



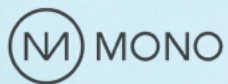
# Meet the New Small Business SaaS Customer

How to adapt to today's impatient,  
independent and intelligent buyer

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Tech Adoption Index

Commissioned by





# Meet the New Small Business SaaS Customer

## How to adapt to today's impatient, independent and intelligent buyer

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# Executive Summary

The Local Search Association, on behalf of Mono Solutions, recently completed a survey of nearly 500 small businesses looking for a sense of how many small businesses are willing to self-purchase or self-fulfill cloud-based marketing software. In addition, the survey asked why they do so and why not.

The insights from this study are valuable to any business building marketing software for SMBs. They're also useful in understanding which product or service layer to offer which customers – and under what circumstances.

The survey examined 10 components of the marketing stack, ranging from business websites, to domain names, to CRM software, to SEO.

Here are some of the top findings:

- Across the digital marketing stack, it is more common for a small business to have self-purchased a product than to have purchased it through an agency or sales rep.
- A majority of the SMBs surveyed have never purchased marketing software through a direct sales force or agency, suggesting plenty of headroom remains for those offering DIWM (do it with me) and DIFM (do it for me) solutions.
- Those who did use a DIWM or DIFM service cited as top reasons the need for customization, the need for personal service and that the solution was too mission critical to DIY. Clearly greater business value is tied to the use of DIWM, DIFM.
- There is a “need for speed” among the SMBs who either self-purchase or self-provision marketing software. Also a need for clarity. Complexity or vague/misleading pricing will increase the likelihood of abandonment.
- While nearly 60% of SMBs reported starting and then abandoning the self-purchase/fulfillment of software in the marketing stack, no single item in the stack had an abandon rate over 20%. This suggests that once they reach the purchase stage there is a commitment to follow through.
- Leading reasons cited for abandonment include changing their mind about product need, confusion about pricing and the process was too complex or took too long.
- Among the businesses surveyed, 68% reported having a website, and 38% of these businesses said they used a self-service site builder to create their site.
- The top reasons for using a site builder were cost, greater control over the process and access to a simple process.
- When asked how they would create their site if they had a do over, 35% said they would use a self-service site builder, just slightly less than the original number who reported using a DIY platform.

# Introduction: Why DIY? Digging into SMB Online Software Purchase Behavior

Companies building digital marketing software for small business face a constant struggle to find that sweet spot between free or low cost self-service (DIY) offerings and higher priced do it with me (DIWM) or do it for me (DIFM) solutions.

*“... how do small business prioritize which services they are willing to purchase and fulfill themselves, and which do they prefer to purchase and fulfill through an agency or publisher?”*

A key question is how do small business prioritize which services they are willing to purchase and fulfill themselves, and which do they prefer to purchase and fulfill through an agency or publisher?

In order to gain some insight on this question, we partnered with Mono Solutions and designed a small business survey to address the following questions:

- Which digital marketing software and services are acquired directly from the providers' websites?
- Which are acquired via agency, sales or customer support?
- What are the reasons for these choices?
- How often do small businesses abandon the self-purchase process midstream, and why?
- How many small businesses build their own websites with DIY site-builders like Wix or Squarespace. And why? Would they do it the same way again if given the choice?

The 26 question survey was conducted in September with 489 completed responses. We gathered firmographic data that includes age of business, business size, category and the age of the decision-maker for marketing software.

Verticals featured in the survey were retail, home services, personal services, professional services, health and fitness, and information technology. About a quarter of the SMB respondents identified as “other.”

The other category includes a wide range of businesses, including freelance artists, writers, photographers and musicians, video producers, private pilots, e-commerce businesses, hotels, manufacturers and distributors, independent sales agents and so on. About 80% of “other” business had fewer than 10 employees. Half of the “other” category were solo operations.

Throughout this report we will note where elements like age, business size or vertical seem to influence purchase decisions.

The survey addressed the following components of the marketing stack:

- Website domain name
- Business website
- Search engine optimization (SEO)
- Social Media Advertising
- Customer relationship management (CRM)
- Listings management
- Email marketing
- Online scheduling
- Reputation management

## What Drives DIY Purchase?

One of the survey's key questions asked small businesses to indicate which items from the marketing stack they've purchased directly from the company's website or an app store, vs. purchasing it through an agency or salesperson.

Website domains, business websites and social media advertising were the top three choices.

**Figure 1: What Do SMBs DIY?**



Source: LSA/Mono Small Business Survey (September 2018)

The least surprising item on the list is website domains. Domains have a low price point and the process of securing a domain is simple and automated. Arguably domains are the “gateway drug” for small businesses and DIY. Also purchasing a domain is often paired with building a website.

A meaningful segment of SMBs are using site builders to create their own websites.

The fact that these two items were at the top of the self-service list underscores that for many SMBs, establishing a quality digital presence remains front of mind.

Social media advertising coming in third is an intriguing finding. There isn't a strong history of small businesses self-provisioning online advertising. One theory is that unlike with Google AdWords, Facebook and Instagram advertising is relatively easy to set up.

“None of these” ranked fourth in the overall sample, a reminder that there remains a significant number of SMBs that will not DIY even the simplest tools.

Some firmographic slicing and dicing is instructive here.

For example, younger respondents, those ages 18-34, are more inclined to using DIY tools in the marketing stack. In the full sample, a full 26% said “none of these” when asked which services they’ve purchased directly. Among the 18-34 group, the figure drops to 18%.

Among the overall sample, 29% indicated they had purchased social media advertising vs. 46% among the 18-34 age group.

The contrasts are less stark when looking at verticals.

Retail, for example, generally tracked with the full sample on this question. One exception is online scheduling, which only 9% of retail respondents purchased online, vs. 14% overall. This is perhaps expected given retail remains focused largely on walk-in business.

Home services providers were much less inclined to purchase a business website online than the full sample (21% v 37%). We would have expected a higher use of online scheduling in this vertical, yet home services has essentially the same rate of purchase as the full sample (15% vs. 14%).

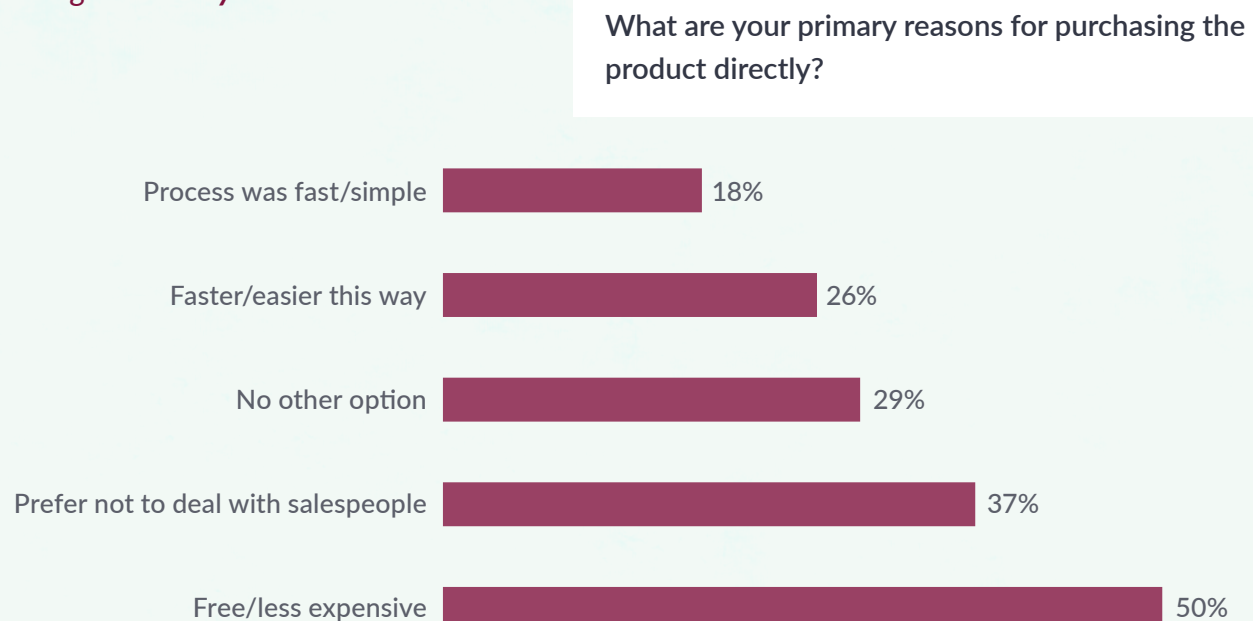
## Make It Fast, and Don’t Make Me Talk to Anyone

We also asked why the small business chose to purchase a given digital marketing service directly through a website or app store. The answers we got drove home a clear message – there is a need for speed.

Nearly half chose speed or simplicity as a key reason for choosing a DIY service.

Another notable response, chosen by 37% of the DIY SMBs, was “I prefer not to deal with salespeople, service reps, etc.” While this may suggest many SMBs are misanthropes, we interpret this as a sign of impatience or perhaps a reflection of changing purchase behaviors. Increasingly, SMBs as well as consumers are researching purchase decisions in advance and may see a sales rep as unnecessary to the process.

**Figure 2: Why Do SMBs DIY?**



Source: LSA/Mono Small Business Survey (September 2018)

## “Oh, Never Mind” – Why SMBs Abandon DIY Purchases

We also asked business operators if they have ever abandoned a DIY purchase in the marketing stack. While nearly 60% of SMBs reported starting and then abandoning the self-purchase/fulfillment of software in the marketing stack, no single item in the stack had an abandon rate over 20%.

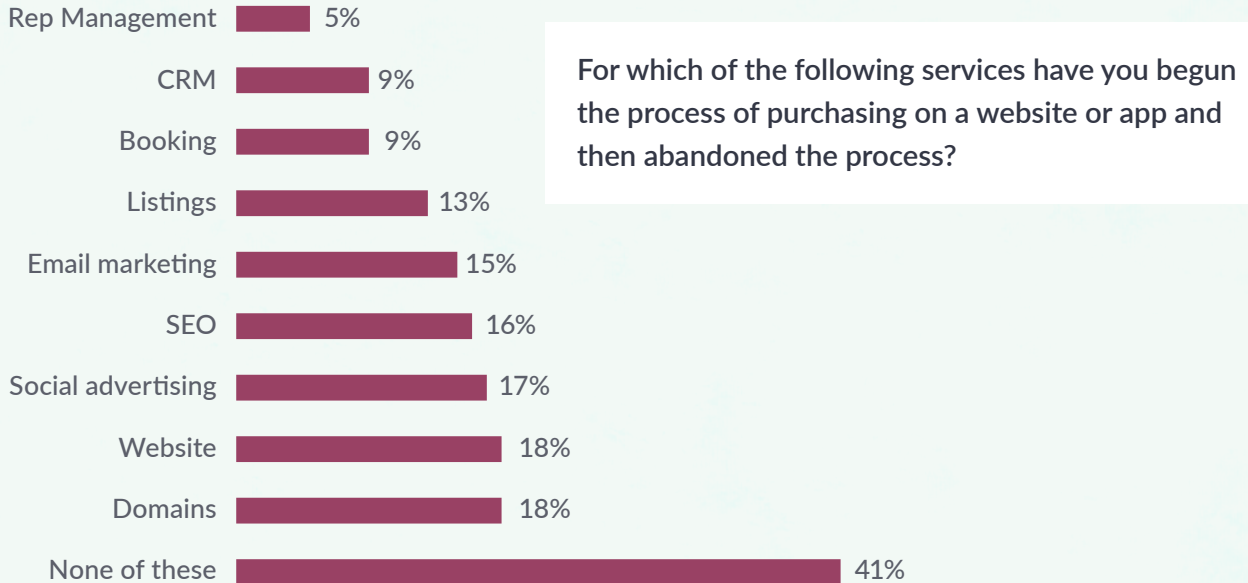
This suggests that once they reach the purchase stage there tends to be a commitment to follow through.

It’s interesting to note that abandonment rates were a little bit higher among 18-34 year olds.

For example, while 18% of the full sample abandoned a DIY website before completing the process, the figure was 25% among 18-34 year olds. Perhaps this suggests a greater impatience in this age group with platforms that don’t meet their high expectations for performance.

The reasons SMBs abandon these services reinforces a point made earlier: the need for speed, not to mention clarity and transparency. If the process is complex or confusing, if the pricing feels like a bait and switch, or if it just takes too long, you risk losing a sale.

**Figure 3: When SMBs Say “Just Forget It” to DIY**



Source: LSA/Mono Small Business Survey (September 2018)

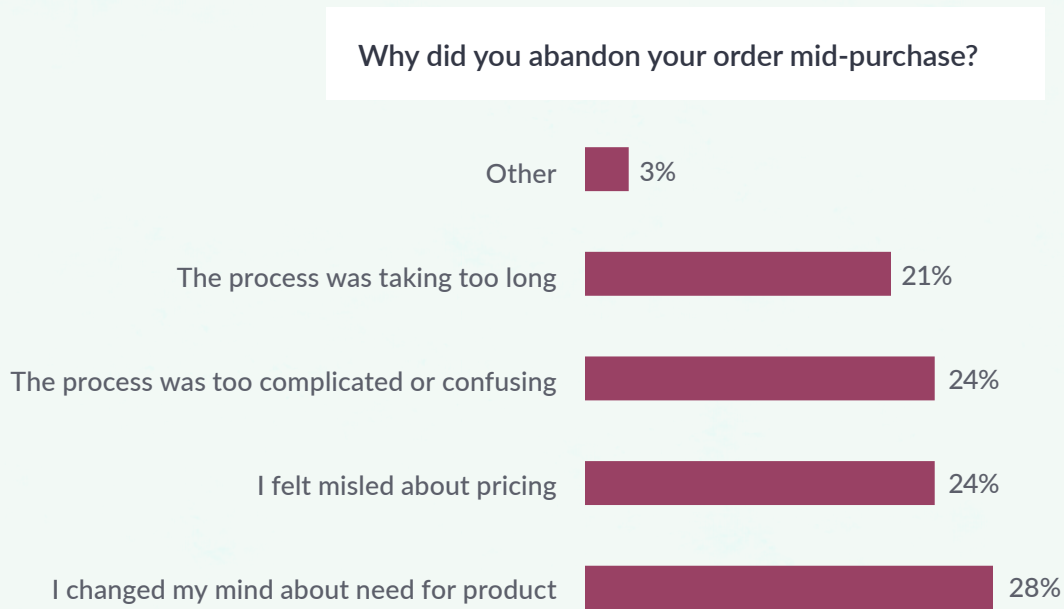


## DIY Growing but Upside for DIFM, DIWM Remains

Small businesses are self-purchasing elements of the marketing stack across the board, with domains as expected leading the way. Younger businesses are more likely to do so, suggesting an accelerating growth in DIY as more young decision makers take over small businesses.

However, the fact that more than half of SMBs have never purchased a product through an agency or sales force suggests some upside for use of DIFM and DIWM solutions. The rest of the report will explore what drives SMBs into the hands of live human beings for customization, support and other features.

**Figure 4: Why SMBs Abandon Shopping Carts**



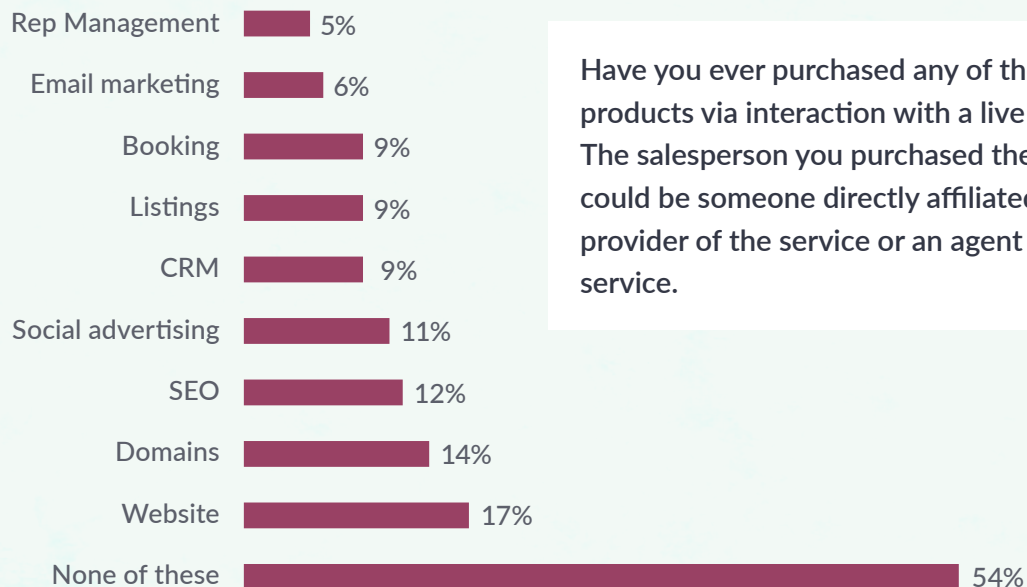
Source: LSA/Mono Small Business Survey (September 2018)

## What Drives DIWM, DIFM Purchase?

While many businesses use DIY, others prefer to work through an agency or publisher sales rep in order to use digital marketing services. And many prefer DIY for some products and a direct relationship for others.

According to this survey, DIFM and DIWM is less common than DIY. That makes sense for a number of reasons. Some products in the stack like domains are simply more oriented toward DIY. And the website space includes some prominent and well-funded site builders like Wix that invest heavily in marketing and customer acquisition strategies.

**Figure 5: Which Services Do SMBs DIFM, DIWM**



Have you ever purchased any of the following products via interaction with a live sales person? The salesperson you purchased the service from could be someone directly affiliated with the provider of the service or an agent representing the service.

Source: LSA/Mono Small Business Survey (September 2018)

Business size seems to be the biggest factor in determining whether a company used a DIFM, DIWM services. While 54% of the full sample said they do not use any DIFM, DIWM services, that number drops to 17% among SMBs with more than 25 employees.

Among businesses with fewer than 25 employees the figure was 60%.

There was some variance among verticals as well. The “other” category, dominated by very small businesses (VSBs), solopreneurs and freelancers, was an outlier, with 74% indicating they’ve never purchased anything in the stack through a live agent. This makes sense, given VSBs tend not to receive much outbound sales attention and are pushed into self-purchasing platforms.

Retail and health care, on the other hand, seem most inclined to purchasing software from a human being rather than a digital shopping cart, with only 37% of retailers and 38% of health service providers answering “none of these”.

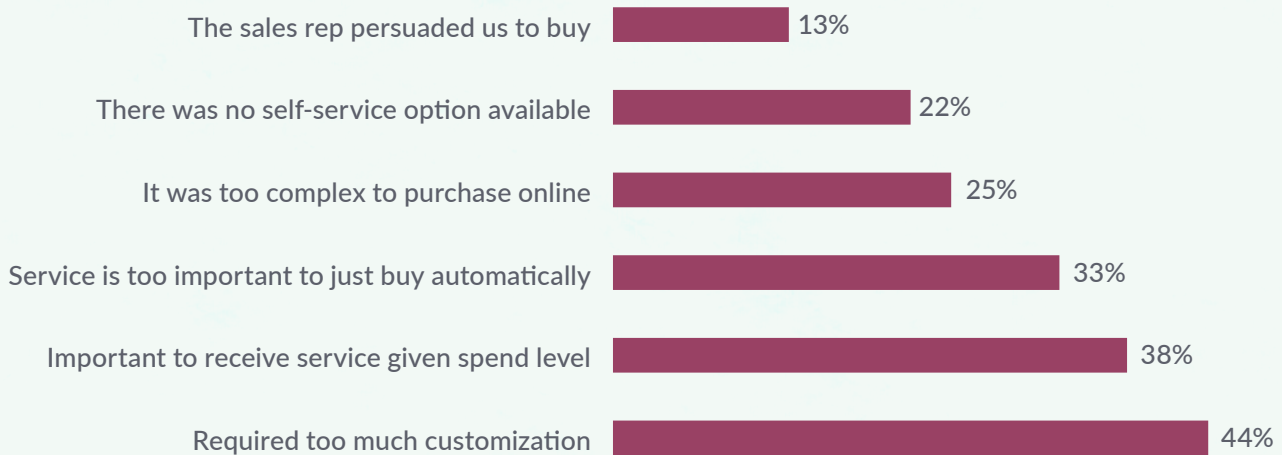
We were not surprised that websites rank at the top of the list of products acquired from agencies and reps. After all, websites and other presence products remain the foundational element of the marketing stack sold to (vs purchased by) SMBs.

Websites are a relatively easy sell, at least to businesses that either don't have websites or have sites that are out of date or otherwise sub-optimal.

Given that 68% of SMBs report already having a website, the sale is increasingly about upgrading a site vs. creating a business's first ever website. This is even more true when you examine newer businesses and younger business owners.

**Figure 6: Why SMBs DIFM, DIWM**

When thinking about why you purchased the service via a sales rep or agent vs. purchasing it directly from a website or app store, which of the following reasons apply?



Source: LSA, Boostability Survey of Digital Agencies (May 2018) n = 102

Among businesses with decision makers in the 18-34 age range, 76% had a website. Among businesses in existence five years or less the number was 73%. If you look at business with a decision maker 55 or older, the number drops to 48%.

Domains as the number two choice for DIWM, DIFM may seem surprising. Our theory is that many or most of these domains were sold in conjunction with a website purchase.

Examining why SMBs use DIFM or DIWM over DIY is very instructive.

Those who did use a DIWM or DIFM service cited as top reasons the need for customization, the need for personal service and that the solution was too mission critical to DIY. Clearly greater perceived business value is tied to the use of DIWM, DIFM.

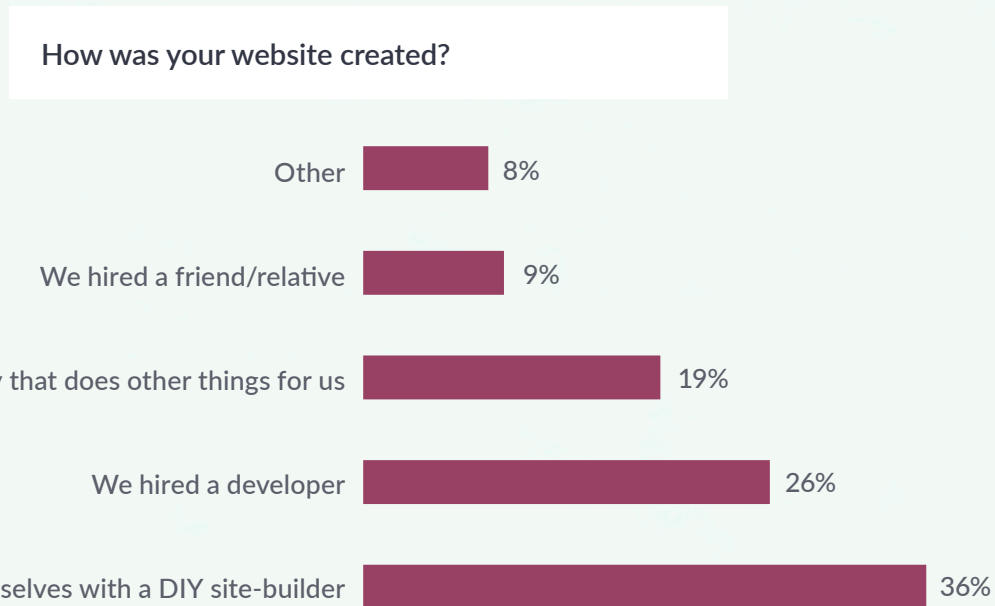
While not a leading choice, it still interesting to note that 22% indicated that they used DIFM, DIWM only because a self-service option did not exist for that product, though they would have preferred no interaction with an account rep.

## A Look at the Website Service Model

We wanted to drill down a bit on a single element of the stack. So we asked further questions about websites to understand how SMBs are creating their sites – using DIY platforms, agencies, professional developers or their cousin Fred.

DIY is a popular choice across all segments. But DIY is an even more popular choice among smaller and younger businesses. And while price wasn't cited as a lead driver across the full stack, it appears as a more prominent motivator among businesses choosing the DIY website route.

**Figure 7: How SMB Sites Are Getting Built**

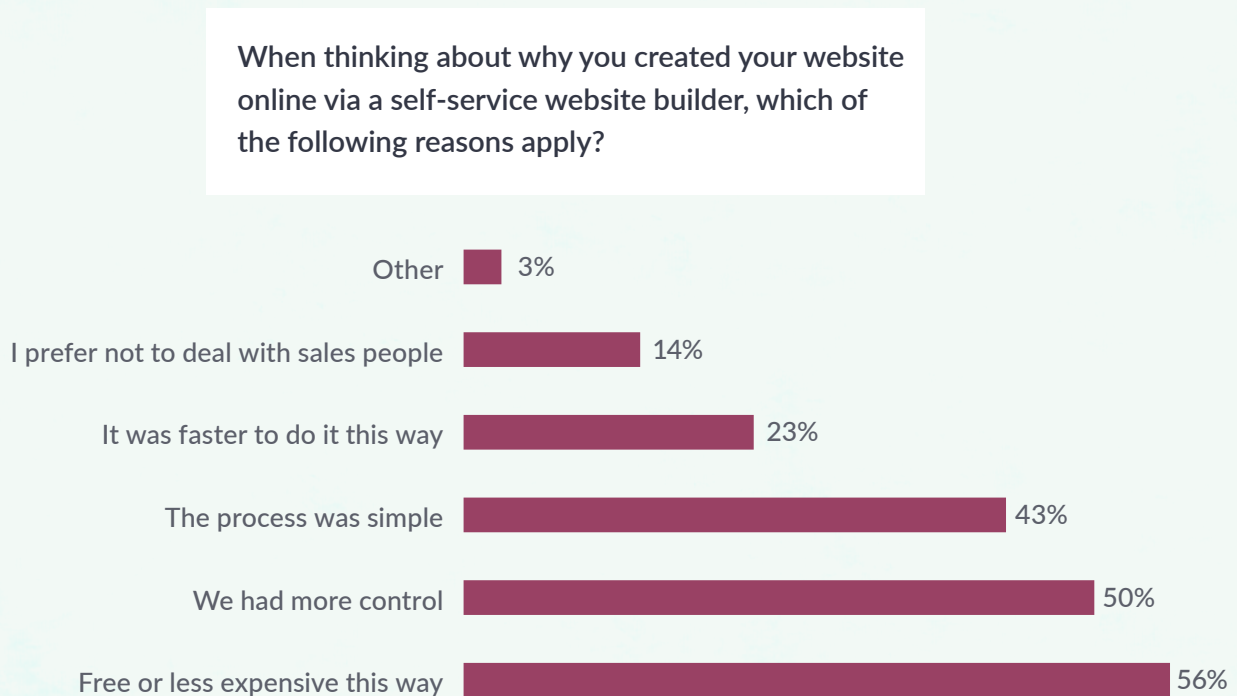


Source: LSA/Mono Small Business Survey (September 2018)

DIY is a surprisingly popular choice for creating business websites, with 36% of all SMBs with websites choosing this route. And as we show later on, a majority would chose this route if handed a do-over.

Younger decision-makers were slightly more inclined to go DIY at 40%. The same goes for those who categorized their business as “other” – which is dominated by solopreneurs and the self-employed. In this group, 50% went DIY, while 56% of business without employees used DIY.

By contrast, 33% of businesses around 10 years or longer went DIY. And among businesses with decision-makers over 55 the figure drops to 30%.

**Figure 8: Why SMBs DIY Their Websites**

Source: LSA/Mono Small Business Survey (September 2018)

As noted, price is a more prominent feature in the choice of DIY in websites than other elements of the marketing stack. However the need for control and simplicity were also key factors.

Looking at SMBs that used an agency or developer to build their site, it's clear that these businesses placed a high importance on their website's value and needed a more customized and personalized service.

These businesses tended to be larger and more established than those preferring the DIY approach.

A (perceived) lack of a self-service option or the smooth skills of the sales rep weren't meaningful factors here.

When SMBs with websites were asked how they would create their website again given the chance, their choices aligned fairly closely with the initial breakdown, as figure 10 shows. For example 38% built their site with a DIY site-builder and 35% said they would use that model if they had a do-over.

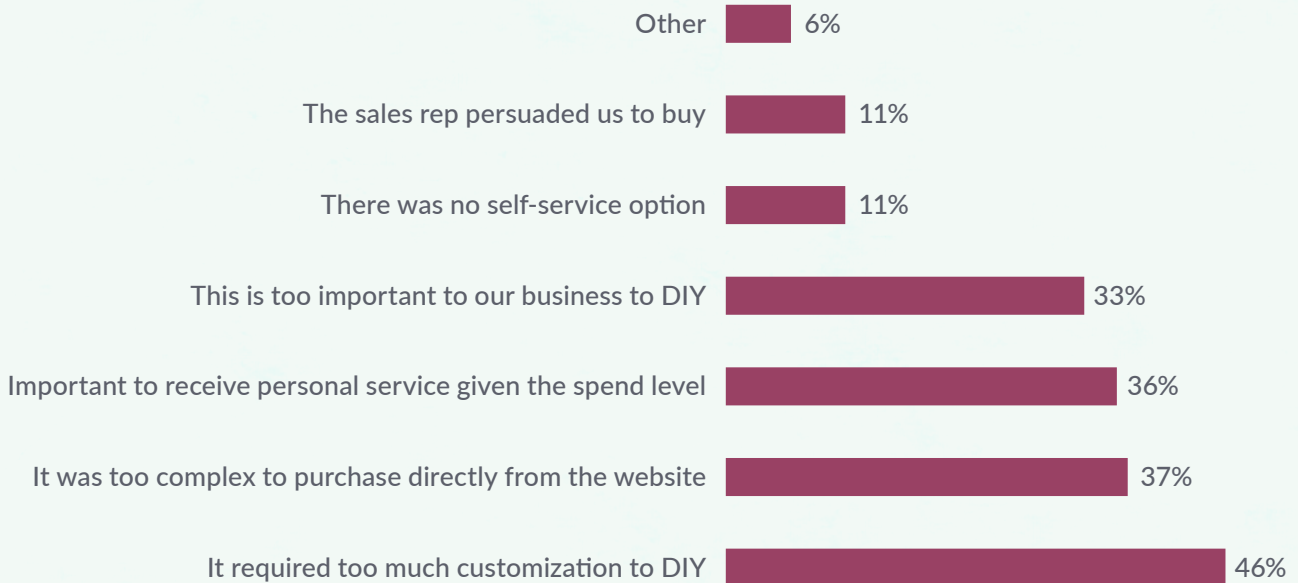
Younger businesses (5 years or less) and younger decision makers (18-34) were slightly more inclined to use a site-builder with a do-over, 41% and 43% respectively.

Looking just at SMBs that used a site-builder to create their website, 62% say they would do so again, while 15% would hire a developer and 13% would go with an agency. The friend/relative option doesn't look any better with a good night's sleep. Only 5% would chose that option on a do-over.

This figures show general but not universal satisfaction with the DIY approach to creating a business website. Having 38% say they'd choose another route suggests some cracks in the armor.

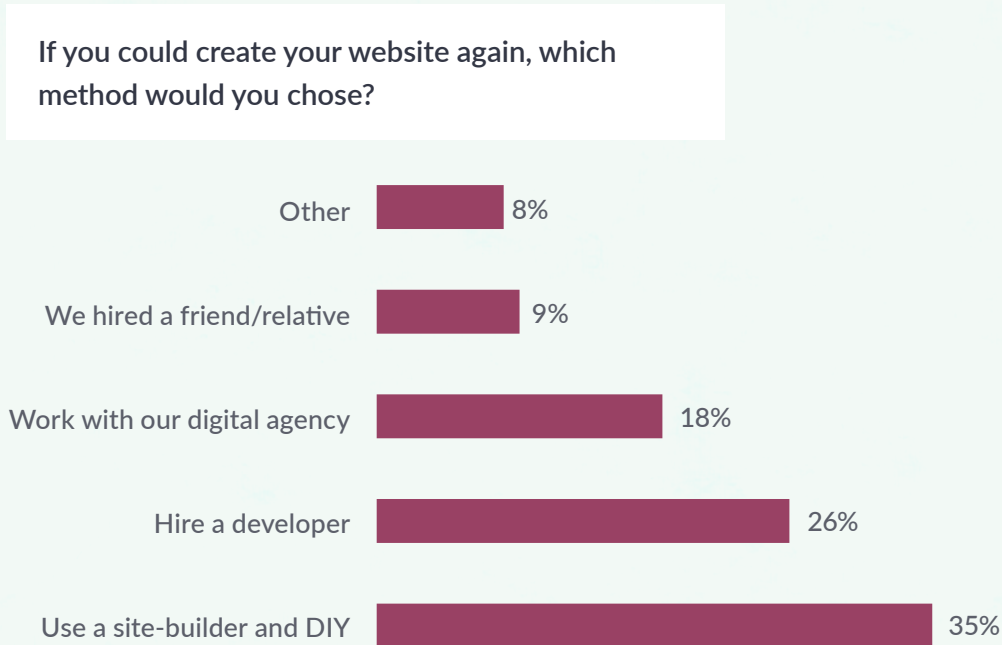
**Figure 9: Why SMBs Hire Pros to Build Their Websites**

When thinking about why you purchased your website from an agency, developer, sales rep and/or agent, which of the following reasons apply?



Source: LSA/Mono Small Business Survey (September 2018)

Figure 10: Any Second Thoughts on Website Choices?



Source: LSA/Mono Small Business Survey (September 2018)

Figure 10 shows results from the full sample. Looking just at those who used an agency to build their websites, the erosion was greater, with 38% saying they would choose the agency route again. Another 38% say they'd hire a developer and 16% would go to DIY after the agency experience. Your cousin Fred who builds websites in his basement only got 7% of the vote. Sorry Fred.

This suggests publishers, digital agencies and others that fall into this category may be falling a bit short on delivering a quality customer experience.

# The Evolving Service Model

Lastly, we asked SMBs what circumstances would compel them to move up from a DIY service – across any element of the stack – to a full service product.

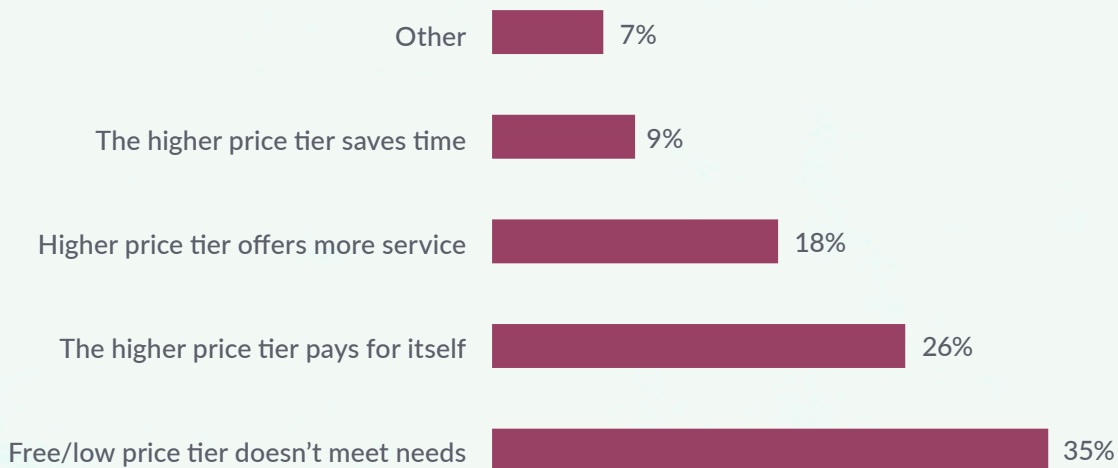
The answers suggest that SMBs are very pragmatic about moving up to higher priced and higher service offerings. If the value is there, they will make the switch. If their business outgrows DIY or if the premium tier can demonstrate it can pay for itself, the SMB can be persuaded.

The prospect for more service or time savings were also attractive.

There was little variation in these responses among different ages, business sizes or business tenures. The notion that if you show value the dollars will follow is universally held it appears.

**Figure 11: What Does It Take to Upgrade from DIY to DIFM?**

In general, thinking about the services addressed in this survey, what would persuade you to upgrade from a free or inexpensive self-service product tier to a higher priced tier that included customer service?



Source: LSA/Mono Small Business Survey (September 2018)

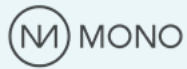


# Final Thoughts: Adapting to a New SMB Buyer

Ultimately this report is about understanding which small business buyers prefer DIY, for which products in the marketing stack and why. And conversely, which prefer DIFM, DIWM and why. Further, what would it take for a DIY buyer to move up into a product tier offering curation and support vs just a platform.

## What We Learned

- DIY SMBs are more likely to be younger and newer businesses. And freelancers/solopreneurs are far more likely to prefer DIY, or are limited economically to free or inexpensive DIY products.
- DIYers cite cost as the number one reason for buying and fulfilling SaaS products themselves. The second choice was to avoid dealing with sales people. The bias against dealing with human beings was a bit weaker among younger software buyers. Getting things done quickly was the biggest motivator for younger buyers.
- DIY SMBs will move upmarket to a service tier if they feel they have outgrown the DIY layer, or if they can be convinced the more robust product version will pay for itself.
- The DIWM, DIFM buyer is more likely to be a larger business. This makes sense because larger businesses can afford higher priced, higher service tiers. And these businesses are much more likely to be the target of outbound sales efforts than a micro SMB.
- The motivation to DIFM, DIWM is very closely tied to business value. If a business sees a service as mission critical, or important enough to require customization, they will lean heavily to a service model. In addition, there is a price at which a small business will feel entitled to service. That inflection point wasn't defined in this survey but we suspect it is a moving target depending on business size and other factors.
- The discussion around how SMBs build their websites surfaced a red flag for publishers and digital agencies. When companies with websites were asked what they would do if they could build their website again, about two-thirds of those who used DIY site-builders said they would do so again. Only about a third of those that used an agency said they would do so again. This at least suggests the site-builders may be delivering a better customer experience.
- DIY experiences must be fast, efficient and transparent. Building a complex process or misleading the SMB about price will result in an abandoned shopping cart.
- Agencies offering DIFM, DIWM must deliver a quality customer experience or they will face churn.
- Not wanting to interface with sales people was a recurring theme. The age of the smart phone has made us perhaps more willing to engage with apps than other human beings directly. Another factor behind this may be the broader B2B trend of researching purchases in advance so they arrive at the sales interface with their minds made up.



*Founded in 2007 originally as a DIY website builder, today Mono empowers over 70 digital service providers across 35 markets around the world with the most efficient and scalable white label website solution for SMBs. Mono Solutions has won industry awards for SMB engagement, innovation, presence management and best SMB service of the year. The company is headquartered in Copenhagen, Denmark, with offices in Denver, Colorado and London, UK.*



*The Local Search Association (LSA) is a not-for-profit industry association of media companies, agencies and technology providers who help businesses market to local consumers. LSA has about 300 members in 20 countries and the Association helps these members realize the power of local marketing and commerce through conferences, consulting, insights, advocacy and more.*



*SaaS-based cloud services have introduced a plethora of new capabilities to SMBs, but how many are taking advantage? This is the question the Tech Adoption Index seeks to answer. The LSA's Tech Adoption Index (TAI) is designed to measure the SMB market's shift to cloud-based services through a quantitative tracking study. The survey data helps SMB sellers make strategic business decisions related to product development, competitive differentiation and growth strategies.*