

The Case for eCommerce in the SMB Retail Sector

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The Time is Right

Proven Value for Retail SMBs

The Market is Immense

Many Ways to Participate

Ecommerce Playbook Examples

Ecommerce: The Time is Right

Ecommerce is quickly becoming “do or die” for Retail SMBs

1 in 4

Small and midsize retailers have launched an ecommerce store as a result of Covid-19.

-Software Advice

Ecommerce had a banner quarter, with an “unprecedented” **73% year-over-year** increase in U.S. online revenue for Q2”

-Salesforce.com analysis, as quoted in Digital Commerce 360, Aug. 18 2020.

Ecommerce is already providing a lifeline to many Retail SMBs

Shopify saw a **71% quarter-to-quarter** jump in new store creation in the first part of 2020.

-Christine Williams, The Motley Fool September 24, 2020

The Ecommerce boom for Retail SMBs mirrors the unprecedented Ecommerce growth for large retailers

“The COVID pandemic has shifted e-commerce in 2020”. Traditional retail sales have declined but e-commerce has seen a **129% year-over-year** growth in U.S. and Canadian orders as of April 21st.

-Forbes August 1, 2020

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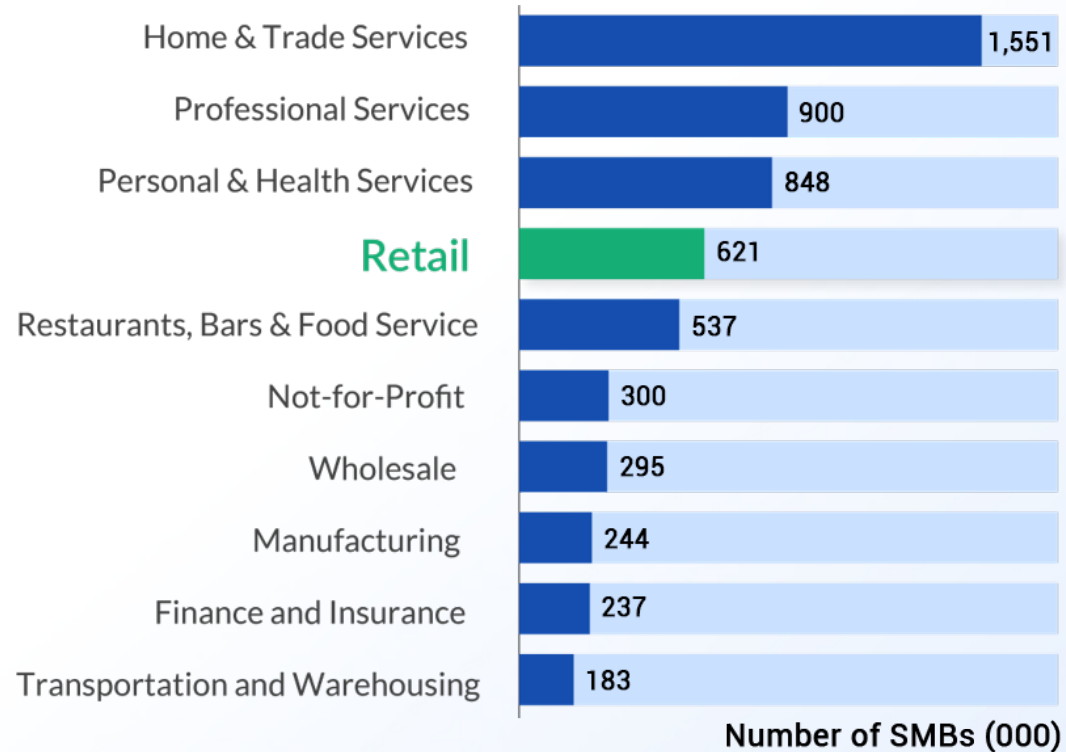
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Ecommerce: Proven Value for Retail SMBs

Retail is one of the Top 5 SMB Sectors...



Source: Census Bureau



621,000

Retail SMBs In 42 Categories

...and Ecommerce is most applicable in the Retail Sector.

“Ecommerce penetration in the U.S. grew from 16% of retail spending in the first quarter **to 40%** in May [2020].”

-Goldman Sachs industry analyst, Q2 2020

Ecommerce: Proven Value for Retail SMBs

Multiple sources of value from ecommerce for Retail SMBs

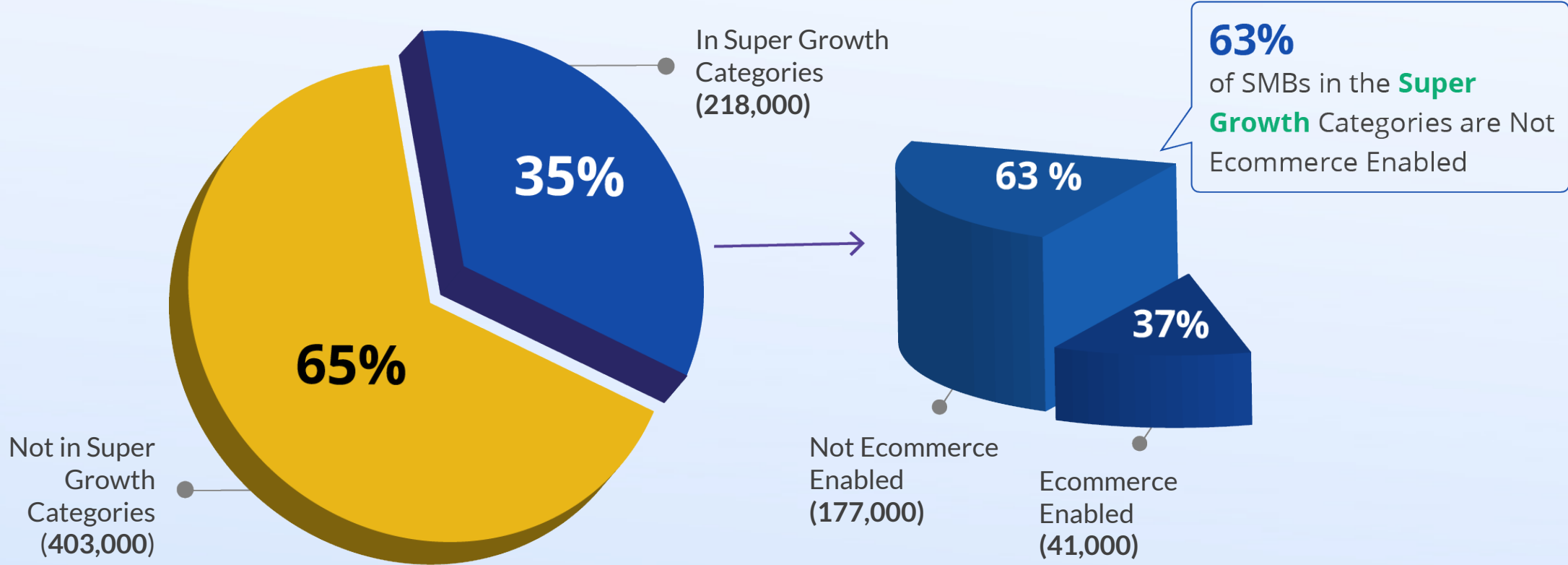
- Provides contact with customers and audience (even if physical premises are restricted)
- Helps fight encroachment by mega stores (which are thriving during the pandemic)
- Signals that the SMB is committed to its business and market
- Helps retain staff
- Improves cash flow

“Consumer polling indicates that this shift to ecommerce is here to stay.”

-Industry analyst and entrepreneur Lucas DiPietrantonio.

One-Third of Retail SMBs are in Categories where Ecommerce is in Super Growth

>100% Recent Growth in Ecommerce (Range is 107%-605%)



Super Growth Categories are Diverse

These 10 Retail *Super Growth* categories Have Grown Ecommerce at **>100%** During the Pandemic



226%

Clothing & Apparel



605%

Food & Groceries



312%

Games & Leisure



166%

Health & Beauty



330%

Home & Garden



198%

Flowers & Plants



327%

Pet Care



107%

Electronics &
Musical Instruments



151%

Books

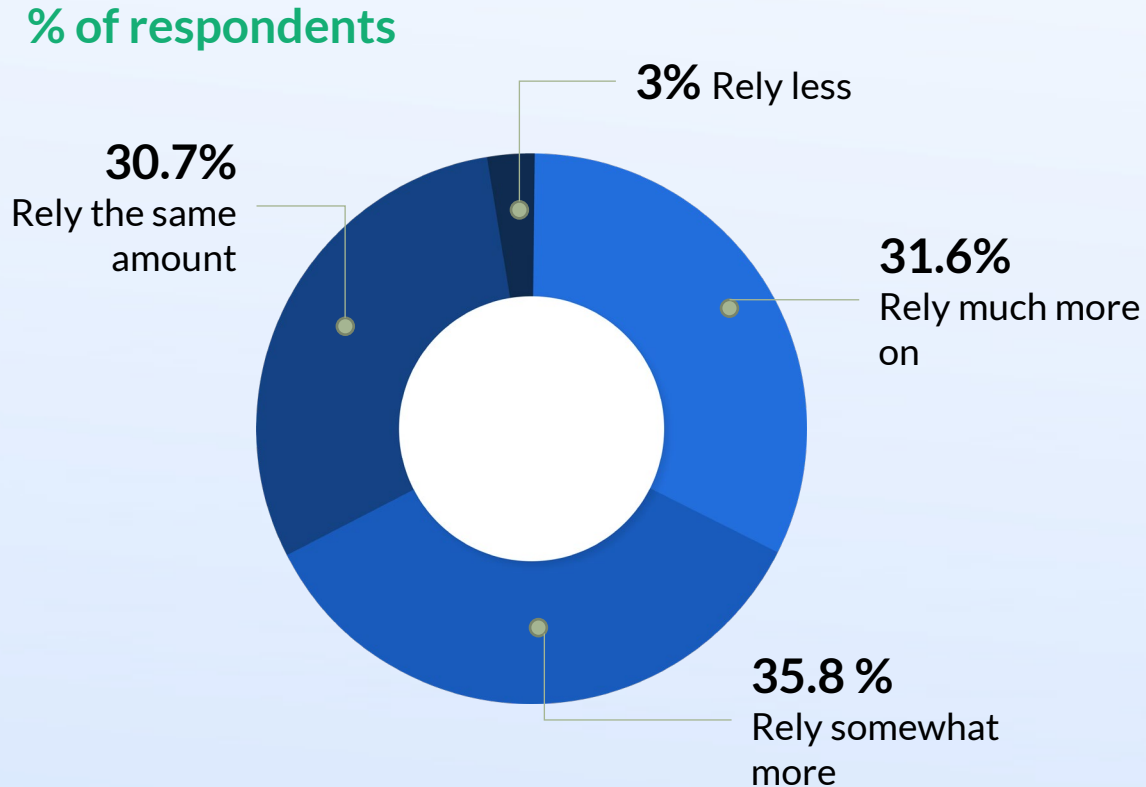


133%

Hobbies & Toys

Ecommerce: SMBs are on Board

How US SMB owners' Reliance on Ecommerce will Change After the Coronavirus Pandemic, April 2020



66%
of SMBs are
focusing more on
Ecommerce

Note: Numbers may not add up to 100% due to rounding

Source: Pymnts.com, "Main Street on Lockdown: Reinventing the Road to Recovery" May 4, 2020

www.eMarketer.com

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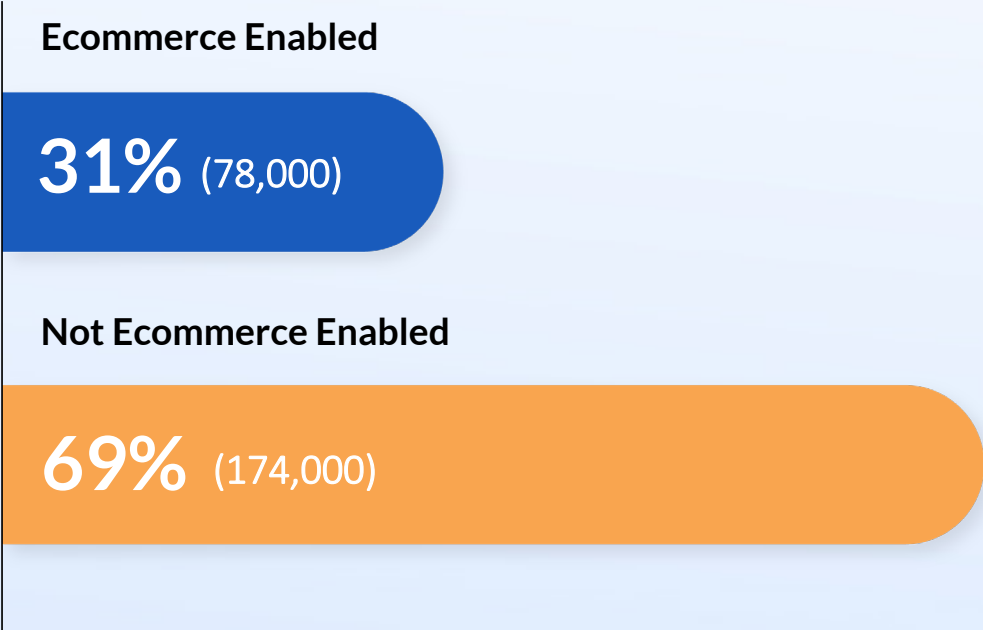
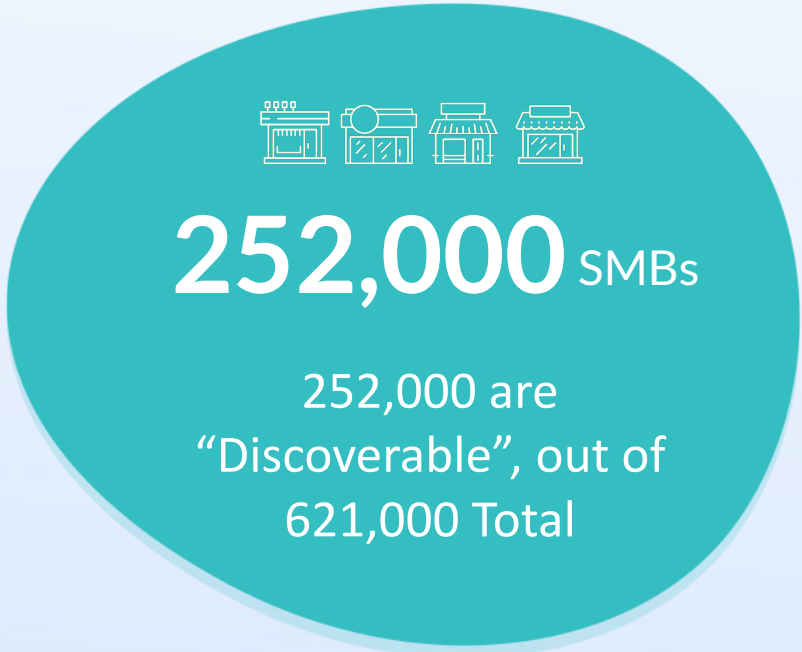
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Even Now, Less than One-Third of Retail SMBs are Ecommerce Enabled



Sources: BuzzBoard Proprietary Data Set and Census Bureau.
The Census Bureau reports a total of 621,000 businesses in the US with under 500 employees (but at least one). Of these, 252,000 are "Discoverable" by BuzzBoard's proprietary algorithms. The remainder, 369,000 are not Discoverable at this time, so we don't count them as either enabled or not enabled.

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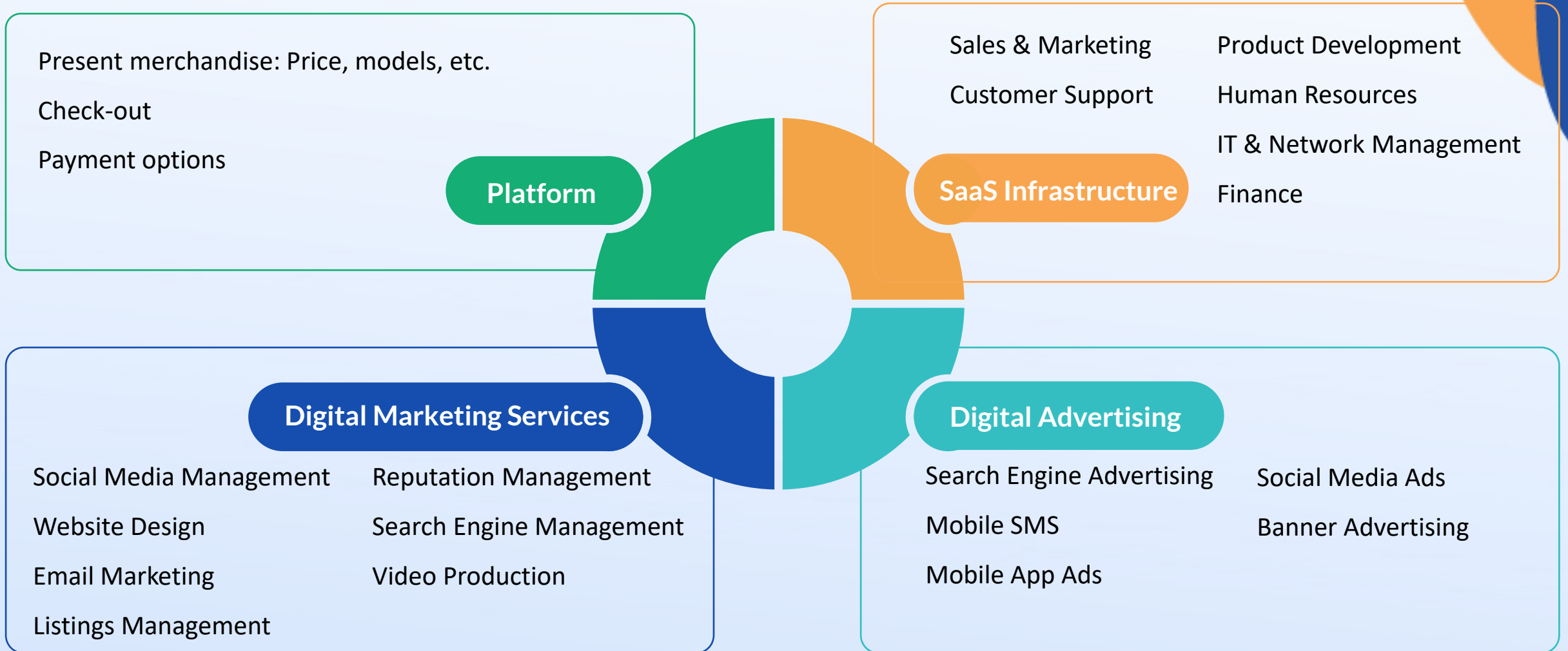
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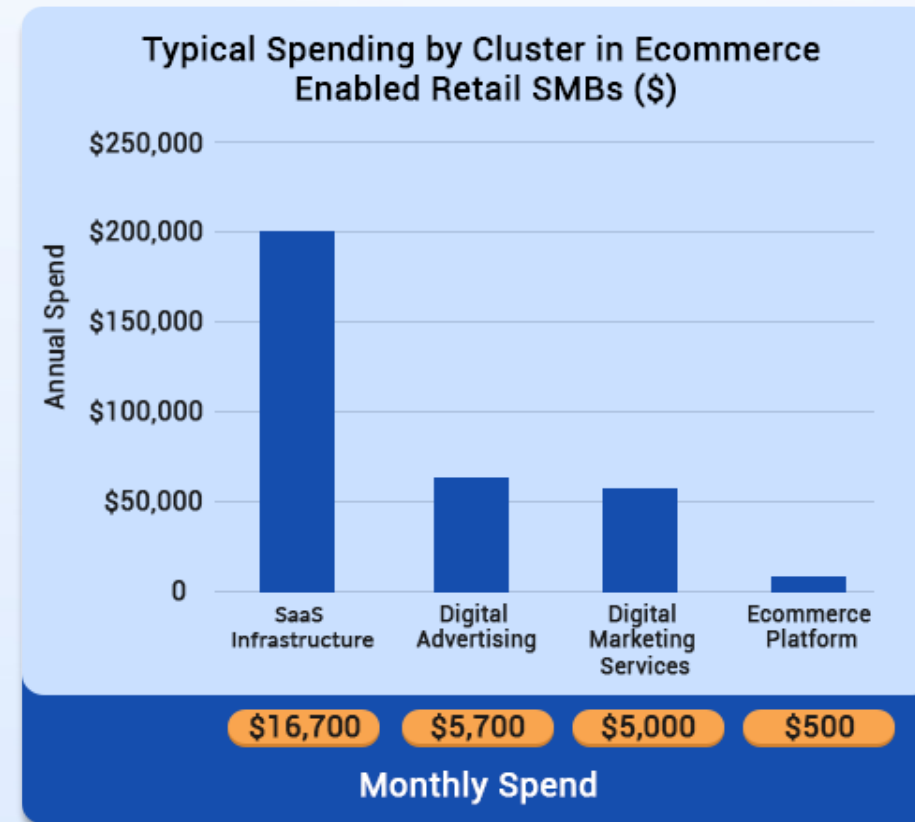
Many Ways to Participate

We believe Retail SMB Ecommerce opportunities can be parsed into four clusters



Ecommerce: Immense Opportunity

- Typical SMB spending varies widely by cluster.
- Because the majority of SMB infrastructure is now SaaS based, spending on SaaS typically dominates all other spending.
- Because ecommerce enabled SMBs are technologically sophisticated, the SaaS spending is high*.



Sources: BuzzBoard estimates. Estimates are for total spending on each function – i.e. not just incremental spending specifically attributable to Ecommerce.

* The spend data also includes spending by "medium size" firms of up to 500 employees, which drives up the numbers.

Ecommerce: Immense Opportunity

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



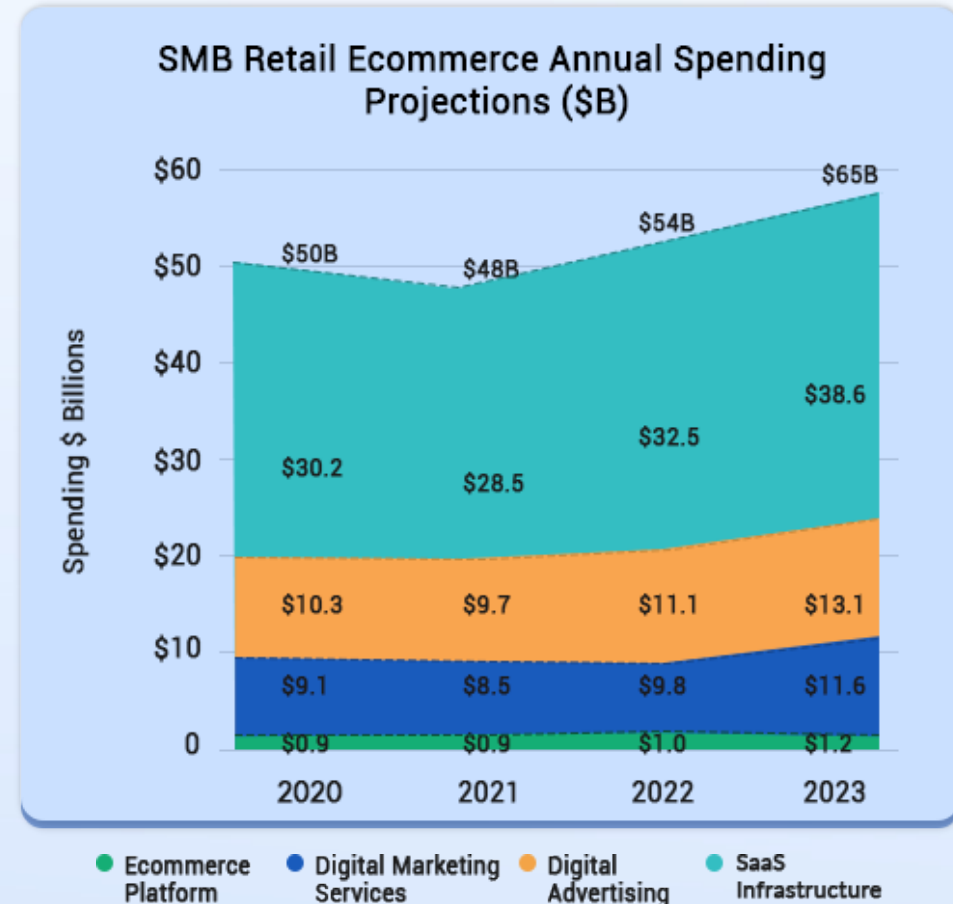
We used SMB population data from the Census Bureau, and Ecommerce enablement data from the BuzzBoard Proprietary data set.

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

Ecommerce: Immense Opportunity

Our model projects overall spending of \$50 B in 2020 from the Retail SMB Ecommerce cluster.

After a COVID-related dip, we project overall spending will increase about **30% in 3 years** to \$64 B.



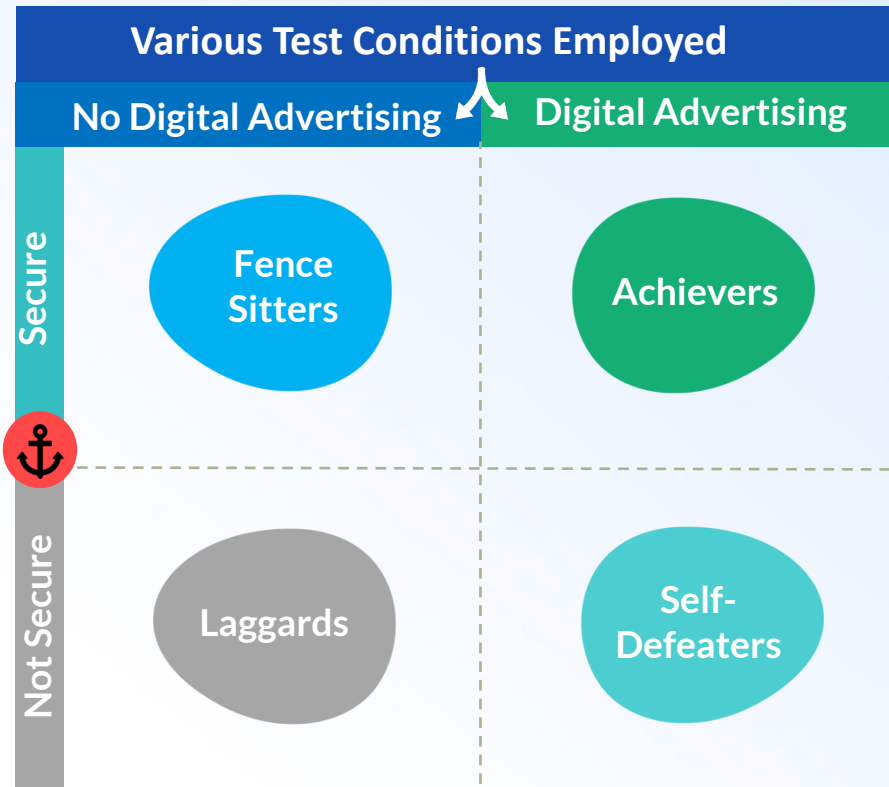
Sources: BuzzBoard projections.

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Ecommerce Playbook Examples

Ecommerce Playbook Examples: Quadrant Approach to Segmentation

Ecommerce Enabled Retail SMBs (78,000)



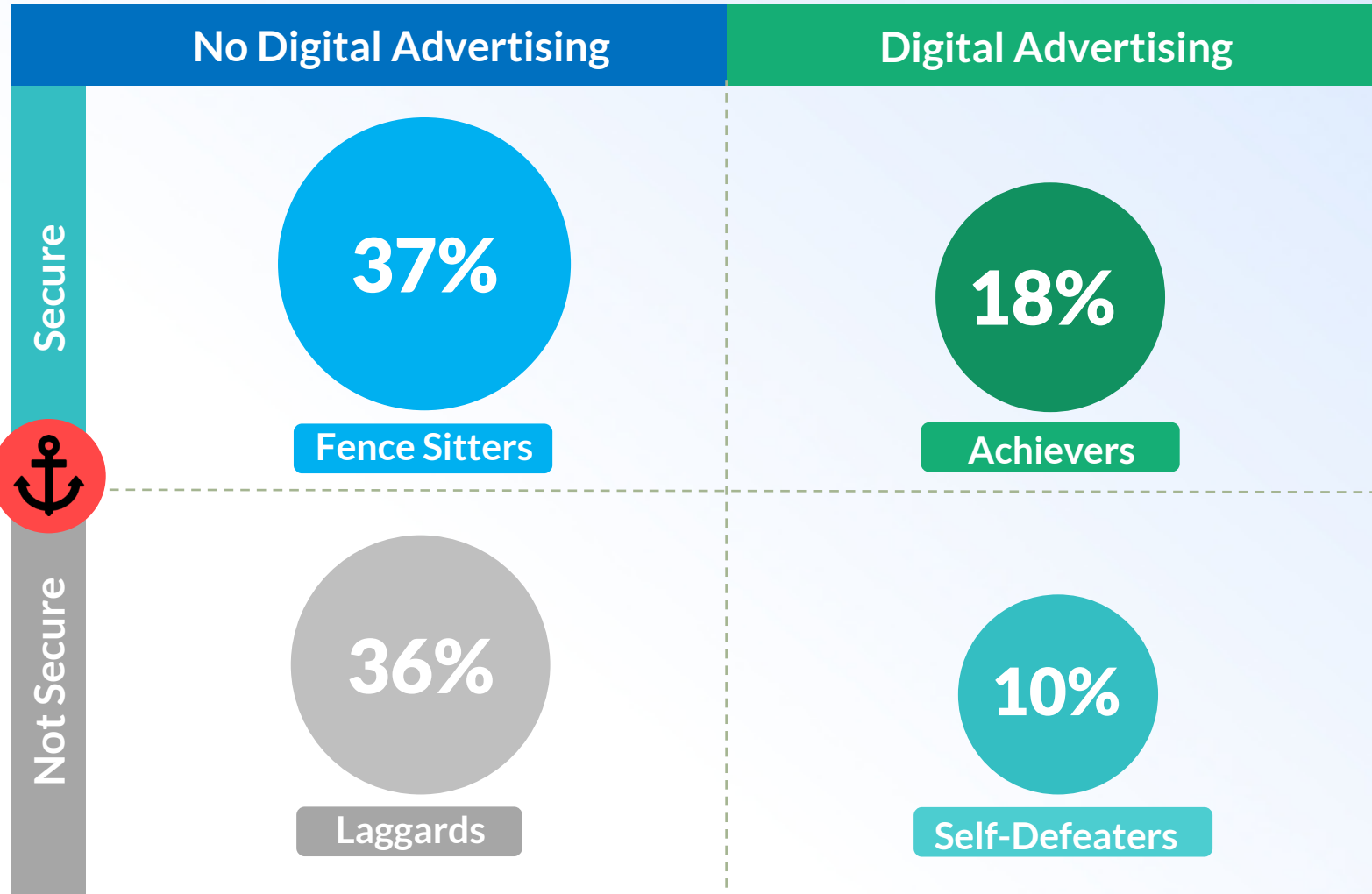
Security was used as the anchor condition (yes/no).

Security is the key signal of an SMB's Ecommerce robustness and viability

“Each quadrant shows the number of Retail SMBs in that combination of Anchor and Test Conditions”

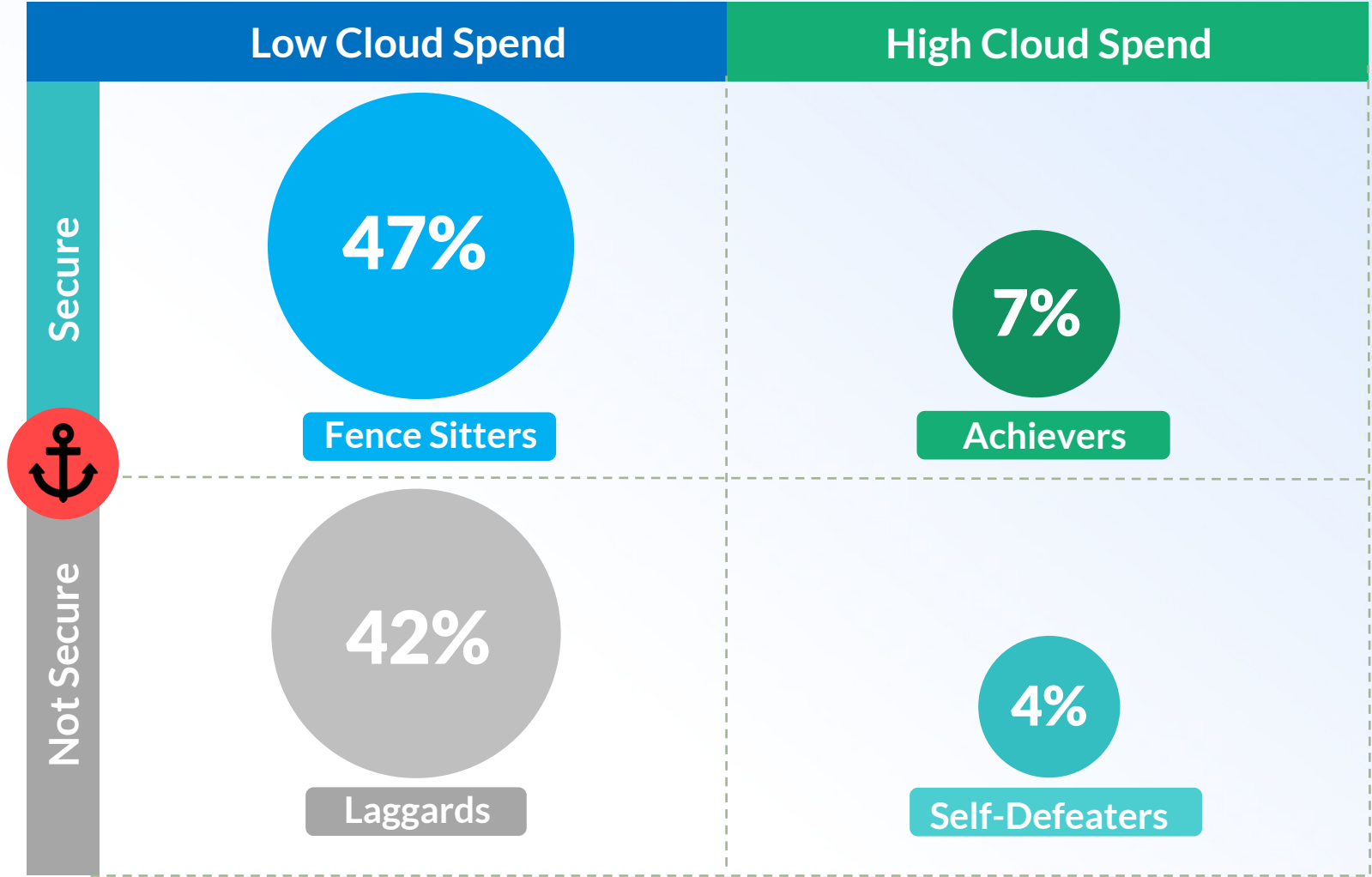
Ecommerce Enabled: Case 1 of 4

Security vs Digital Advertising



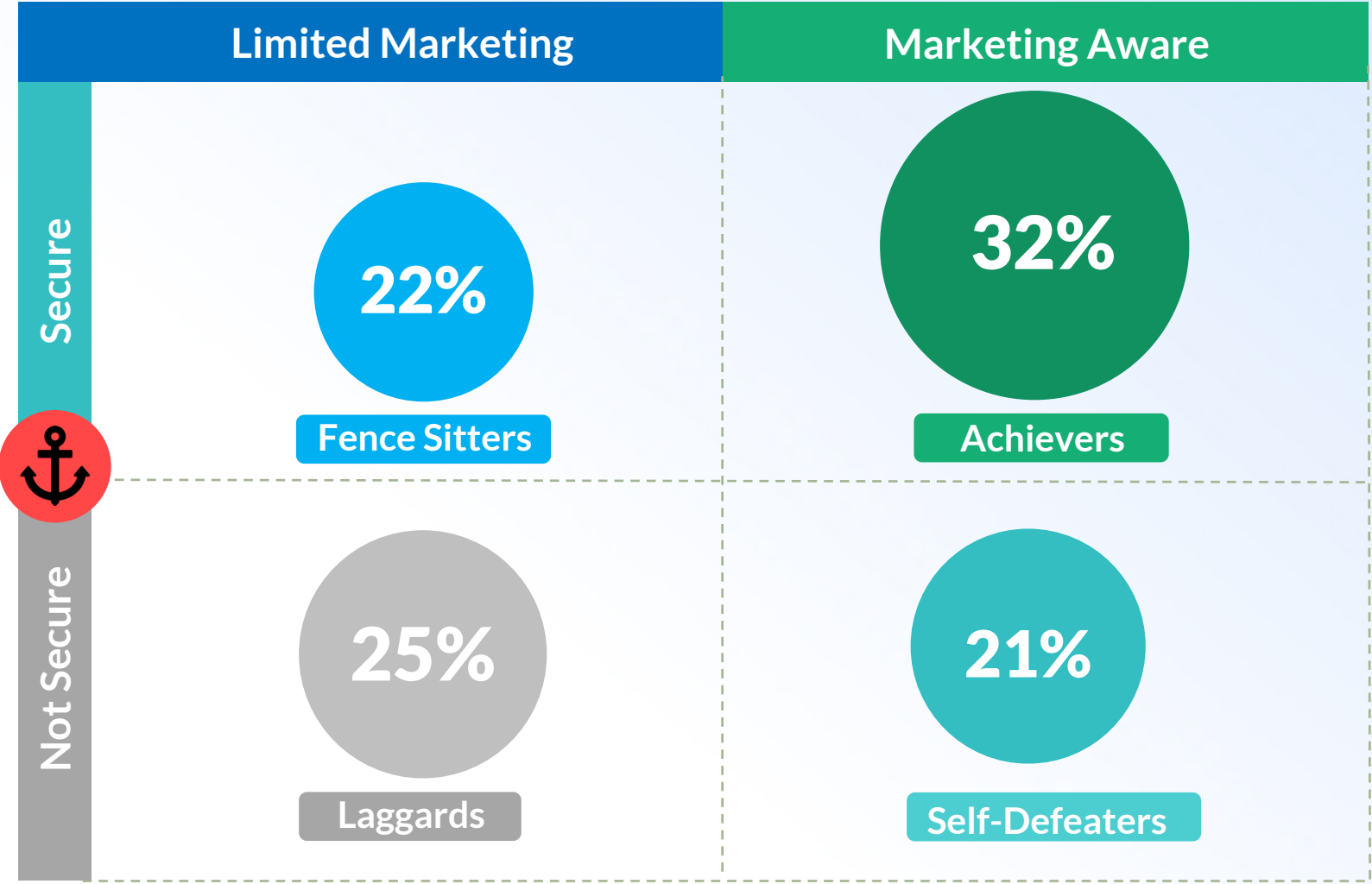
Ecommerce Enabled: Case 2 of 4

Security vs Cloud Spend



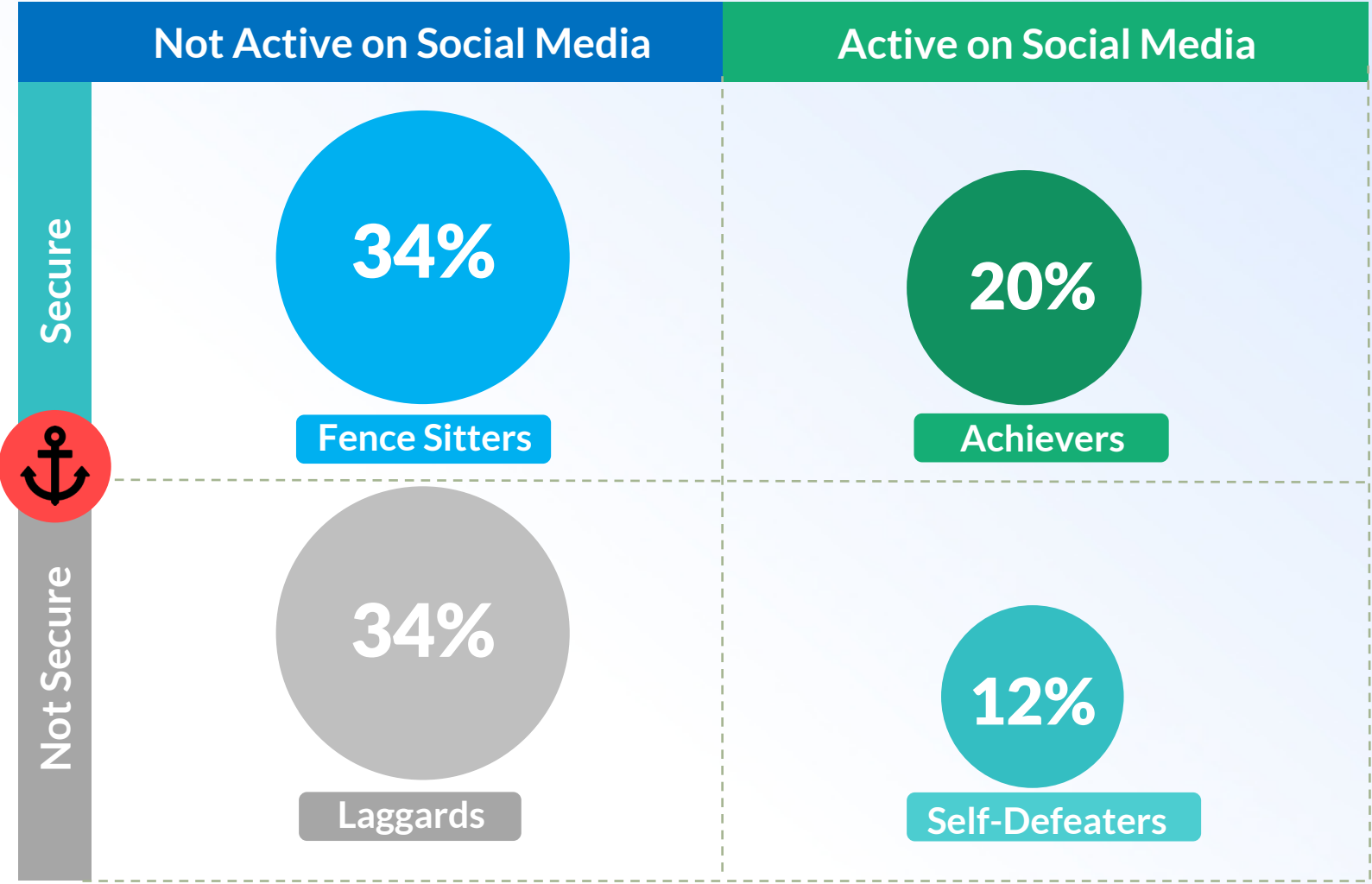
Ecommerce Enabled: Case 3 of 4

Security vs Advanced Marketing



Ecommerce Enabled: Case 4 of 4

Security vs Social Media Activity

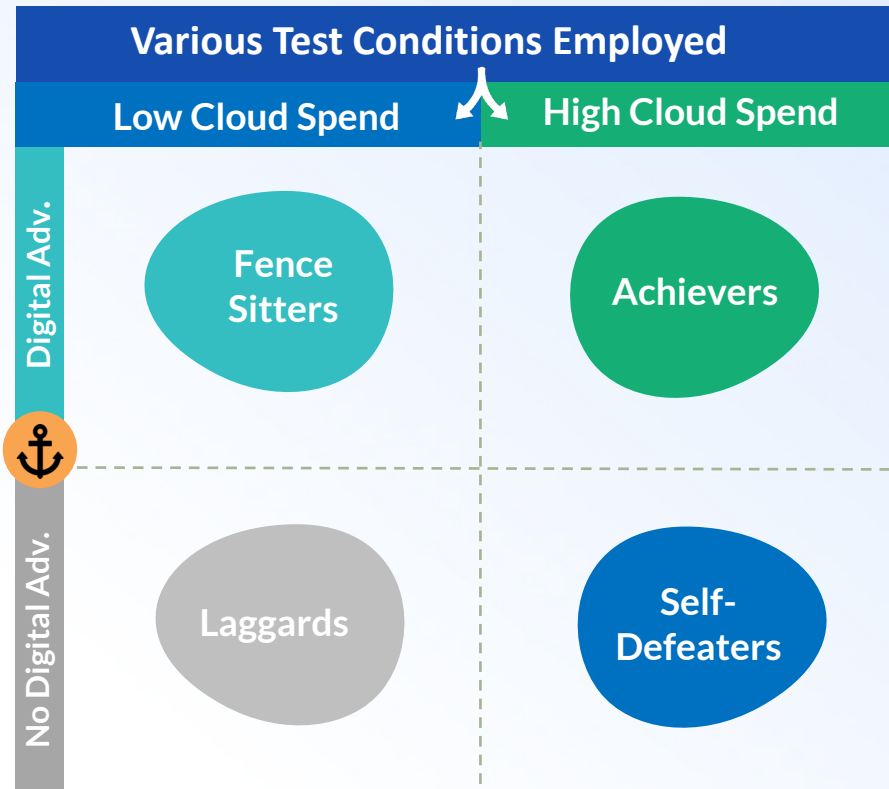


Ecommerce Playbook Examples: Quadrant Approach to Segmentation

Ecommerce Not Enabled Retail SMBs (174,000)

Digital Advertising was used as the anchor condition (yes/no).

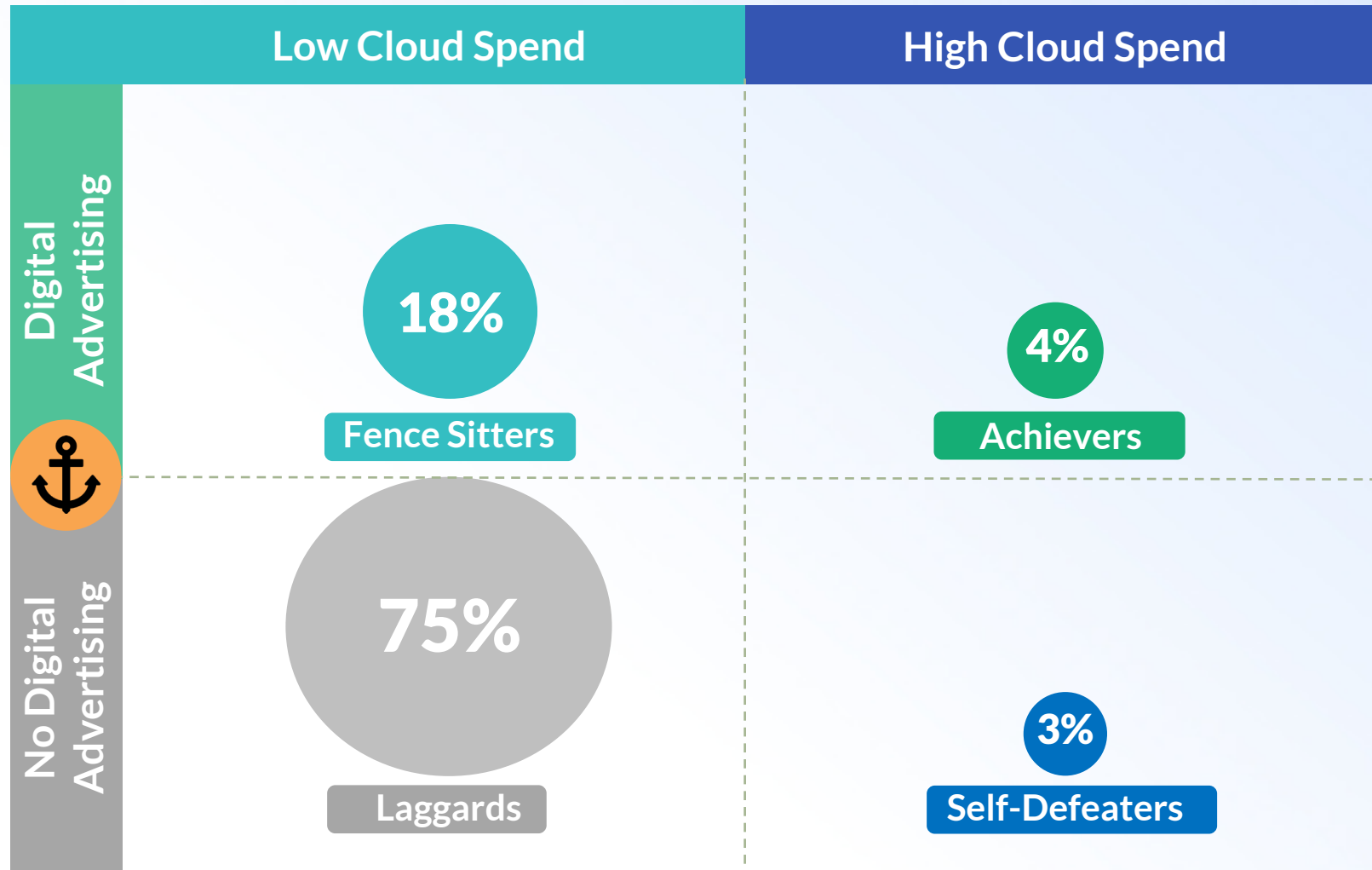
Digital Advertising is the key signal of an SMB's commitment to customer acquisition (particularly when there's no Ecommerce).



“Each quadrant shows the number of Retail SMBs in that combination of Anchor and Test Conditions”

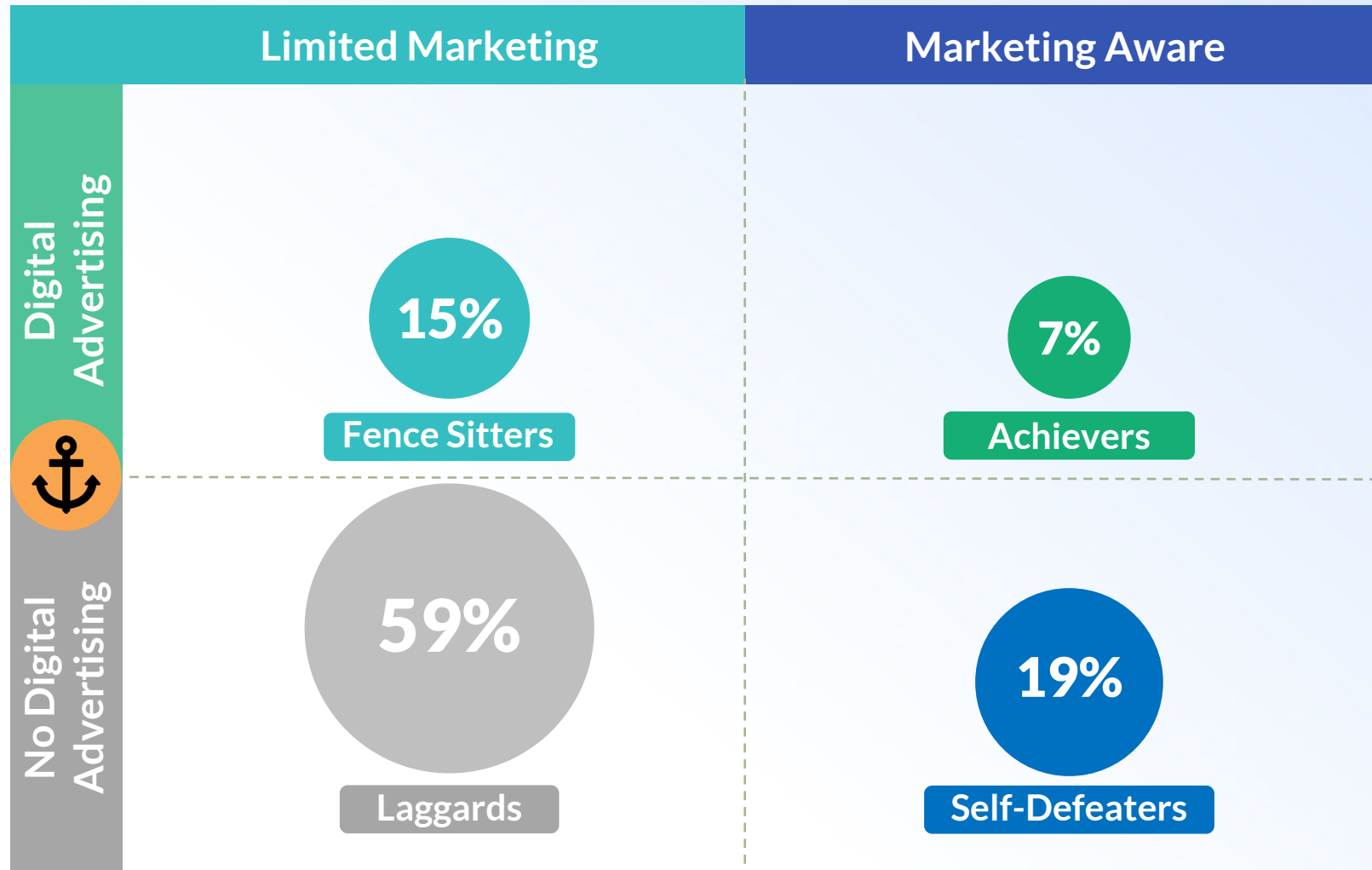
Ecommerce Not Enabled: Case 1 of 4

Digital Advertising vs Cloud Spend



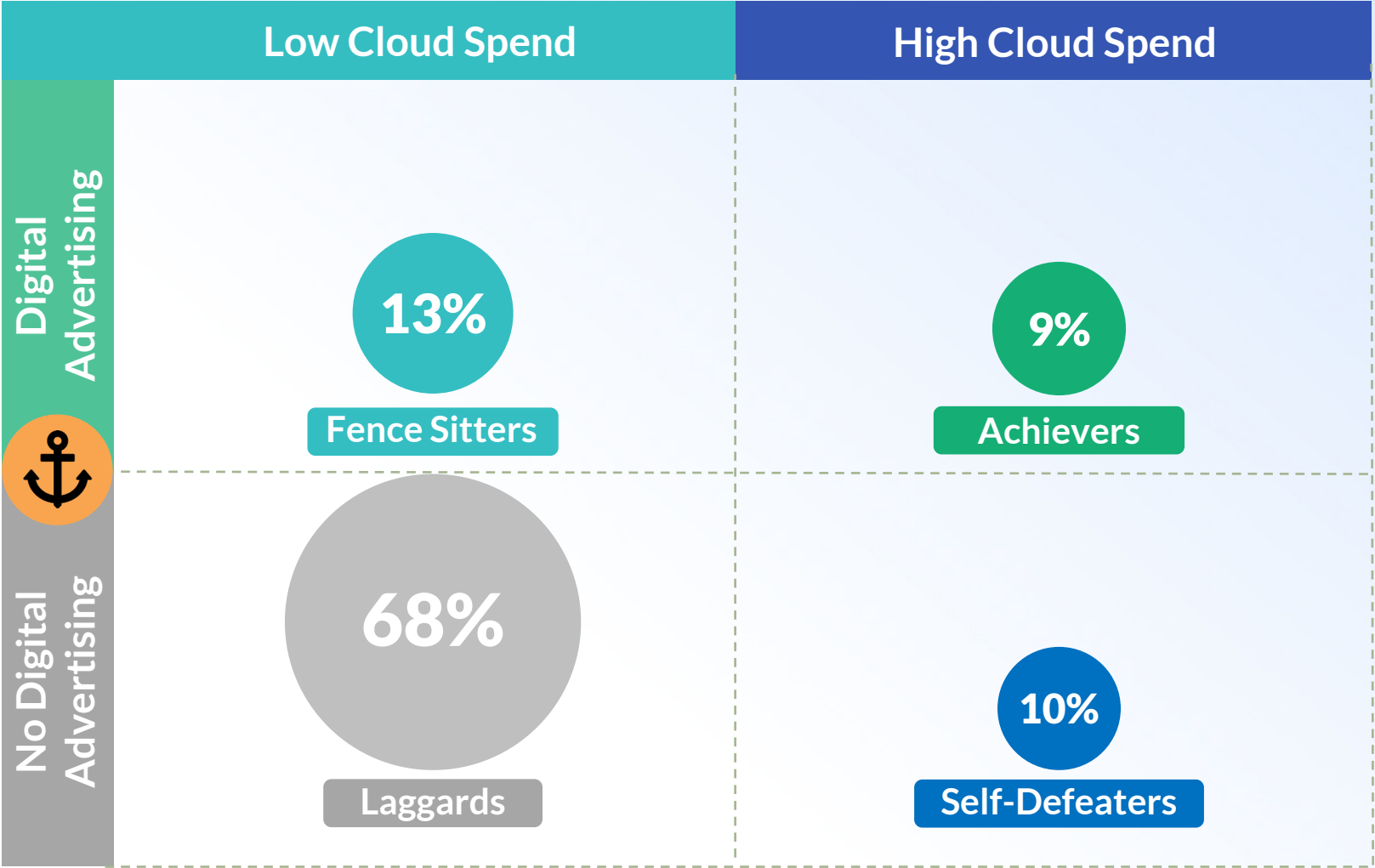
Ecommerce Not Enabled: Case 2 of 4

Digital Advertising vs Advanced Marketing



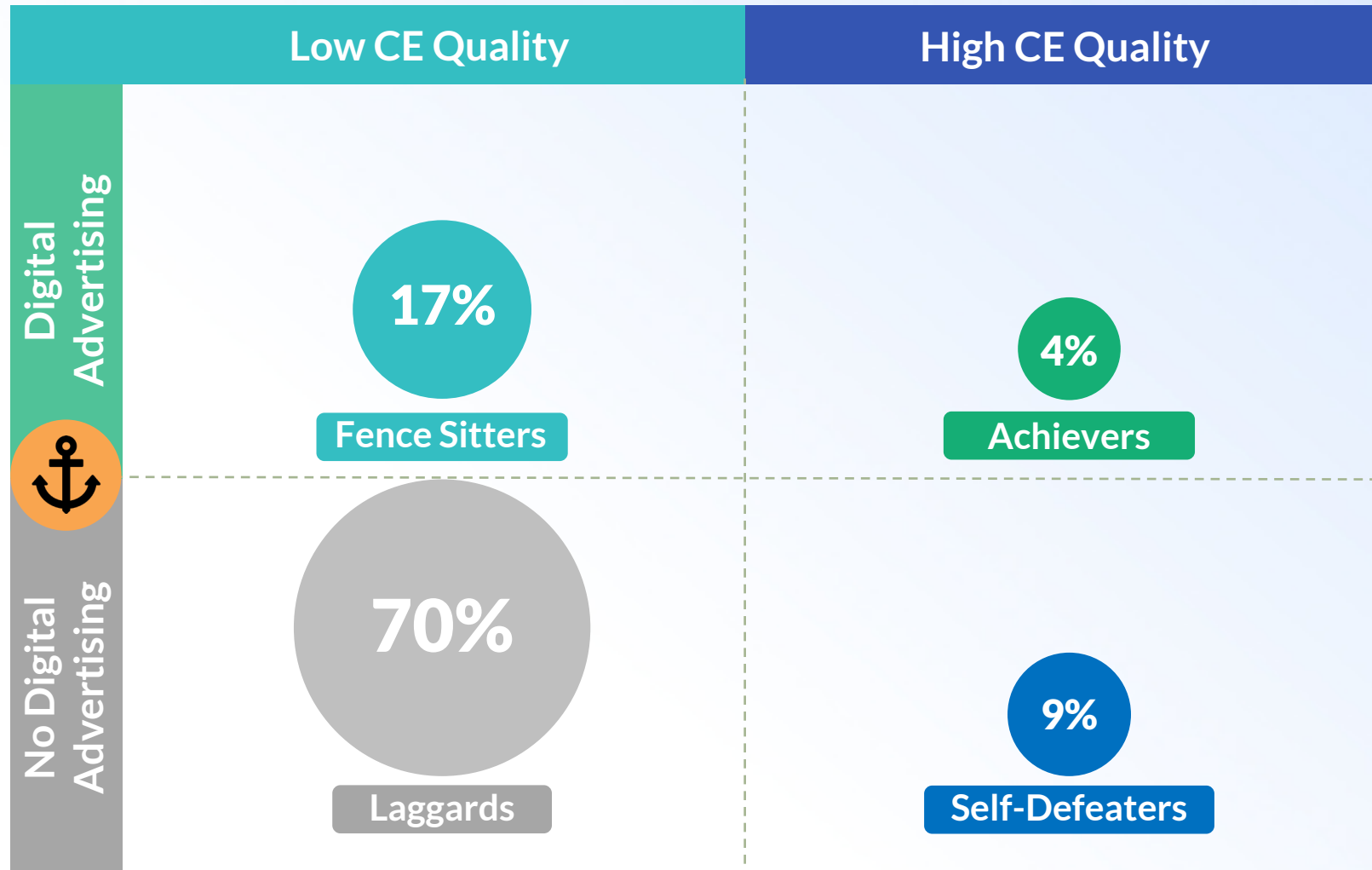
Ecommerce Not Enabled: Case 3 of 4

Digital Advertising vs Social Media Activity



Ecommerce Not Enabled: Case 4 of 4

Digital Advertising vs Customer Experience Quality



Conclusions of Segmentation Playbook

- The 2x2 matrix approach, with its 4 quadrants, is a valuable tool for drilling into a set of SMBs to identify specific characteristics and needs. The 2X2 approach allows multiple parameters to be considered at the same time.
- This matrix is also useful for creating messaging throughout the advertising, marketing and onboarding processes.
- The choice of the specific quadrant to target will depend on the service provider's product, go to market strategy, competition, etc.
- Besides the filters used in these examples, SMBs can also be filtered by any firmographic (SMB size, geography, age, category, etc.), or by the presence or absence of a specific product or platform.

Thank You!

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