

Home & Trade Services The Early Cloud Adopters

The Case for Ecommerce in Home & Trade Services

The Largest SMB Sector

The Ecommerce Value Proposition

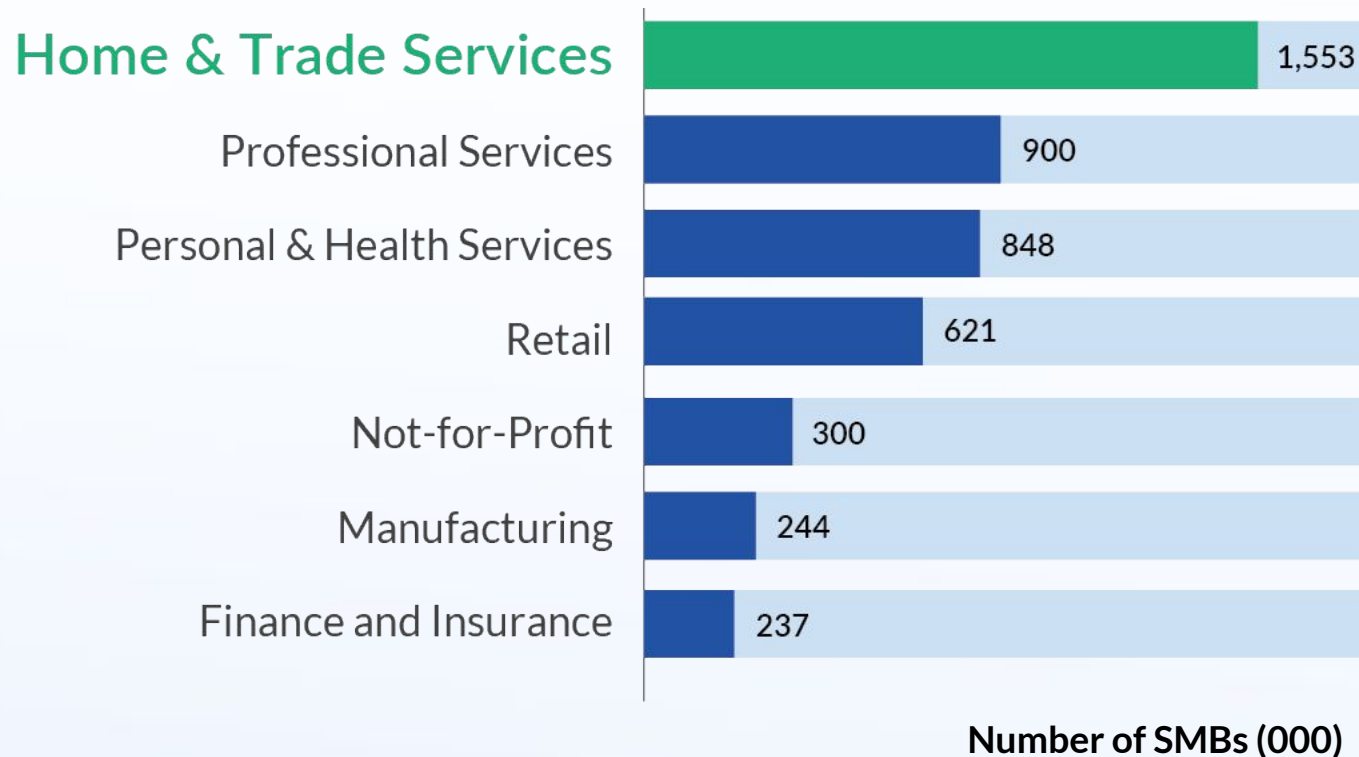
Opportunities & Revenue Projections

Drilling Down into Premises Services & Construction

Appendices

Home & Trade Services is the Largest Sector and has 6 Component Clusters

HTS is the Largest SMB Sector



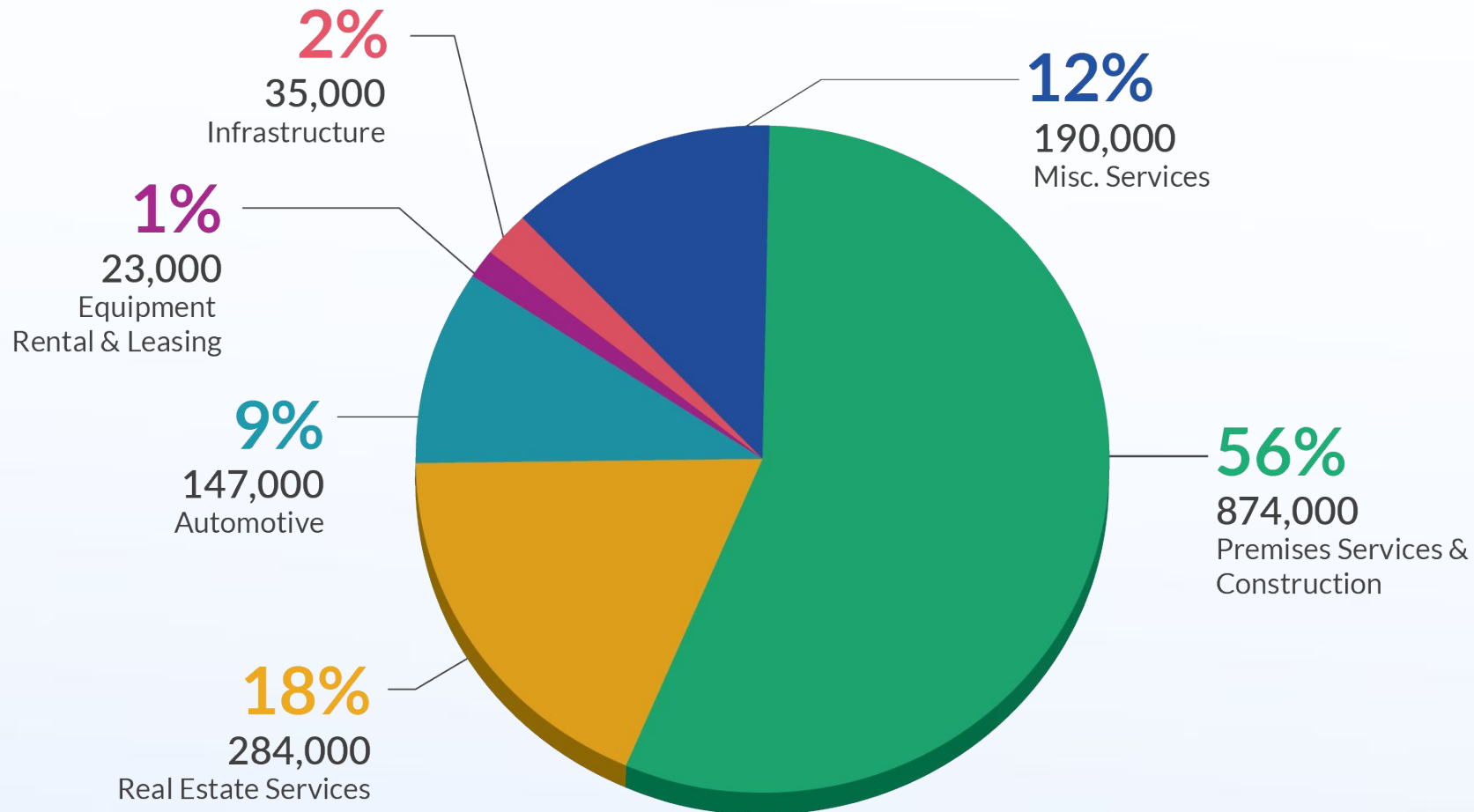
Six Clusters Within Home & Trade Services

- Premises Services & Construction
- Real Estate Services
- Equipment Rental & Leasing
- Automotive
- Infrastructure
- Misc. Services

The report on Retail was presented in a BuzzBoard webinar on Oct. 15 2020, and is now available in the archives.
Source: Census Bureau; BuzzBoard Proprietary data set. Some sectors excluded.

The Clusters Within Home & Trade Services (HTS)

Number of SMBs within HTS **1,553,000**



Key Characteristics of Home & Trade Services

01

Home & Trade Services have been the Bedrock of Many Paid Directories (Print and Online)



02

Most SMBs in Home & Trade Services are Small

84% have fewer than **10 employees**

However, they scale up with contractors, gig workers, etc. as needed by project (Particularly in Construction, Infrastructure, Misc. Services)

Key Characteristics of Home & Trade Services

03 They Tend to Move Incrementally

Tend to be conservative in adopting new technologies

Many are “family and friends”

They watch their competition closely; always seeking an edge

04 Community Validation is Important

Ratings & Reviews (customers, editors)

Certifications, licenses, trade groups

Often sponsor civic groups – very community oriented

05 Key Requirements for Selling to SMBs

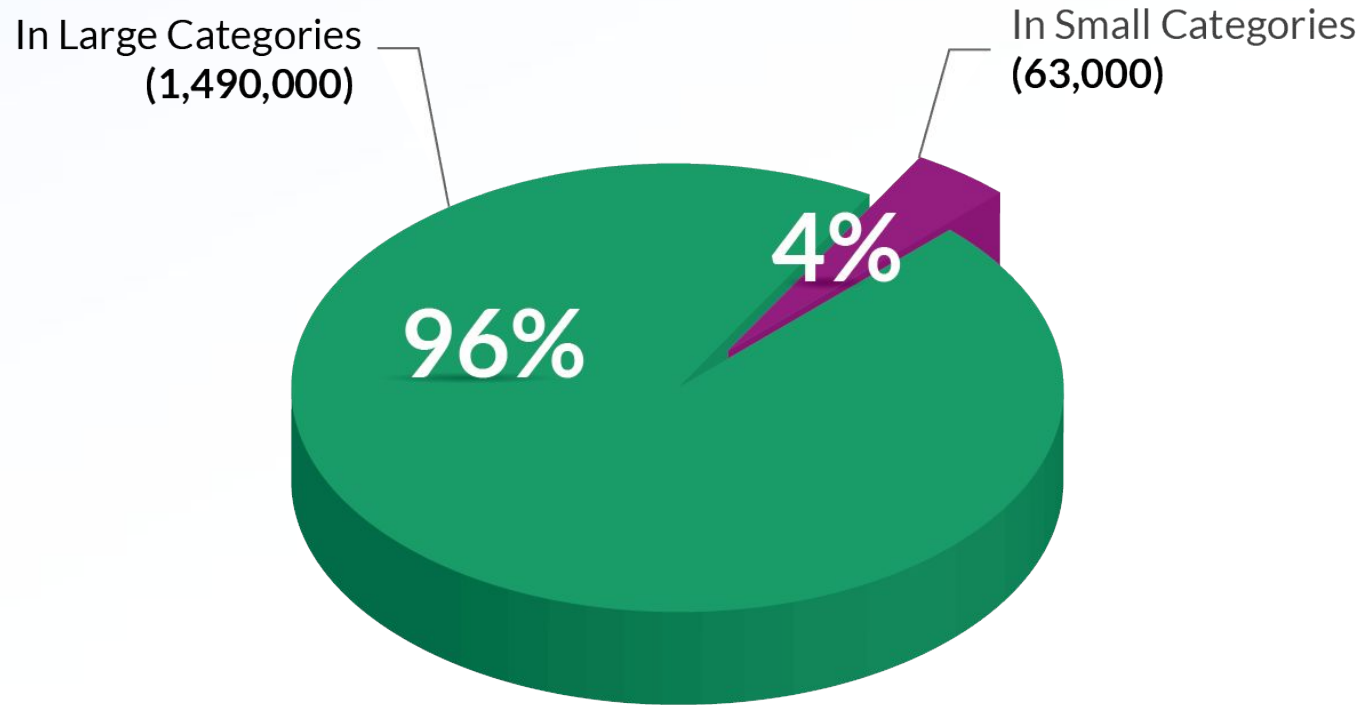
Successfully leverage proprietor/team time (ROI is often measured in terms of time savings!)

Try to show how your product/service makes sense in the context of a larger trajectory being implemented

Marketing to SMBs in Home & Trade Services is Scalable

Of the 1,553,000 HTS SMBs, 1,490,000 (96%) belong to categories that have over 10,000 SMBs each.

HTS SMBs by Category Size



Although most HTS SMBs are small, they're in large categories.

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Ecommerce Value Proposition in Home & Trade Services

Multiple Sources of Value from Ecommerce for HTS SMBs

Provides contact with customers and audience

Helps fight encroachment by mega directories (e.g. Home Advisor, Houzz)

Helps SMB manage work pipeline

Signals that the SMB is committed to its business and market

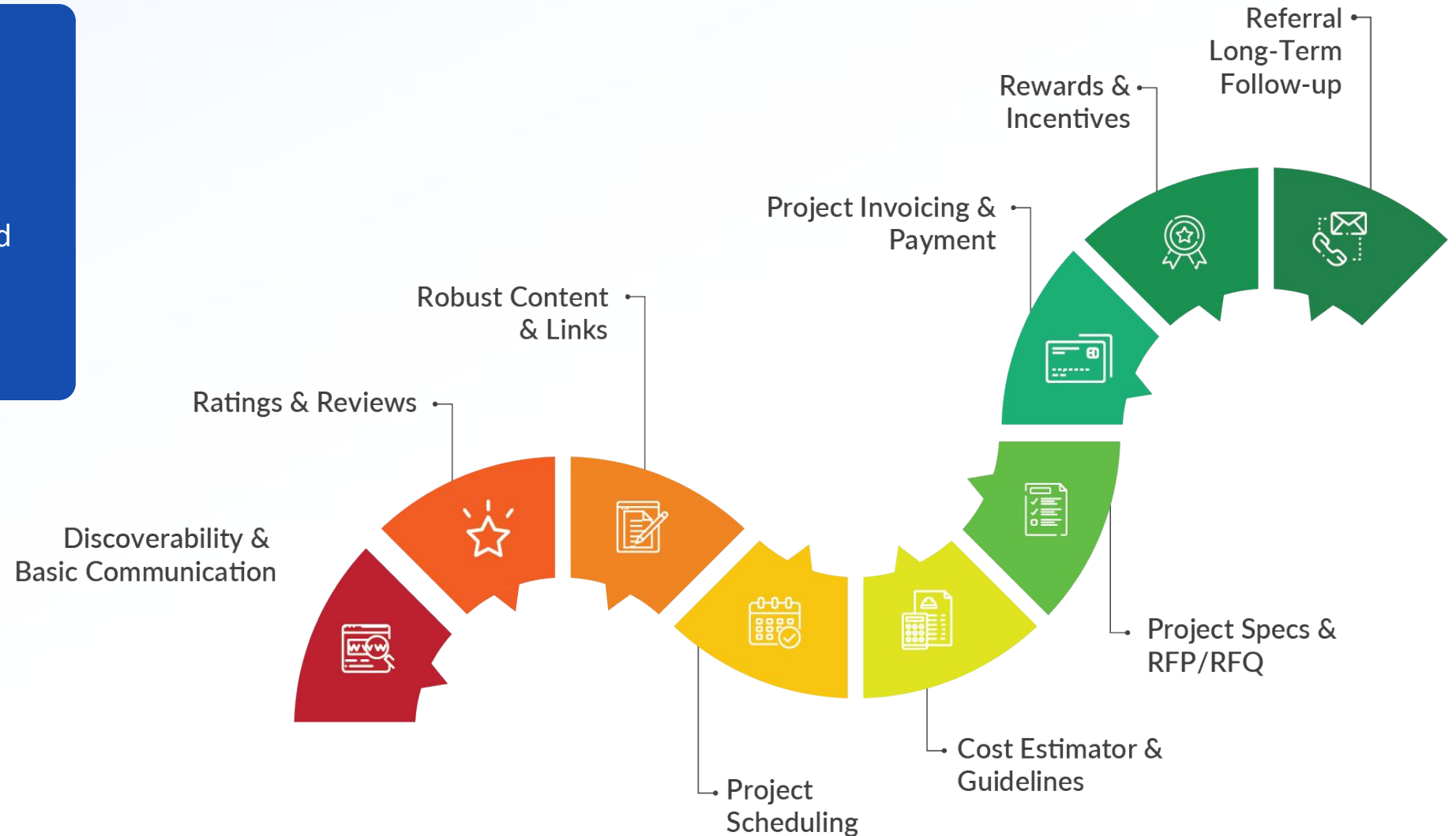
Helps retain staff

Improves cash flow

Online Evolutionary Path for SMBs in Home & Trade Services

There's an online evolutionary path for typical a SMB in HTS.

Each stage involves adding capabilities and technologies.



Note: There are many variations on the sequence in which these capabilities are added.

Urgency for Home & Trade Services



“The pandemic leads to a surprising boom in the struggling appliance-repair industry. America’s stay-at-home workers have had to actually cook meals. Fridges are constantly mined for snacks. The machines can take only so much. [A repairman] is constantly fielding calls from people who need repairs.”

~Washington Post Oct. 22 2020



”Houzz, an online home remodeling platform, reported a **58% annual increase in project leads for home professionals** in June.” ~CNBC Aug. 7 2020



“We’ve been incredibly busy – beyond belief. There’s a lot more toilets being flushed,” William Taylor, **owner of Four Seasons Sewer & Plumbing** on Chicago’s Northwest Side, told the Chicago Sun-Times.” ~ AP News June 27 2020

Urgency for Home & Trade Services



“This year 1stDibs has seen a sharp increase—**28%—in sales of high-quality vintage and antique furniture....** with the intent to reupholster. Increasingly shoppers realize the value of reusing, recycling and reupholstering furniture”.

~ Barzilay Freund, 1stDibs, as quoted in Wall Street Journal, Oct. 23 2020



“In 2019, Lowe’s launched Generation T, an initiative with 60 other companies to fill what they call a gap in skilled trade laborers [for repair work] **projected to hit 3 million job vacancies by 2028.** People from the service industry do great in appliance repair because they can communicate with customers, which is half the battle.”

- Lowe’s Oct. 2020

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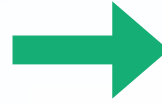
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- Appendices

Home & Trade Services Transitioning to Ecommerce

In our analysis of Ecommerce in Retail (previous webinar), we used two classifications of Ecommerce status:

- Ecommerce Enabled
- Not Ecommerce Enabled



However, in our analysis of Ecommerce in Home & Trade Services, we added a third classification of Ecommerce status:

- Ecommerce Enabled
- Not Ecommerce Enabled
- **Ecommerce Ready**

We added the “Ecommerce Ready” status because we don’t think the issue of Ecommerce Enablement is strictly **yes/no** in Home & Trade Services.

There are many SMBs in HTS that provide some transaction-related functions on their website, but not complete transaction-related services.

We believe the Ecommerce Ready SMBs (that offer some but not complete transaction-related functions) are better candidates for upgrading to full Ecommerce functionality than SMBs that are Not Ecommerce Enabled. (Of course, this depends on the products/services being sold).

Home & Trade Services Transitioning to Ecommerce

Ecommerce Ready SMBs

Ecommerce Enabled

SMB can do **all or most** of a transaction with the customer online, including finalizing terms and specs, pricing, scheduling, modifications, invoicing and payment.

Ecommerce Ready

SMB can do **some** of a transaction with the customer online, such as RFP/RFQ, estimating cost, and scheduling.

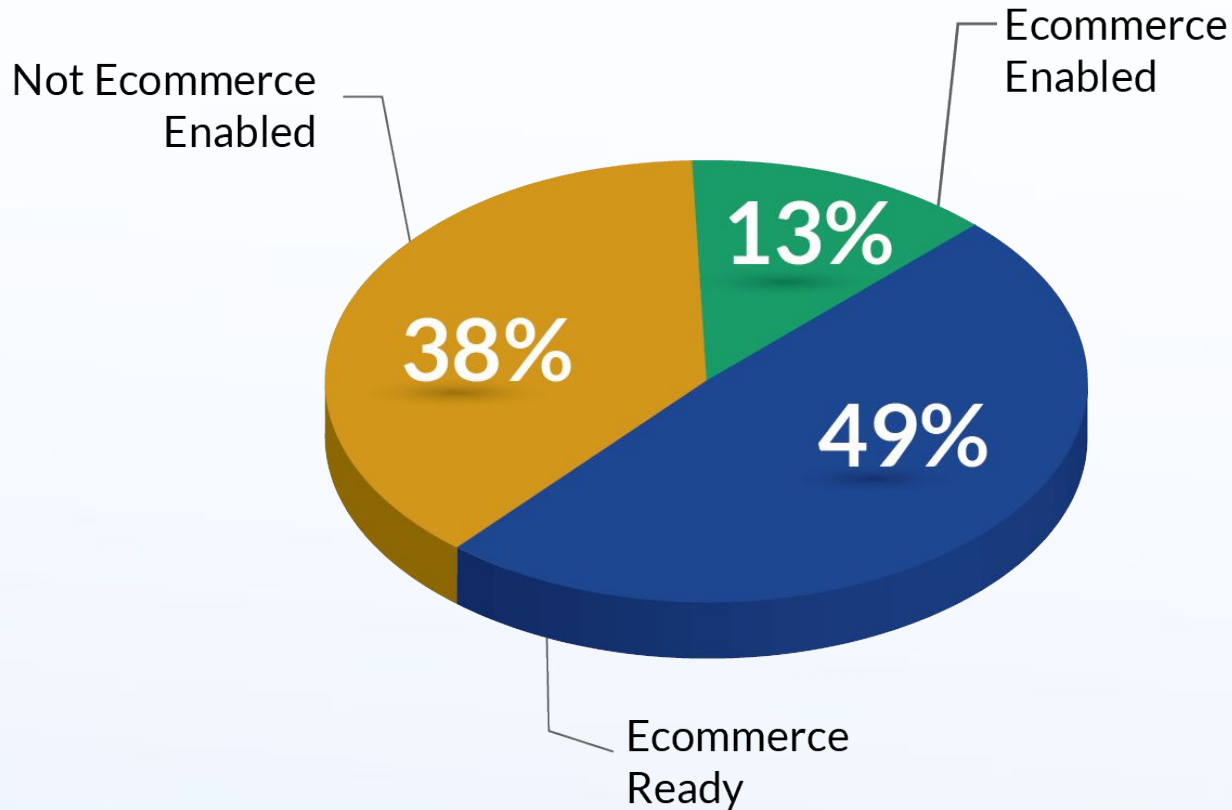
Not Ecommerce Enabled

SMB can do **little or none** of a transaction with the customer online. Communication for all phases is by phone or in person.



Home & Trade Services Transitioning to Ecommerce

Ecommerce Status of SMBs in Home & Trade Services



Percentages and numbers are based on the **533,000** HTS SMBs in the BuzzBoard data set*.

Ecommerce Enabled	69,000 SMBs
Ecommerce Ready	261,000 SMBs
Not Ecommerce Enabled	202,000 SMBs

*The BuzzBoard count of SMBs in the Home & Trade Services Sector is only 34% of the NAICS count of SMBs. There are several reasons for this. We believe the BuzzBoard count is a more accurate count of functioning SMBs, although it also may understate the number of functioning SMBs by 15-20%.

Many Ways To Participate in Home & Trade Services

Ecommerce opportunities can be parsed into four clusters

Present Services & Products: Price, Models, etc.
Cost Estimators
Request For Quotes
Payment Options

Platform

Sales & Marketing
Customer Support

Product Development
Human Resources
IT & Network
Management
Finance

SaaS Infrastructure

Digital Marketing Services

Social Media Management Reputation Management
Website Design Search Engine
Email Marketing Management
Listings Management Video Production

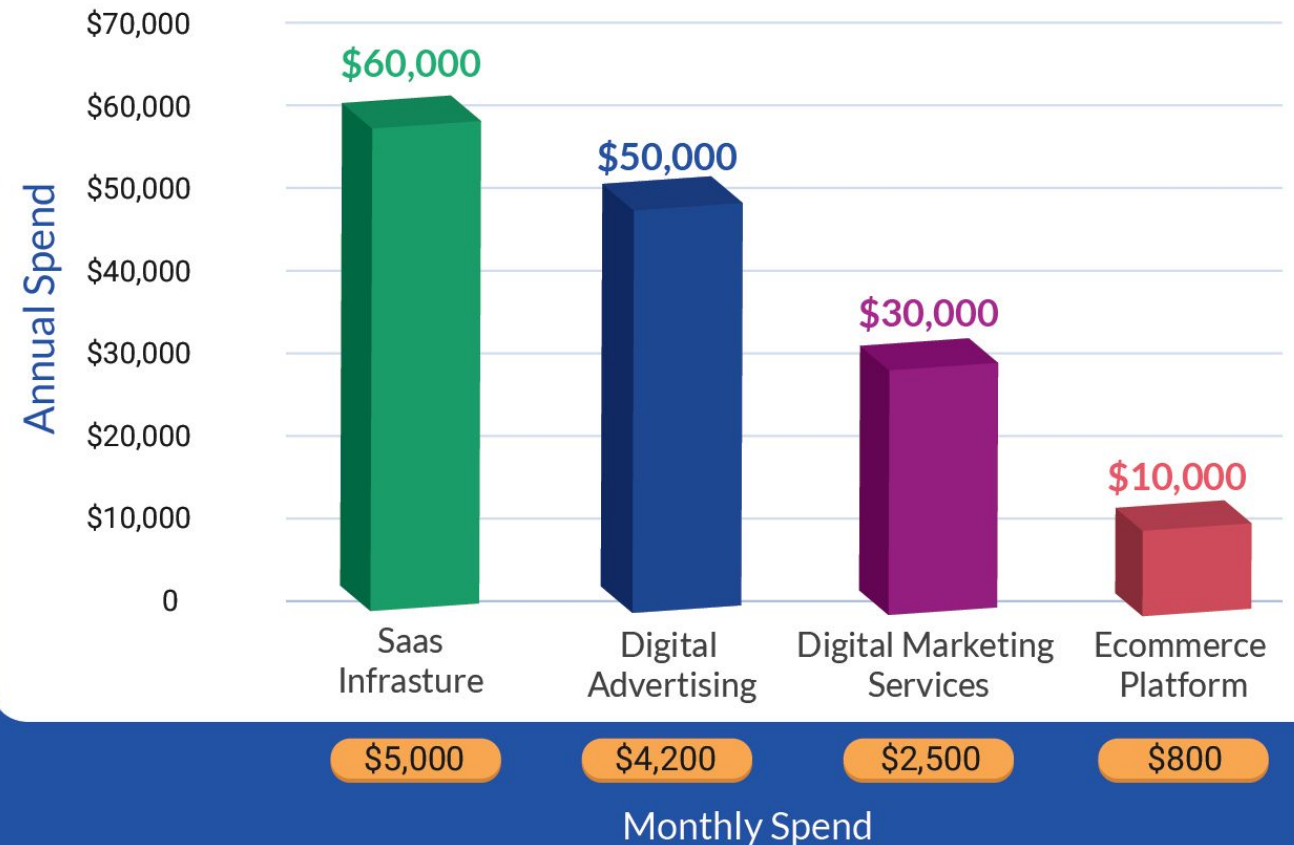
Digital Advertising

Search Engine Advertising Social Media Ads
Mobile SMS Banner Advertising
Mobile App Ads

Home & Trade Services: Sizing the Opportunity

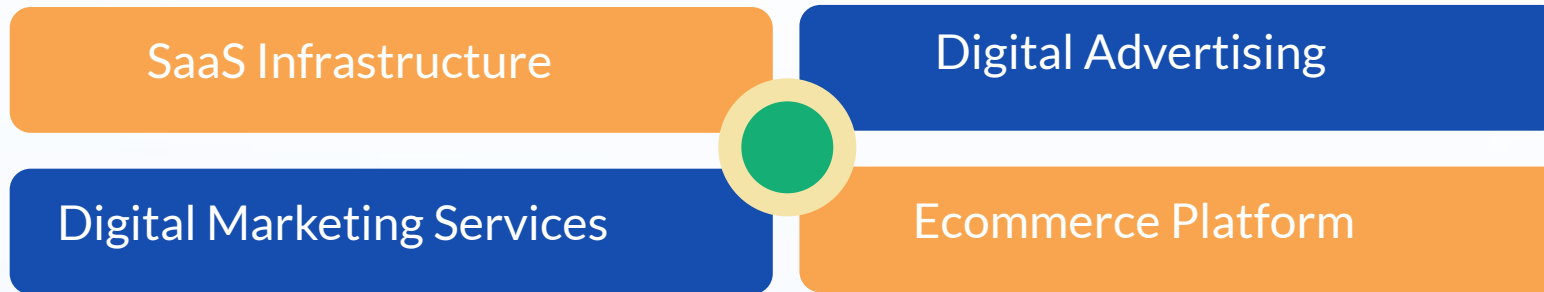
- Typical SMB spending varies widely by cluster.
- Spending on SaaS Infrastructure typically dominates other spending because for most SMBs, the majority of their operational infrastructure is now handled on SaaS platforms (even though the SMB may not realize it).
- Because so much of the SMB's infrastructure is now cloud-based, SaaS spending is high. (The data also includes spending by "medium size" firms of up to 500 employees).

Typical Spending by Cluster in Ecommerce Enabled HTS SMBs (\$)



Home & Trade Services: Our Model

We took these “typical” spending levels for each cluster and used them in projecting overall spending by Ecommerce enabled Home & Trade Services SMBs (next slide):



We used SMB population data from the Census Bureau, and Ecommerce enablement data from the BuzzBoard Proprietary data set.

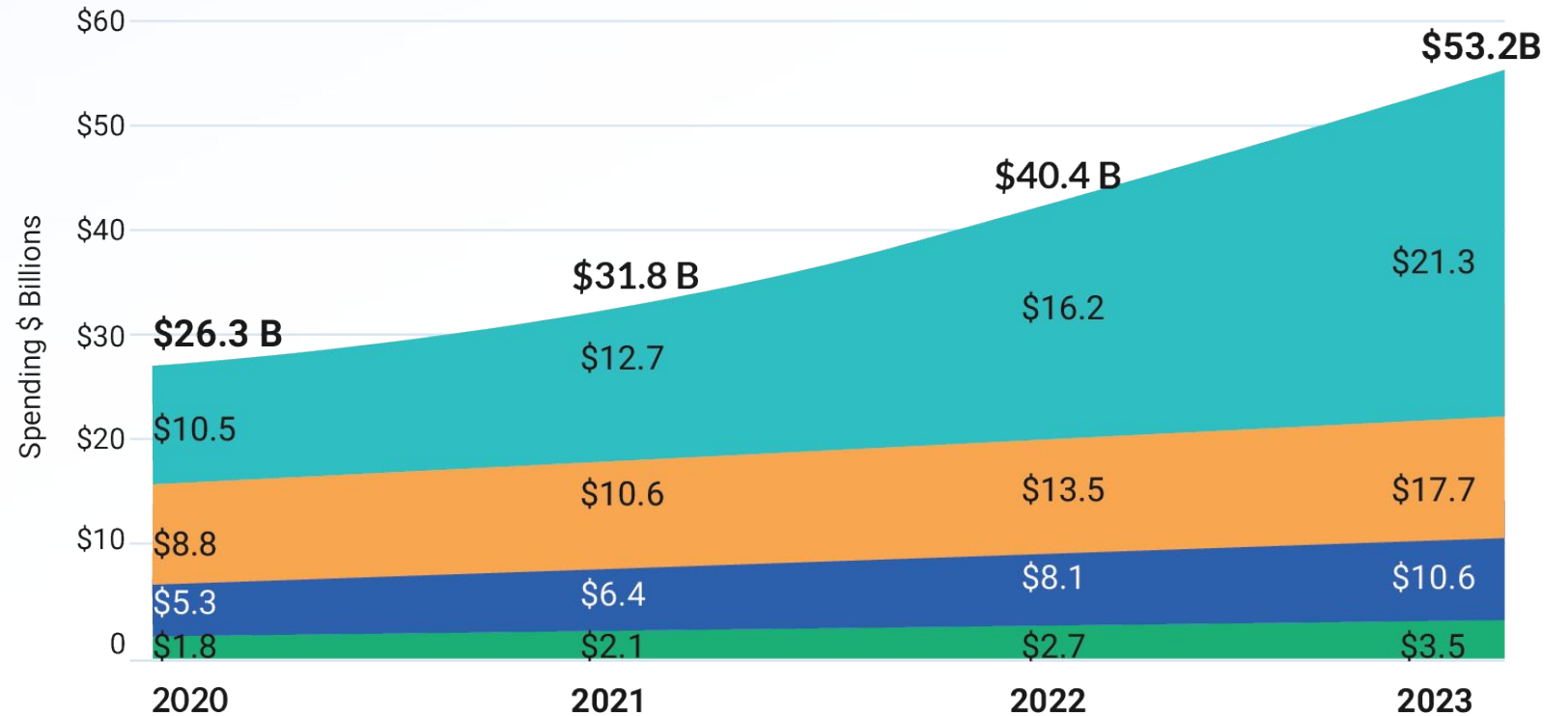
We projected key variables for the next three years to determine total spending for the cluster of Ecommerce services by Retail SMBs.

Home & Trade Services: Revenue Forecast

Our model projects overall spending of **\$53 B in 2023** for Ecommerce by Home & Trade Services SMBs.

This represents an increase of **103%** over the COVID-depressed level of 2020, for an annual compound growth rate of 27%.

SMB Home & Trade Service Ecommerce Annual Spending Projections (\$B)



- Ecommerce Platform
- Digital Marketing Services
- Digital Advertising
- SaaS Infrastructure

Revenue forecast is for Ecommerce Enabled SMBs only; does not include revenue from Ecommerce Ready SMBs.

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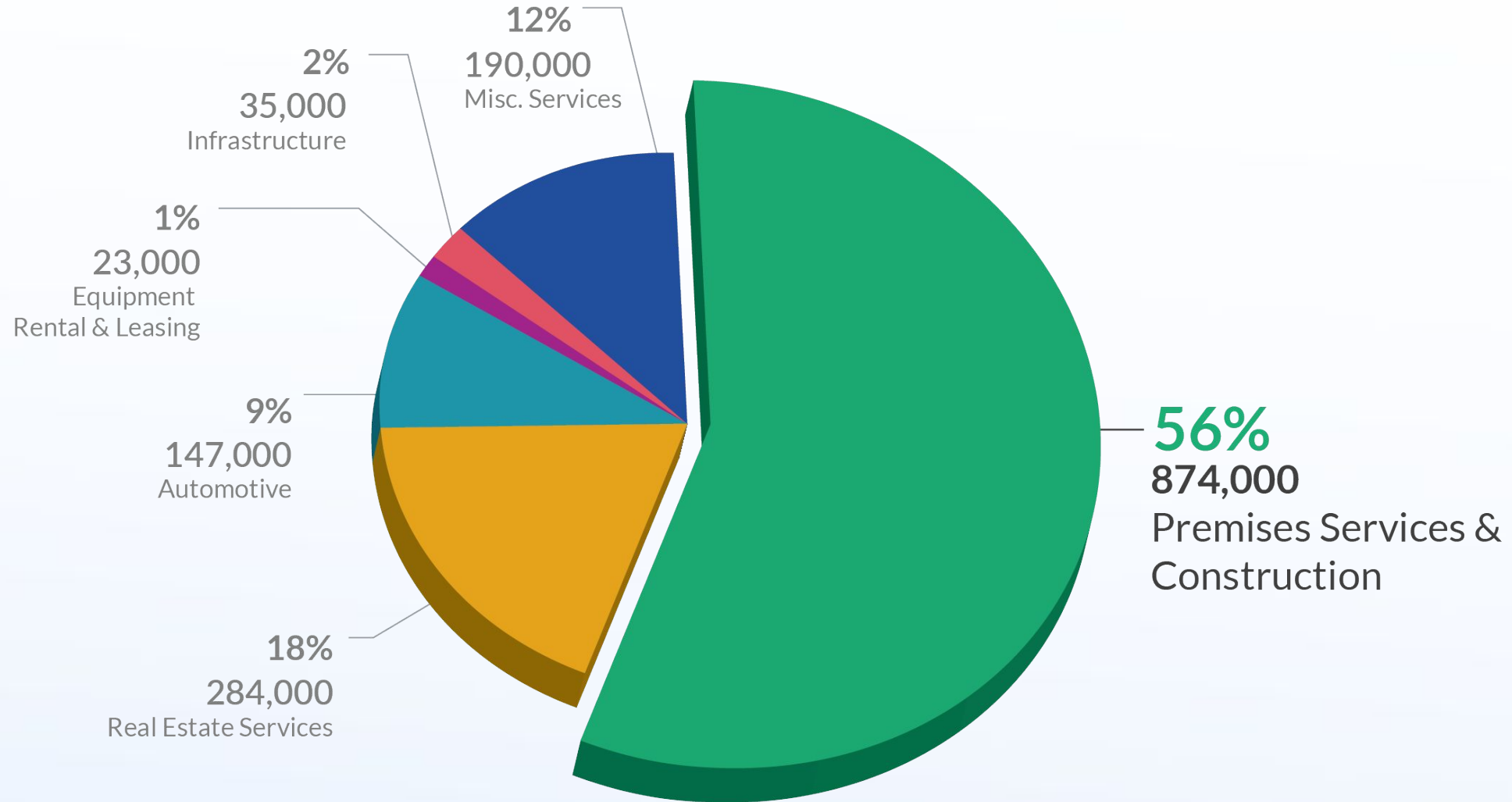
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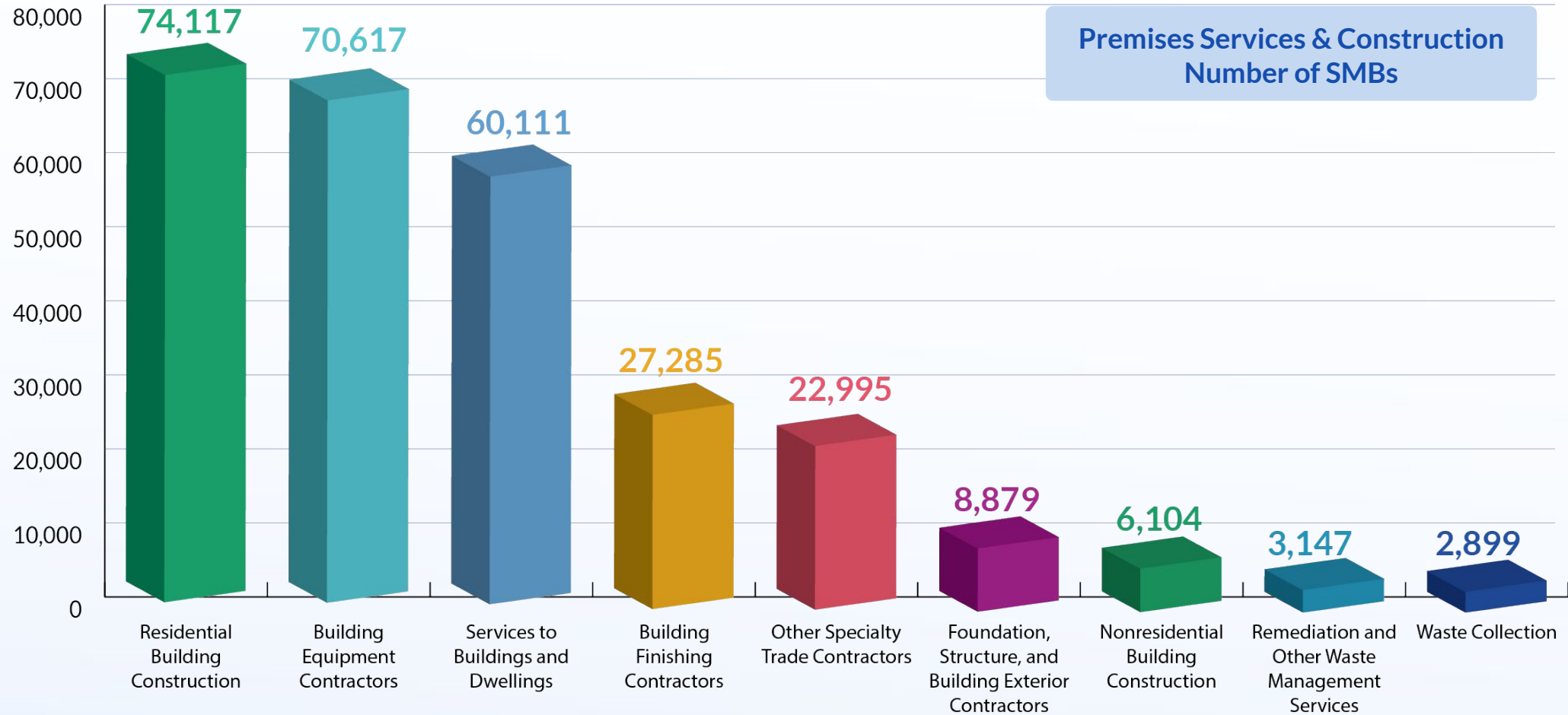
- **Drilling Down into Premises Services & Construction**

- Appendices

The Clusters Within Home & Trade Services (HTS)



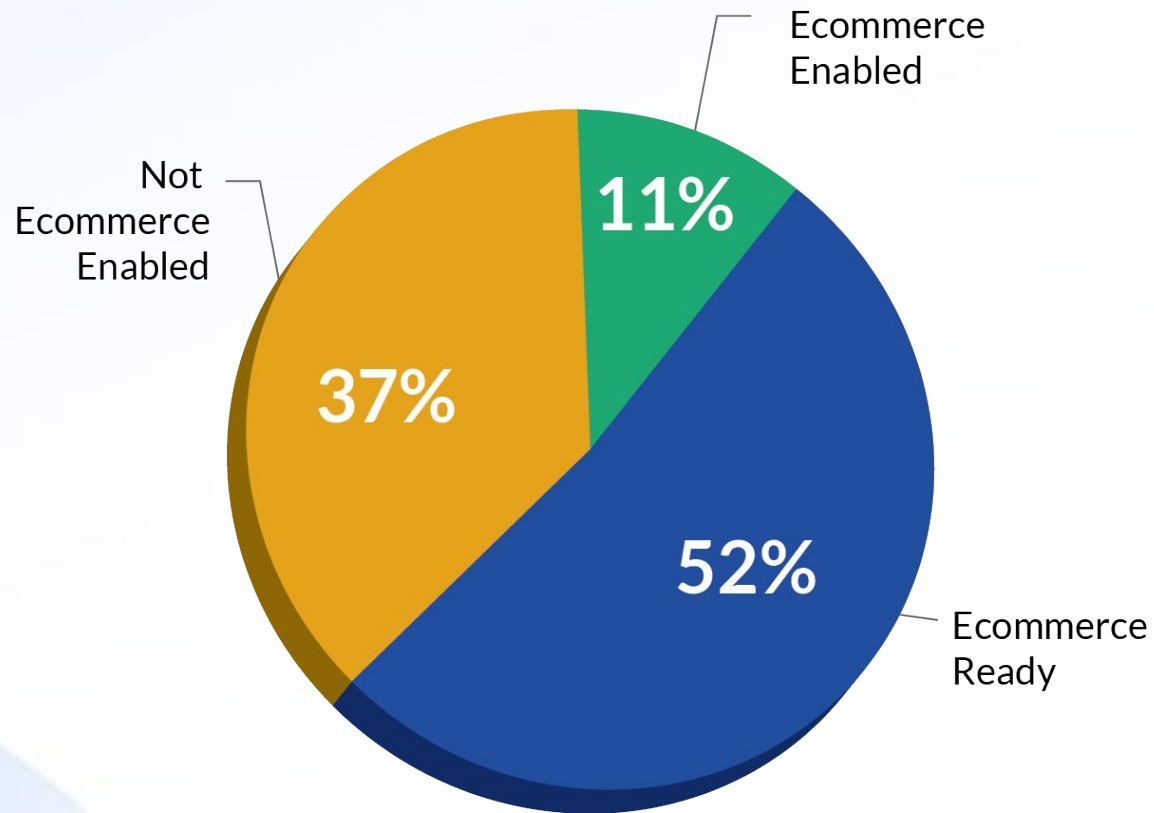
Drilling Down into Premises Services & Construction



The BuzzBoard count of SMBs in the Premises Services & Construction cluster is only 32% of the NAICS count of SMBs. There are several reasons for this. We believe the BuzzBoard count is a more accurate count of functioning SMBs, although it also may understate the number of functioning SMBs by 15-20%.

Drilling Down into Premises Services & Construction

Ecommerce Status of SMBs in Premises Services & Construction



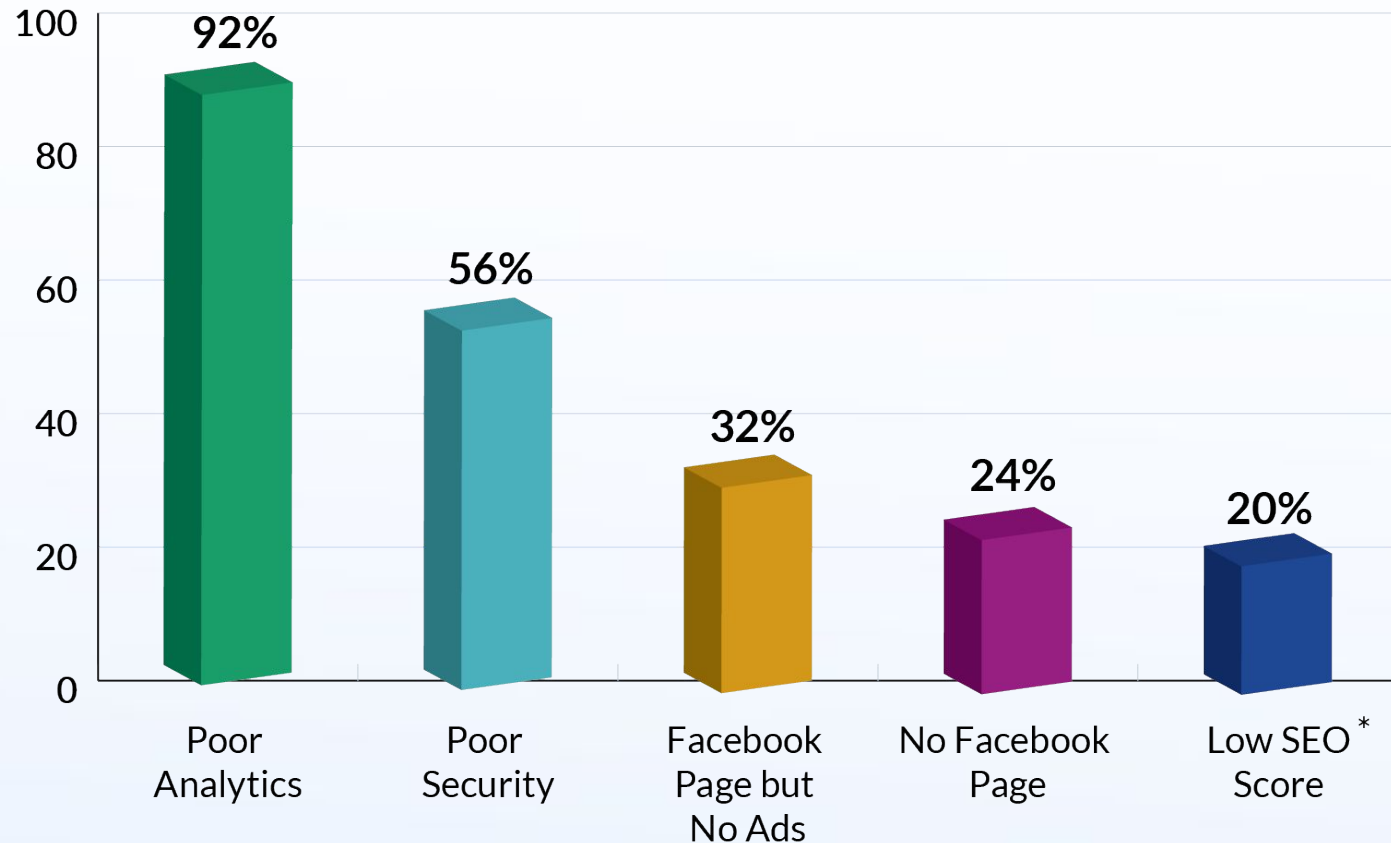
Percentages and numbers are based on the 270,000 Premises Services & Construction SMBs in the BuzzBoard data set*.

Ecommerce Enabled	30,000 SMBs
Ecommerce Ready	140,000 SMBs
Not Ecommerce Enabled	100,000 SMBs

*The BuzzBoard count of SMBs in the Premises Services & Construction cluster is only 32% of the NAICS count of SMBs. There are several reasons for this. We believe the BuzzBoard count is a more accurate count of functioning SMBs, although it also may understate the number of functioning SMBs by 15-20%.

Drilling Down into Premises Services & Construction: Segmentation

Ecommerce Enabled SMBs Lacking Key Technologies



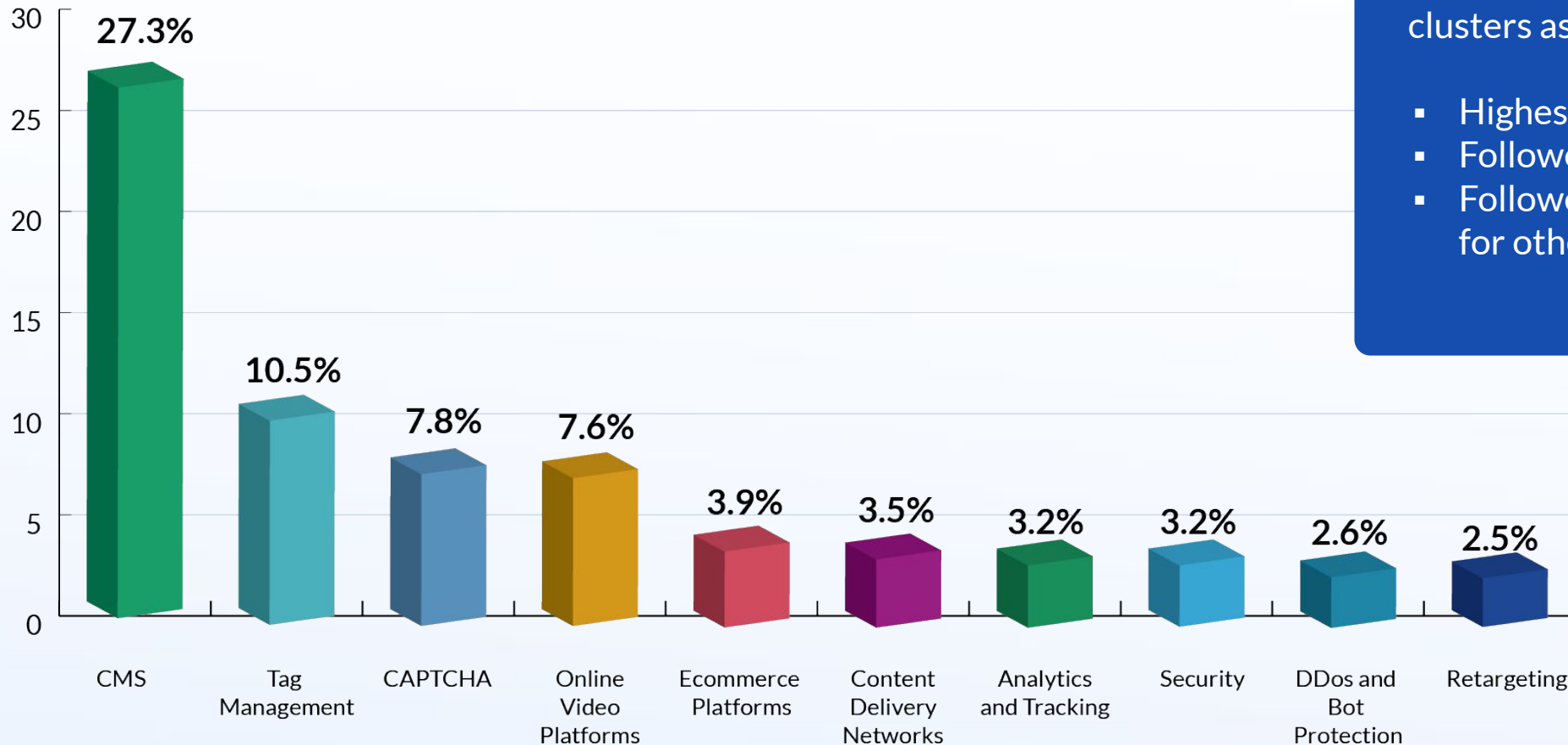
Of Premises Services & Construction SMBs that are Ecommerce Enabled...

Many are lacking key technologies.

*Low SEO Score defined as <50.
Source: BuzzBoard proprietary data set.

Drilling Down into Premises Services & Construction: Segmentation

Technologies used by Ecommerce Enabled Premises Services & Construction SMBs



The same pattern is seen in the other Home & Trade Services clusters as well:

- Highest penetration by CMS
- Followed by Tag Management
- Followed by small numbers for other technologies

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The Case for Ecommerce in Home & Trade Services: Appendices

Appendix A

Comments on Revenue
Forecast

Appendix B

Taxonomy of Home & Trade
Services Sector

Appendix A: Comments on Revenue Forecast

Overall Comments

- We expect many more SMB closures than usual in 2020 and 2021 due to COVID. We also expect fewer than usual starts of new SMBs until 2022.
- However, the downward pull on spending due to COVID will be more than offset by the spending on new eCommerce implementations (from remaining SMBs from the 2020 cohort plus new SMBs).
- We expect that spend on SaaS infrastructure will continue to dominate total spending, as the reach and sophistication of SaaS platforms continues to grow, and SaaS platforms continue to be cost-effective.

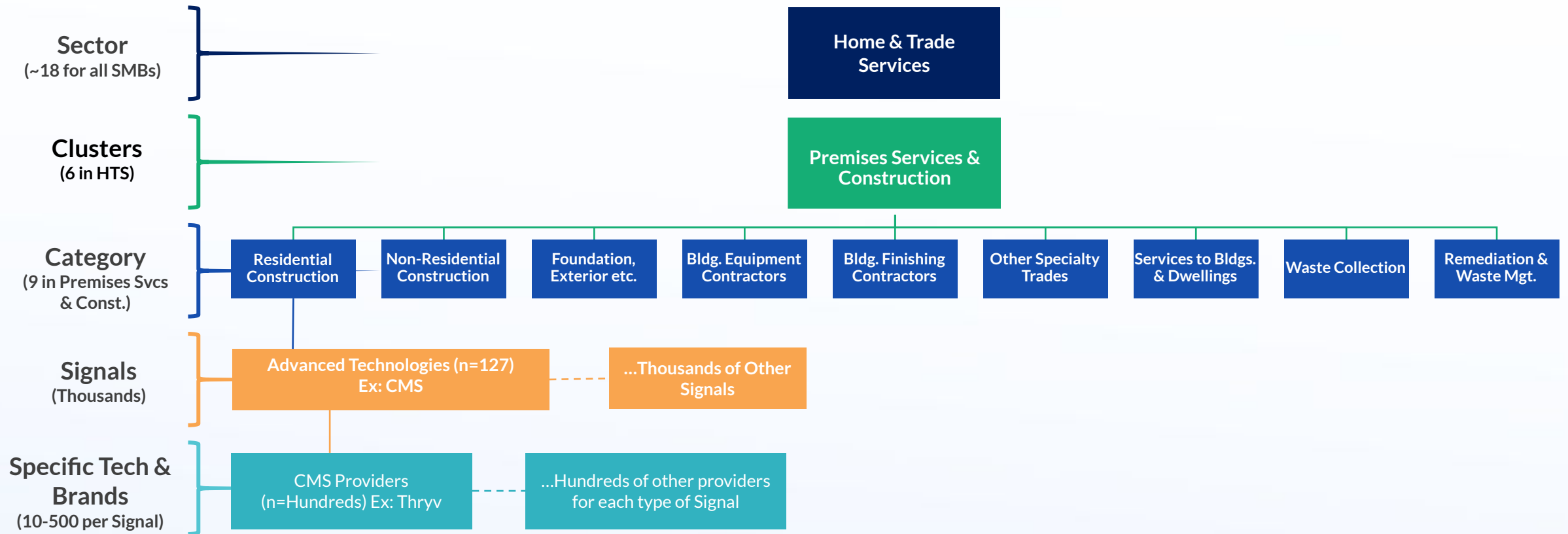
Variables used in the model:

- SMB annual “exits” (whether voluntary or involuntary)
- SMB annual “starts”
- Of the 2020 cohort of SMBs, the percentage of remaining SMBs that become eCommerce enabled each year (non-eCommerce survivors of the 2020 cohort)
- Of the new SMB starts each year, the percentage that are eCommerce enabled

Key assumptions:

- The forecast horizon is through 2023
- New SMBs start evenly throughout the calendar year
- There is no adjustment for inflation (which we expect will likely be offset by reductions in real prices in any case)
- There are no large-scale substitutions of a given type of spending by spending in another of the 4 clusters. For example, we assume there won't be a large-scale substitution of spending on Digital Advertising by Digital Marketing Services
- Our spending projections represent the total Home & Trade Services SMB spending on the four eCommerce clusters – not just the incremental spend attributable to their eCommerce activities. As a practical matter, we don't believe purely incremental spending can be determined – particularly as eCommerce activities become thoroughly integrated into the totality of an SMB's business.

Appendix B: Taxonomy of Home & Trade Services Sector



Note: This taxonomy is a mash-up of NAICS, Google, Neustar and other taxonomies, and is proprietary to BuzzBoard.

Thank You!

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