

MINDSHARE — SMB Marketing Study

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INTRODUCTION

Cargo, the experts in understanding Small and Medium-sized Business (SMB) mindsets, recently conducted a comprehensive study on the current state of the industry. This study aims to gain valuable insights into the perspectives and experiences of key movers, shakers, and decision-makers within the SMB world who have been in business for over a year. We listened to the responses of 400 panelists across North America to get a deeper understanding of the current trends, events, and digital transformation landscape impacting SMBs. All to help big brands more effectively market and sell their products and services to this increasingly important audience. The respondents represented various sizes of SMBs ranging from 2 to 500 employees spanning across a diverse range of industries, including business services, construction, health, retail, food/beverage, manufacturing, education, and transportation. This research provides a timely snapshot of the ever-evolving climate for SMBs providing a valuable glimpse into the current dynamics.

Section 1 — Current Events and Macrotrends

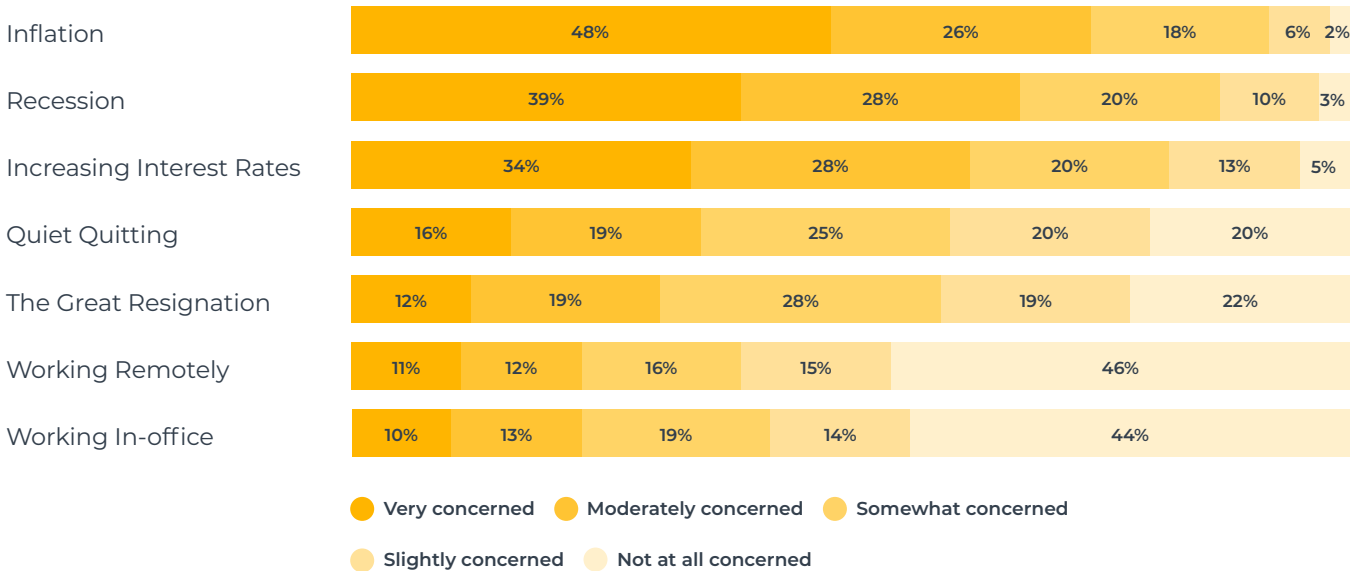
DOLLARS AND SENSE

Economic Stability is Kind of a Big Deal

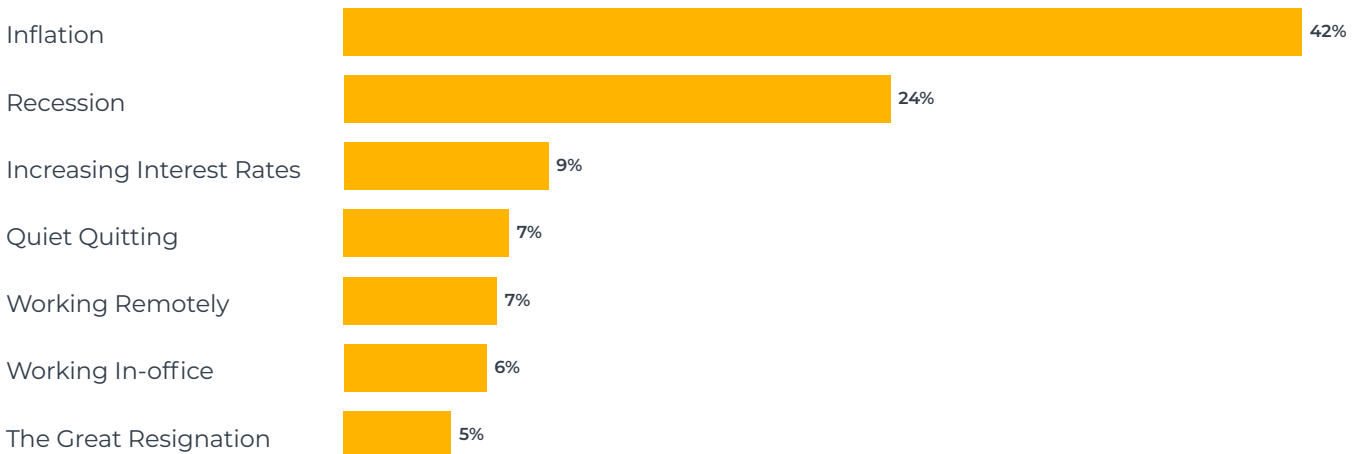
We asked Small and Medium-sized Business (SMB) decision makers to gauge their level of concern on a range of ongoing current events and macrotrends. Small and Medium-sized Businesses are highly attentive to the money matters of the economy, meaning they recognize the importance of economic stability for their own operations and growth.

Inflation as a Major Concern: With nearly half of the SMBs pointing to inflation as their biggest worry, it indicates that an increase in prices and a decrease in purchasing power are considered pretty significant challenges. Inflation is creating major concerns for SMBs in multiple areas – including increased costs of raw materials, reduced consumer spending, and lower profit margins.

Level of Concern



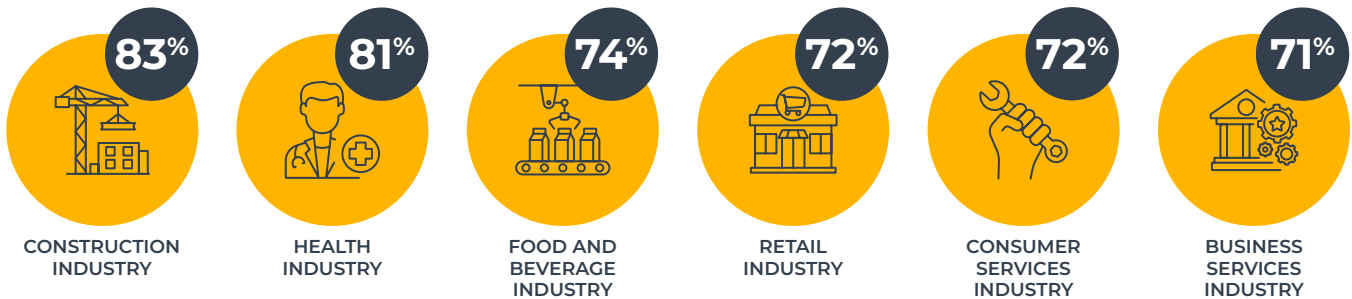
Degree of Impact (#1 Rankings)



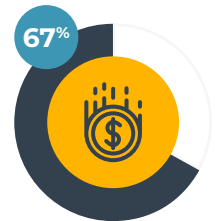


Takeaway: Companies considering raising their prices through tough times can stay competitive by offering value-added services and focusing on building stronger, loyalty-building relationships with exceptional customer service.

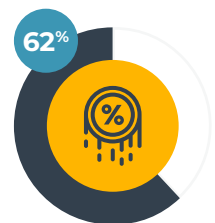
The level of concern regarding inflation is particularly high in the construction, health, food and beverage, retail, consumer services, and business services industries. The SMBs in these sectors are highly aware and incredibly apprehensive when it comes to the impact of inflation on their businesses. On the flip side, the industries showing the least amount of concern about inflation include the legal (50%), education (52%), and media (57%) industries. It's worth noting that these sectors may have factors or dynamics that contribute to their comparatively lower level of concern about inflation.



Recession Woes: Over three out of five SMBs are either very concerned or moderately concerned at the prospect of a recession. This suggests that business owners are highly aware of what an economic downturn can do to business. During a recession, consumer demand typically goes down, which leads to reduced sales, which can lead to reduced profit.

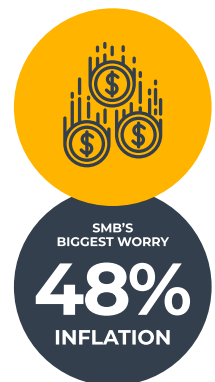


Increasing Interest Rates: Three out of five of SMBs are either very concerned or moderately concerned about increasing interest rates which can affect businesses in a number of ways. For instance, their borrowing costs go up and consumer spending goes down due to higher loan repayments. This makes SMBs extra sensitive to changes in interest rates and their potential impact on business comings and goings.



Takeaway: Recognizing the financial chokehold faced by SMBs, big brands can use their brawn to collaborate with financial institutions and help keep the small business fire burning. Through that, they can offer SMBs flexible financing options to alleviate the burden of expensive equipment costs and provide them with easier access to the products they need to take care of business.

The idea of remote work doesn't appear to have much of an impact on Small and Medium-sized Business, as we can see by its consistently low ranking across the board.



NOW HIRING!

Help SMBs Overcome Staffing Challenges

SMBs today are still facing constant staffing challenges – such as finding top talent, even after the pandemic’s impact. Subpar applicants, staffing shortages, and employee retention issues all add to the obstacles.

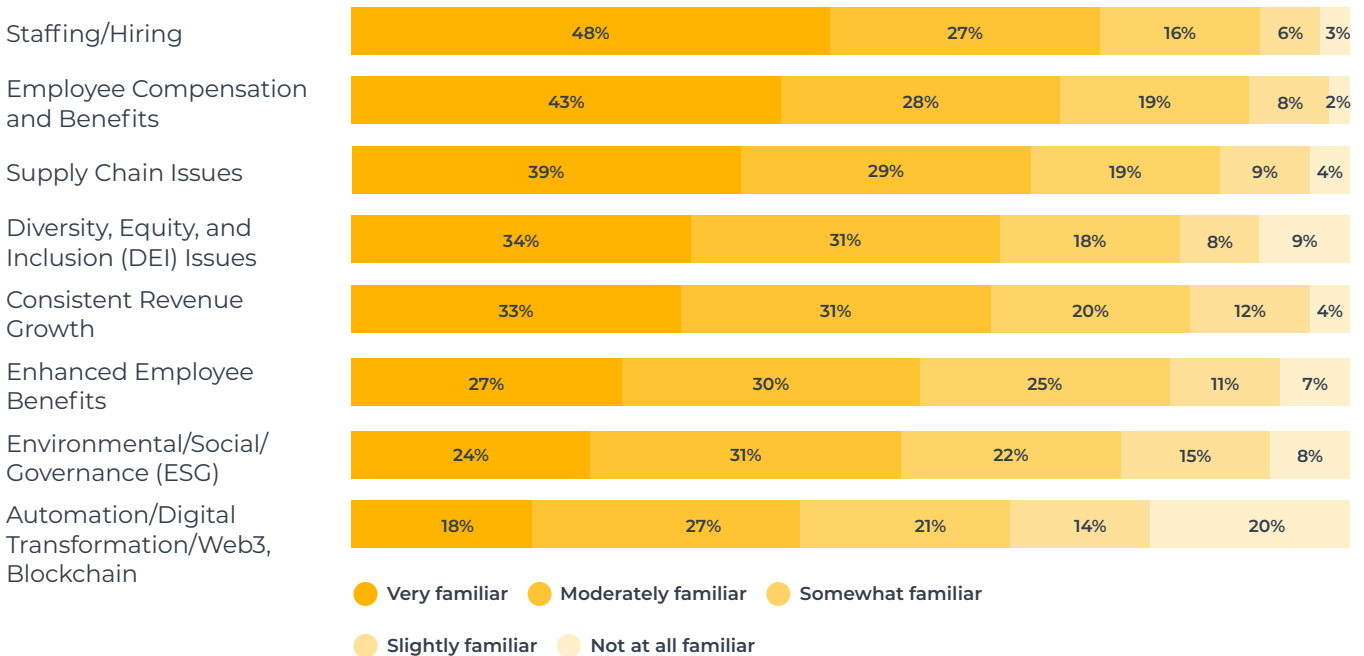
To overcome these hiring challenges, SMBs will increasingly rely on technology-driven solutions, like automation and other AI-powered tools.

For brands who market to SMBs, understanding these struggles and recognizing the difficulties SMBs face will go a long way.



Takeaway: Tech brands can seize the opportunity to leverage this valuable information and offer a range of resources and solutions to help build up the workforce. Recruitment software and AI-powered tools can work wonders at enhancing and streamlining the hiring process, bringing more efficiency to talent acquisition.

Macro Trend Familiarity

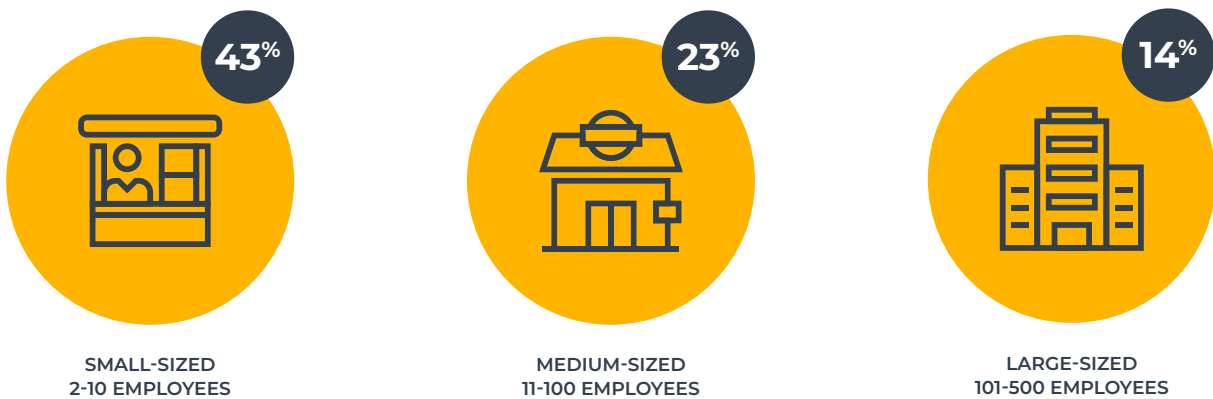


THE BUSINESS IS THE BABY

Revenue Growth & Staffing Keep SBOs Up at Night

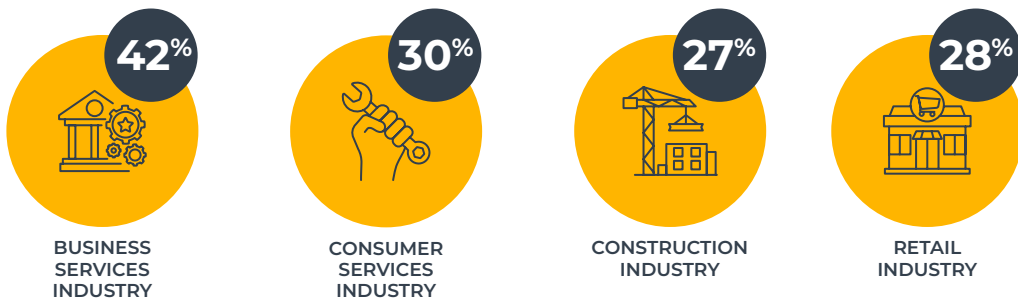
Small and Medium-sized Business Owners (SBOs) are deeply immersed in their businesses, as they live and breathe every single facet of their operations. Companies that understand the paramount importance of revenue growth in their product offerings and can establish clear correlations to return on investment (ROI) are primed for unparalleled success in the SMB market.

Consistent revenue growth has much higher impact on day-to-day business operations for small-sized SMBs than medium-sized SMBs and large-sized SMBs. It's worth pointing out that three out of ten small-sized SMBs feel that the survival of their company hinges on securing steady revenue growth.

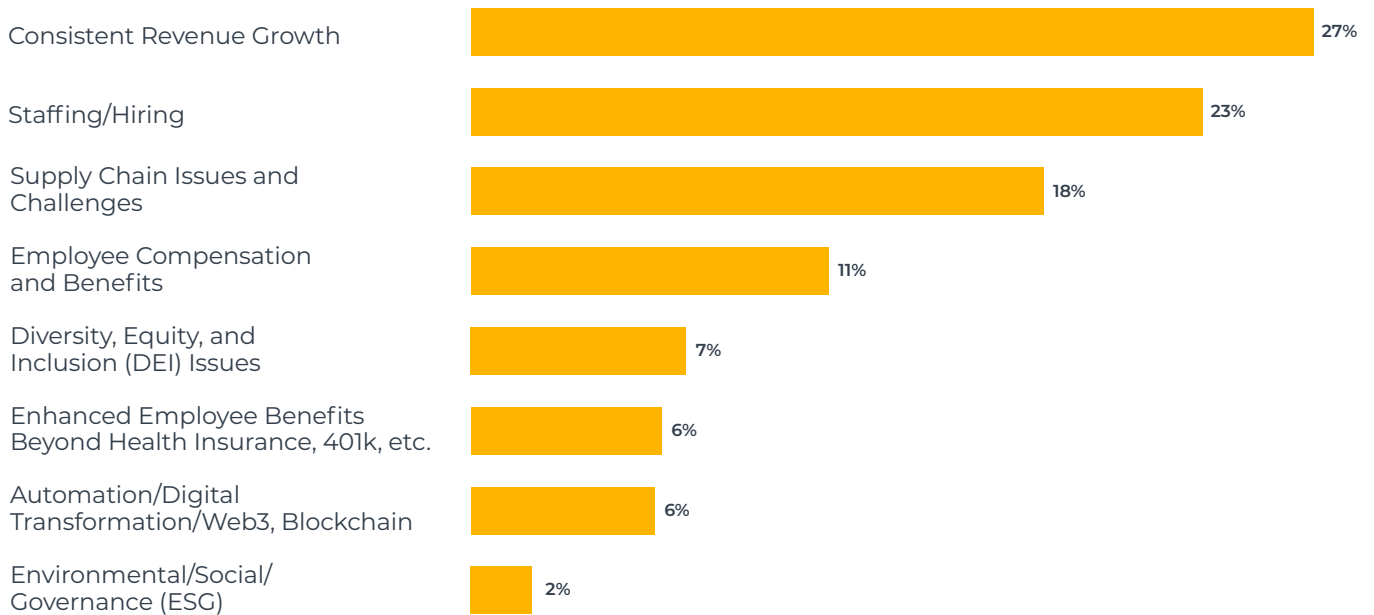


Consistent revenue growth came out on top with the highest number of top rankings across multiple industries. It received the most #1 rankings in business services (42%), consumer services (30%), construction (27%), and retail (28%). However, in the health industry, staffing/hiring grabbed the lead with 32% of the top rankings, while the retail industry took home 26% of the top rankings. These findings underscore the SMB focus on consistent revenue growth and staffing/hiring as crucial factors shaping day-to-day business operations.

Consistent Revenue Growth



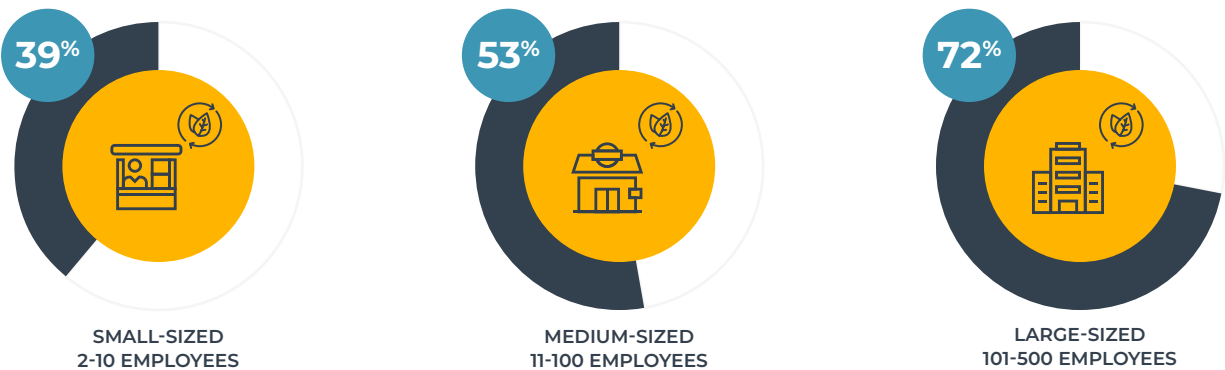
Degree of Impact (#1 Rankings)



Despite port congestion and shipping operations bouncing back after the disruptions caused by COVID-19, it's interesting to see that supply chain management continues to be a top concern for SBOs. This stems from the realization that many SBOs heavily rely on a dependable and consistent supply network to ensure their business is running as seamlessly as possible.

The study also uncovered an interesting insight: SMBs do not prioritize Diversity, Equity, and Inclusion (DEI) nor Environmental, Sustainability, Governance (ESG), despite their significance in the corporate world. Large-sized SMBs are significantly more familiar with ESG (72%) compared to their small (39%) and medium counterparts (53%).

ESG Familiarization



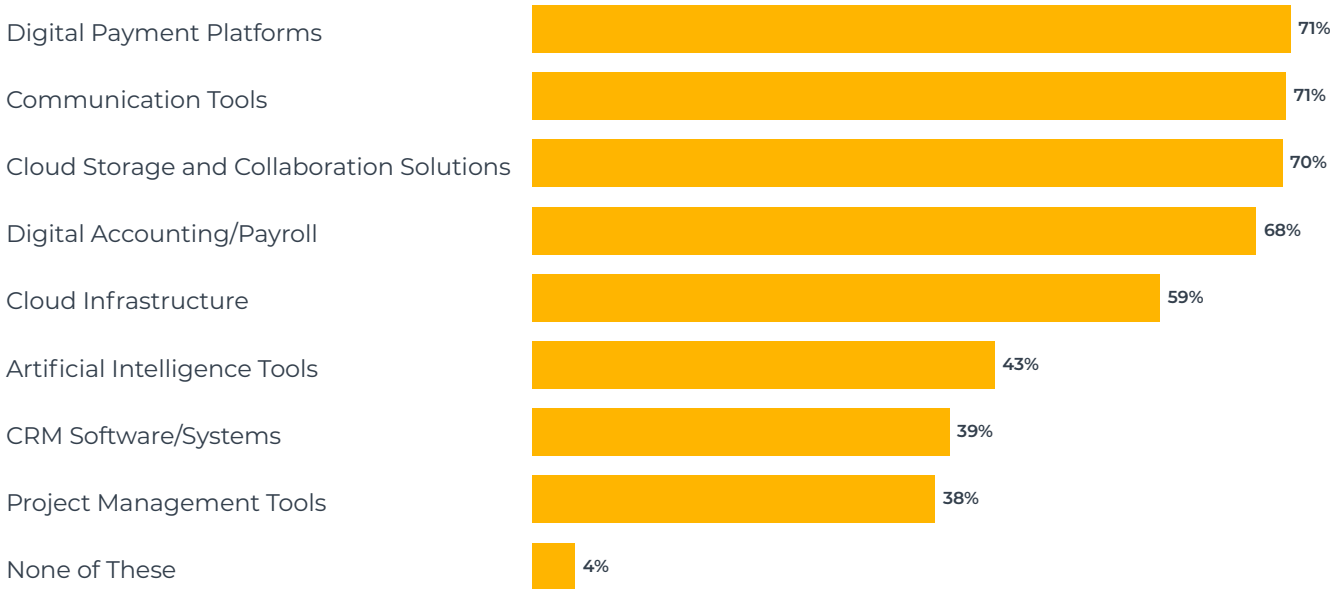
Section 2 — Technology Usage and Digital Transformation

DIGITIZE OR DIE

Unleash the Power of Technology in the Digital Age

Digital payment platforms and communication tools are key. SMB awareness is highest for digital payment platforms, communication tools, and cloud storage and collaboration solutions.

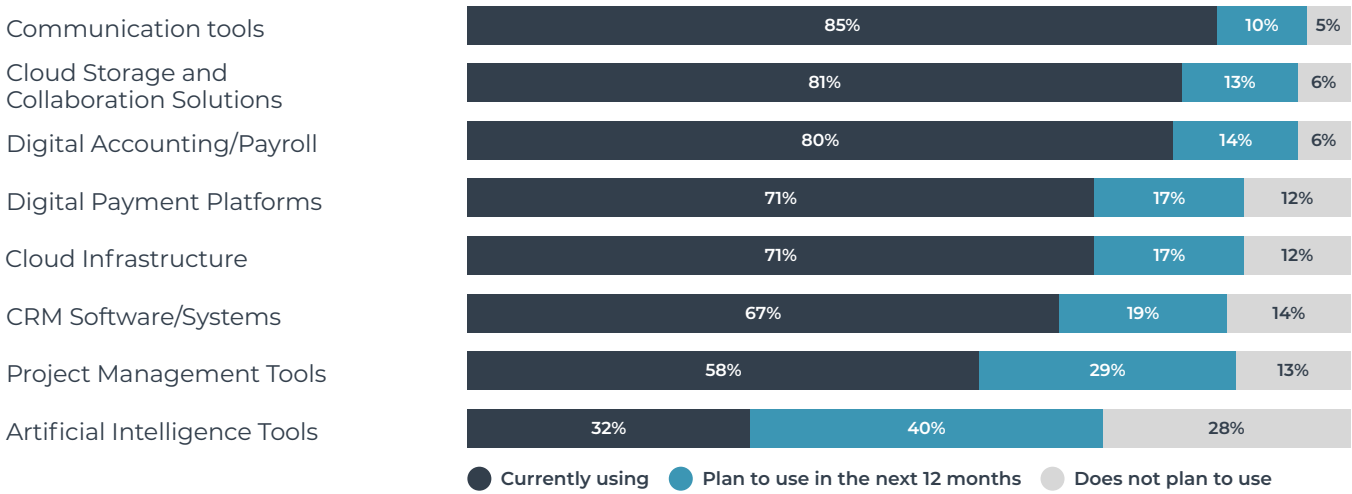
Tech Awareness



The awareness gap between small, medium and large SMBs was most pronounced for the following tools, telling us that large firms are significantly more well-versed in using these technologies.

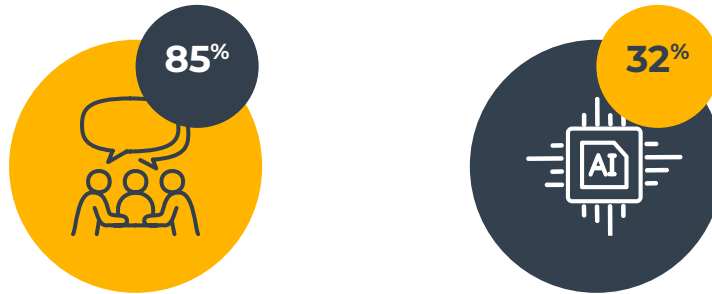
Which of the Following Technologies is your Company Aware of?	Large	Medium	Small
Artificial Intelligence Tools (Chatbots, ChatGPT, etc.)	50%	44%	35%
Cloud Infrastructure (AWS, Azure, Google Cloud, etc.)	68%	59%	50%
CRM Software/Systems (HubSpot, Salesforce, Zoho, etc.)	44%	41%	32%
Project Management Tools (Monday, Asana, Trello, etc.)	50%	36%	27%

Tech Adoption and Utilization

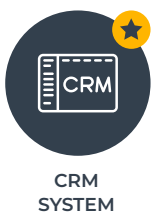


Communication tools take the lead in technology utilization, with an average usage rate of over 80% for communication tools, cloud storage and collaboration solutions, and digital accounting/payroll software.

On average, more than eight out of ten SMBs are currently using communication tools, while only one-third are using AI.



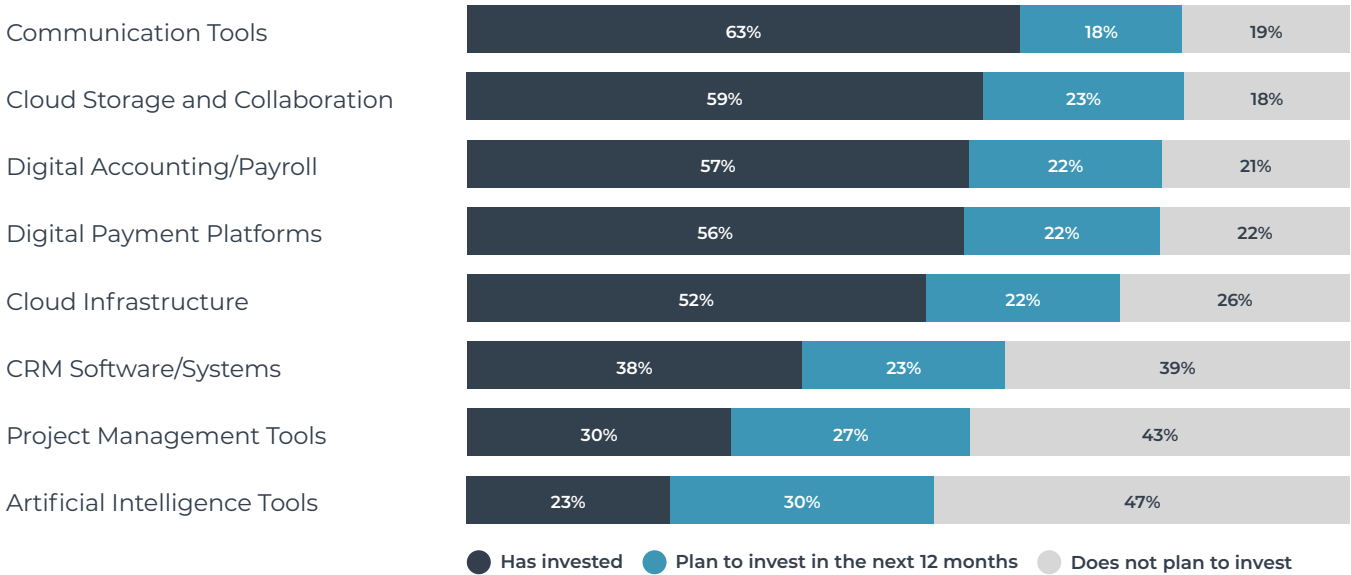
Takeaway: Opportunities are out there for technology brands offering capabilities in AI, project management, and CRM systems. However, the SMB market for communication, cloud storage, and digital accounting/payroll software may already be saturated.



GO OFF ROAD

Discover the Hidden Treasures of Artificial Intelligence (AI)

Tech Investment Plans



Sentiment Towards AI

Across all sizes of SMBs, AI utilization is consistent. However, it's worth noting that larger SMBs are more inclined to put AI into practice compared to their small and medium-sized counterparts. Likewise, larger SMBs see more value in AI.

Company's AI Utilization	Total	Large	Medium	Small
Currently using	32%	33%	31%	34%
Plans to use in the next 12 months	40%	52%	37%	26%
Does not plan to use	28%	15%	32%	40%

Company's AI Sentiment	Total	Large	Medium	Small
10 (I find significant value in using it)	18%	22%	18%	13%
9	10%	9%	13%	7%
8	15%	18%	14%	14%
7	11%	14%	11%	9%
6	12%	17%	7%	11%
5	12%	8%	13%	14%
4	3%	1%	2%	5%
3	5%	4%	5%	9%
2	4%	5%	3%	4%
1 (I don't find value in using it)	10%	2%	14%	14%

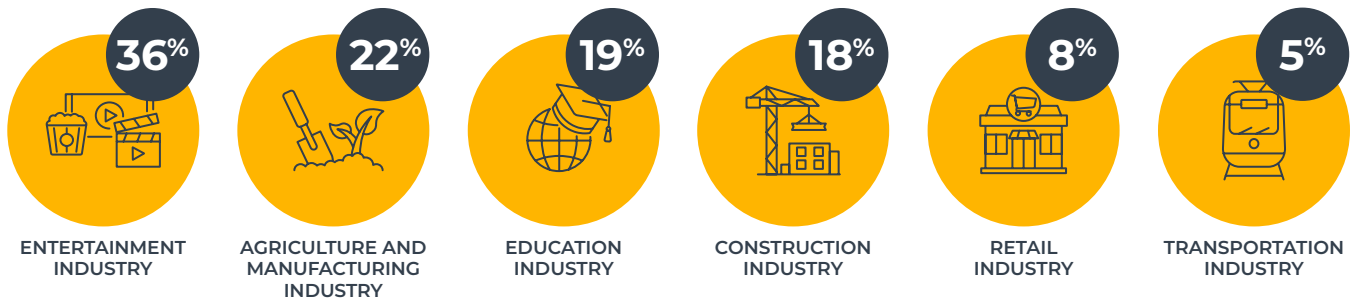
In general, SMBs have mixed feelings when it comes to the impact of technology on jobs. Among large-sized businesses, one out of four have experienced human job displacement due to technology, which is notably higher than the smaller-sized SMBs.

Has Technology Replaced a Human Job?	Total	Large	Medium	Small
Yes	15%	25%	14%	8%

On the other hand, three out of four small-sized businesses hold the belief that technology will not be replacing human jobs in the next three years, a significantly higher ratio compared to larger-sized businesses.

Do You Believe Technology Will Replace a Human Job in Next 3 Years?	Total	Large	Medium	Small
Yes	24%	33%	27%	15%
No	62%	47%	59%	75%
Don't know	14%	20%	14%	10%

According to the data, the entertainment industry has experienced the highest rate of human job displacement due to technology, with 36% respondents revealing that technology has replaced a human position. The agriculture and manufacturing sectors aren't too far behind at 22%, while education and construction are going through it at rates of 19% and 18%, respectively. On the other side of the coin, the retail industry is showing a lower vulnerability to human job replacement by automation, with only 8% of jobs being impacted. Transportation appears to be the least affected, with a mere 5% of jobs being replaced by technology.



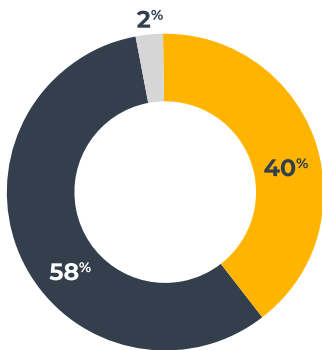
Takeaway: Tech brands, particularly larger ones, can leverage SMBs' growing interest in AI and address the mixed views regarding technology's impact on jobs. By offering tailored solutions, addressing industry-specific needs, and highlighting the potential benefits of AI, tech brands can position themselves as trusted allies in the SMB market.

PUTTING YOUR MONEY WHERE YOUR FUTURE IS

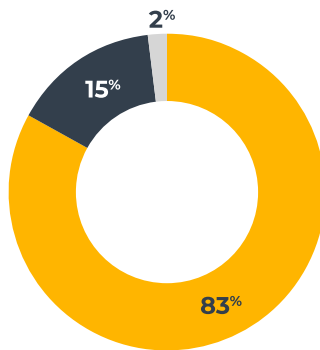
Take Big Advantage of Bigger Tech Budgets

The COVID-19 pandemic has had a significant impact on IT spending, particularly in the entertainment, manufacturing, and education sectors. According to the data, 73% of respondents in the entertainment industry reported an increase in IT/technology investments since the beginning of the pandemic. Similarly, 70% of respondents in the manufacturing sector and 67% in the education sector noted higher IT spending during the same time period. This suggests that these industries recognized the importance of technology in adapting to pandemic-related challenges and invested accordingly to meet their evolving needs.

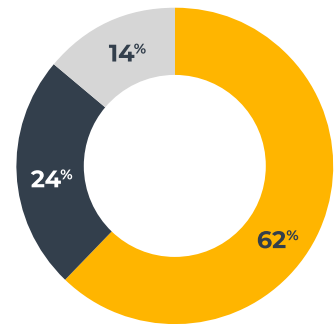
Has your company invested in more IT hardware/software/services now than before the COVID-19 pandemic?



Has any technology replace a human job in your organization?

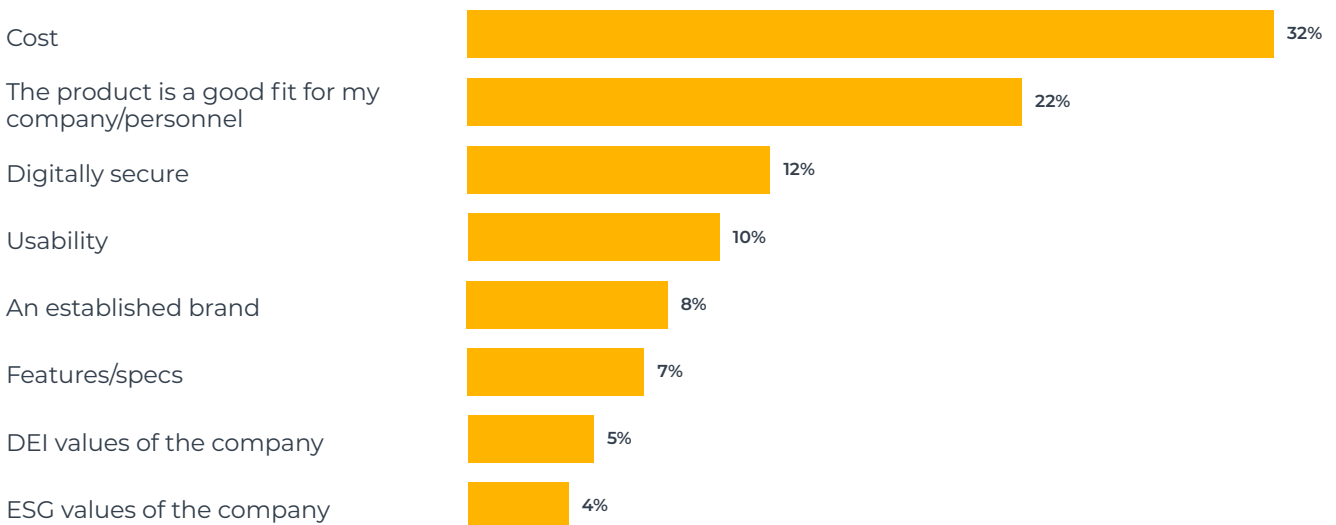


Do you believe technology will replace any human job in your organization in the next 3 years?



● YES ● NO ● DON'T KNOW

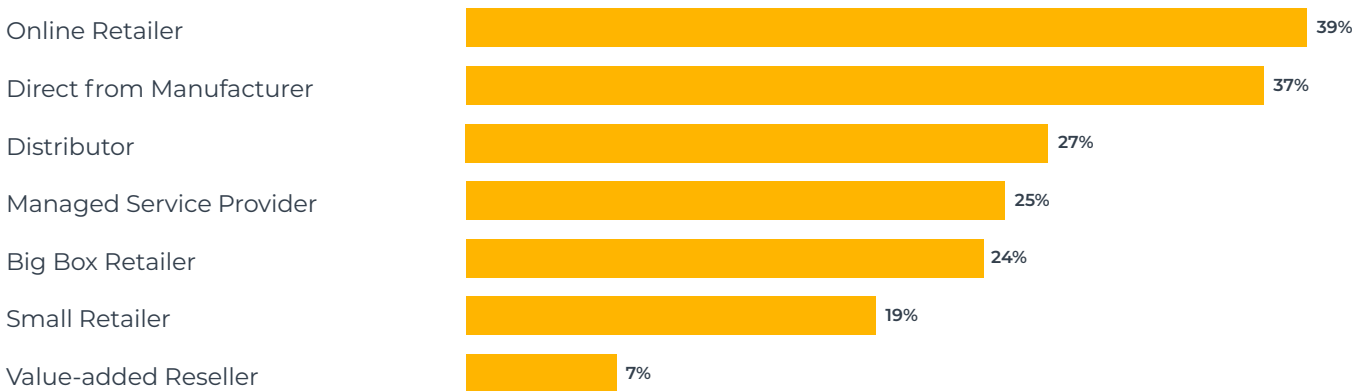
Primary Factor for Technological Purchases (#1 Rankings)





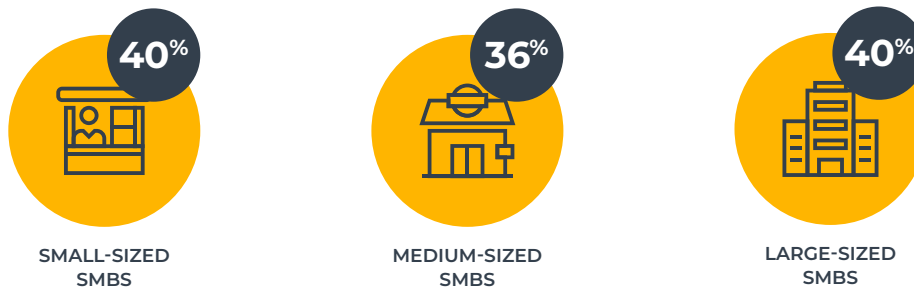
Takeaway: The data shows us that SMBs prioritize cost savings over the ESG and DEI values promoted by brands. This suggests that despite the heavy promotion of ESG and DEI values, small businesses may not rank those factors as heavily in their decision-making process. Cost consciousness and financial savings appear to be at the top for small businesses as they evaluate their technology options, overshadowing things like ESG and DEI values.

Medium for IT Purchases



Overall, when it comes to technology purchases, SMBs often choose to buy from online retailers or directly from the manufacturer. According to the data, 40% of small-sized SMBs, 36% of medium-sized SMBs, and 40% of large-sized SMBs have a preference of purchasing technology products from online retailers. It should come as no surprise that smaller SMBs tend to be the most frequent big box store shoppers, accounting for 32% of respondents. On the other hand, 42% of larger SMBs have a penchant for purchasing directly from the manufacturer. In addition, 34% of large SMBs opt to purchase technology products through a distributor, to potentially leverage cost savings.

Purchase technology products from online retailers



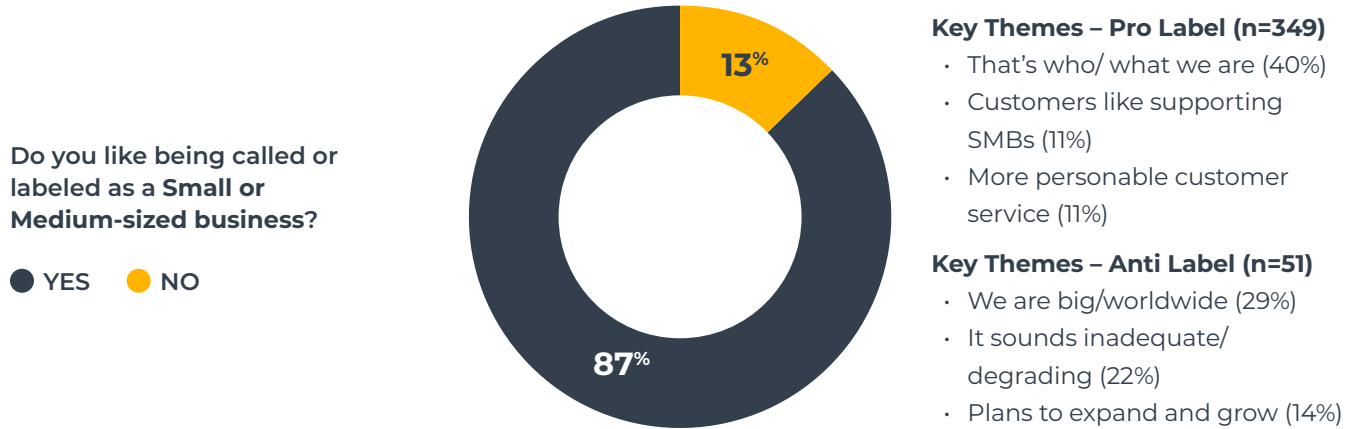
Takeaway: If you haven't invested in building a frictionless e-commerce platform, the time is now. Investing in your e-commerce platform isn't just a nice-to-do, it's crucial. An effective e-commerce platform streamlines the customer experience, making it convenient for users to browse, select, and purchase products or services seamlessly. By breaking down barriers, optimizing the user interface, ensuring smooth navigation, and integrating secure payment gateways, businesses can boost customer satisfaction and get more of them.

Section 3 — Small Business Owner Sentiment

IT'S A SMALL WORLD

Over 80% are Here For It

87% of respondents feel positive about being identified as a Small or Medium-sized Business, with only around 10% feeling the opposite. Champions of this label emphasize its relevance and point out that customers are naturally inclined to support small businesses.

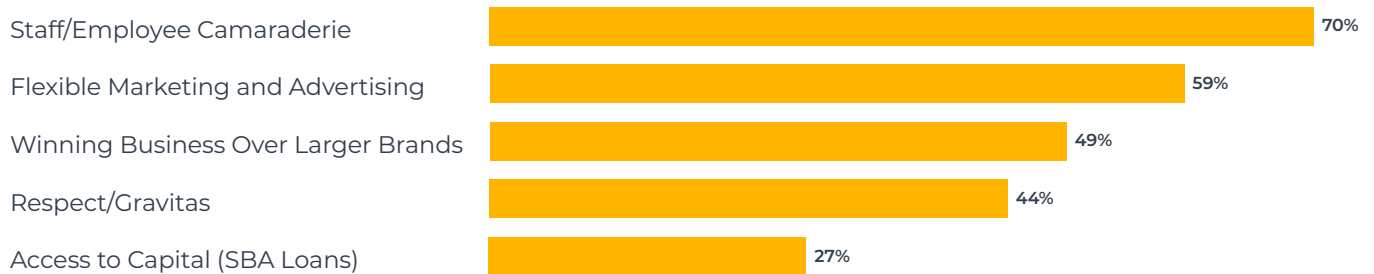


	Large	Medium	Small
Yes	77%	89%	95%
No	23%	11%	5%

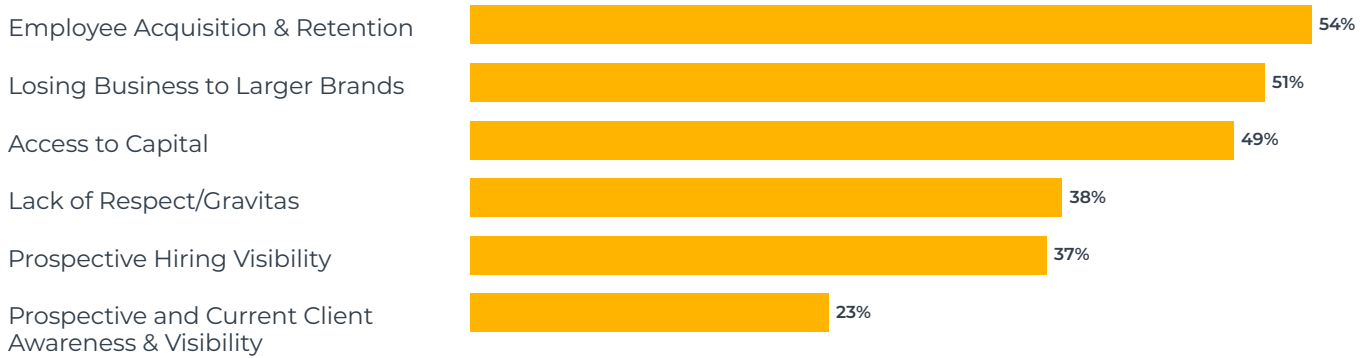
Unsurprisingly, smaller-sized SMBs are more fond of being identified as a small business versus medium or large-sized SMBs.

Across various industries, manufacturing businesses showed the lowest level of satisfaction with the Small Business label, proven by the 26% of respondents who expressed their dislike for the label. Hot on their heels was the retail sector with 19% and not too far behind them was consumer services with 16% on the same wavelength.

Top Benefits of SMB Label



Current Challenges to the SMB Label (#1 Rankings)



The primary challenges associated with being labeled as a Small Business totally depends on the size of the business. Here are the most prevalent challenges in each category:

- For large-sized SMBs, the biggest concern is employee acquisition and retention, with 32% of respondents pointing to this as their #1 challenge.
- Contrarily, medium-sized SMBs often face the obstacle of losing business to larger brands, with 27% of respondents ranking this as their top challenge.
- Small-sized SMBs have a hard time accessing capital, with 24% of respondents highlighting it as their most significant challenge.

It is worth noting that individuals on both sides of the labeling preference called out respect and gravitas as significant factors. Regardless of whether they liked or didn't like being labeled as a small business, the notion of respect and perception of credibility seemed to strike a chord with respondents. That tells us that the perception of respect and gravitas associated with the label is a shared consideration among different viewpoints.



Takeaway: Big brands can take advantage of the positivity associated with the small business identity. By positioning your brand as a supporter and advocate of small businesses, you can help foster a connection and resonate with SMBs across the board. By understanding their challenges and addressing their unique challenges, your brand can establish trust and credibility within the SMB community, leading to stronger relationships and unwavering customer loyalty.

THANK YOU

Cargo values your interest in this study and the insights provided. As the authority in helping brands market and sell to their Small and Medium-sized Business customers, we would like to invite you to reach out. Whether you have questions, seek a more in-depth exploration, or are curious about how the findings can be applied to your business, we are here to help.

We look forward to continuing the conversation and engaging further.

thecargoagency.com



