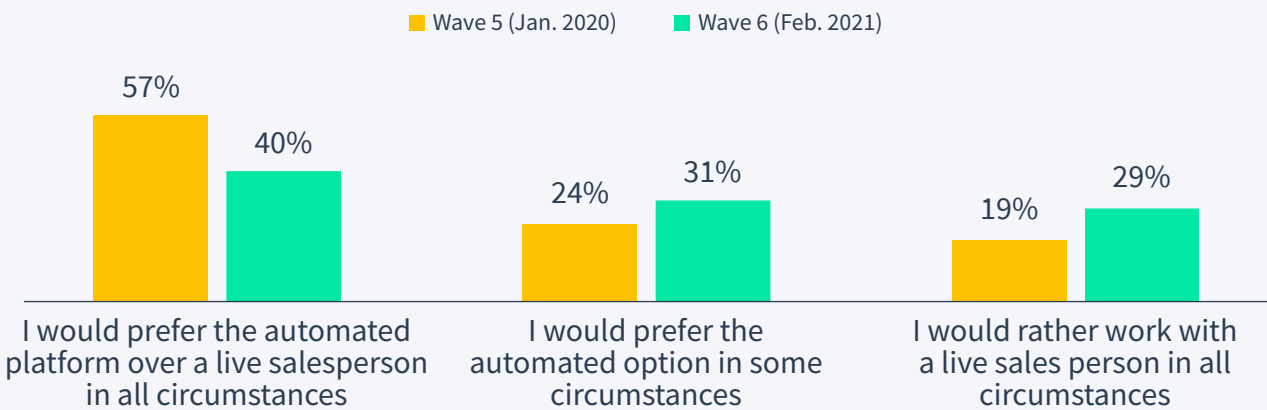
TOP REASONS FOR DISSATISFIED SALES EXPERIENCE

Source: Localogy Modern Commerce Monitor™, Feb 2021



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

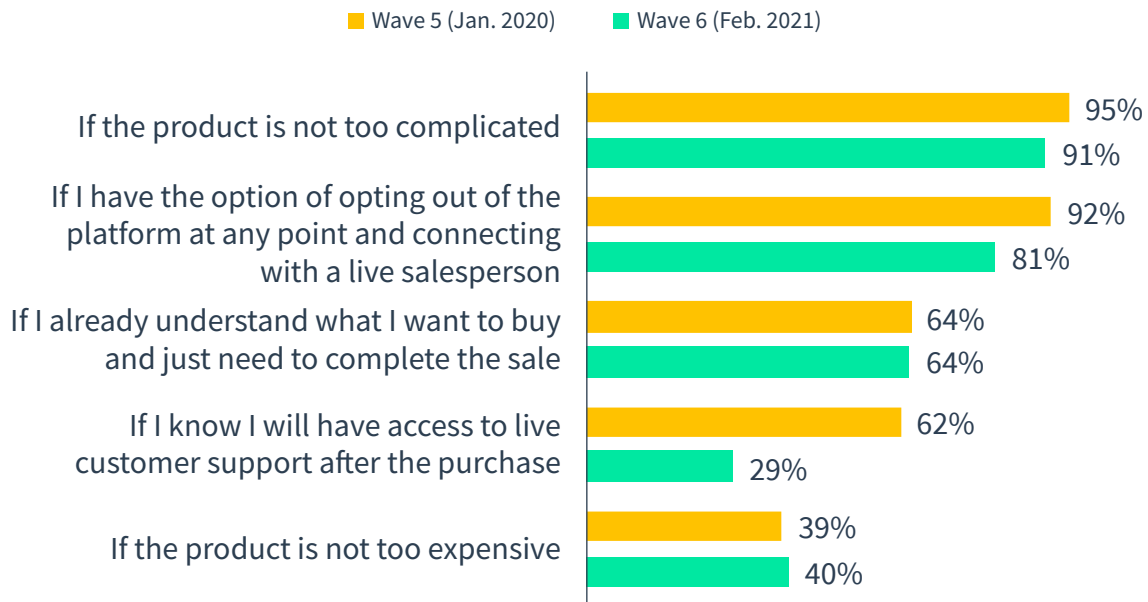
Source: Localogy Modern Commerce Monitor™, Feb 2021



SMB and automated sales processes

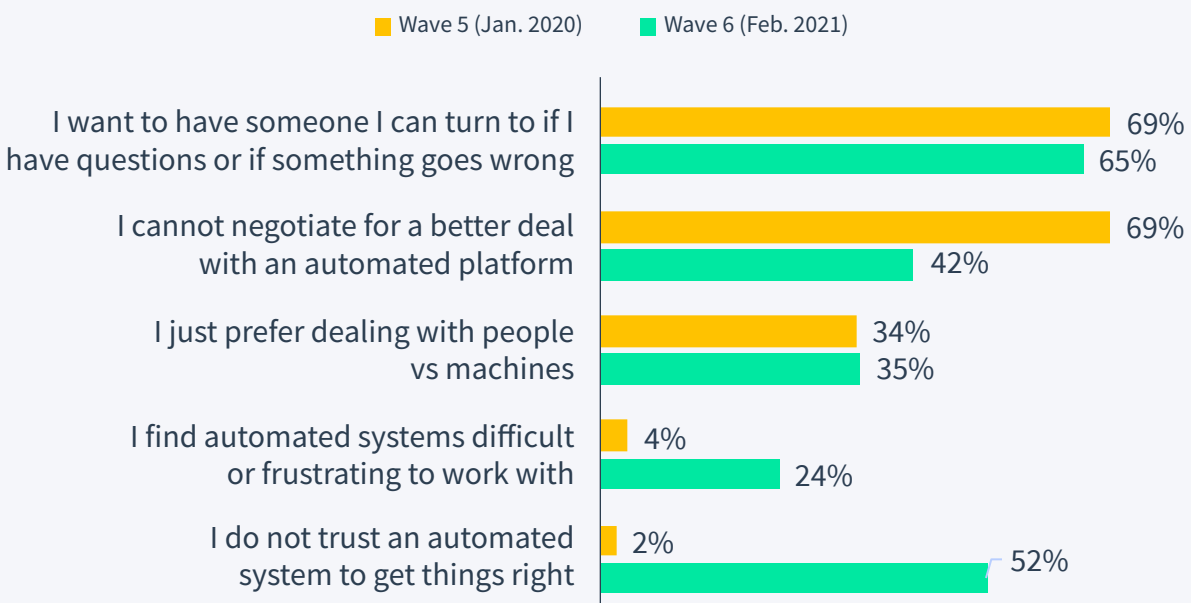
SITUATIONS WHERE BUSINESS OWNERS WOULD WANT TO USE AN AUTOMATED PROCESS

Source: Localogy Modern Commerce Monitor™, Feb 2021



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

Source: Localogy Modern Commerce Monitor™, Feb 2021

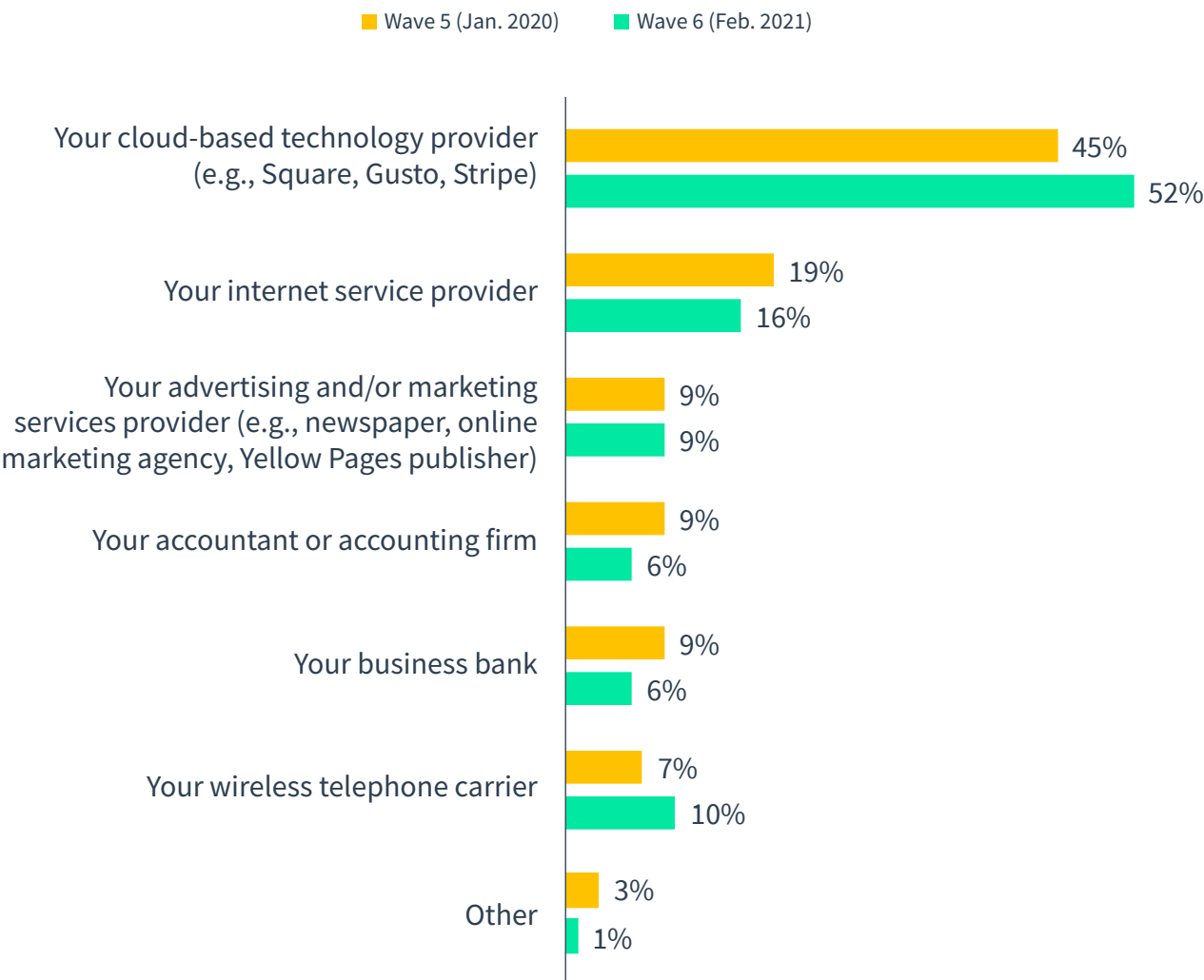


Online technology service providers are the top choice for partner

Over 50% of SMBs would purchase new services from an online technology provider. However, other options are gaining traction.

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

Source: Localogy Modern Commerce Monitor™, Feb 2021

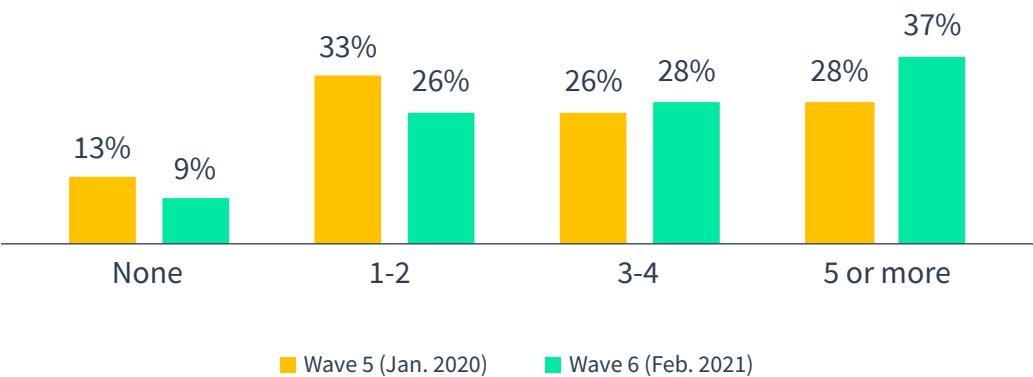


SMB partner preferences

Over half of SMBs work with more than 3 partners, however most would prefer to work with one.

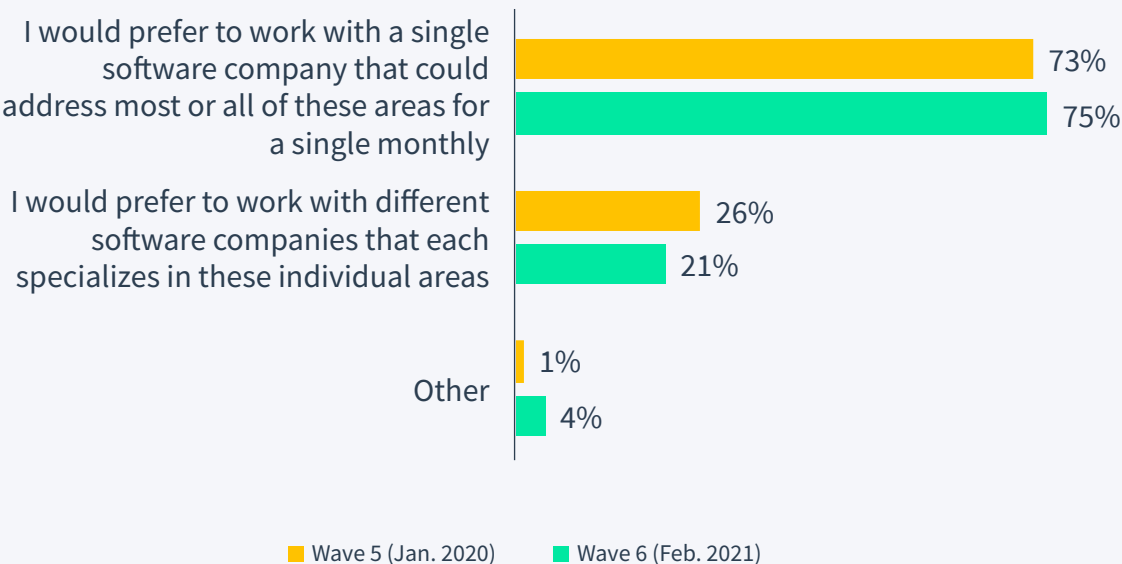
AVG. NUMBER OF VENDORS USED

Source: Localogy Modern Commerce Monitor™, Feb 2021



PREFERRED NUMBER OF VENDORS USED

Source: Localogy Modern Commerce Monitor™, Feb 2021

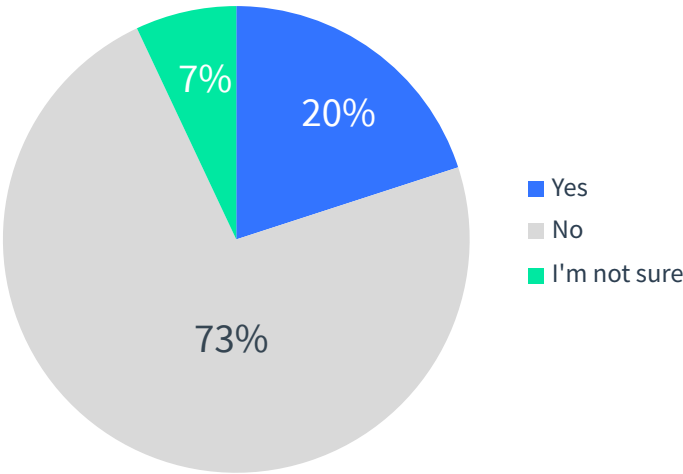


Few SMBs have consolidated services, preferring those with industry specialization

Vertical specialized partners are becoming more important.

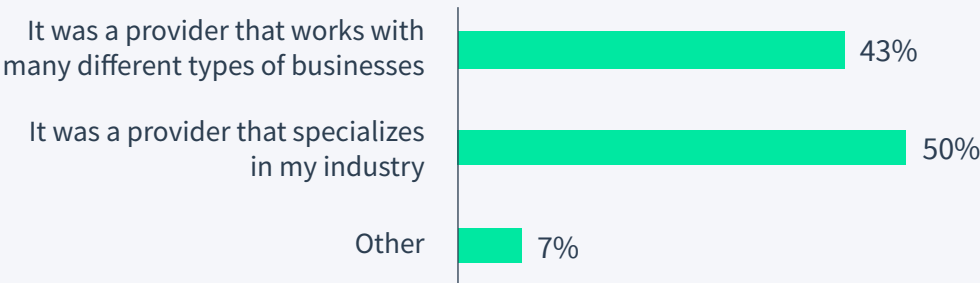
SMBs THAT HAVE CONSOLIDATED ONLINE SERVICES TO ONE PROVIDER

Source: Localogy Modern Commerce Monitor™, Feb 2021



WHEN CONSOLIDATING, WHAT TYPE OF PROVIDER DID YOU USE

Source: Localogy Modern Commerce Monitor™, Feb 2021



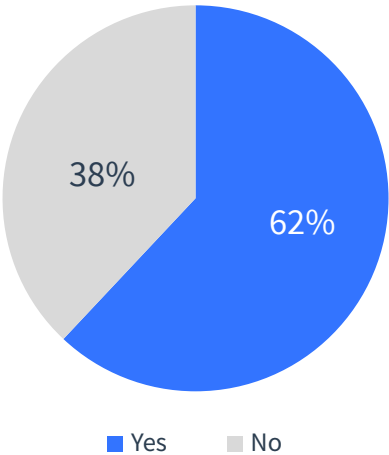
APPENDIX

SMB Owner Succession Planning

Over 60% of business owners age 55+ have thought about the future of their business - half plan to sell or turn it over to a family member.

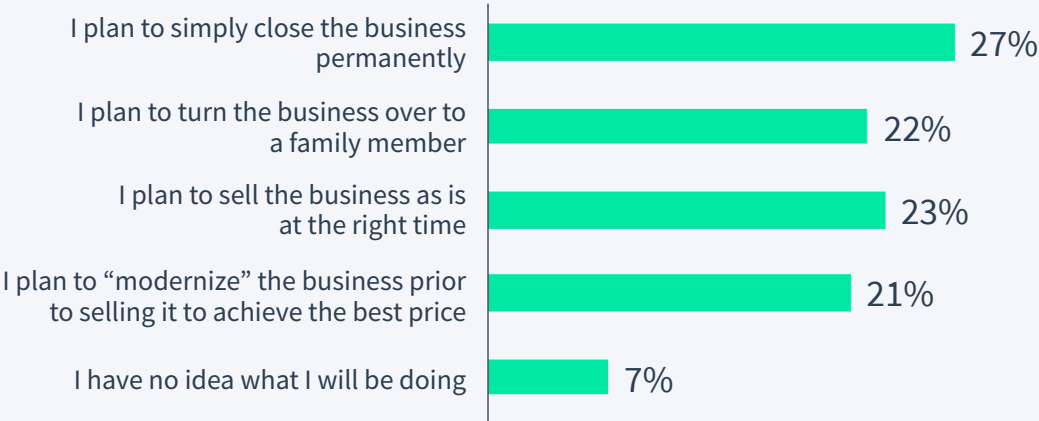
GIVEN YOUR STAGE OF LIFE, ARE YOU TAKING ANY STEPS OR GETTING ANY ADVICE ABOUT WHAT TO DO WITH YOUR BUSINESS WHEN YOU ARE READY TO RETIRE?

Source: Localogy Modern Commerce Monitor™, Feb 2021



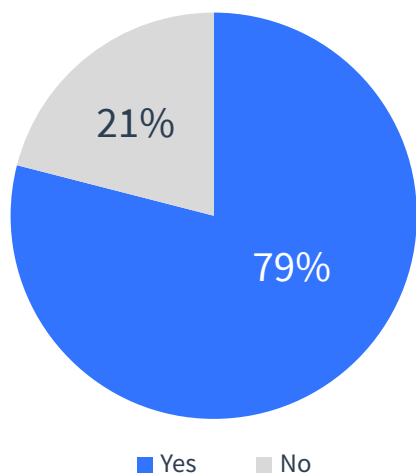
WHAT IF ANY OF THE FOLLOWING STATEMENTS CHARACTERIZES YOUR APPROACH TO THINKING ABOUT RETIREMENT?

Source: Localogy Modern Commerce Monitor™, Feb 2021

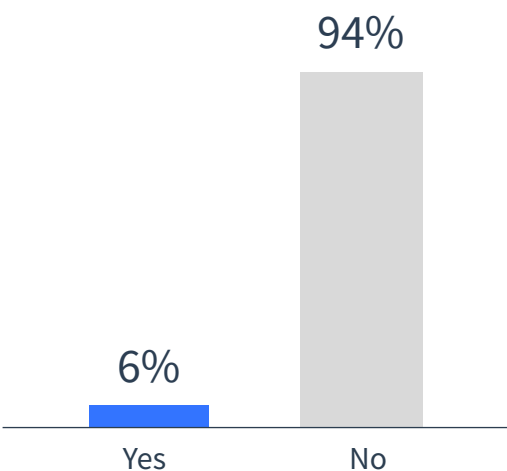


SMB Cryptocurrency Awareness

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™, Feb 2021

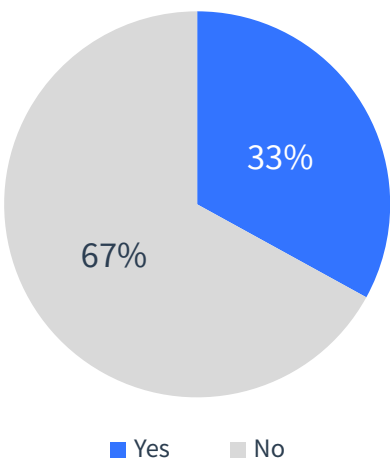


SMB e-Commerce adoption trends

One third of businesses adopted new ecommerce technology during the pandemic.

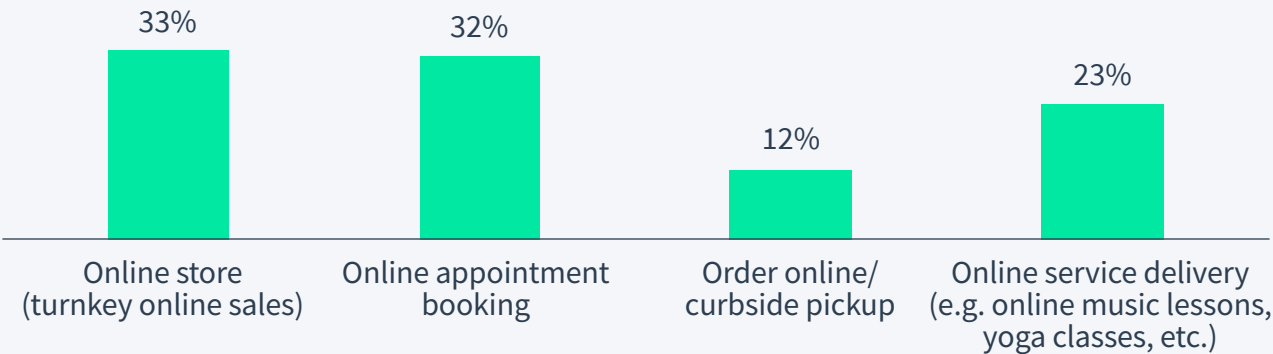
HAS YOUR BUSINESS ADOPTED ECOMMERCE TOOLS IN ORDER TO ADAPT TO RESTRICTIONS AND/OR SHIFTS IN CONSUMER BEHAVIOR DURING THE PANDEMIC?

Source: Localogy Modern Commerce Monitor™, Feb 2021



WHAT FORM DID IT TAKE?

Source: Localogy Modern Commerce Monitor™, Feb 2021

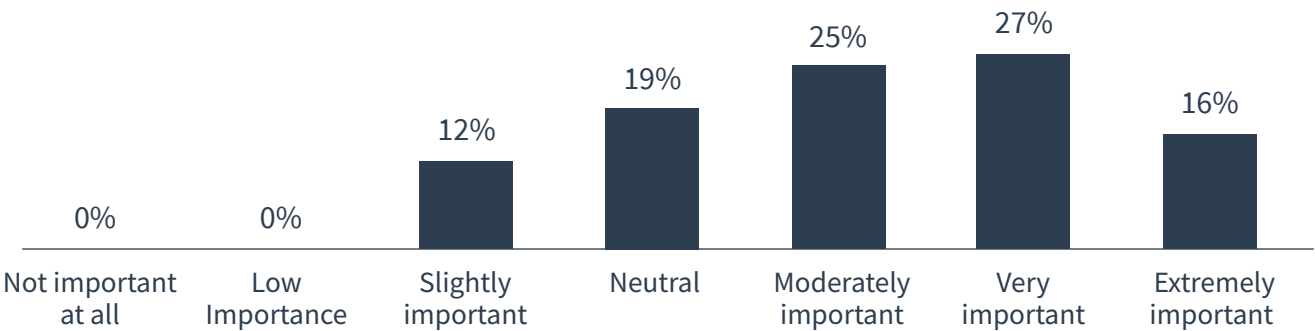


SMBs views on E-Commerce in the future

The majority of business owners felt the tools were important for survival and are likely to continue to use them in the future.

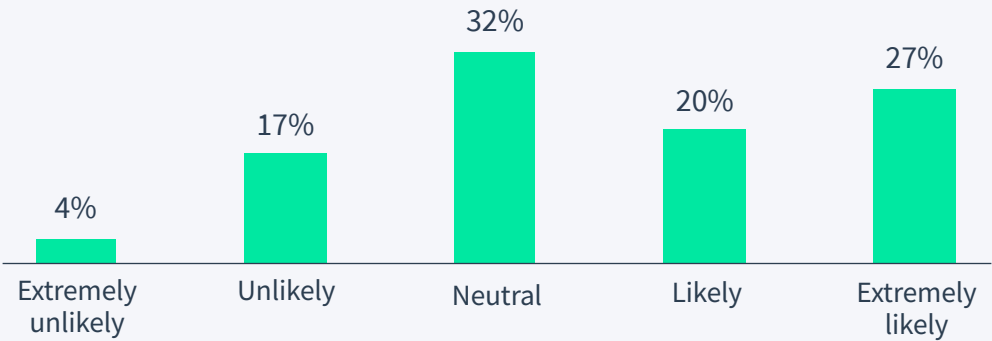
HOW IMPORTANT WAS THIS PIVOT TO YOUR BUSINESS'S SURVIVAL DURING THE PANDEMIC?

Source: Localogy Modern Commerce Monitor™, Feb 2021



HOW LIKELY ARE YOU TO CONTINUE USING THESE ECOMMERCE ELEMENTS IN YOUR BUSINESS AFTER THE PANDEMIC?

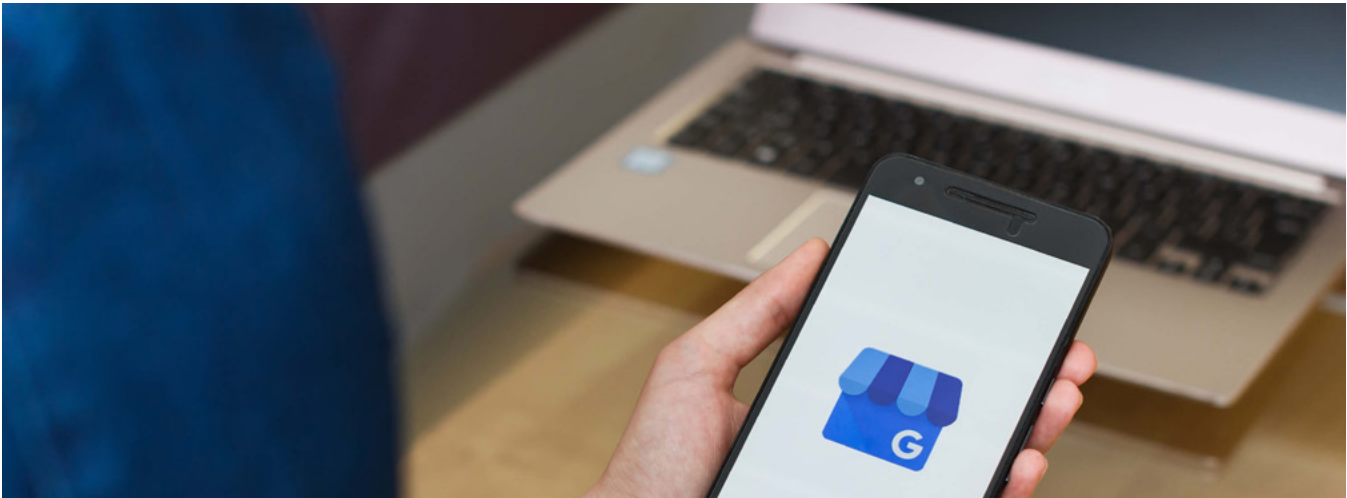
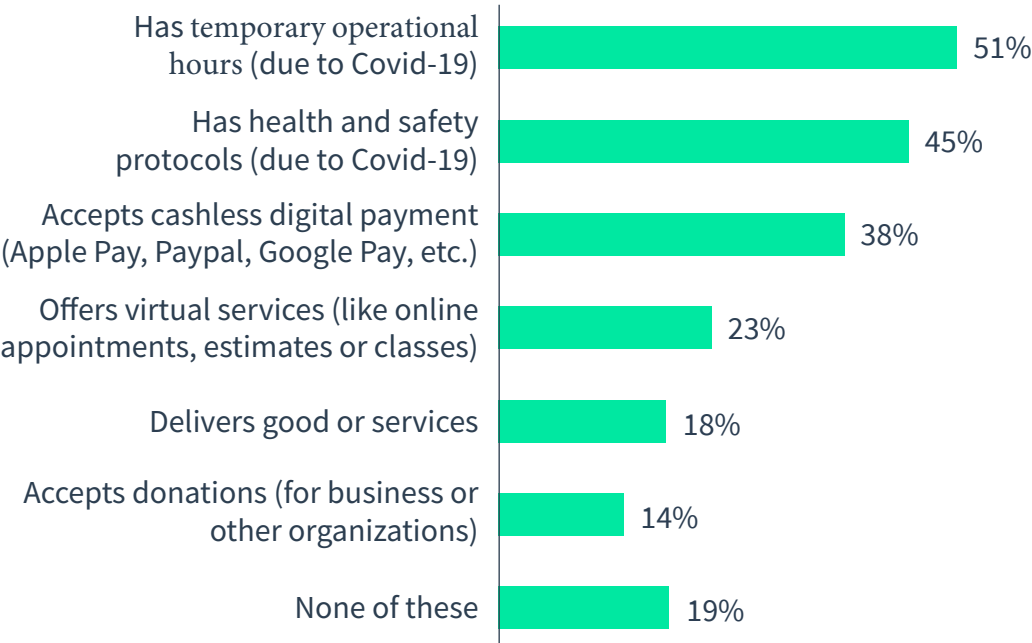
Source: Localogy Modern Commerce Monitor™, Feb 2021



Many SMBs leveraged GMB listing updates to keep consumers informed during the pandemic

HOW DID SMBS LEVERAGE GMB LISTINGS DURING THE PANDEMIC?

Source: Localogy Modern Commerce Monitor™, Feb 2021



Numbers of calls is the top GMB performance measure used by SMBs

WHICH GMB DASHBOARD METRICS DRIVE SMBS CHOICE TO SPEND MORE TO IMPROVE MARKETING AND ADVERTISING?

Source: Localogy Modern Commerce Monitor™, Feb 2021

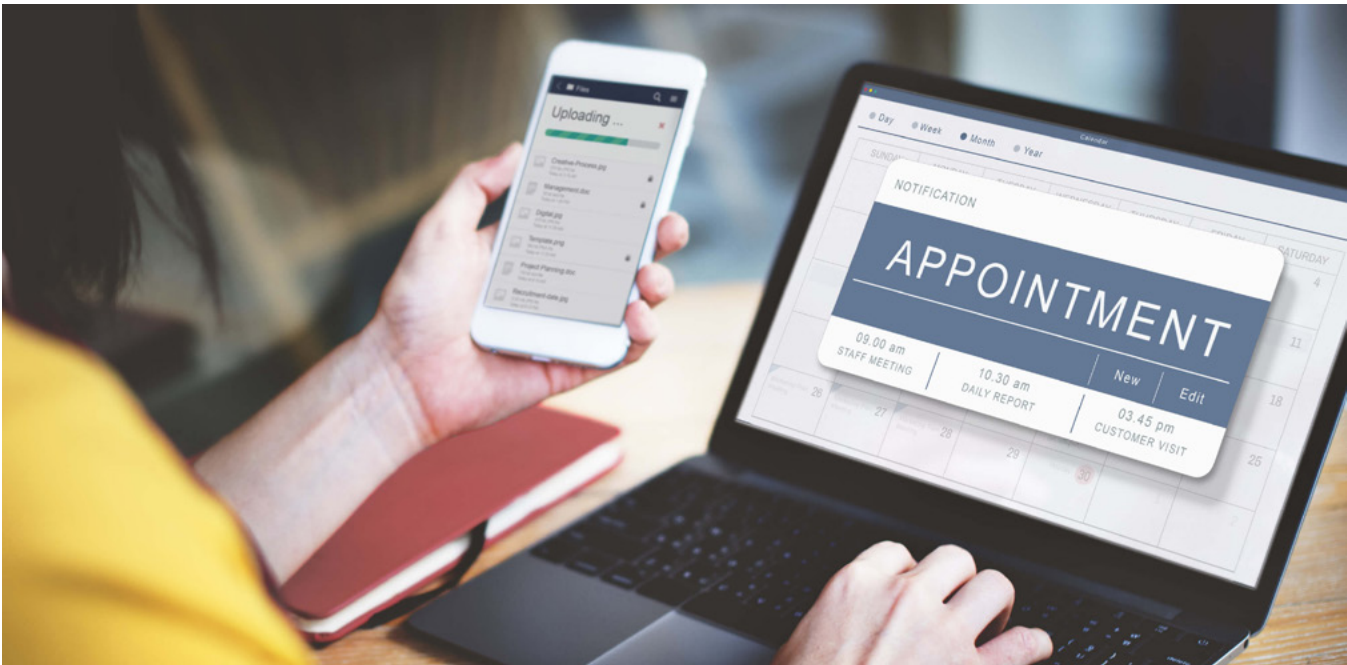
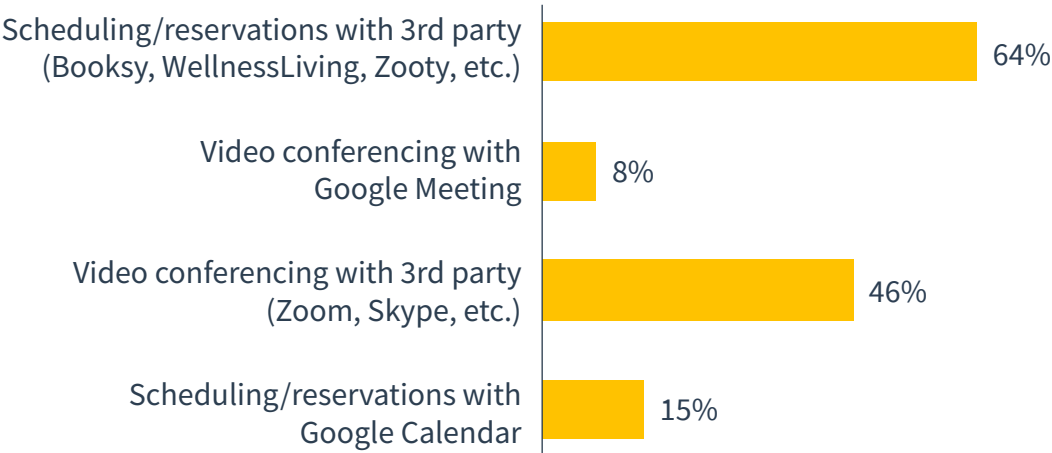


SMBs utilize a variety of scheduling tools

3rd Party Scheduling/Reservation tools are preferred over Google Calendar .

DO YOU USE THE FOLLOWING FOR ONLINE APPOINTMENTS, RESERVATIONS, ESTIMATES OR CLASSES?

Source: Localogy Modern Commerce Monitor™, Feb 2021



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 6 was fielded in February 2021 and will be updated at least one more time by the fall of 2021. 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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