RESEARCH REPORT

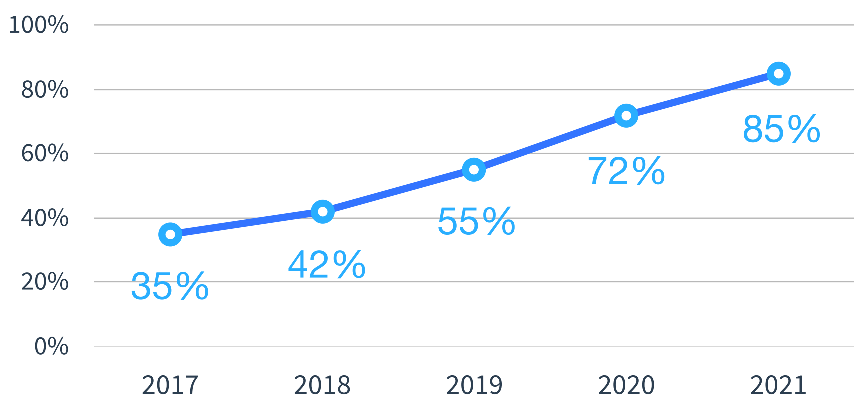
Modern Commerce Monitor™
State of SMB – Wave 6.1: Business Segment Trends

Localogy

INCLUDES SURVEY DATA FROM THE LATEST MODERN COMMERCE MONITOR™

TRENDS IN PROGRESS FOR 2021

Online service adoption among SMBs continues to grow, as decisions made in early urgency give way to an understanding of and greater interest in tools available. These trends clearly demonstrate a surge in digital transformation brought on by COVID-19.



85%
of small businesses have adopted online software to help manage their business. This is up 143% since 2017.

6.35
is the average number of apps business owners use to manage their business.

As reported in Wave V in 2020, the average number of apps in use by SMBs to run their businesses had doubled to 6.25 since 2019. As SaaS players continue their quest for user retention and expansion of services, we may see this number level – signaling a consolidation among SMBs in the apps they use every day.

62%
of business stated they have saved money from using online software.

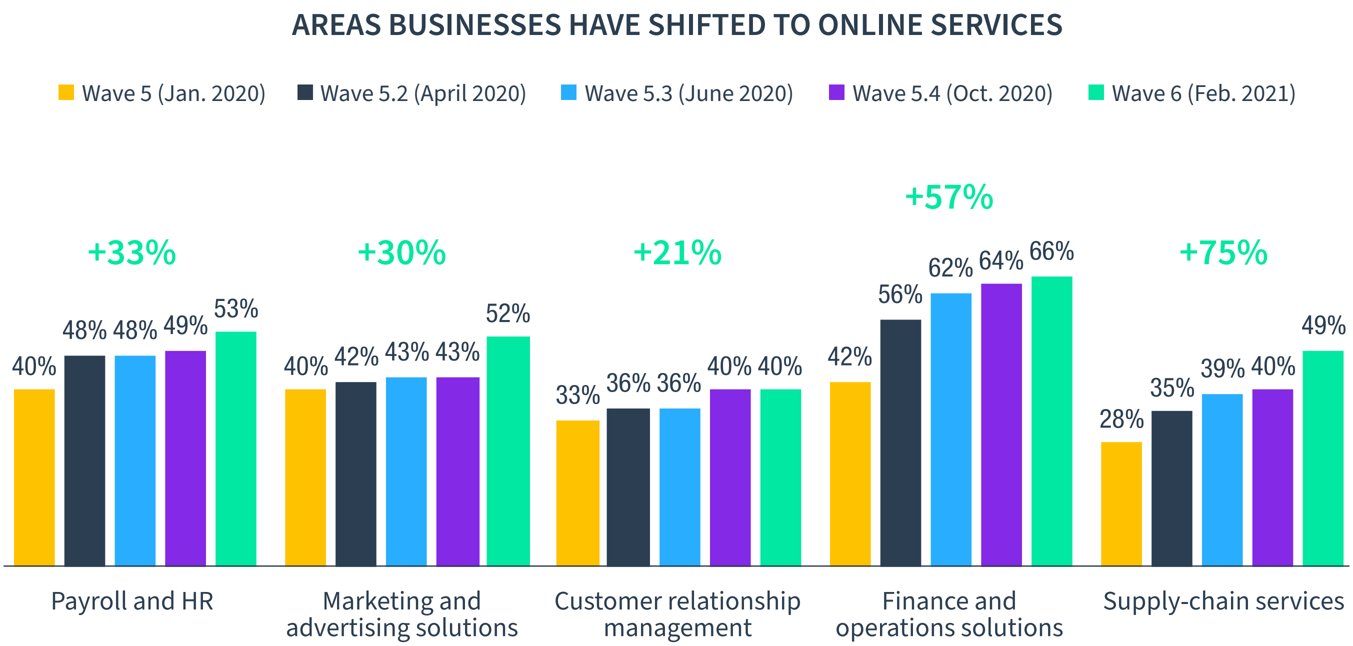
A welcome side effect of racing to adopt and invest in new technologies throughout 2020 is the cost savings many SMBs have discovered in doing so. Digitally driven operational efficiencies are sure to be among the stickiest experiences and will drive customer retention.

65%
of small businesses plan to purchase more online solutions over the next 12 months.

Those experiencing cost savings and efficiencies in areas such as marketing, finance, HR, supply chain and customer service, are more planning to expand their use of online tools in bigger ways over the next 12 months.

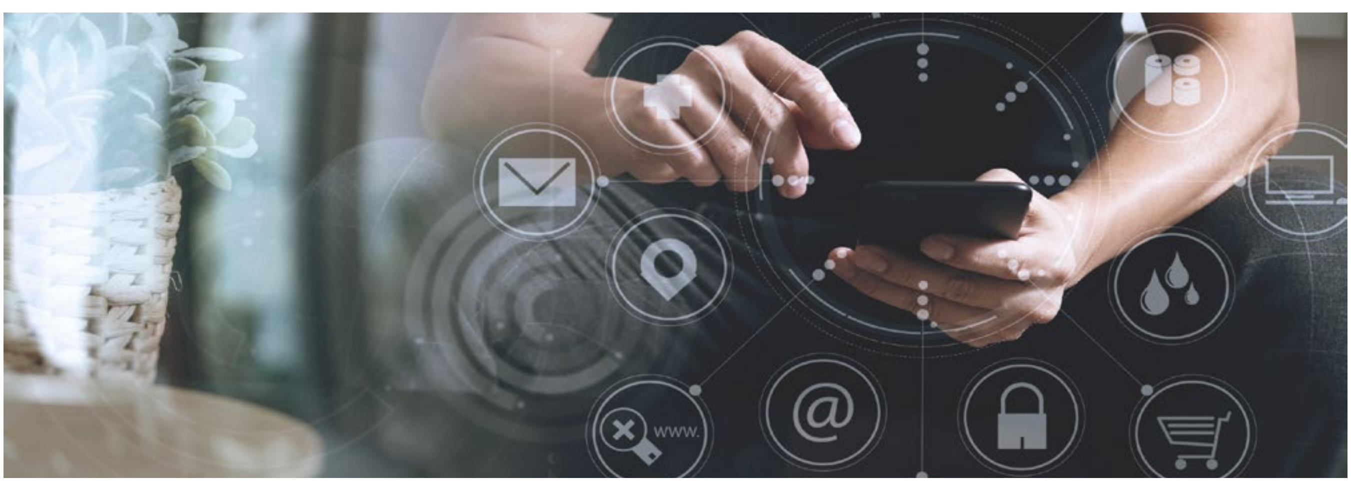
Source: Localogy Modern Commerce Monitor™; 2017-2021.

In fact, business owners are investing across the board in online services and tools.



Source: Localogy Modern Commerce Monitor™; Main Wave 5 was conducted in January, 2020 on 1,117 SMBs. Mini Wave 1: N= 1,011 SMBs (April, 2020); Mini Wave 2: N= 1,014 SMBs (June, 2020); Mini Wave 3: N=1,009 SMBs (September, 2020); Main Wave 6: N=1,011 SMBs (January 2021).

Investments have jumped significantly in Marketing and Advertising Solutions and Supply Chain Services since the end of 2020, kicking off an accelerated trajectory worth watching this year. As sectors like Customer Relationship Management finds a plateau from the end of 2020 and the start of 2021, we expect investment to increase across the board throughout 2021.



SMBs in the home services industry plan to continue to adopt new technology in 2021 to address evolving needs.

LOOKING BACK

Home service businesses invested in a number of new technologies.

51% invested in productivity technology to help with remote workers.

37% invested in new ecommerce technology to help with shifting consumer behavior.

24% invested in online booking technology.

LOOKING FORWARD

Home service businesses will continue to focus on technology to address changing market conditions.

35% are interested in new online solutions.

54% want to work with a provider that has some expertise in their industry.

45% want to have extra training and support when they come on board.

Source: Localogy Modern Commerce Monitor™; 2020-2021.

The theme of 2020 was survive in this new way of doing business, and that is illustrated most obviously in SMB investment in productivity technology (51%) to keep the gang together and working efficiently, ecommerce technology (37%) to provide new digital venues to sell goods, and online booking (24%) to sell services. But after the year of forced transformation and acceleration, SMBs are going deeper with the tools they use and their understanding of them, asking for more features and greater service from SaaS providers.

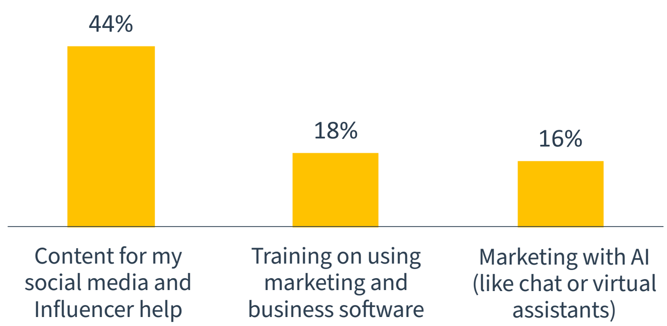
While the home services sector may not have suffered the same as other industries in 2020, getting back to business as usual is still in progress.

TOP FIVE BUSINESS CHALLENGES

Biggest challenges to business growth in 2021

TOP THREE MARKETING AREAS

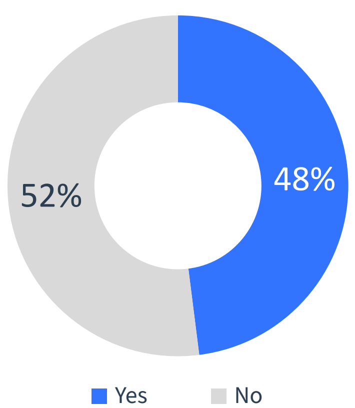
Where businesses need the most help



Home Service SMBs biggest challenge of 2021 is welcoming employees back to work and are investing in HR software to help support the process. With limited staff, efficiency becomes most important, allowing those that are back at work the ability to do more with the help of SaaS tools.

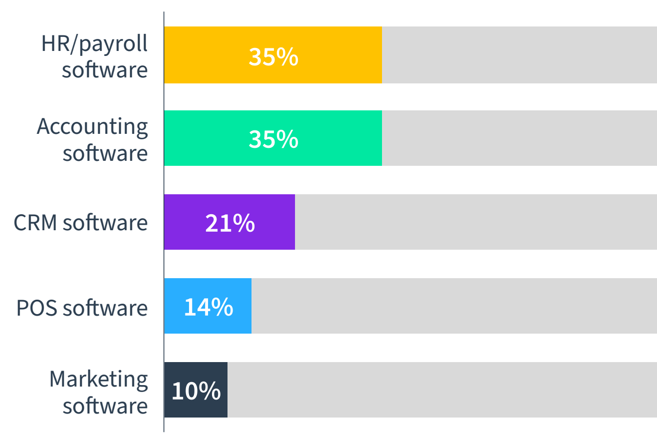
TECHNOLOGY RETENTION

Businesses that plan to keep new tech or upgrades they made in 2020



NEW TECHNOLOGY INVESTMENTS

Where businesses expect to invest dollars in 2021

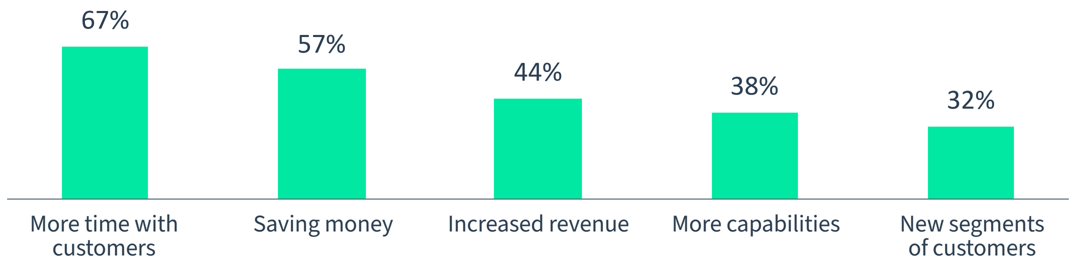


Source: Localogy Modern Commerce Monitor™; 2020-2021.

As home service SMBs go deeper with current tools or bring on others, how you interact with them to win or retain – matters.

KEY BENEFITS

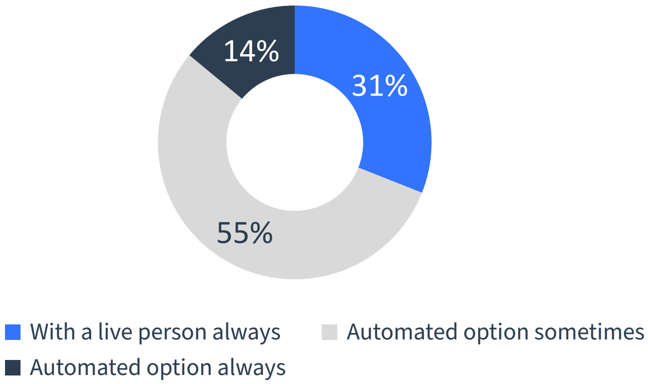
Benefits business owners feel they will get from using online solutions



Home Service SMBs are businesses built on service and so it's no surprise that a noted key benefit of leveraging online services is the ability to spend more time with clients. SaaS tools in use are also winning over the long-term plans of SMB owner and operators for its cost savings and ability to support revenue increases. But as SaaS organizations cross-sell, up-sell, and re-sell to Home Service providers, they need to read the room – or simply the graphs below. SMBs prefer to speak with a human, not a machine. That's not to say the chatbots of the world are not helpful, but a mix of options provides for a better experience. When reaching out to explore new technology or expand current SaaS subscriptions to additional features, SMBs overwhelmingly prefer to get that information from a technology provider directly.

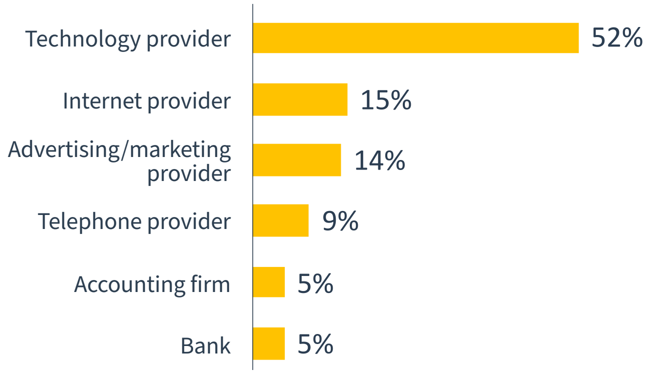
SALES INTERACTIONS

How they would prefer to interact with technology providers



PROVIDERS

Where businesses are willing to go to find online technology



Source: Localogy Modern Commerce Monitor™; 2021.

BUSINESS SNAPSHOT
Retail

Open meant different things from 2020 to 2021, as local retailers found their footing with the help of technology.

LOOKING BACK

Retail businesses had to make significant changes in 2020 to remain open.

45% invested in online ordering and curbside pickup technology.

39% started marketing on an online marketplace to help with shifting consumer behavior.

56% invested in contactless payment technology.

In 2020 retailers scrambled to provide for online ordering and curbside pick up as shutdowns came down, lifted, and came down again. To help expand their reach into new digital channels, Retail SMBs added their products and services to the growing number of online marketplaces – such as Etsy, Shop by Shopify, and Amazon. Even when local regulations allowed for in-store shopping, safe purchase through contactless payment systems were provided to safely distance staff with customers.

As 2021 progresses, Retail SMBs are looking to expand their use of technology and new online solutions – but want to work with a provider that has proven real industry-specific expertise. They understand the need to align an efficient tech stack and see technology as critical to the success of their business through COVID and beyond.

LOOKING FORWARD

As the economy continues to open back up, retail businesses will need to adapt to stay relevant.

36% are interested in new online solutions.

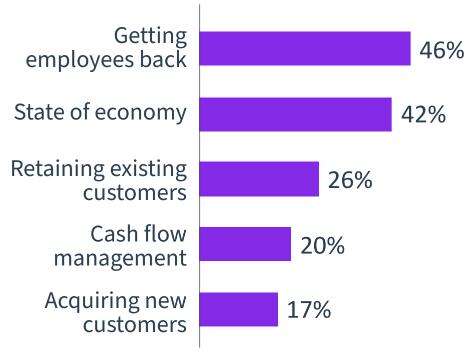
55% want to work with a provider that has some expertise in their industry.

80% feel technology will be critical to their success in the future.

Source: Localogy Modern Commerce Monitor™; 2020-2021.

Retail is all about the tech upgrades in 2021, expanding upon the tools currently in use.

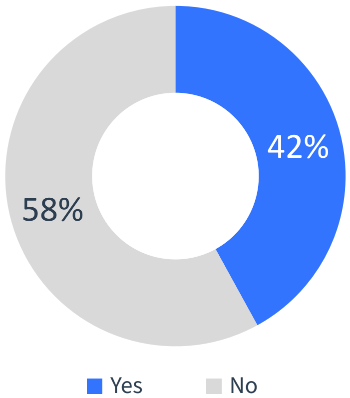
TOP FIVE BUSINESS CHALLENGES
Biggest challenges to business growth in 2021



TOP THREE MARKETING AREAS
Where businesses need the most help

Similar to Home Services, Retail struggles to coax staff back to local storefronts and continue to keep a close eye on spending trends as the economy looks to recover. With less foot traffic, the attention has turned to digital methods to operate and promote. On the marketing from, new channels are an important part of 2021 strategies, adding in platforms like TikTok and Snapchat. Websites are in for a much-needed upgrade as well, with the interest in integrating voice, video, and custom content in the mix.

TECHNOLOGY RETENTION
Businesses that plan to keep new tech or upgrades they made in 2020



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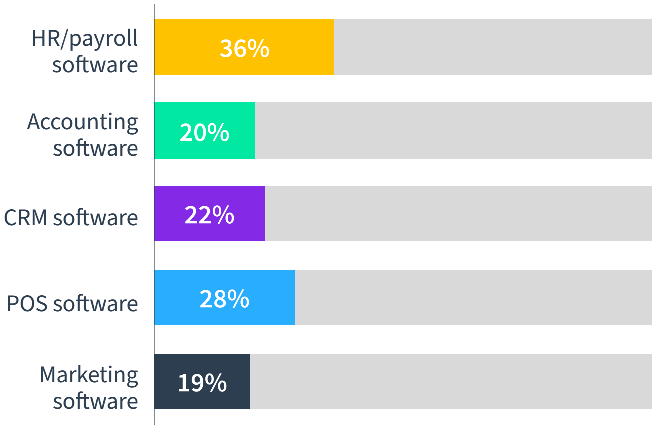
Where businesses expect to invest dollars in 2021

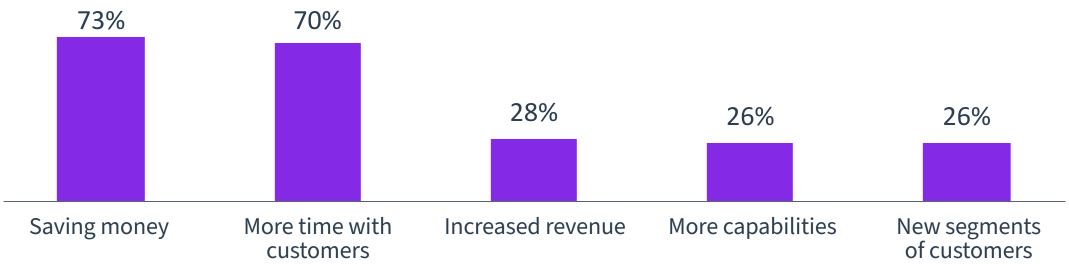


Source: Localogy Modern Commerce Monitor™; 2020-2021.

While exploring new and upgraded tools and services, retailers still have a keen eye on cost, and a renewed focus on the customer relationships that have kept them afloat.

KEY BENEFITS

Benefits business owners feel they will get from using online solutions

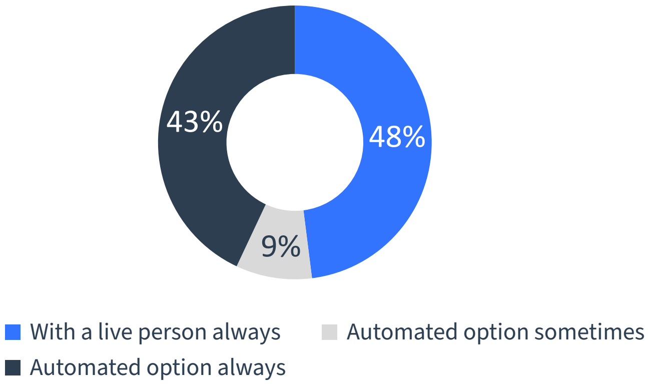


Cost and time savings rank even higher in Retail than Home Services, as Retail SMB owners and operators look to trim the fat and spend time with more customers to create a stronger sales pipeline and memorable experience.

In the process of exploring new or expanded tech solutions, retailer are looking for that human touch more than ever – even if it's in the form of a real-live customer support rep. And the place their looking for those expanded solutions is with a trusted technology provider – more than double any other research or referral channel combined.

SALES INTERACTIONS

How they would prefer to interact with technology providers



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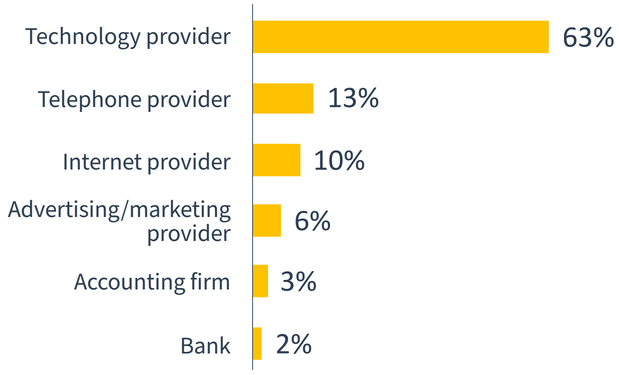

Source: Localogy Modern Commerce Monitor™; 2021.

BUSINESS SNAPSHOT
Automotive

Coming out of a tough year, local automotive looks to refine operations, sales + marketing strategy with the help of technology.

LOOKING BACK

Automotive services businesses were not impacted as bad as some segments in 2020. However, they did have to adapt.

51% invested in productivity technology in 2020 to help with remote workers.

31% invested in new ecommerce technology to help with shifting consumer behavior.

16% invested in online booking technology.

2020 hit the local automotive industry hard. As we all helped to #StayHome the need for transportation shrank significantly – new cars, repairs or resale – all felt the pain. But local Auto SMBs turned to technology to manage a remotely located workforce while pushing the limits of ecommerce with the ability to book a "showroom tour", sign and test drive with little to no contact.

In 2021, as more return to work and the world comes back to life, the local Auto industry is looking to invest in new payroll and HR software, as well as platforms to help get the word out and acquire new customers. In expanding their SaaS play to those types of tools and beyond, local Auto business owners and operators are looking for SaaS organization to provide additional training and support.

LOOKING FORWARD

Automotive services businesses will continue to adopt technology where it makes sense.

61% are interested in new online solutions around HR and payroll.

32% want to invest in marketing platforms that will help them acquire new customers.

57% want to have extra training and support when they come on board.

Source: Localogy Modern Commerce Monitor™; 2020-2021.

Recooping sales is the name of the game for automotive in 2021.

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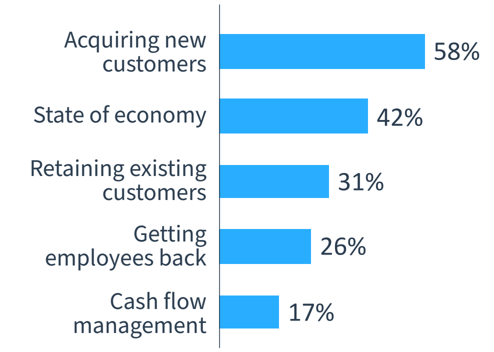
Biggest challenges to business growth in 2021



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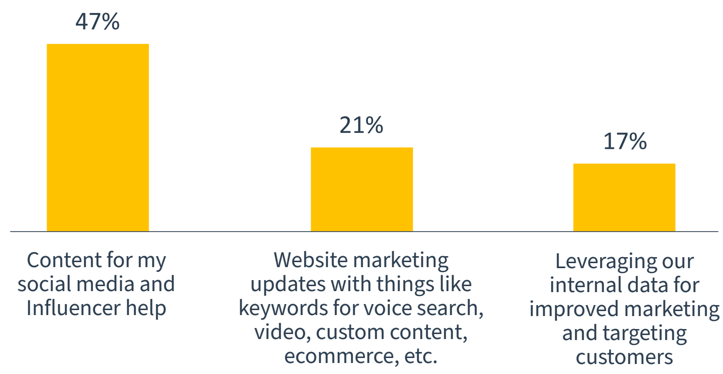
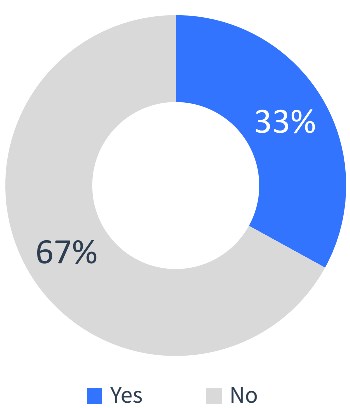


The acquisition of new customers remains a top priority in 2021, alongside the expansion of marketing tactics including social media and influencer marketing, or injecting the use of chatbots, voice search or video into their websites.

Technology retention among Automotive SMBs is higher than in Home Services or Retail as local lots and shops take great steps to train their staff, not wanting to change tools or eliminate needed tools.

TECHNOLOGY RETENTION
Businesses that plan to keep new tech or upgrades they made in 2020



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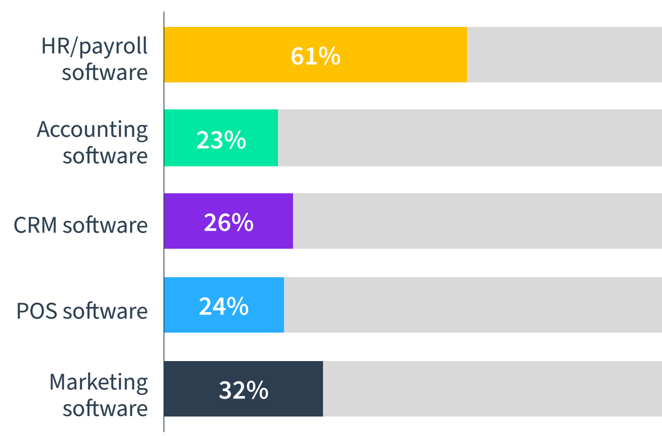

Source: Localogy Modern Commerce Monitor™; 2020-2021.

To help enable revenue recuperation, local automotive is looking to get more with less.

KEY BENEFITS

Benefits business owners feel they will get from using online solutions

Local Automotive is singing the praises of digital tools that offer increased capabilities over previously analog operations or low-tech processes. Coming in close behind is no surprise as saving money and having the ability to improve customer satisfaction I still an essential part of the rebuilding strategy. In your quest to get in front of SMBs looking to adopt new or expand their tech toolset, they prefer an automated only approach to communications, while focusing on research and referrals from other technology providers.

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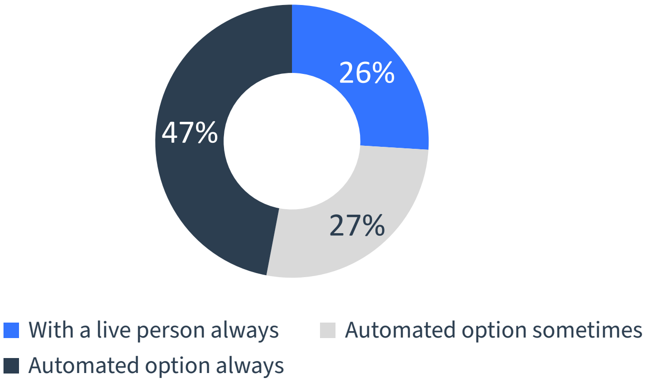

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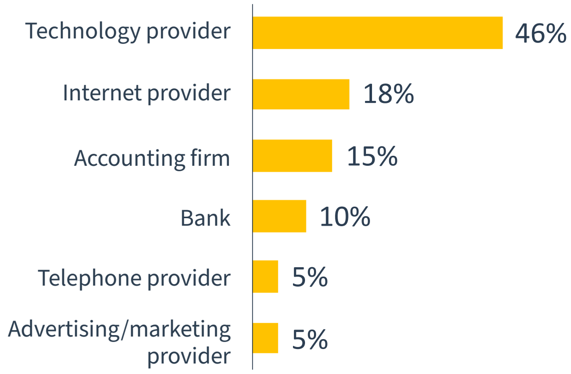

Source: Localogy Modern Commerce Monitor™; 2021.

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