



SUPER // SELLING

HOW CONTEMPORARY SMALL BUSINESSES

REACH CONSUMERS AND **SELL PRODUCTS**

U.S. Research Report // **Fall 2021**

EXECUTIVE SUMMARY

// HOW CONTEMPORARY SMALL BUSINESSES REACH CONSUMERS AND SELL PRODUCTS

Defining Contemporary Small Business Selling:

An evolutionary leap from one-size-fits-all ancestors, small and medium-sized businesses that sell physical goods (henceforth, “SMB Sellers”), now have many sales methods (distinct ways of selling, both online and offline) and digital tools, platforms, stores, and marketplaces (that facilitate the selling) available to them. Critically, many of these are relatively inexpensive and easy to set up and use, and add tremendous business value.

Contemporary SMBs use multiple sales methods to retail inexpensively, track orders and shipments, and reach new customers, including those in new geographies. Popular sales methods include physical “Brick and Mortar” stores, Wholesaling, third-party Online Marketplaces, and company-owned Web Stores. 91% of SMB Sellers use more than one sales method out of the eight primary methods we studied in detail (which account for nearly all SMB sales). 80% of SMBs use at least three sales methods.

In this report, we define “Super Sellers” as the 44% of SMBs maximizing these eight sales methods, while “Advanced Sellers” (36%) use between 3-5 sales methods. The remainder (20%) are “Simple Sellers” - businesses that can be quite successful but that use a simplified array of selling methods and revenue options available to them in contemporary retail. (While SMBs falling within all three informal groups can be and are successful, for the purposes of this research the groupings yielded additional insights about SMBs that choose to use more vs. less sales methods.)



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The Typical Small Business Diversifies Its Sales Methods: In this report, we define Super Sellers as those SMBs that sell through more than 5 sales methods, and Simple Sellers as those selling through 1-2 sales methods. The average SMB today is an Advanced Seller (selling through 3-5 sales methods), using an average of five (5) methods to connect with customers. It is important to note that these are groupings made specifically for our analysis - SMBs are not “locked” into any particular group; rather, they can deploy or stop using sales methods as they see fit.

SMB Sellers are not merely listing products in multiple places, but actually driving revenue; revenue is more distributed across sales methods for Super Sellers than for Simple Sellers, for whom it is only derived from 1-2 sources. Indeed, 39% of Simple Seller revenue is driven by “Brick and Mortar” (i.e., physical retail store) sales alone.

Far from being “winner take all” or “zero-sum,” sales methods are used by SMBs together in various combinations in a fluid manner. Using five or more methods may seem complex, but SMBs with limited time and resources don’t stick with a method unless it succeeds by delivering revenue. SMB Sellers have clearly adapted to rapidly shifting consumer trends and purchasing patterns that have no doubt been accelerated by the COVID-19 pandemic.

There is a lot of variation amongst what the U.S. government typically defines as SMBs, with many having fewer than 10 employees or even just a sole owner/operator, while others are more sophisticated operations with many products and hundreds of employees. Yet while logically it is easier to manage more sales methods with more employees, in some cases creativity and a willingness to learn new things can be more powerful than brute force - a full 69% of “micro” SMBs with fewer than 10 employees are Advanced or Super Sellers.



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SMB Sellers Benefit From a Mix of Traditional and Digital

Sales Methods: SMB sellers' two most popular sales methods are "Brick and Mortar" retail stores (79% of SMBs sell this way) and Wholesale (78%), which together on average account for 36% of SMB seller revenue.

Online Marketplaces (where a third party hosts many SMBs in the same place) and company-owned Web Stores are also quite popular, with 68% of sellers using each to collectively generate 35% of SMB revenue. Other sales methods are more niche, but all four of these remaining methods are used by roughly half of SMBs as part of their broader sales strategies.

The Role of Digital Tools in SMB Selling: Most SMB Sellers view digital tools as integral to their business operations. Nearly all (91%) say digital tools are important, if not critical, to how their business currently sells products, and a majority (57%) say they are absolutely critical and could not operate without them. These numbers climb even higher with the number of sales methods being used - 98% of Super Sellers view digital tools as important or critical to their success. Notably, such digital tools are not only important for online sales methods, but also for facilitating Wholesale transactions between companies (e.g., JOOR) and digitizing the point-of-sale with consumers in a traditional Brick and Mortar store (e.g., Clover).



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Retail is Filled With Choice and Competition: SMB Sellers have many different sales methods, digital tools, and stores or marketplaces to choose from that facilitate particular sales methods. Across different sales methods, different companies offer the most popular options among SMB Sellers: for example, Square, Clover, and PayPal are the most, second-most, and third-most popular for Brick and Mortar stores, Shopify, Squarespace, and BigCommerce for Web Stores, and Amazon, eBay, and Walmart for Online Marketplaces.

Frequently, SMB Sellers choose to use multiple vendors within a specific sales method. For example, 87% of SMB sellers on Amazon Marketplace also sell on at least one other Online Marketplace. 54% of Amazon Marketplace sellers are also selling on Walmart's Online Marketplace and 50% of Amazon Marketplace sellers are also selling on eBay. This pattern of competition and choice holds up across all the leading Online Marketplaces, as very high percentages of SMB sellers on eBay (89%), Walmart (92%), Target (98%) and Etsy (91%) also sell on at least one other Online Marketplace.



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Deeper Dive - Online Marketplaces: SMB Sellers rarely sell just using an Online Marketplace. Remarkably, 99% of SMB Sellers using at least one Online Marketplace also use at least one other sales method. Several lines of evidence suggest that a typical SMB uses Online Marketplaces to grow and diversify from a “core” business likely to be based in Brick and Mortar and/or Wholesale sales.

On another note, while there are many Online Marketplaces available to SMB Sellers, some policymakers and regulators have implied that sellers are “locked in” to Amazon’s popular marketplace. We found just the opposite: 100% of SMB Sellers using Amazon’s Online Marketplace also use at least one other sales method, and 83% use five or more sales methods. Put differently, the typical SMB Seller using Amazon’s Online Marketplace is more Super Seller than Simple Seller.



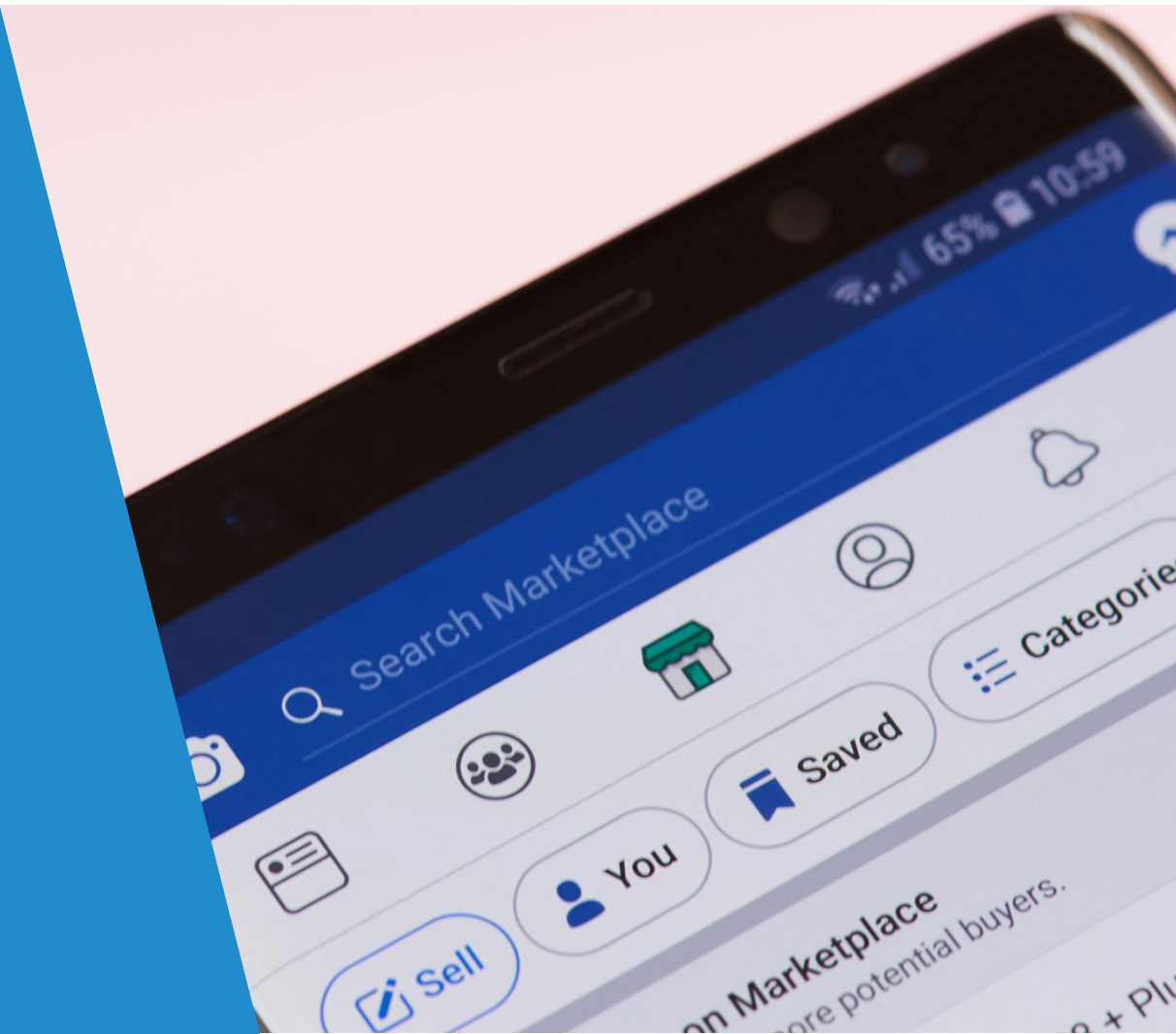
EXECUTIVE SUMMARY

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Diversifying Sales Methods Is Associated With Optimism

and Success: Super Sellers are more optimistic about their businesses, their industries, and the U.S. economy. Compared to Simple Sellers, Super Sellers are: twice as likely to be 100% optimistic about their business' future, 1.7X as likely to project higher revenue this year (vs. 2020), 1.4X as likely to believe their industry is in good or excellent shape, and 2.5X as likely to believe the U.S. economy is in good or excellent shape.

We believe this means that leaders of Super Sellers know that spreading out risk and diversifying revenue through the use of multiple sales methods leads to better business outcomes for their SMB. It also suggests that they are more likely to believe that their SMB and others like them are contributing to the growth of their industry and the overall economy.



EXECUTIVE SUMMARY

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Retail Means Choice, Competition, and Value For Sellers:

Modern retail is full of opportunities. SMB Sellers often sell their products using many different methods that are frequently supported by low-cost, efficient digital tools and platforms. In turn, these methods, tools, and platforms are offered by many different companies that compete for SMBs as business customers.

Moreover, while online sales methods and false dichotomies (“online vs. offline,” “shopping malls vs. downtown stores,” and so forth) tend to get headlines, our research found that a majority of SMB Sellers tend to use traditional Brick and Mortar and Wholesale as sales methods. In fact, these two methods alone drive about a third of SMB Seller revenue.

This suggests that Web Stores, Online Marketplaces, Offline Marketplaces (like farmer’s markets) and other sales methods add to traditional sales methods for the typical SMB Seller. SMB selling is fluid; there appear to be many realistic choices and alternatives that help sellers sell.



MAJOR THEMES

// A MODERN RETAIL LANDSCAPE OF INNOVATION, CHOICE, COMPETITION, AND VALUE FOR SMB SELLERS

“Old-Fashioned” Sales Methods Are Still the Most Popular Ones: Operating “Brick and Mortar” stores is still the most popular sales method for SMB Sellers (79%) and the number-one contributor to SMB seller revenue (23% of revenue, on average). Wholesaling is the second most popular sales method (78%). But SMB sellers can now also easily accentuate traditional means of selling with online stores and marketplaces and other contemporary sales options that have low barriers to entry.

Selling Many Different Ways is the Norm, Not the Exception: SMB Sellers have numerous options when it comes to sales methods that facilitate selling with those methods. 91% of SMB Sellers have a sales strategy that incorporates more than one sales method, and 80% use three or more. The average number of distinct sales methods SMB sellers use is five. While this may seem like a lot, SMB leaders report low barriers to entry for adding additional sales methods into their sales strategies. Additionally, using more sales methods is associated with SMB leader expectations of higher future revenue and business growth.

Modern Retail is Fluid, With Many Alternatives and Benefits: Within specific sales methods, there are not only multiple options, but SMB Sellers frequently choose to use more than one option. They can deploy both Shopify and Squarespace to power their Web Store, or sell products on both Amazon and Walmart’s Online Marketplaces. In this fluid retail space, seemingly nothing is permanent or exclusive.

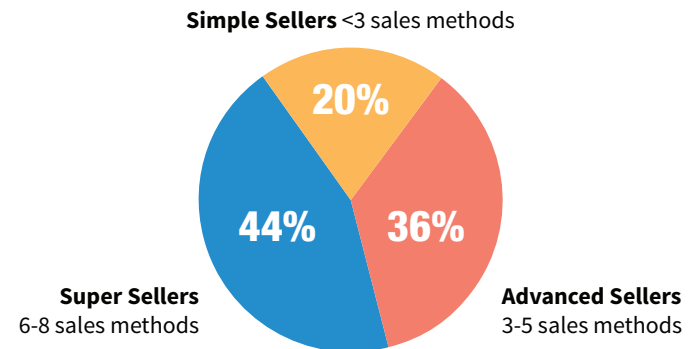


KEY FINDINGS

// THIS REPORT'S MOST IMPORTANT DATA POINTS

- This report focused on eight primary sales methods, which are used by 98% of US SMBs.
- 91% of SMBs employ more than one sales method, and 80% use at least three of them.
- The most popular of these eight sales methods are: Brick and Mortar (used by 79% of SMBs), Wholesale (78%), Web Store (68%), and Online Marketplace (68%).
- 74% of SMBs deploying just one sales method use either Brick and Mortar or Wholesale.
- 72% of SMB revenue is driven by the top four sales methods: Brick and Mortar, Wholesale, Web Store, and Online Marketplace.
- 44% of SMBs use most of these different sales method (referred to as “Super Sellers” in this report) and 20% use up to two sales methods (referred to as “Simple Sellers”).
- The remainder of SMBs (36%) use an average number of sales methods (about 5) and are termed Advanced Sellers for the purposes of this report - these typify a modern SMB that sells physical goods.
- 69% of SMBs with <10 employees are Advanced or Super Sellers, despite their small size.
- 39% of Simple Seller revenue is driven by Brick and Mortar sales alone.
- Simple Sellers rely relatively more on SMB owner recommendations for learning about new sales methods, while Super Sellers rely relatively more on industry publications, news, how-to content, and formal training.

Three Types of Small Business Sellers



- Compared to Simple Sellers, Super Sellers are:
 - ◆ 2X as likely to be 100% optimistic about their business' future.
 - ◆ 1.7X as likely to project higher revenue this year (vs. 2020).
 - ◆ 1.4X as likely to believe their industry is in good or excellent shape.
 - ◆ 2.5X as likely to believe the U.S. economy is in good or excellent shape.

KEY FINDINGS

// THIS REPORT'S MOST IMPORTANT DATA POINTS

- 89% of SMBs are currently using digital tools the same or more than before the COVID-19 pandemic.
- 91% of all SMBs - and 98% of Super Sellers - say digital tools are important, if not critical, to how their business currently sells products.
- The most popular providers of technologies/platforms that facilitate different sales methods vary considerably; for example:
 - ◆ Square, Clover, and PayPal are 1st, 2nd, and 3rd-most popular among SMB Sellers using Brick and Mortar as one of their methods.
 - ◆ Shopify, Squarespace, and BigCommerce are 1st, 2nd, and 3rd-most popular among SMB Sellers using a Web Store as one of their methods.
 - ◆ Amazon, eBay, and Walmart are 1st, 2nd, and 3rd-most popular among SMB Sellers using an Online Marketplace as one of their methods.

Deeper Dive - Online Marketplaces:

- 99% of SMB Sellers using at least one Online Marketplace also use at least one other sales method.
- Of those SMB Sellers using an Online Marketplace, two-thirds (66%) use Amazon, while close to a majority use either eBay (47%) or Walmart (45%).
- It is common for Online Marketplace sellers to use more than one Online Marketplace at the same time, and in various combinations. For example:
 - ◆ Most (85%+) SMB sellers who sell on any specific major online marketplace (Amazon, Walmart, eBay, Target, Etsy) also sell on at least one other Online Marketplace.
 - ◆ 54% of SMB Sellers using Amazon's Online Marketplace also sell on Walmart's Marketplace, and 50% also sell on eBay.
- 100% of SMB Sellers using Amazon's Online Marketplace also use at least one other sales method.
- 83% of SMB sellers on Amazon's marketplace use five (5) or more different sales methods.



INTRODUCTION

// HOW CONTEMPORARY SMALL BUSINESSES REACH CONSUMERS AND SELL PRODUCTS

Selling goods to customers is a distinctly human practice nearly as old as civilization itself. But for millennia - until quite recently, in fact - most sellers were largely confined to the physical location where they were based, and confined to selling to customers near that location. Forms of advertising such as newspaper ads also had mainly local reach and were not highly targeted to specific customer segments.

Fast forward to the 2020's, in which millions of small and mid-sized businesses (SMBs) in the United States and elsewhere have been faced with special challenges during the COVID-19 pandemic. But those that made it through the pandemic experienced an acceleration in the use of digital tools and platforms for buying and selling.

Despite what “Main Street” businesses have been through in 2020 and 2021, there’s probably never been a better time in history to be a small business seller, because there have never been more choices that SMB leaders can make about ways to sell their products and connect with consumers. Wholesale. Retail. Offline. Online. Choices of vendors, price points, and strategies.

Owning a store used to mean some combination of a commercial lease, a supply chain, a warehouse, a loading dock, customers walking in and out at assigned hours of the day. Now, it still means that, but it also can mean a simple website, 24/7 shopping, online sales, and drop-shipped products. Welcome to the world of “Super Selling.”



INTRODUCTION

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This report describes what it is like to be a SMB seller in the modern retail environment. The contemporary sales terrain. The many ways buyers buy and sellers sell.

The old way of thinking about SMB selling was a “mom and pop” or “Main Street” store, a physical location or two, traditional business practices, and low-tech operations. Sophisticated sales strategies were the domain of larger companies selling many products that could afford to buy software and manage various sales channels.

Not anymore. SMBs can now easily access inexpensive and powerful digital tools/ platforms that underlie new ways of selling while not undermining traditional ways, if they care to do those too (and many do). The false dichotomies between digital vs. physical sales or online vs. offline sales are misguided and an insufficient framework for describing how retail works. While the size and scale of selling differs, even the tiniest “micro” SMBs (<10 people) can now - if they choose - deploy very sophisticated sales strategies that rival, or even exceed, that of larger traditional retailers.

This report puts forward a framework for understanding these diverse sales methods that SMBs use today. We study eight of them in depth that account for nearly all SMB sales. Any can be used individually, but when used in various combinations, they can form successful sales strategies - particular approaches that SMBs use, which vary depending on factors such as the size of the business, its industry, the number of products, and the type of customers.

RETAIL VOCABULARY

// EXPLAINING TERMINOLOGY USED IN THE REPORT

Small- and Medium-Sized Business (SMB): In the U.S., an SMB is generally defined as a business that has 0-500 employees. (Zero employees in this context indicates a sole proprietorship with an owner/operator.) This research exclusively studied U.S.-based SMBs.

SMB Sellers: This report defines SMB Sellers as all SMBs that sell physical goods, either wholesale or retail or both, using any methods available to them.

Sales Methods: A “sales method” is a generic way or “mechanism” of selling a product to a customer. Examples of sales methods including selling through a physical retail store and selling through an internet-based store that an SMB seller owns (i.e., company.com). Sales methods are agnostic to any specific company, technology, tool, or platform being used. This report examines eight (8) specific sales methods that comprise virtually all SMB selling in the United States.

Analyzing the Strategies of SMB Sellers: A “sales strategy” in this report is simply a combination of sales methods. For example, an SMB Seller of gourmet ketchup might sell it wholesale to major grocers and also sell exclusive flavors through its own web-based store. That is a particular sales strategy. There are many possible combinations of eight sales methods, and SMB Sellers can change them over time, but

one simple and powerful way to understand the approach of different SMB Sellers is to count the number of sales methods they are deploying.

For the purposes of analysis, this report defines three segments of SMB Sellers based on the number of sales methods currently deployed by an SMB Seller. While these segments are “synthetic” (in other words, created specifically for the analysis here), understanding SMB Seller behavior at the high, low, and middle of the spectrum is insightful. The three segments are:

- **Simple Sellers:** SMBs using 0-2 different sales methods.*
- **Advanced Sellers:** SMBs using 3-5 different sales methods.
- **Super Sellers:** SMBs using 6-8 different sales methods.

As part of this research, we measured several variables associated with how many methods an SMB Seller uses. We frequently compare the extremes of Super Sellers and Simple Sellers to extract the most “signal” from the data. Advanced Sellers are virtually always at a midpoint between the others, suggesting a continuum for many things we measured.

* Here, zero (0) is an SMB that does not use any of the eight primary sales methods we investigated. Alternatives include in-person sales, and direct phone sales. Such businesses make up only 2.35% (N = 47) of the sample.



DIVERSE SALES METHODS

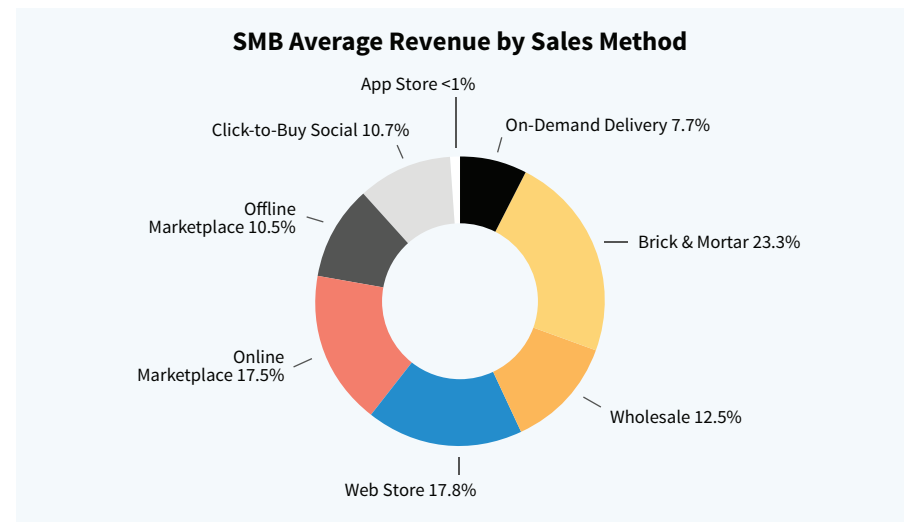
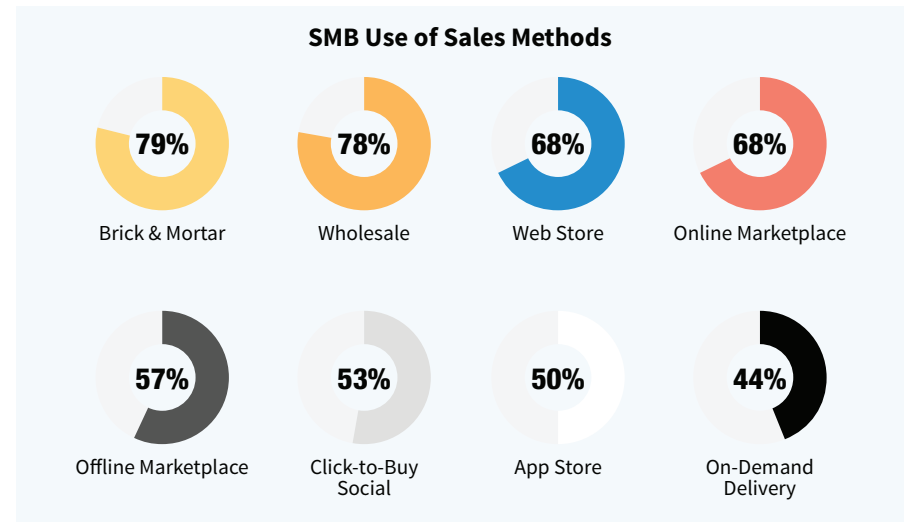
// SMB SELLERS USE AN AVERAGE OF FIVE DIFFERENT METHODS FOR SELLING THEIR PRODUCTS TO CUSTOMERS

Defining Eight Primary Sales Methods: This study defines the eight primary sales methods by which SMBs sell products today. It is important to note that these eight sales methods defined herein account for virtually all the ways SMBs sell products. When asked for additional sales methods, about 3% of SMBs either make sales directly over the phone or in-person. This study doesn't focus on these other sales methods, but for the sake of completeness SMBs are often included as having zero (0) sales methods (of the ones we focused on).

Popularity of Different Sales Methods: Overall, many SMB Sellers use each of these sales methods. That said, some are far more commonly used than others. The top four most used methods are: Brick and Mortar (in use by 79% of SMB Sellers), Wholesale (78%), Web Store (68%) and Online Marketplace (68%). Interestingly, two "traditional" methods of selling are still very top-of-mind for the typical SMB Seller, while newer methods are also frequently in use as well.

Using Multiple Sales Methods: SMB Sellers can, of course, choose to deploy more than one sales method at the same time. Almost all of them do. We found that 91% of SMB Sellers employ more than one sales method, and that the average number of sales methods deployed is five (5).

Diversified Revenue Streams: While it's possible to "use" a sales method yet not drive revenue from it, with the exception of SMB-owned App Stores (which may be used more for branding and awareness), these different sales methods drive significant revenue for SMB Sellers. In particular, the four most used sales methods above account for, on average, 72% of SMB Seller revenue.



SALES METHODS

// DEFINING SMB SELLER PRIMARY SALES METHODS

Brick and Mortar: Direct-to-consumer retail sales through a traditional physical store at a fixed address (i.e., “offline” sales). [*hardware store, wine store, clothing boutique*]

Wholesale: Selling in bulk to other companies who then sell them to consumers. (The companies sold to can be physical or digital or a combination of the two, and the wholesale deals can be conducted in person, online, on the phone, or any other means.) [*grocery stores, department stores*]

Web Store: Direct-to-consumer retail sales online through a web-based virtual store that it owns - most likely an e-commerce-enabled company-branded website located at the company’s URL. [*Stio.com, Huckberry.com*]

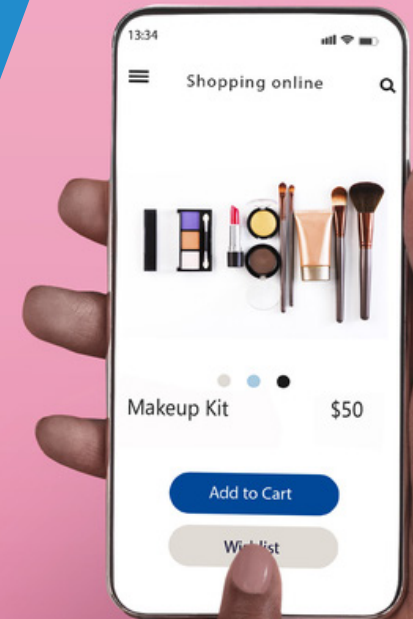
Online Marketplace: Retail sales to consumers via a different company’s marketplace which hosts many business sellers at the same URL. [*Amazon.com, eBay, Walmart Marketplace*]

Offline Marketplace: Direct-to-consumer retail sales through another organization’s physical (“offline”) marketplace location which hosts many other business sellers (e.g., farmer’s market, flea/street market, auction house, etc. including common spaces for pop-up stores or food trucks). [*farmer’s market, auction house*]

On-Demand Delivery: Consumer retail sales facilitated by another company’s “instant” or “on-demand” delivery service, whereby the other company both takes the order and delivers the first company’s product. [*DoorDash, Drizly, NowRx*]

Click-To-Buy Social: Consumer retail sales directly facilitated by another company’s “click to buy” social media functionality. [*Facebook Marketplace, Instagram Shop, Pinterest Product Pins*]

App Store: Direct-to-consumer retail sales online through an app-based (for iOS, Android, etc.) virtual store that it owns (i.e., the company is the publisher of the app). [*Jenny Boston Boutique app, Daily Harvest app*]



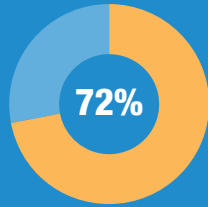


FAST FACTS

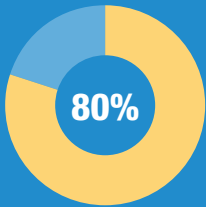
// MORE INSIGHTS ABOUT USING MULTIPLE SALES METHODS



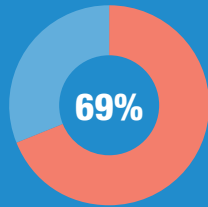
average number of sales methods SMB Sellers use



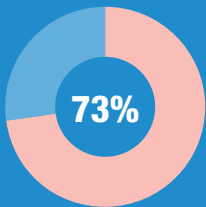
of SMB revenue driven by the top four sales methods



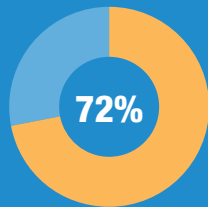
of SMB Sellers use at least three different sales methods



of SMB Sellers with <10 employees use at least three different sales methods



of SMB Sellers make some of their sales online and offline



of SMB Sellers make at least half of their sales online



SIMPLE SELLERS AND SUPER SELLERS

// “SIMPLE SELLERS” USE FEW SALES METHODS, WHILE “SUPER SELLERS” MAXIMIZE SELLING OPPORTUNITIES

Simple, Advanced, and Super Sellers: Because SMBs sell products using as few as one and as many as eight methods at the same time, we created a simplified framework for understanding this range of simple-to-complex sales approaches. We describe three categories of sellers:

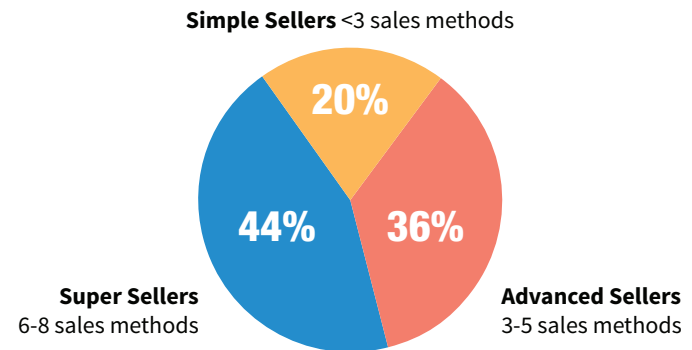
- **Super Sellers (44% of SMBs)** use most of the 8 primary sales methods.
- **Advanced Sellers (36%)** use 3-5 of the 8 sales methods.
- **Simple Sellers (20%)** use <3 of the 8 sales methods.

Use of Sales Methods is Fluid: It is important to point out that there is nothing rigid about these categories. Rather, SMB Sellers can and do move between them as they optimize their approaches to selling based on what works best for their particular business, industry(s), products, and target customers.

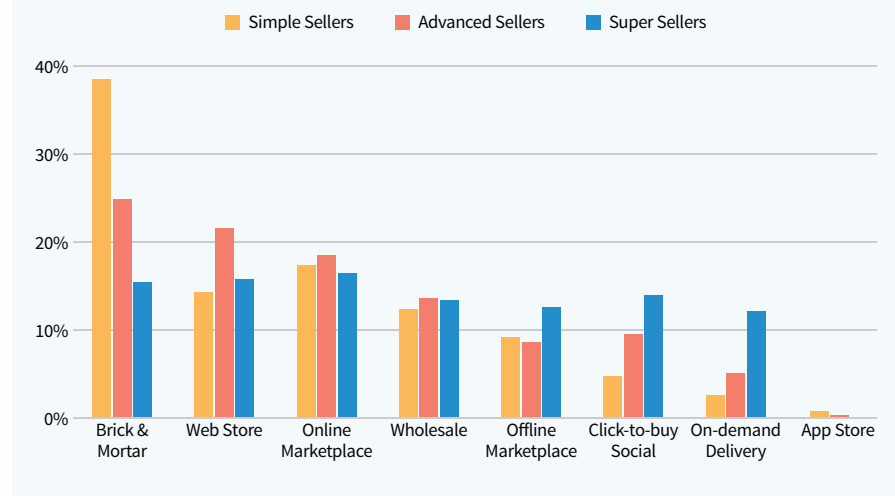
The Average SMB Seller is an Advanced Seller: Because the average number of sales methods SMBs use is five, in our framework, a typical SMB would be classified as an Advanced Seller. A full 80% of SMBs, including a remarkable 69% of those with <10 employees, are either Advanced or Super Sellers that deploy at least three different sales methods.

More Sales Methods Means More Diversified Revenue: Simple sellers have concentrated revenue, with 39% coming from Brick and Mortar alone and another 44% from Web Stores, Online Marketplaces, and Wholesale. But as SMB Sellers use more available sales channels, their revenue sources also become more diverse, reducing their reliance on any single sales method.

Three Types of Small Business Sellers



Percent of Revenue by Sales Methods

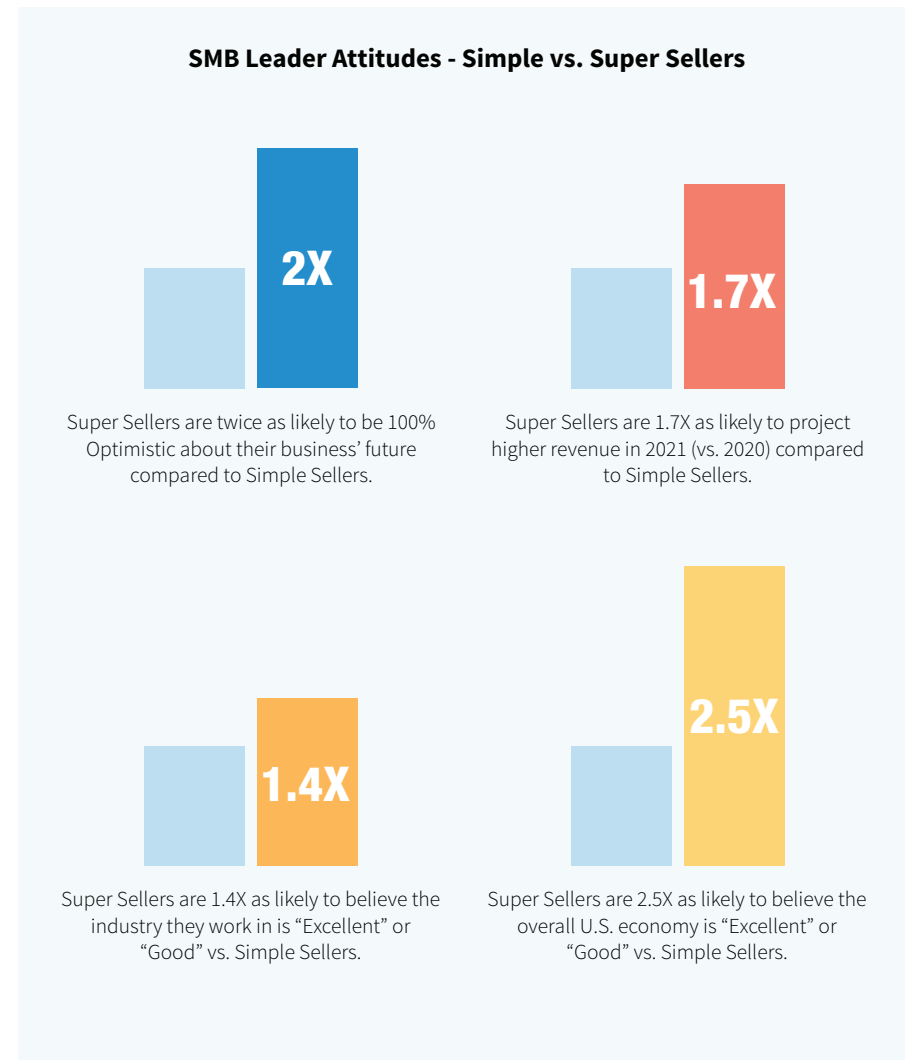


SMB LEADER ATTITUDES

// LEADERS OF SUPER SELLERS ARE MORE OPTIMISTIC ABOUT THEIR BUSINESS, THEIR INDUSTRY, AND THE OVERALL ECONOMY

Super Selling is Correlated With Optimism: We quantified projections of SMB leaders about the state of their own businesses, their industries, and the U.S. economy. By substantial margins, the leaders of Super Sellers are far more optimistic about all of these than leaders of Advanced and Simple Sellers. The inference is that in the view of SMB leaders, diversifying their business with more sales methods and revenue streams provides more stability, opportunities for future growth, and overall optimism.

- **Optimism:** While 76% of SMBs overall are optimistic about their business' future, we see major differences between Super Sellers and others. Super Sellers are 2X as likely to be 100% Optimistic about their business' future. Conversely, Simple Sellers are 3.8X as likely as Super Sellers to be merely Somewhat Optimistic, Not Very Optimistic, or Not Optimistic.
- **Revenue:** 65% of SMBs overall believe they will have higher 2021 revenue than in 2020. Of those, they believe it will be 44% higher on average. However, 10% of SMBs believe they will have lower 2021 revenue, and that it will be 29% lower on average. Super Sellers are 1.7X as likely to project higher revenue in 2021 vs. 2020) compared to Simple Sellers, while Simple Sellers were twice as likely to project the same or lower revenue for 2021, however.
- **SMB Industry and U.S. Economy:** 59% of SMBs overall believe the economy is in Excellent (32%) or Good (26%) shape, and 77% of SMBs overall believe their industry is in Excellent (32%) or Good (45%) shape. Super Sellers, however are 1.4X more likely to think that their industry is Excellent or Good and 2.5X as likely to think the economy is Excellent or Good compared to Simple Sellers.





EVOLUTION OF SMB SELLING

// THE MOST COMMON ROUTE FROM SIMPLE TO ADVANCED SELLER IS ACCENTUATING OFFLINE SALES WITH ONLINE ONES

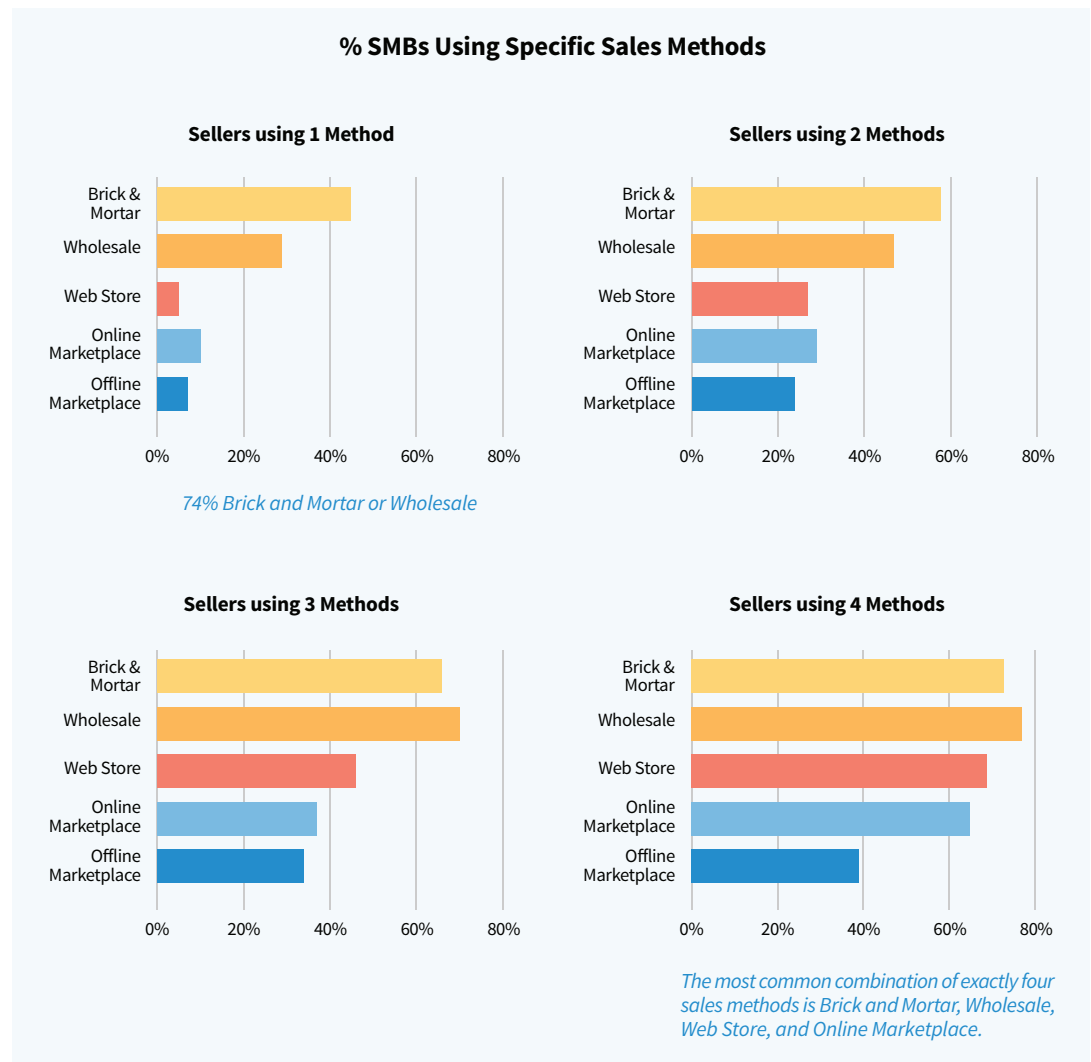
The Journey From Simple to Advanced or Super Seller:

80% of SMB Sellers are what we define as Advanced or Super Sellers, using 3+ sales methods in their business. But the typical SMB Seller with a new company and relatively few employees naturally starts selling with one or perhaps two methods - i.e., they begin as a Simple Seller. How exactly does this evolution occur?

Because the choices of sales methods are fluid there are many possible routes. However, we found that the most common “evolutionary journey” was beginning with traditional methods - Brick and Mortar, Wholesale - and then accentuating with other methods, most commonly Web Stores and Online Marketplaces. Offline Marketplaces like open-air street markets play a meaningful but smaller role as SMB Sellers diversify their sales methods, while the remaining three methods are minor contributors for SMB Sellers using four or fewer sales methods. We note that the percentage of SMBs using traditional methods doesn’t decrease with number of sales methods - it increases.

The Journey From Main Street to the Digital Superhighway:

While digital-first brands capture most of the headlines, we can infer something very important: Most SMB Sellers in the U.S. are typical “Main Street” businesses that begin life as a physical storefront and/or a wholesaling business, later adding additional, typically digitally-driven, sales methods.



ROLE OF **DIGITAL TOOLS** IN SELLING

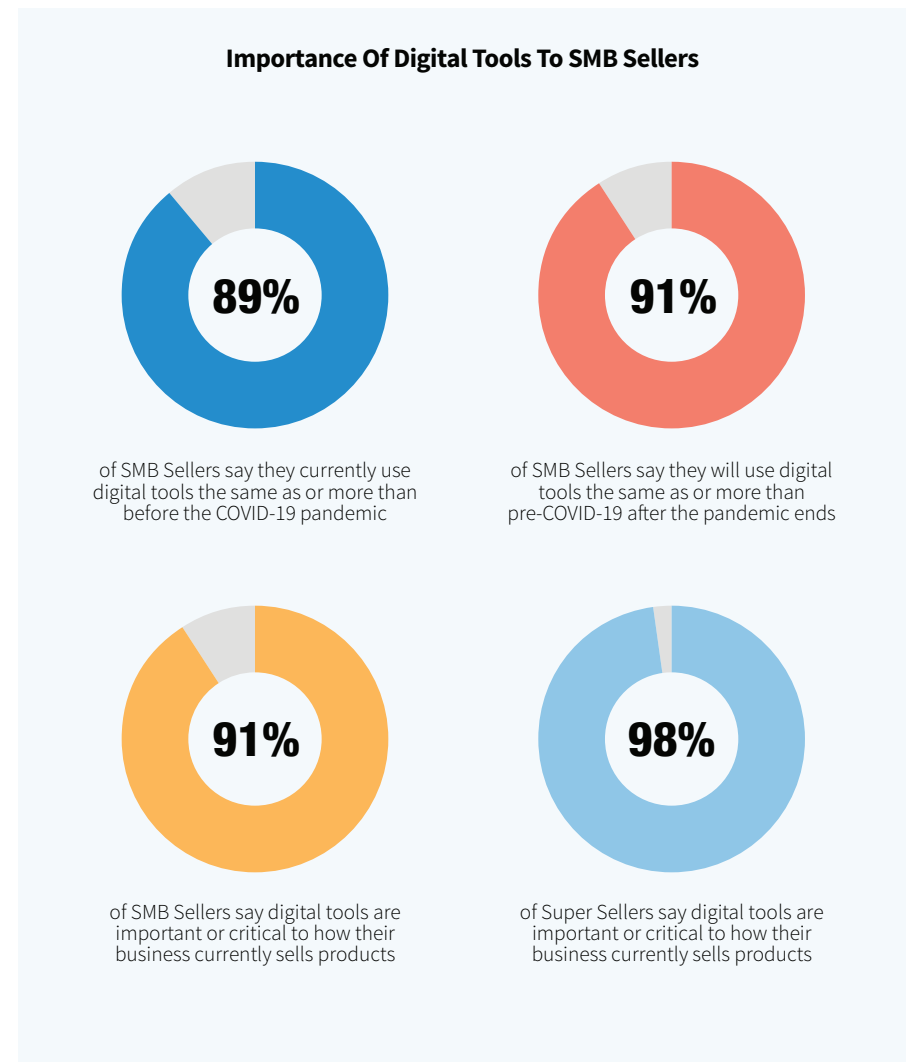
// SMB SELLERS USE DIGITAL TOOLS MORE THAN EVER, AND FIND THEM VALUABLE IF NOT CRITICAL TO THEIR SALES PROCESS

Effects of COVID-19 on SMB Seller Digital Tool Use: Most SMB Sellers are using digital tools at the same or increased levels than just a short time ago. Most (89%) of SMBs are currently using digital tools either at the same level or more than before COVID-19; 41% have increased their use.

Most SMB Sellers (91%) also predict they will sustain those levels of digital tool use even after the pandemic ends (while no one knows when exactly that will be, the implication is that they will sustain their use of digital tools over time). There's no debate: Most small businesses in the U.S. are now digitally-driven.

Critical Role of Digital Tools for Making Sales: Given that most SMB Sellers are using digital tools during COVID-19, we asked how important they were to sales, specifically. Nearly all (91%) SMB Sellers say that digital tools are important if not critical to how their business currently sells products. This includes a majority of 57% that report they are absolutely critical and their sales process could not operate without them.

This is even more true of Super Sellers, that use more digitally-driven sales methods than Simple Sellers on average, 98% of which say digital tools are important or critical to their sales.





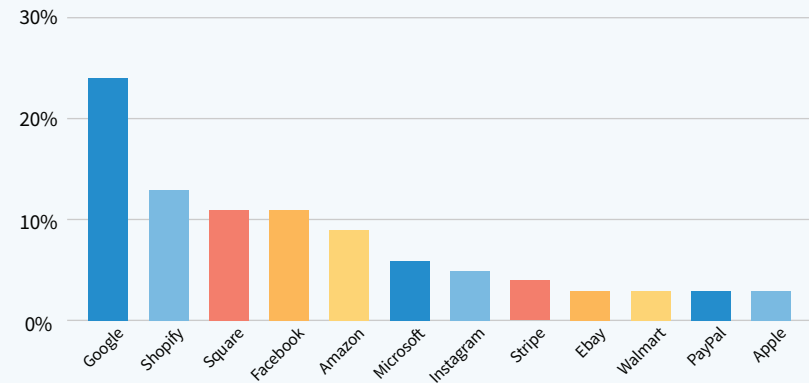
DIGITAL TOOL PROVIDERS

// DIFFERENT SALES METHODS HAVE THEIR OWN SETS OF SPECIALIZED DIGITAL TOOL PROVIDERS

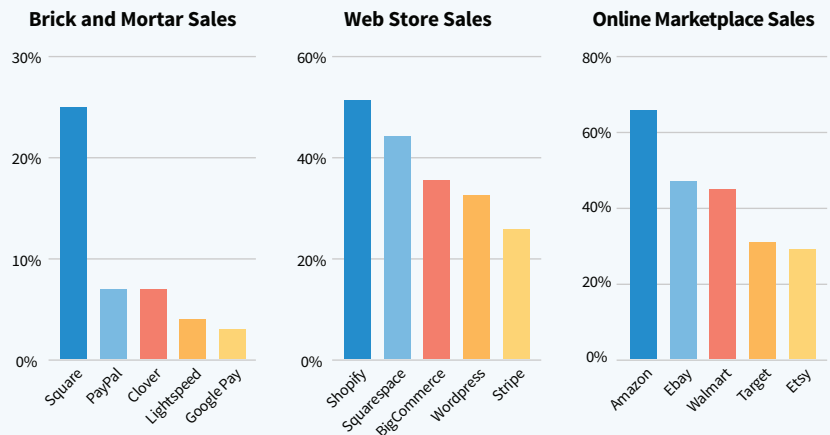
Major Digital Tool Providers to SMB Sellers: SMB Sellers utilize many different individual digital tools in their businesses, from almost as many providers (vendors). The most important providers to SMB Sellers (inclusive of all the tools, services, and platforms they provide) show some noteworthy patterns. First, among major providers of digital tools, Google (inclusive of Google Docs, Google Ads, and any other individual tools) is by far the most important to the average SMB. Companies that directly facilitate payments - Square, Stripe, and PayPal - are also ranked as important to SMBs, for obvious reasons. And interestingly, Walmart and eBay - which operate prominent Online Marketplaces - make the top 12 list. SMB Sellers reported digital tools are integrated throughout the sales process, from creating a Web Store, marketing products to customers, managing the fulfillment process, and creating a point of sale system (not shown).

Different Sales Methods Have Different, Specialized Tool Providers: We more closely examined three of the most popular sales methods: Brick and Mortar, Web Stores, and Online Marketplaces. In each case, we discovered that while some provider is most popular, there is a longer tail of smaller or more niche providers specific to that sales method. For example, Clover is a popular but less well-known point-of-sale (“POS”) facilitator for Brick and Mortar businesses. Squarespace is a smaller but very popular platform for building Web Stores. And eBay and Walmart’s Online Marketplaces are used by near-majorities of SMB Sellers.

Top-12 Digital Tool Providers: Entire Business (Generic)



Top-5 Digital Tool Providers



DEEP DIVE: ONLINE MARKETPLACES

// SMBS HAVE ABUNDANT OPTIONS FOR SELLING THROUGH ONLINE MARKETPLACES

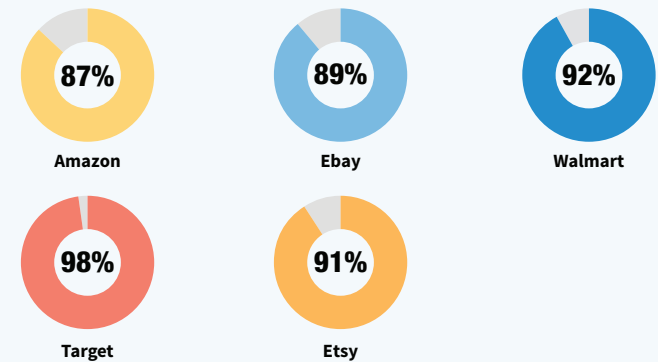
Online Marketplace Competition and Choice: In addition to using other sales methods, it is common for Online Marketplace sellers to use more than one Online Marketplace at the same time. We investigated the percentage of SMB Sellers using the five most popular Online Marketplaces that additionally use at least one other Online Marketplace. The result is striking: Nearly all of them do. For example, 87% of Amazon Marketplace SMB Sellers also use another Online Marketplace. Most strikingly, 98% of Target Plus SMB Sellers also use another Online Marketplace. We infer from this result that in many cases, Online Marketplaces are used to “sell at scale” by reaching additional and/or different customers.

Amazon Marketplace Sellers Frequently Sell Using Multiple Online

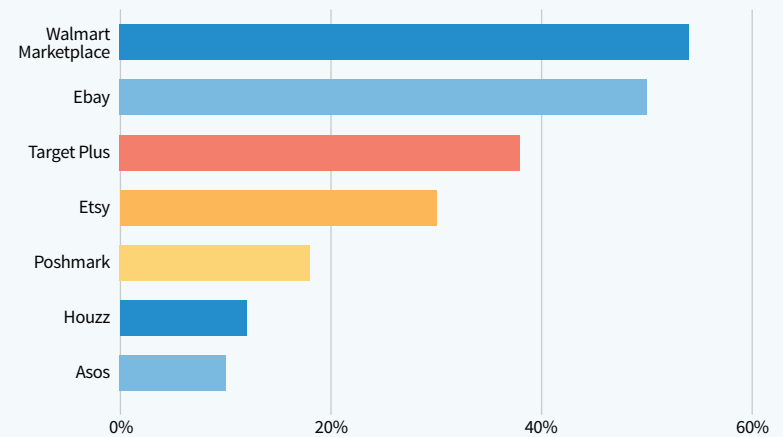
Marketplaces: While a majority (55%) of SMB Sellers don’t use Amazon’s Online Marketplace at all, we looked more closely at the 45% that do because Amazon is the most popular provider among users of that sales method. Since 87% of Amazon Marketplace sellers also use at least one additional Online Marketplace, we wished to better understand how that was distributed over the most popular alternatives (keep in mind that SMB Sellers can theoretically use an unlimited number of Online Marketplaces).

We found that a majority of SMB Sellers using Amazon’s Online Marketplace also sell on Walmart’s Marketplace (54%) and on eBay (50%). There were also meaningful proportions also selling on Target Plus (38%) and Etsy (30%) as well as more niche but nevertheless popular marketplaces such as Poshmark, Houzz, and Asos. (Not shown: Similar results for all of the leading Online Marketplaces.) The bottom line is that virtually no SMB Seller runs their entire business on Amazon’s Marketplace nor any other.

Of those SMBs selling on a specific Online Marketplace, the % also selling on at least one additional Online Marketplace



Percent of Amazon Marketplace sellers also using alternative Online Marketplaces





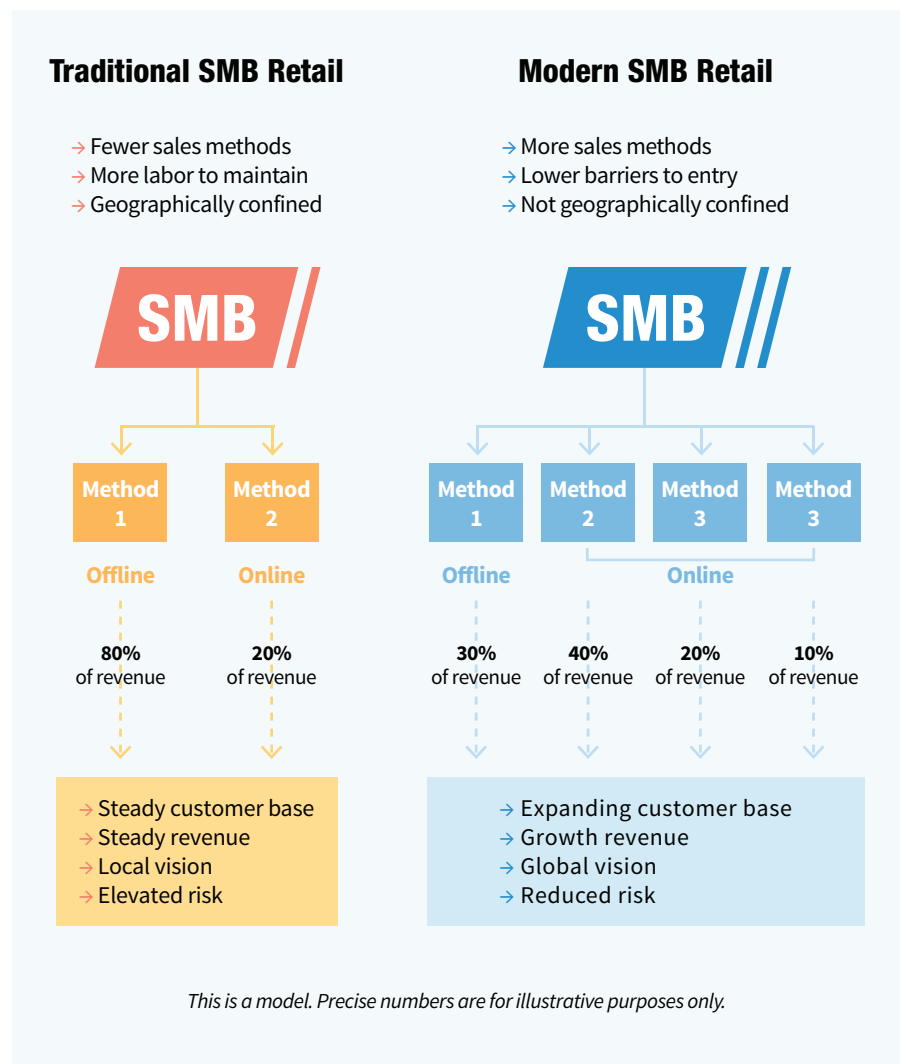
INFINITE SALES STRATEGIES

// MODERN RETAIL FOR SMALL BUSINESSES MEANS DIVERSIFICATION, EXPERIMENTATION, AND GROWTH OPPORTUNITIES

The old way of thinking about selling as an SMB was to confine your strategy to one or two methods of selling: Wholesale with one Brick and Mortar location, or Brick and Mortar with a simple Web Store perhaps. Managing multiple sales methods was a lot of work, and SMBs faced major tradeoffs in doing so.

Today, different methods of selling have low barriers to entry and have blurred traditional lines. Contemporary SMBs mix-and-match sales methods to build sales strategies that suit their business, industry, number and type of products, customer profile, and budget. Here are some SMBs that informed our research:

- **Belgian Shoes** (New York, NY, est. 1956) is a luxury dress shoe retailer with one physical store in Midtown Manhattan. While they do have a website, they choose not to offer any form of online sales due to their complex, specific sizing.
- **Woeber Mustard Company** (Springfield, Ohio, est. 1905) manufactures mustard and vinegar products and wholesales to major retailers like Giant, Harris Teeter, and Wegmans while also operating its own Web Store.
- **Stio** (Jackson, WY, est. 2011) is an outdoor apparel company that sells through their mail-order catalog, their own Web Store, a handful of Brick and Mortar stores in select customer-oriented locations (Teton Village, Jackson Hole, Park City), and Wholesale through higher-end outdoor-oriented retailers.
- **Bite** (Los Angeles, CA, est. 2017) is a manufacturer of bite-sized tablets that replace traditional toothpaste that mainly sells through their own Web Store to build direct customer relationships; they also Wholesale to very select retailers such as **Violet Grey**.



CONCLUDING THOUGHTS

// A CONTINUOUSLY EVOLVING LANDSCAPE OF MODERN RETAIL FOR SMALL- AND MID-SIZED BUSINESSES

The business of retail is full of opportunity, especially for SMBs that now have access to relatively simple, low-cost opportunities to market and sell their products in new ways. But the more things change, the more they stay the same. Overall, the methods of selling that are the most popular are Brick and Mortar stores and Wholesaling, which together still drive about a third of SMB revenue. Our research suggests that while some SMBs are certainly online-only, the typical U.S. SMB starts more “traditionally” and then complements that with additional online sales methods, diversifying revenue streams as it goes.

This report investigated the eight primary selling methods of SMBs. It is important to note that because of relatively low barriers to entry, SMBs can experiment with new sales methods, and even stop using them. They can also use certain methods seasonally, or with other variations. And these methods are not locked in stone, either. In fact, the boundaries between them will evolve with new thinking and innovations, which we can already observe examples of.

- **Gopuff** combines aspects of Wholesale (using a platform called **RangeMe**) to obtain products from sellers, then provides On-Demand Delivery to consumers.
- **Wholesale Gorilla** combines Wholesale with a Web Store in the form of software that Wholesale-enables an existing **Shopify** retail store.
- **Toshi** is an On-Demand Delivery service that works with Brick and Mortar stores to bring not only products but also luxury services like tailoring to customers’ homes; it works with SMB Sellers like **The Webster**, a multi-brand fashion house.



CONCLUDING THOUGHTS

// MAJOR TECHNOLOGY PROVIDERS POWER THE MODERN RETAIL OPERATIONS OF SMALL- AND MID-SIZED BUSINESSES



Digital tools have played a major role in this evolution of retail, with roles in everything from running an online store to payment in physical stores and farmer's markets to managing wholesale operations. And the COVID-19 pandemic accelerated this evolution. Indeed, most SMBs now view digital tools as important if not essential to their sales process. Major providers of such tools Google, Apple, Facebook, Amazon, and Microsoft all rank among the most important technology providers to SMBs, as well as large niche companies Shopify, Square, PayPal, Stripe, and eBay, plus the very technologically sophisticated Walmart - still the world's largest retailer by a large margin.

Moreover, SMB Sellers using more sales methods and digital technologies not only expect higher revenue but have far more optimistic views about their business, their industry, and the U.S. economy. In fact, SMB Sellers appear to have more positive economic views than the average American. The data show that SMB Sellers are succeeding, with many leveraging the digital tools, services, and platforms provided by "big tech" companies. So to the extent that SMB owners do have concerns about the economy, perhaps the problems lie elsewhere.

METHODOLOGY

// DETAILS OF THE STUDY METHODOLOGY AND ANALYSIS

We conducted an online survey of 2,000 U.S.-based small- and mid-sized businesses (SMBs; <500 employees) that sell physical products/goods to businesses and/or consumers. The survey was conducted between August 9-24, 2021 and has a margin of error of +/- 2% on the overall sample (larger for subgroups).

These SMBs range from solo owner/operators to larger SMBs with hundreds of employees. They also had a range of revenue numbers, from virtually nothing to over \$5M/year. The SMBs operate in many industries including food and beverage, clothing and fashion, toys and games, and many more. These SMBs are roughly evenly distributed across major regions of the U.S.

Every person we surveyed was an SMB leader very familiar with how their SMB sells its products through various channels, and 96% of survey participants were also familiar with how those sales channel choices result in revenue by channel.

Most participants were also decision makers on sales, with 65% being the sole or primary decision maker, and another 18% sharing decision making authority. Only 5% stated they had nothing to do with decisions that affect their company's sales strategies.

Employees	% Sample
0 (owner)	8%
1-9	17%
10-49	22%
50-249	34%
250-500	20%

Gross Sales Revenue (2020)	% Sample (38% DK or refused)
\$0-75k	12%
\$75-300k	11%
\$300k-1M	14%
\$1-5M	13%
\$5M+	12%

Describe your role when it comes to making decisions that affect sales strategies	% Sample
I am the sole or primary decision maker	65%
I share decision making responsibility	18%
I provide my input to decision makers	11%
I don't have anything to do with them	5%
Prefer not to answer	0%

How familiar are you with the amount of revenue generated by sales channel?	% Sample
Very familiar	78%
Somewhat familiar	18%
Not very familiar	3%
Not familiar at all	1%

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