Super Selling: Most Small Businesses Use Multiple Sales Methods

Business and Economics Analysis

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Summary

Several decades of public discourse have reduced common thinking about small business retail into simple and often binary axioms, e.g., suburban malls vs. downtowns and online vs. brick-and-mortar. We put those conclusions to the test in a new survey, and 2,000 U.S. small and medium-size business (SMB) leaders reported that today’s retail world is decidedly not simple, but rather dynamic, fluid, competitive, and full of opportunity. Our major findings include:

- Small business sellers have many methods of reaching consumers to choose from: online and offline, wholesale and retail, direct-to-consumer and selling through marketplaces. The evolution of traditional retail alongside the growth of digital selling has created an infinite variety of options and aggressive competition for sellers’ attention, investment and allegiance.
- The typical SMB seller today uses five (5) different methods of selling products to consumers. The four most popular ones include both traditional and modern sales methods. They are: “brick and mortar” physical retail stores (79% of SMBs use), wholesaling (78%), 3rd-party online marketplaces (68%), and a seller’s owned and operated web store (68%). On average, 72% of SMB revenue is driven by these four sales methods.
- Within sales methods, SMB sellers also frequently use more than one competitive vendor. Taking online marketplaces as an example, a whopping 87% of SMB sellers on Amazon’s online marketplace also sell on at least one other online marketplace, including 54% also selling on Walmart’s marketplace, and 50% also selling on eBay. This overlap exists for all major online marketplaces (Walmart, eBay, Target, and Etsy).
- SMB sellers that use more methods are also far more optimistic about their businesses’ future. They project higher revenue this year vs. last year, and are more likely to believe their industry and the U.S. economy are in good or excellent shape.

SMB sellers experiment by making modest investments, e.g., pop-up retail, easy-to-build websites and easy-to-use - global and local - online marketplaces. Low costs and accessibility enable small sellers to add, subtract and move fluidly among competing retail platforms, channels and options. Every seller decides independently which methods work for their business, industry, product, and customer to justify additional investment and commitment.
Major Findings

Small Business Sellers Can Choose From a Wide Variety of Selling Methods

SMB sellers have many distinct and viable ways of selling available to them. Several of these sales methods - particularly online sales methods - are relatively inexpensive, easy to set up and manage, and add tremendous value. We asked SMB sellers about the following eight sales methods that account for virtually all SMB sales, to determine the percentage of SMBs that use each of them (we note that an individual SMB can and does use any or all of these).

Figure 1: Percentage of SMBs Using Different Sales Methods

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brick &amp; Mortar</td>
<td>79%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>78%</td>
</tr>
<tr>
<td>Web Store</td>
<td>68%</td>
</tr>
<tr>
<td>Online Marketplace</td>
<td>68%</td>
</tr>
<tr>
<td>Offline Marketplace</td>
<td>57%</td>
</tr>
<tr>
<td>Click-to-Buy Social</td>
<td>53%</td>
</tr>
<tr>
<td>App Store</td>
<td>50%</td>
</tr>
<tr>
<td>On-Demand Delivery</td>
<td>44%</td>
</tr>
</tbody>
</table>

The Typical SMB Seller Uses Several Sales Methods

Almost all (91%) SMB sellers use more than one sales method; 80% use at least three methods, and the average SMB seller uses five (5) methods. Sales methods are used by SMBs in various combinations. A remarkable 69% of SMBs with fewer than 10 employees use at least three (3) sales methods, suggesting that a compelling feature of modern retail is the diverse choices available to even the smallest sellers. Using five or more methods may seem complex, but small businesses with limited time and resources don’t stick with a method unless it succeeds by delivering revenue.
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 methods are used by roughly half of SMBs as part of broader sales strategies. The following graphic shows the average revenue by method across the eight primary sales methods of SMBs.

Figure 2: Average Percentage of SMB Revenue, By Sales Method

Within Each Sales Method SMB Sellers Have an Abundance of Choice and Competition For Their Attention...and Dollars

In addition to the many sales methods, SMB sellers have a choice of many different partners and vendors within each method. For example, in physical retail, sellers can choose among an extraordinary number of independent wholesale and national retail partners. For online sales methods, where there are many available options, Shopify, Squarespace, BigCommerce, WordPress, and Stripe are the most popular for SMB-owned web stores, and Amazon, eBay, Walmart, Target, and Etsy are the most popular for online marketplaces.
Frequently, SMB sellers use more than one option 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.

The competition among online marketplaces is not only online. Remarkably, 83% of Amazon Marketplace SMB sellers use five (5) or more sales methods. This means that not only are SMB sellers very unlikely to run their entire business through Amazon’s marketplace, but they are in fact selling through many methods in addition to it.

**Diversifying Sales Methods Is Associated With Optimism and Success**

Interestingly, leaders of businesses using more sales methods are more optimistic about their businesses, their industries, and the U.S. economy. Compared to SMB sellers using just 1-2 sales methods, SMB sellers using 6-8 methods 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.

**Conclusion: Modern Retail Means Choice, Competition, and Value For Sellers**

Modern retail is full of opportunities. SMB sellers, even the tiniest ones, 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 customers.

Moreover, while online sales methods tend to get headlines, our research found that traditional “brick and mortar” and wholesale methods are here to stay, very popular, and drive about a third of SMB seller revenue. In fact, the large majority of SMB sellers using just one or two sales methods use traditional “brick and mortar” and/or wholesale.

Deeper analysis of the full data set suggests that web stores, online marketplaces, and other sales methods add value to traditional sales methods for the typical SMB seller. SMB selling is competitive and fluid; there appear to be many realistic choices and alternative ways to sell products that are helping SMBs succeed, creating even more value.
Key Datapoints

- The average SMB seller uses five (5) distinct sales methods.

- 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%), business-owned 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, business-owned web store, and online marketplace.

- 69% of SMBs with fewer than 10 employees still use at least three (3) methods, despite their small size.

- Compared to SMB sellers using just 1-2 sales methods, those using 6-8 sales methods 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.

- 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.

- 83% of SMB sellers on Amazon’s marketplace use five (5) or more different sales methods.
Survey Details and Methods

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. Topline results from the survey can be accessed here.

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 United States.

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.

Acknowledgements

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