

2019 SBEC/TechnoMetrica Small Business Survey on Online Advertising

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Methodology

Study Methodology

- The SBEC/TechnoMetrica Small Business Survey was conducted online from August 12 to August 16, 2019, using a national sample of 506 small businesses, with 100 or fewer employees who advertise online for business purposes.
- Respondents for the survey came from TechnoMetrica's network of online panel partners. Survey respondents consisted of owners, presidents, and other senior-level decision-makers.
- Based on the qualification rate for the research, TechnoMetrica estimates approximately 78% of small businesses use online advertising for their businesses.
- The error estimate for this survey is plus or minus 4.5 percentage points, using a probability sample assumption for the study's convenience sample.
- The median employee size for the study sample is 21 and the median revenue is \$950,000. While the median age of the sample is 12 year, 12% of the sample was start-ups established in the past three years.
- Geographically, 20% of the sample was from the Northeast region, 22% from the Midwest, 36% from the South and 23% from the West.

Executive Summary

Executive Summary

- Online advertising plays a key role in the development and continued growth of small businesses, according to our study of small business online advertisers.
- For the purposes of the study, TechnoMetrica screened for small businesses who advertise online. More than three-quarters (78 percent) of respondents who attempted to take the survey passed the screening criteria, and are identified as “online advertisers.” The following report provides key insights into the experiences of small businesses with online advertising, based on our survey of 506 small business online advertisers.
- More than nine in ten (92 percent) online advertisers have reported using digital advertising for marketing their products and services, over the past six months. In addition, close to three-quarters (71 percent) of respondents have utilized online advertising for other business-related purposes.
- In further indication of the growing importance of online advertising among small businesses, nearly one-third (29 percent) rely exclusively on this form of advertising. Further, 71 percent of online advertisers use a combination of digital and traditional advertising.

Top Online Advertising Platforms

- Facebook is the most commonly used platform among small businesses advertising online, with more than 8 in 10 reporting using the social network in the past six months. Meanwhile, more than 4 in 10 online advertisers have used Google Ads (44 percent) and Instagram (42 percent). Twitter was the destination of nearly 3 in 10 (28 percent) small business online advertisers.

Top Online Marketing Activities

- Online advertising plays an integral role in the marketing strategies of small businesses. Digital advertising is most commonly used for acquiring new customers, with more than two-thirds (68 percent) of online advertisers citing this activity. In addition, a majority employ online advertising for increasing brand awareness (53 percent) and keeping customers posted about new products and services (52 percent).

Small Business Advertising Spending

- Online advertisers report median advertising spending of \$296 per month.
- Close to one-third of online advertisers spend \$500 or more on digital advertising each month.



Executive Summary

Six-Month Outlook for Online Advertising Spending

- The short-term outlook for online ad spending among small businesses looks strong, with nearly 4 in 10 online advertisers anticipating an increase in spending over the next six months. Another 5 in 10 expect to maintain their current levels of online advertising spending during the same period.

Facebook Advertising Spending

- Small businesses advertisers on Facebook dedicate a median of 13 percent of their monthly advertising spending to the social network.
- Half of Facebook advertisers allocate more than 10% of their monthly ad spending to the platform.

Reliance on Online Advertising

- Small businesses rely heavily on digital advertising for their marketing and growth strategies. Close to three-quarters (73 percent) of online advertisers agree that if online advertising were not available, it would impact their ability to effectively market their products and services, and to grow their businesses.
- Online advertisers also consider digital advertising as crucial to their ability to cost-effectively advertise their products and acquire new customers. In our study, 7 in 10 online advertisers reported that if it were not for online advertising, they would not have a cost-effective method of advertising their products and services, and reaching new customers.

Top Benefits of Online Advertising over Traditional Advertising

- Small businesses who advertise online view online advertising as superior to traditional methods on a number of fronts, particularly with regards to customer acquisition.
 - Close to 9 in 10 (89 percent) online advertisers cite finding new customers as a benefit of online advertising over traditional advertising.
 - A similar share (88 percent) of online advertisers report that they are able to target their intended customer base more effectively due to online advertising.

Executive Summary

- A wide majority (87 percent) also consider the ability to identify new customers and prospects as a benefit of online advertising over traditional methods.
- Saving time on labor was deemed an advantage of online advertising by more than 8 in 10 (84 percent) online advertisers.
- 82 percent of online advertisers say that digital advertising has helped their businesses compete more effectively with other businesses, in comparison with traditional advertising.
- Around 8 in 10 (81 percent) find that online advertising has delivered increased value and higher return on investment.

Efficacy of Online Advertising

- Small businesses widely expect that their online advertising efforts will bear fruit. Close to 9 in 10 online advertisers are confident that their online advertising spending will yield results, with 44 percent expressing the highest level of confidence.
- Our study suggests that small businesses are already seeing the benefits of online advertising in the form of new prospects and sales.
 - Online advertisers attribute a median increase of 12.32 percent in new prospects to online advertising. In fact, close to one in five (17 percent) small business online advertisers report a median increase of over 20 percent.
 - Online advertising has also delivered increased sales for small businesses. The median increase in new sales attributable to online advertising is 12.24 percent. Close to one-half (48 percent) of online advertisers estimate that digital advertising is responsible for a median sales increase of more than 10 percent for their businesses.

Time and Money Savings from Online Advertising

- Online advertising has freed up significant amounts of time and money for small businesses.

Employee Time Savings

- Small businesses save a median of 10.93 employee hours each week due to their online advertising efforts. Two in five advertisers say that digital advertising has helped them 11 or more hours per week.

Executive Summary

Owner Time Savings

- Online advertising is helping small business owners themselves amass greater time savings. Owners have saved a median of 9.28 hours a week as a result of online advertising. More than one-third (34 percent) of small business owners report saving more than 10 hours each week.

Money Savings

- Small businesses have also saved significant amounts of money as a result of online advertising. Each year, online advertisers save a median of \$4,021 from their digital advertising efforts, with 3 in 10 reporting money savings greater than \$5,000. Online advertising is helping small business owners themselves amass greater time savings. Owners have saved a median of 9.28 hours a week as a result of online advertising. More than one-third (34 percent) of small business owners report saving more than 10 hours each week.

Activities Resulting from Time and Money Savings

- The time and money saved by online advertising has enabled small businesses to pursue various opportunities for improving their business.
- Investing in growth opportunities represents the most common action taken by online advertisers as a result saving time and money from digital advertising, with more than 4 in 10 citing this activity. Meanwhile, around 3 in 10 advertisers have translated their money and time savings into investments in new equipment to improve competitiveness (31 percent) and increasing the number of working hours (30 percent).

Activities Resulting from Increased Sales Revenues

- Online advertisers have performed a number of important actions due to the increased sales revenue from digital advertising.
- Around 4 in 10 small businesses have invested the sales gains into opportunities for growth (40 percent) and improving competitiveness (36 percent). Raising employee wages and benefits, and increasing the number of hours worked by executives and staff were actions taken by 3 in 10 online advertisers.

Executive Summary

The Impact of Online Advertising on Startups

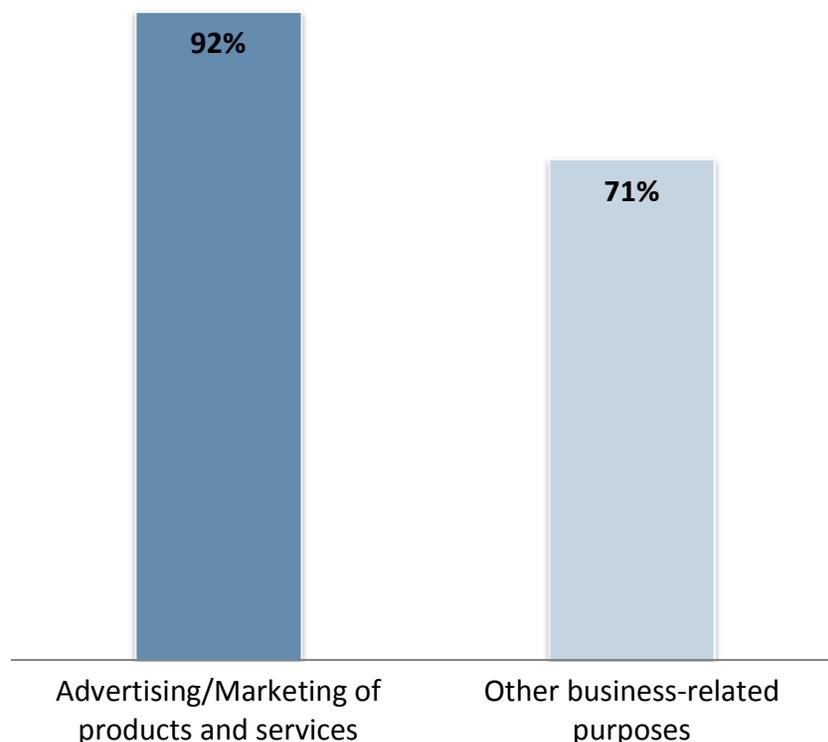
- More than one in ten (12 percent) small businesses responding to the survey are under four years old, and are thereby defined as startups.
- Online advertising has played a key role in the genesis of a vast majority of startup companies. Nearly three-quarters (73 percent) of startups consider online advertising as a factor in starting their business, and in their confidence with regards to reaching potential customers once the business was launched.
- Startups overwhelmingly rely on digital advertising for maintaining and growing their businesses.
 - Small businesses less than four years old widely agree that online advertising provides an affordable means for launching and growing their businesses, with 9 in 10 startups acquiescing to this point of view.
 - More than four in five (86 percent) startups depend on the targeting capabilities of online advertising for their continued survival. In fact, two in five (44 percent) strongly agree that the ability to target customers through online advertising is a feature that is important to the survival and growth of their businesses.
 - Four in five (80 percent) startup companies consider the ability to reach customers via online advertising as a key factor in starting their business.

Detailed Findings

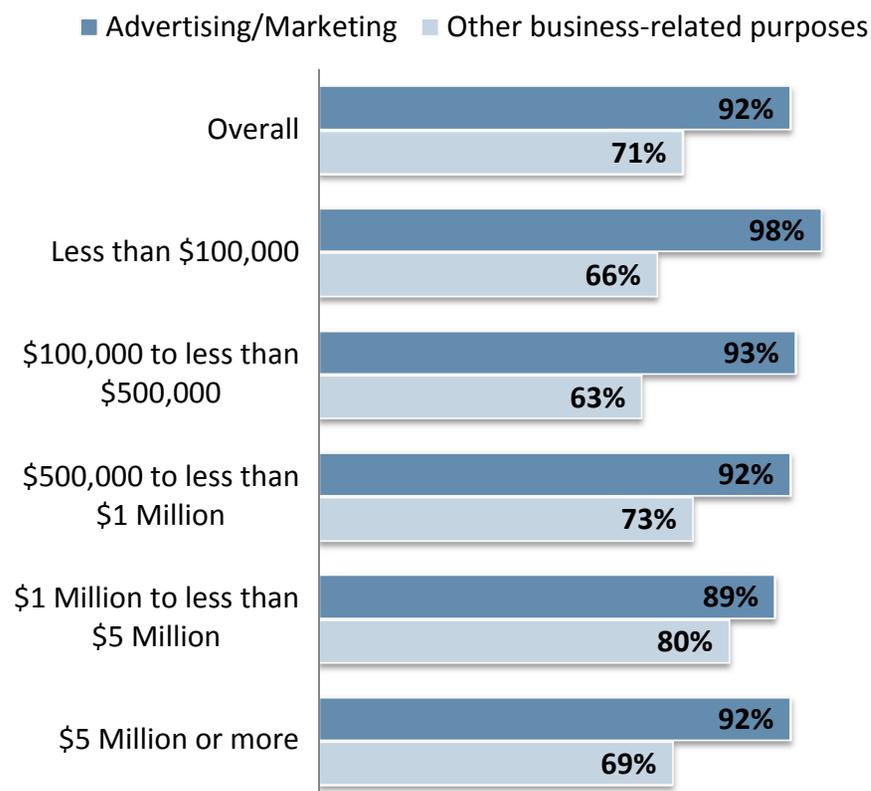
More than 9 in 10 small businesses use online advertising, including social media, to market their products and services

(Base = All respondents : 506)

Online Advertising Use by Small Businesses Over the Past Six Months



Online Advertising Use by Company Revenue



Q. Has your business used online advertising including social media such as Facebook and Twitter to advertise/market its products and services in the last six months?

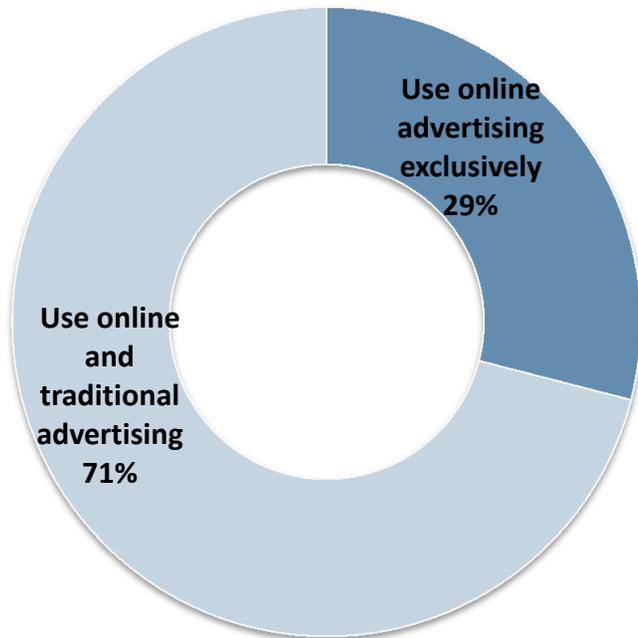
Q. Has your business used online advertising for any other business-related purposes in the past six months?



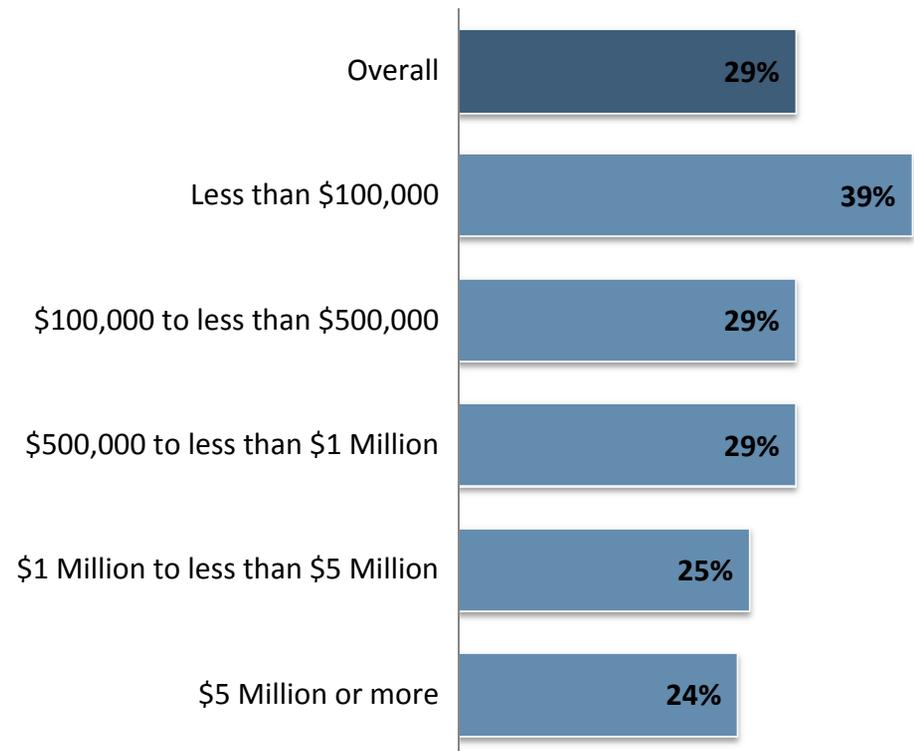
Companies with the lowest revenues report the heaviest reliance on online advertising

(Base = All respondents : 506)

Small Business Online Advertising Strategy



“Use Online Advertising Exclusively” by Company Revenue

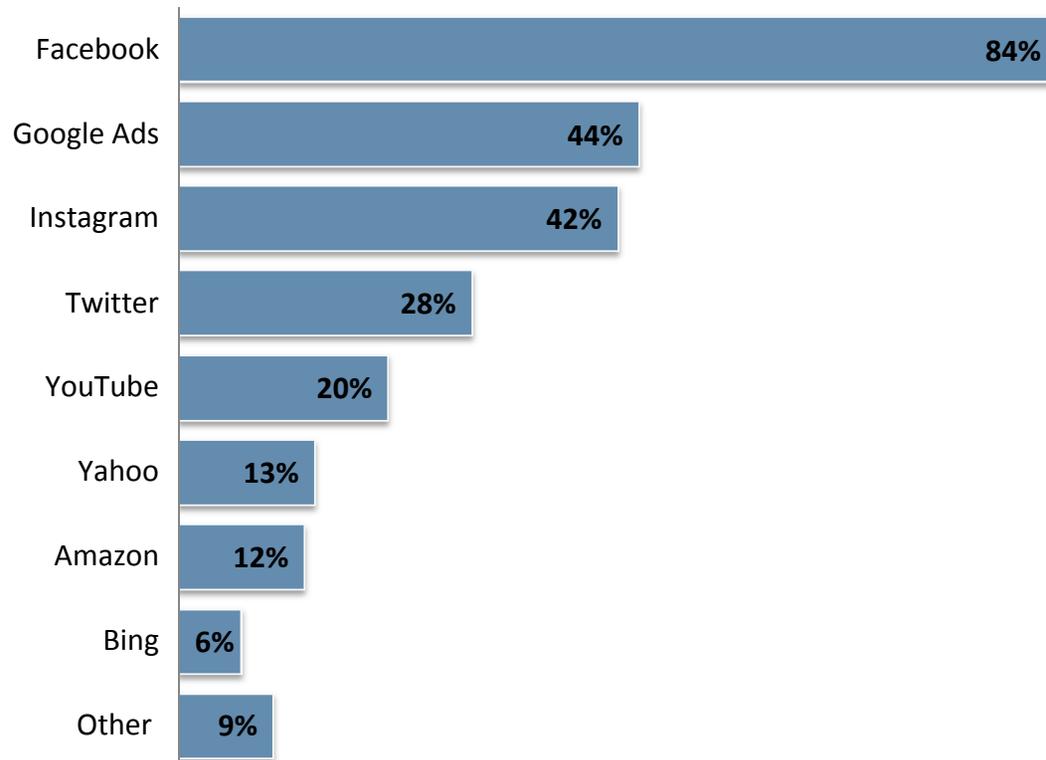


Q. Which of the following best describes your company?

Facebook is the most commonly used platform among small businesses who advertise online

(Base = All respondents : 506)

Most Popular Online Advertising Platforms Among Small Businesses



Q. Which online platforms have you used for online advertising in the past six months?

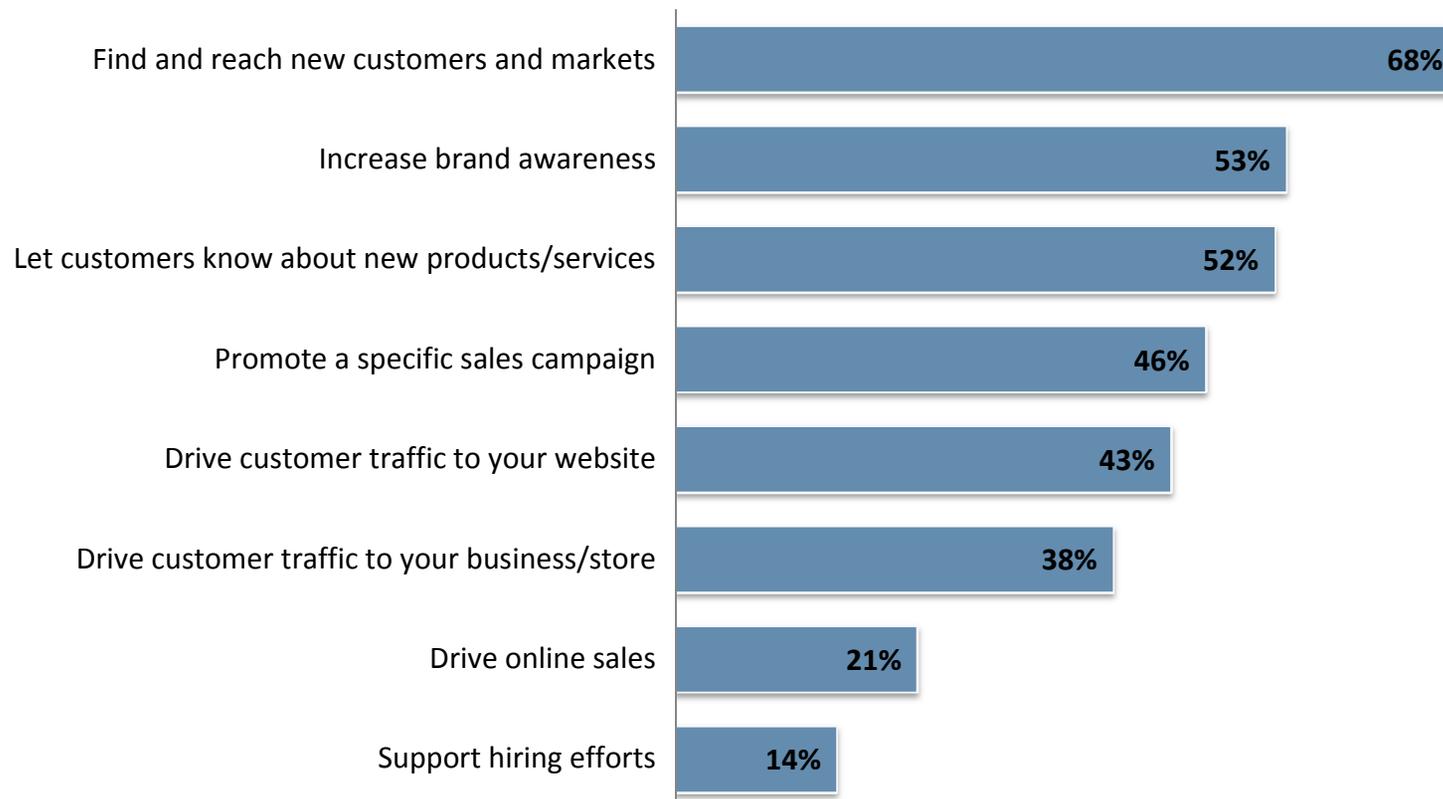
Small businesses with revenues of less than \$100,000 are the most likely to use Facebook for online advertising

Platforms	Overall	Less than \$100,000	\$100,000 to less than \$500,000	\$500,000 to less than \$1 Million	\$1 Million to less than \$5 Million	\$5 Million or more
Facebook	84%	91%	83%	82%	82%	83%
Google Ads	44%	33%	38%	47%	50%	47%
Instagram	42%	44%	36%	43%	42%	44%
Twitter	28%	30%	17%	25%	29%	38%
YouTube	20%	20%	19%	26%	18%	19%
Yahoo	13%	16%	9%	13%	13%	13%
Amazon	12%	8%	12%	14%	10%	17%
Bing	6%	7%	2%	8%	5%	7%
Other	9%	6%	10%	7%	13%	10%

More than two-thirds of small businesses use online advertising to expand their customer base

(Base = All respondents : 506)

Top Online Marketing Activities Among Small Businesses



Q. Which of the following marketing activities does your business use online advertising for?



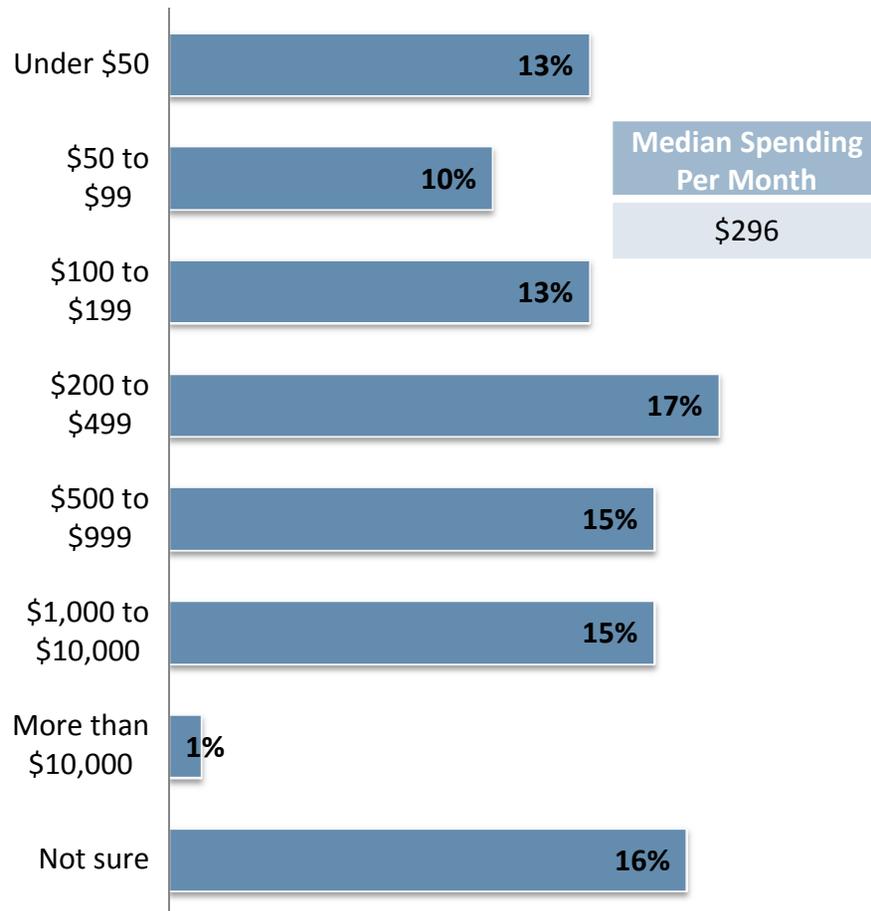
The largest small businesses are most likely to utilize digital advertising to build awareness of their brand

Online Marketing Activities	Overall	Less than \$100,000	\$100,000 to less than \$500,000	\$500,000 to less than \$1 Million	\$1 Million to less than \$5 Million	\$5 Million or more
Find and reach new customers and markets	68%	62%	68%	73%	70%	67%
Increase brand awareness	53%	44%	56%	47%	55%	60%
Let customers know about new products/services	52%	52%	47%	47%	58%	56%
Promote a specific sales campaign	46%	47%	39%	46%	55%	39%
Drive customer traffic to your website	43%	30%	38%	40%	47%	57%
Drive customer traffic to your business/store	38%	30%	32%	43%	39%	42%
Drive online sales	21%	16%	23%	13%	22%	28%
Support hiring efforts	14%	14%	12%	8%	16%	21%

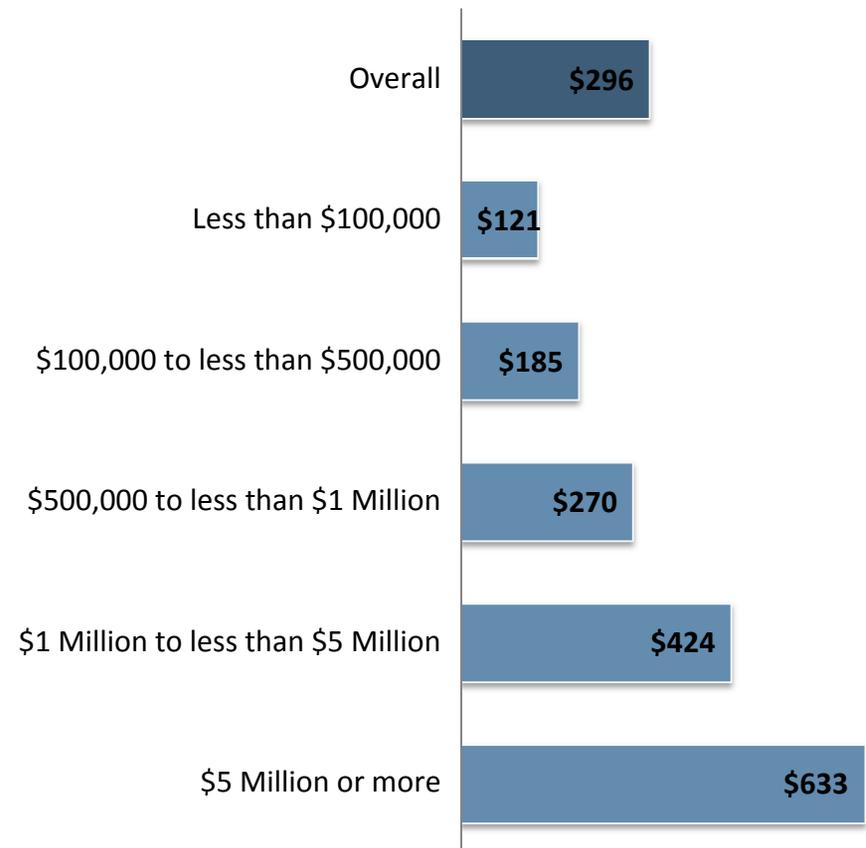
Close to one-third of small businesses spend \$500 or more on digital advertising each month

(Base = All respondents : 506)

Monthly Online Advertising Spending



Median Online Advertising Spending By Company Revenue



Q. On average, how much does your business spend for online advertising each month?

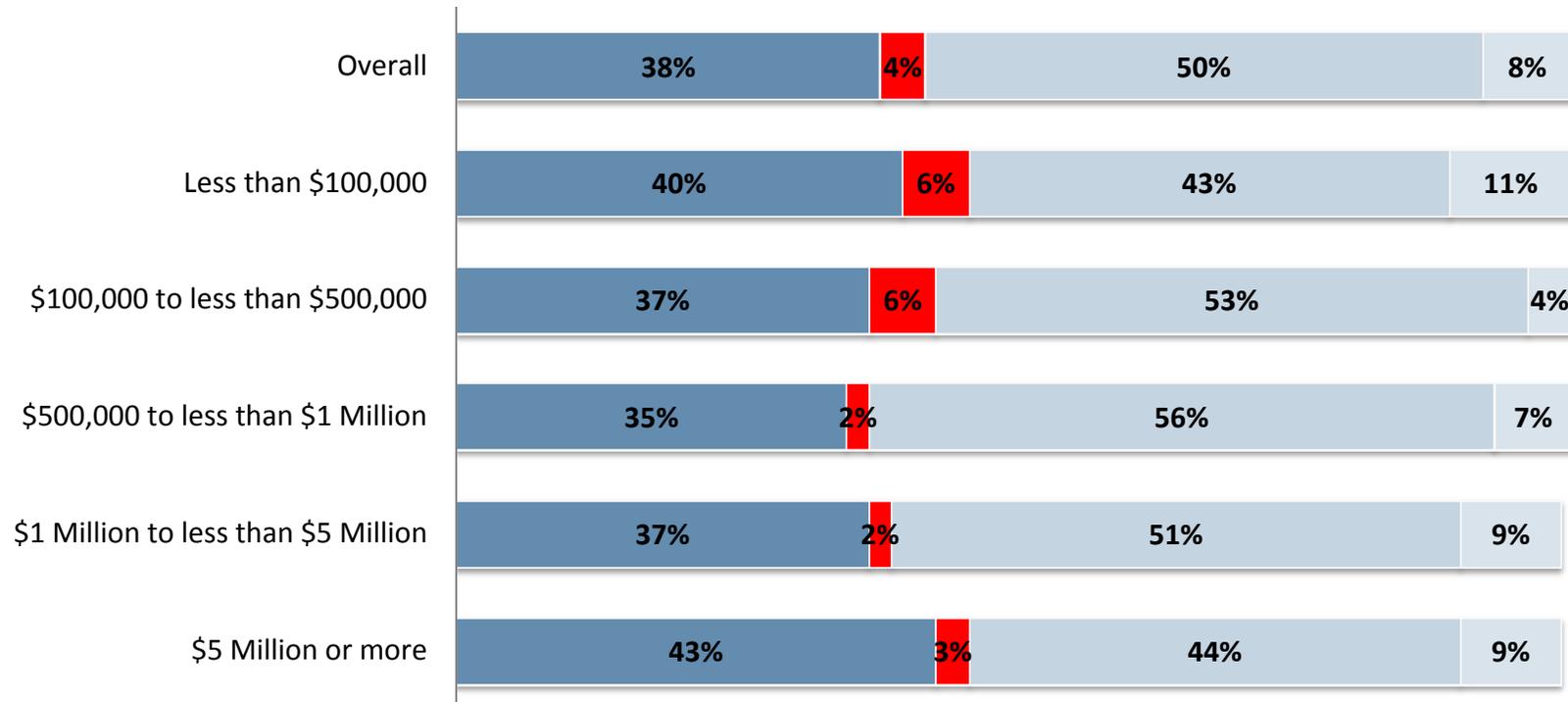


Online ad spending among small businesses to remain steady in the near future

(Base = All respondents : 506)

Six-Month Outlook for Online Advertising Spending by Company Revenue

■ Increase ■ Decrease ■ Remain the same ■ Not sure



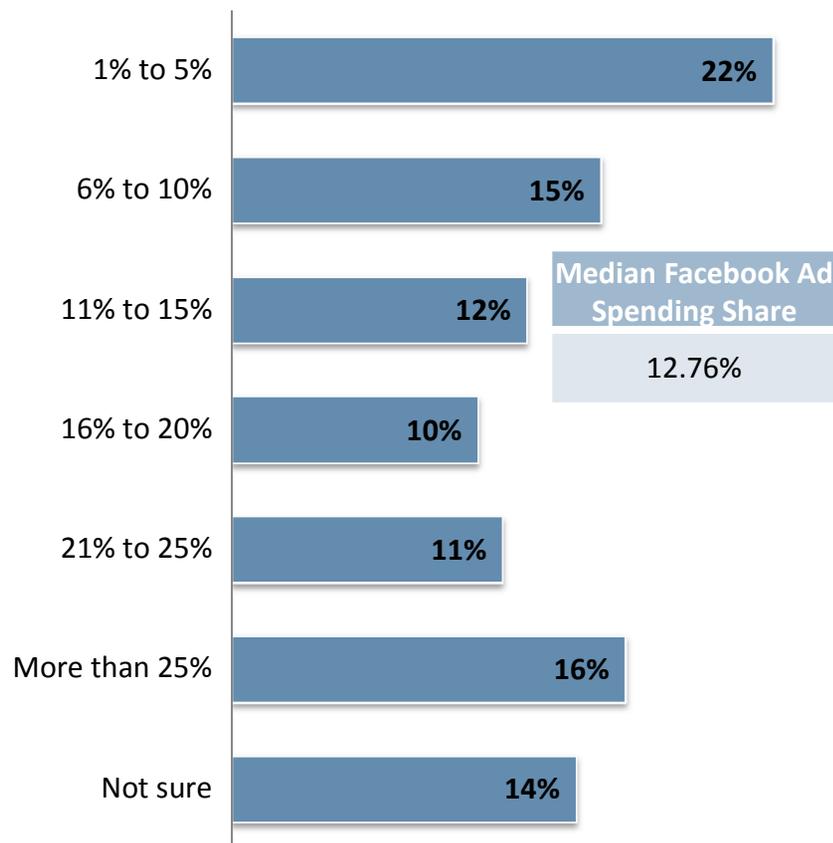
Q. Thinking of the next six months, do you expect your company's online advertising spending to: Increase, decrease, or remain the same?



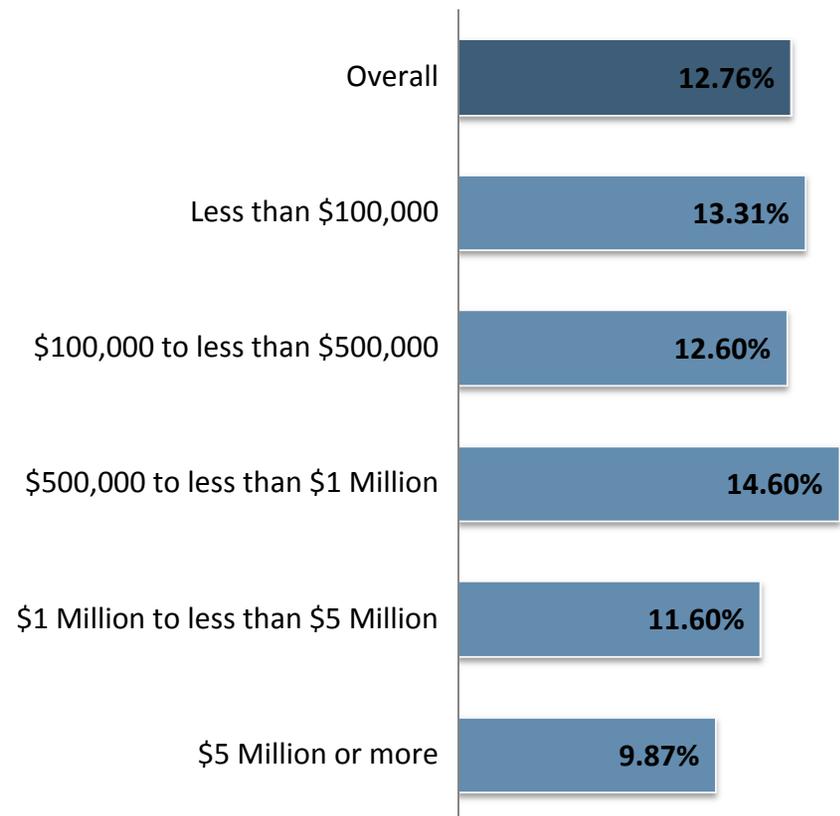
Half of companies advertising on Facebook dedicate more than 10% of their monthly ad spending to the social network

(Base = Facebook advertisers: 426)

Facebook Ad Spending as a Share of Total Monthly Advertising Spending



Median Facebook Ad Spending Share By Company Revenue



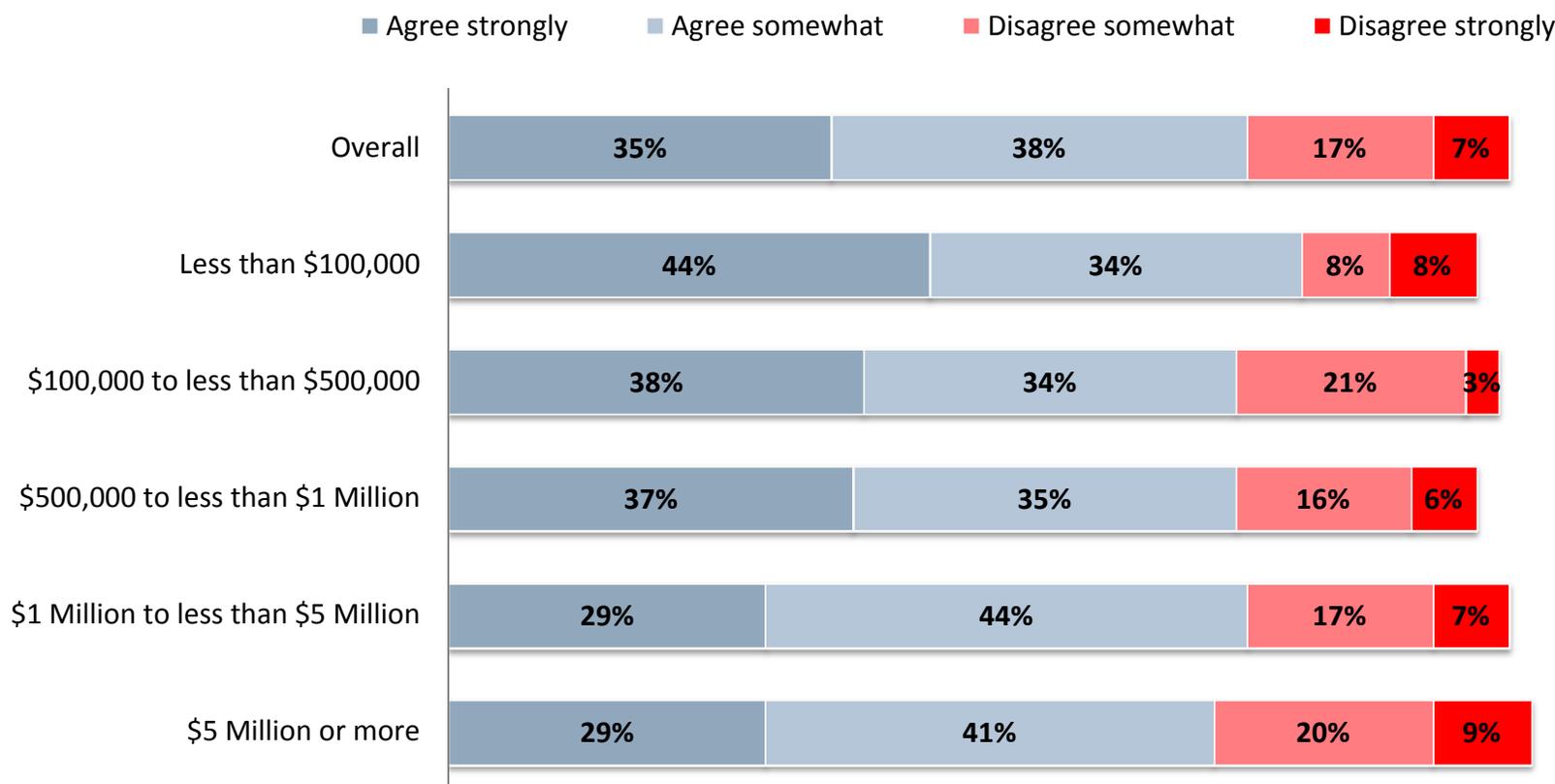
Q. Approximately, what percentage of your monthly advertising spending is dedicated to Facebook advertising?



Businesses, particularly smaller companies, widely view online advertising as crucial to their marketing and growth strategies

(Base = All respondents : 506)

Small Businesses Rely on Online Advertising to Effectively Market their Products and Grow their Business



Q. To what extent do you agree or disagree with this statement: *If online advertising was not available to my business, it would impact my ability to effectively market my products and services, and to grow my business?*

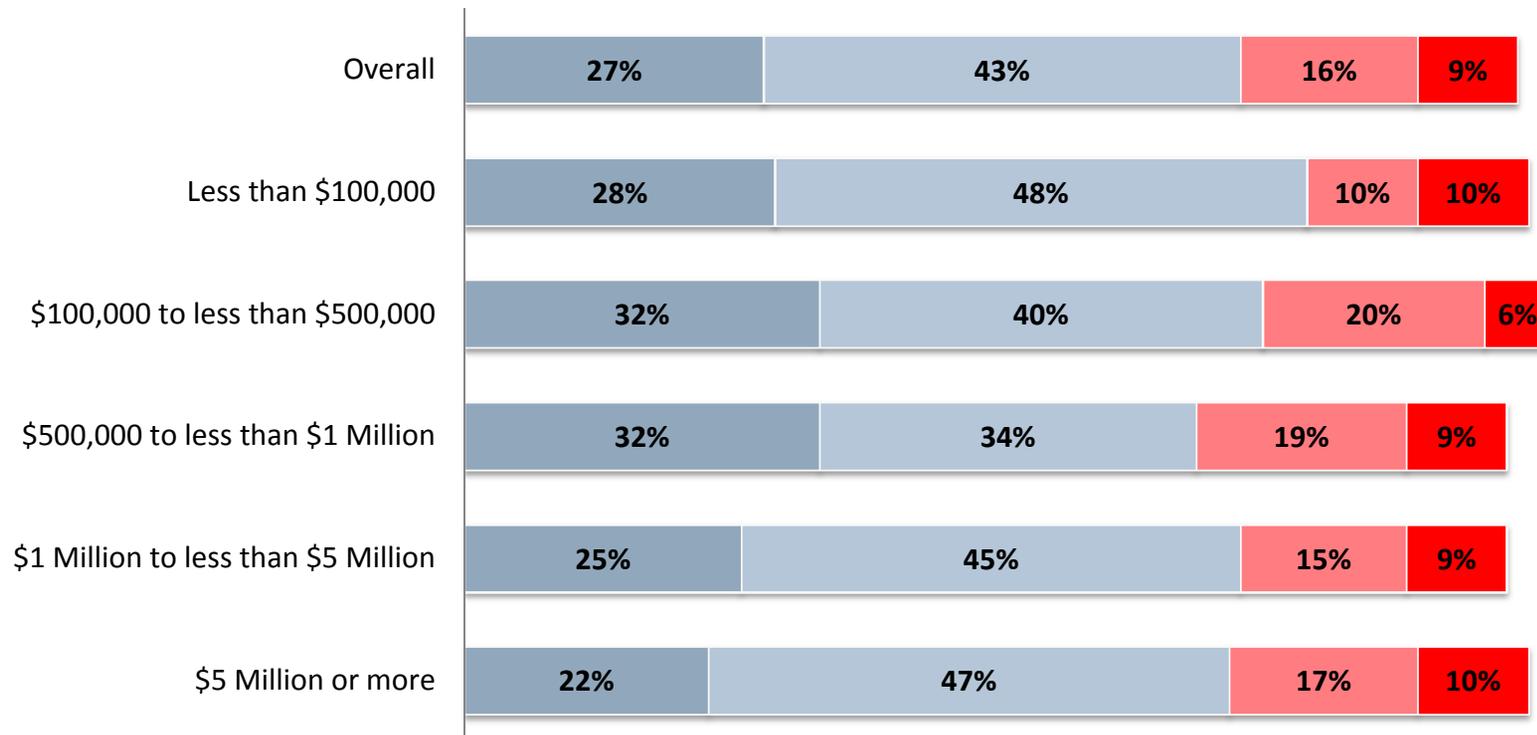


More than two-thirds would lack a cost-effective means to advertise without online advertising

(Base = All respondents : 506)

Small Businesses Rely on Online Advertising as a Cost-Effective Way to Advertise and Reach New Customers

■ Agree strongly
 ■ Agree somewhat
 ■ Disagree somewhat
 ■ Disagree strongly



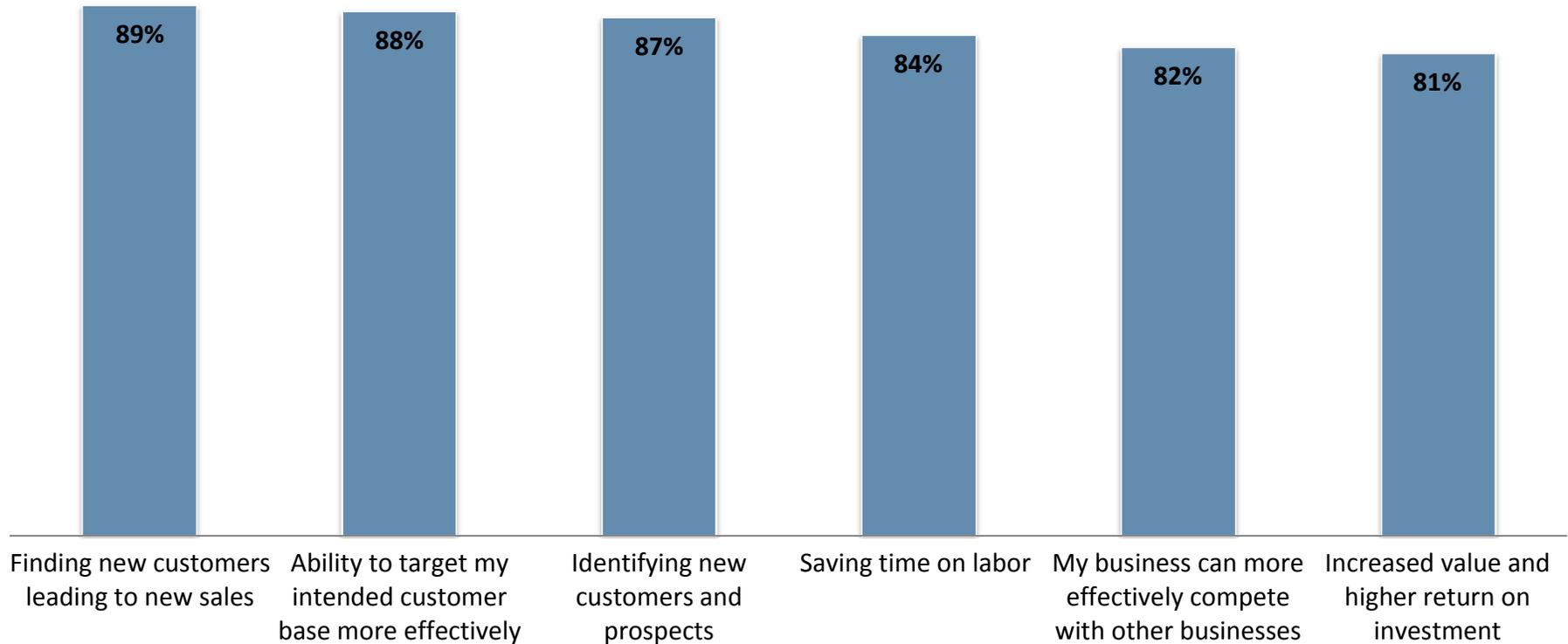
Q. To what extent do you agree or disagree with this statement: If it were not for online advertising, I would not have a cost-effective method of advertising my products and services, and reaching new customers?



Online advertising enjoys key advantages over traditional methods, especially when it comes to reaching new customers

(Base = All respondents : 506)

Top Benefits of Online Advertising Over Traditional Advertising



Q. What are the benefits of online advertising compared to traditional advertising – like newspaper ads, mailings, radio or tv - for your business?



Smaller companies consider the ability to effectively target their customer base as the chief benefit of online advertising

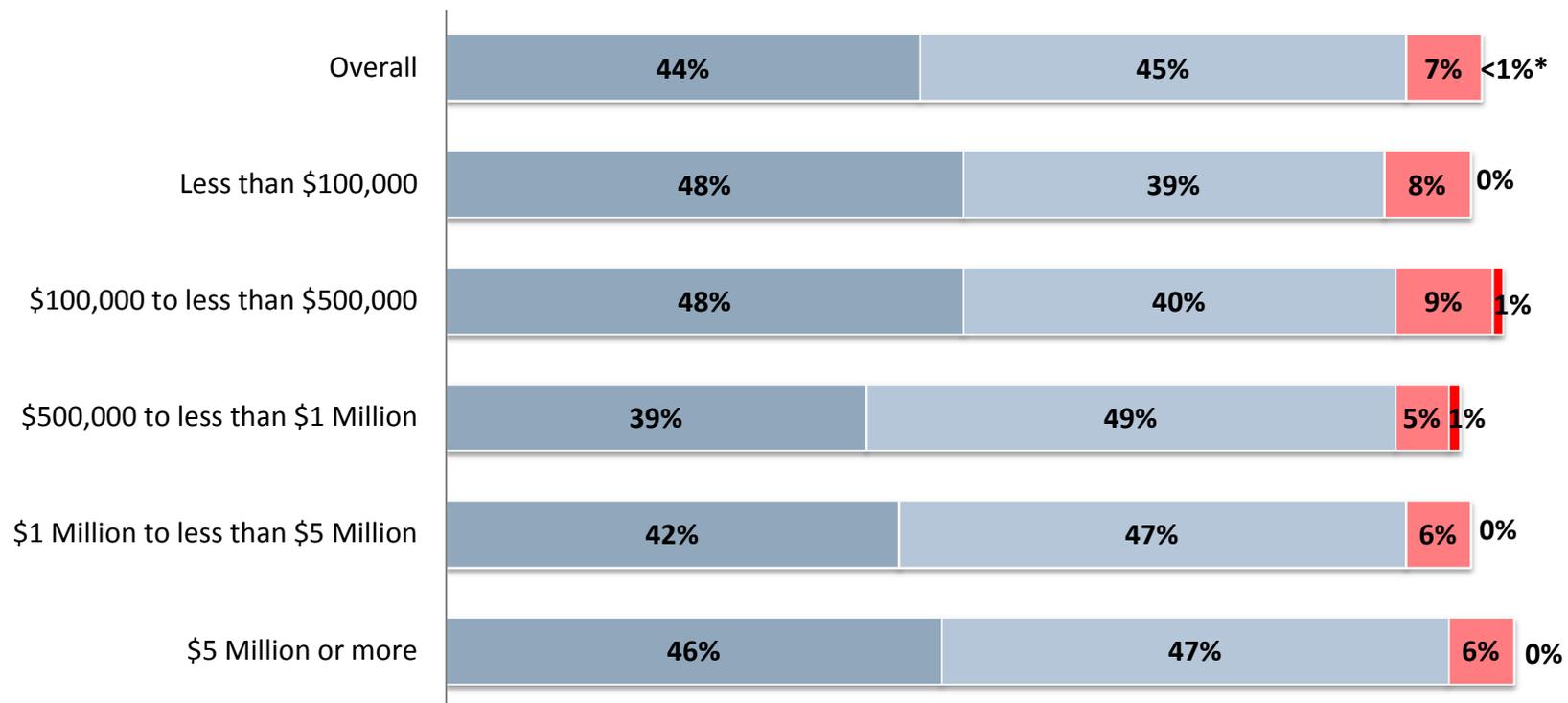
Benefits of Online Advertising	Overall	Less than \$100,000	\$100,000 to less than \$500,000	\$500,000 to less than \$1 Million	\$1 Million to less than \$5 Million	\$5 Million or more
Finding new customers leading to new sales	89%	80%	89%	92%	89%	92%
Ability to target my intended customer base more effectively	88%	87%	93%	87%	87%	86%
Identifying new customers and prospects	87%	85%	87%	89%	88%	86%
Saving time on labor	84%	85%	77%	85%	87%	84%
My business can more effectively compete with other businesses	82%	72%	83%	82%	84%	84%
Increased value and higher return on investment	81%	82%	81%	78%	84%	79%

Most businesses, especially those with lower revenues, are optimistic that online advertising will deliver results

(Base = All respondents : 506)

Small Business Confidence in the Efficacy of Online Advertising

■ Very confident ■ Somewhat confident ■ Not very Confident ■ Not at all Confident



Q. How confident are you that your advertising dollars will yield results for your business using online advertising?

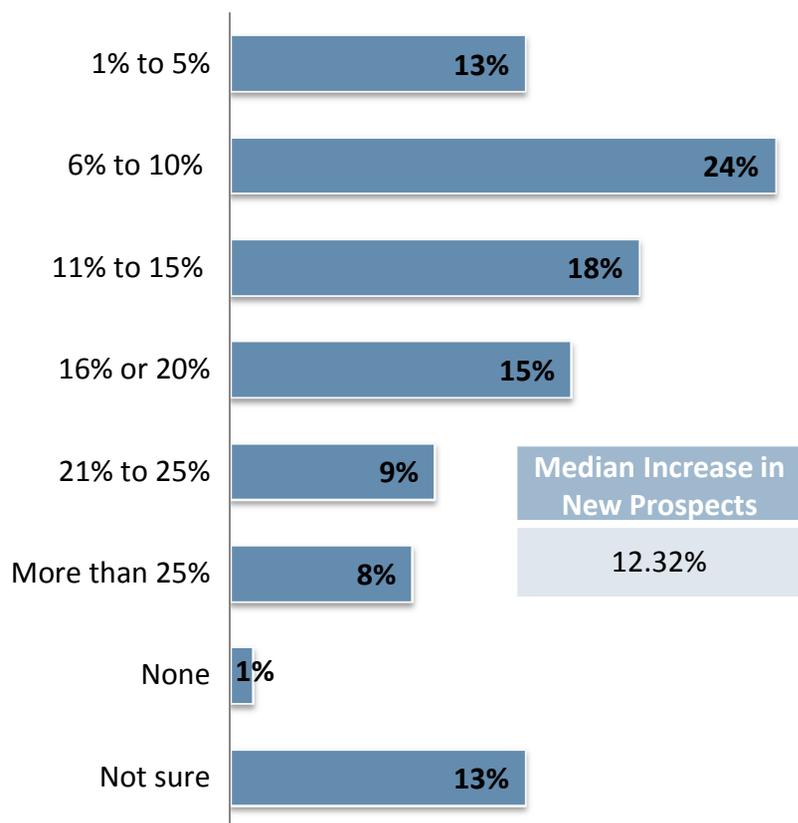
*Just 2 respondents reported no confidence at all.



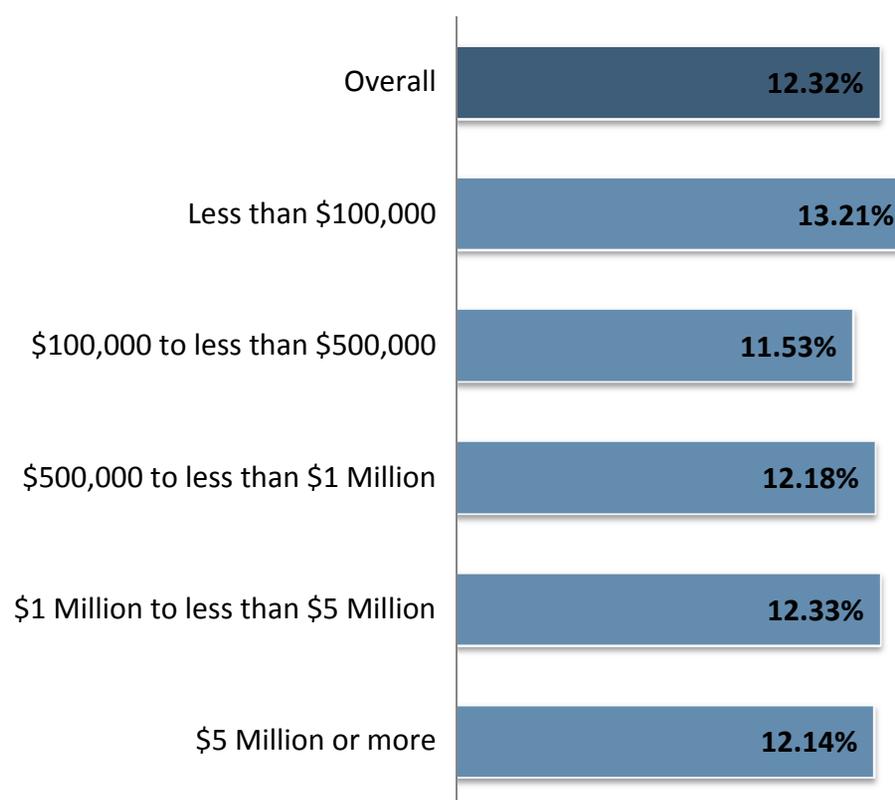
Close to one in five online advertisers report a median increase of more than 20 percent from digital advertising

(Base = All respondents : 506)

Increase in New Prospects Due to Online Advertising



Median Increase in New Prospects By Company Revenue



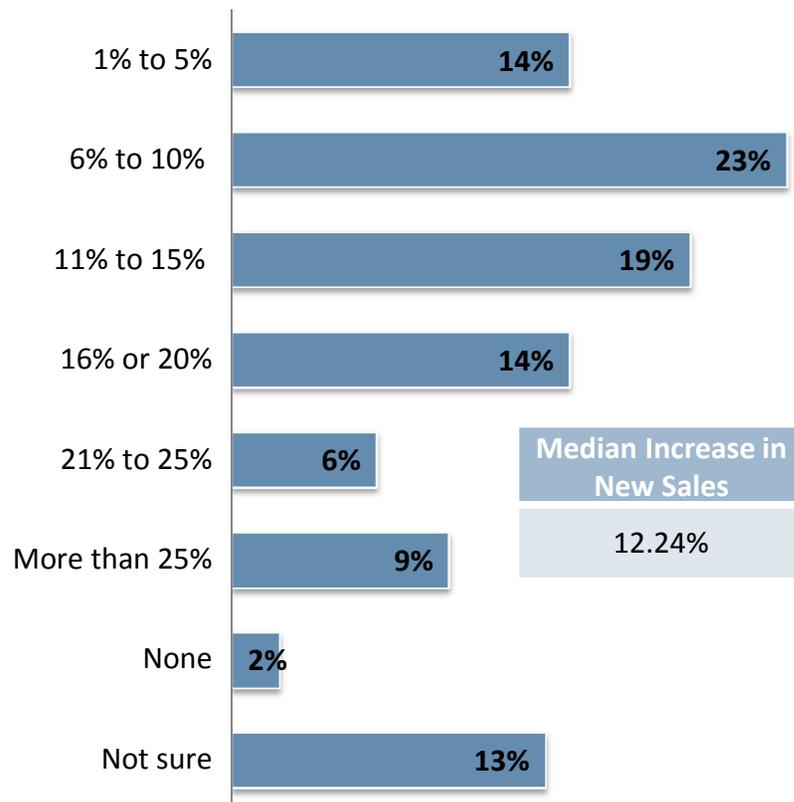
Q. Please estimate the percentage increase in new prospects experienced by your business that can be attributable to online advertising.



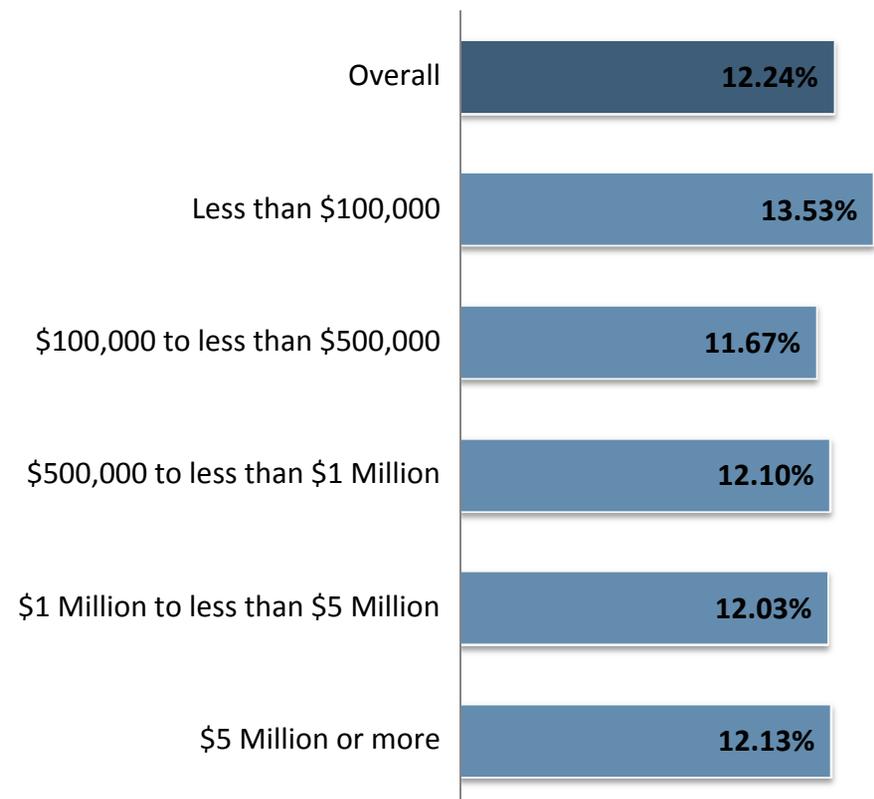
Nearly half of advertisers attribute a sales increase of more than 10% to online advertising

(Base = All respondents : 506)

Increase in New Sales Due to Online Advertising



Median Increase in New Sales By Company Revenue



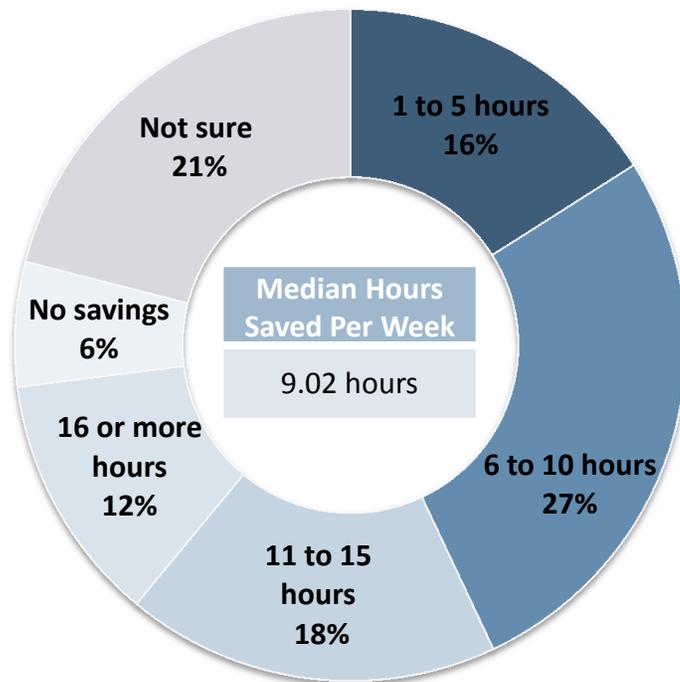
Q. What is the approximate increase in percentage of new sales attributable to online advertising?



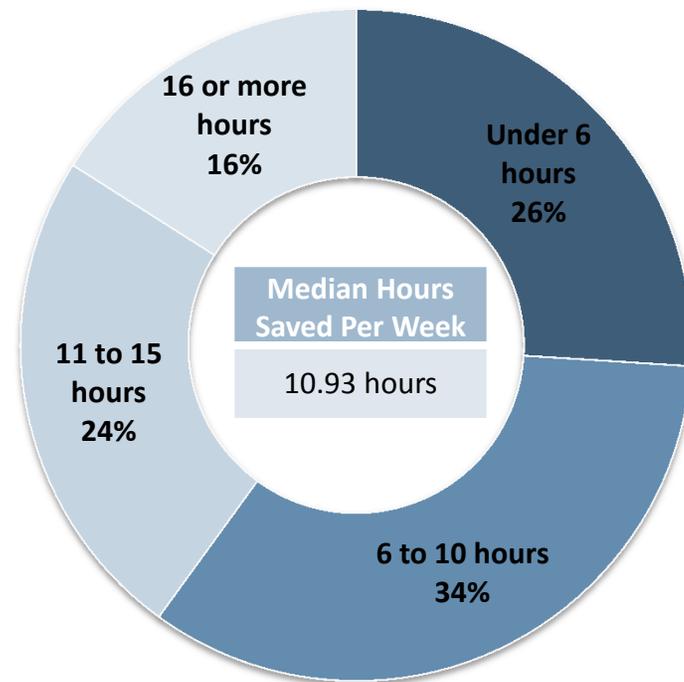
More than one-quarter of small businesses save between 6 and 10 employee hours a week as a result of online advertising

(Base = All respondents : 506;
 Respondents who could estimate weekly savings: 371)

Estimated Number of Employee Hours Saved Per Week Due to Online Advertising



Exact Number of Employee Hours Saved Per Week Due to Online Advertising*



Q. Please estimate the number of employee hours saved and more effectively used each week, as a result of the features and benefits of online advertising.
 Q. Can you provide an exact number of hours, or as close to an estimate as possible?

*An exact figure was given by respondents who could estimate the number of employee hours saved from online advertising.

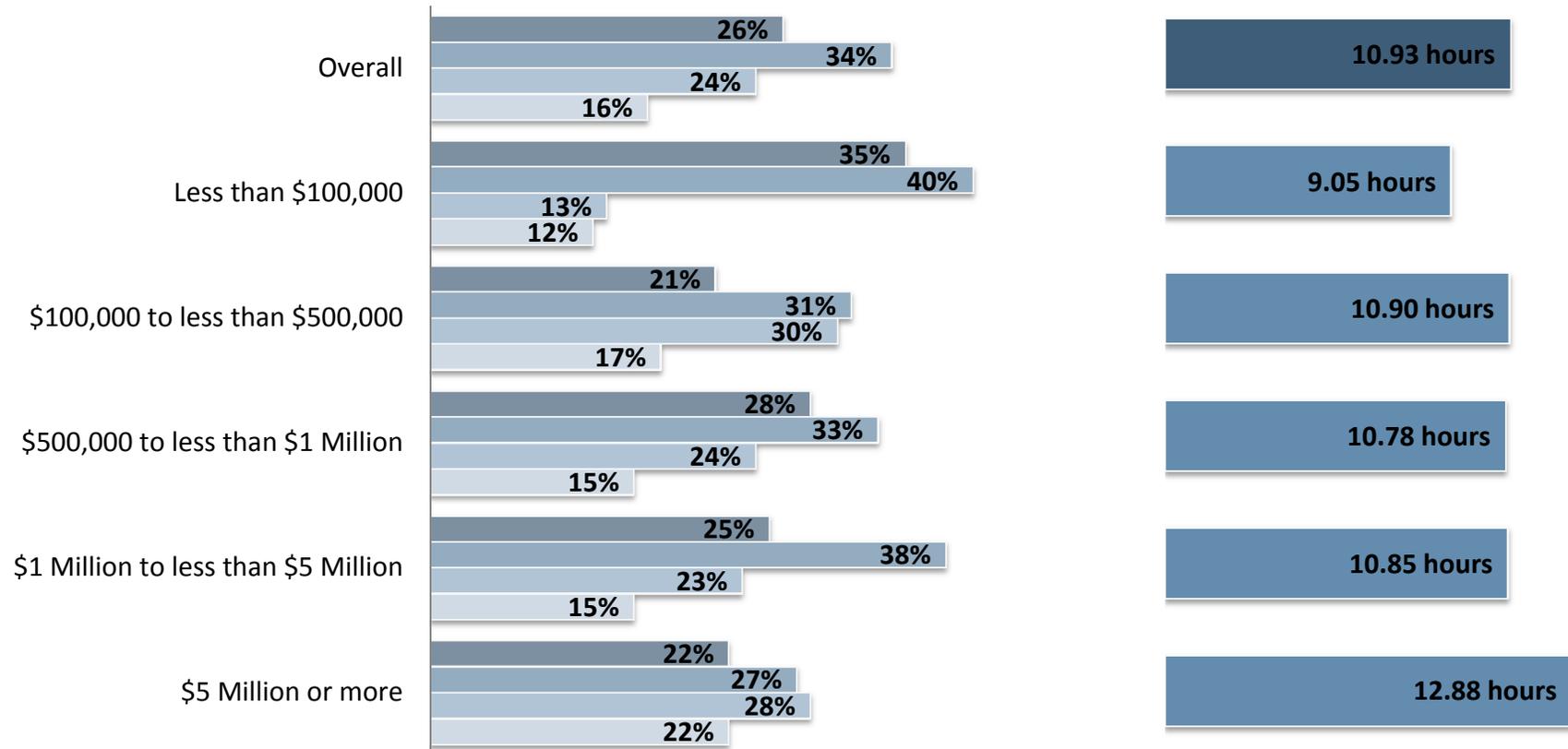


Small businesses with the highest revenues report the largest time savings

Exact Number of Employee Hours Saved Per Week By Company Revenue

Median Employee Hours Saved Per Week By Company Revenue

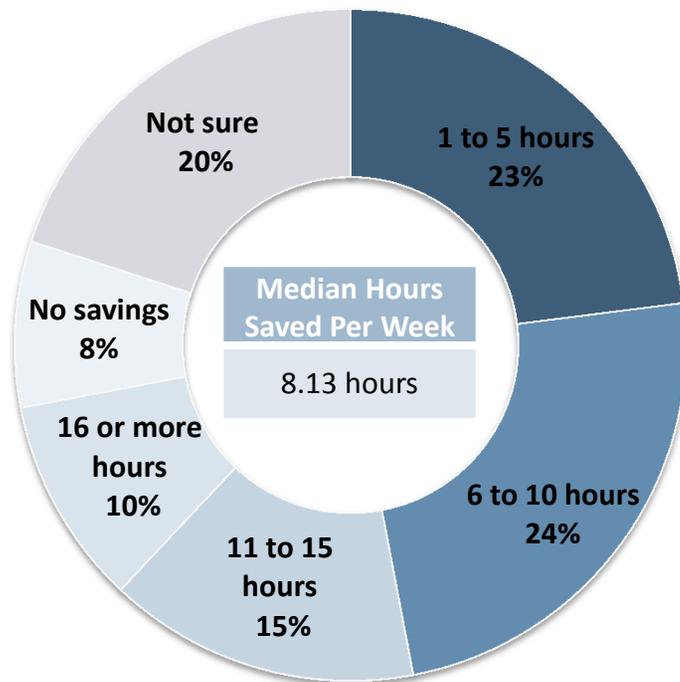
■ Under 6 hrs ■ 6 to 10 hrs ■ 11 to 15 hrs ■ 16 hrs or more



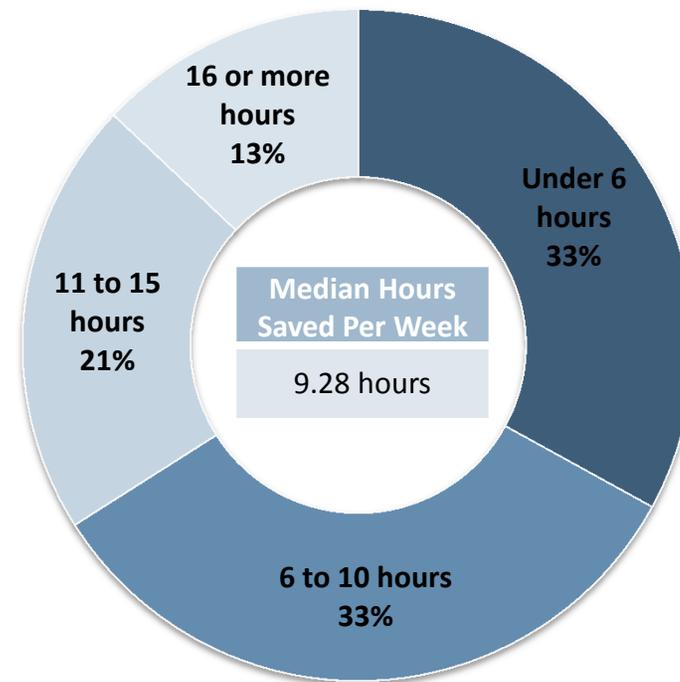
More than one-third of online advertisers have saved more than 10 hours each week from their digital advertising efforts

(Base = All respondents : 506;
 Respondents who could estimate weekly savings: 362)

Estimated Number of Owner Hours Saved Per Week Due to Online Advertising



Exact Number of Owner Hours Saved Per Week Due to Online Advertising*



Q. Please estimate the number of business owner hours saved and more effectively used each week as a result of the features and benefits of online advertising.

Q. Can you provide an exact number of hours, or as close to an estimate as possible?

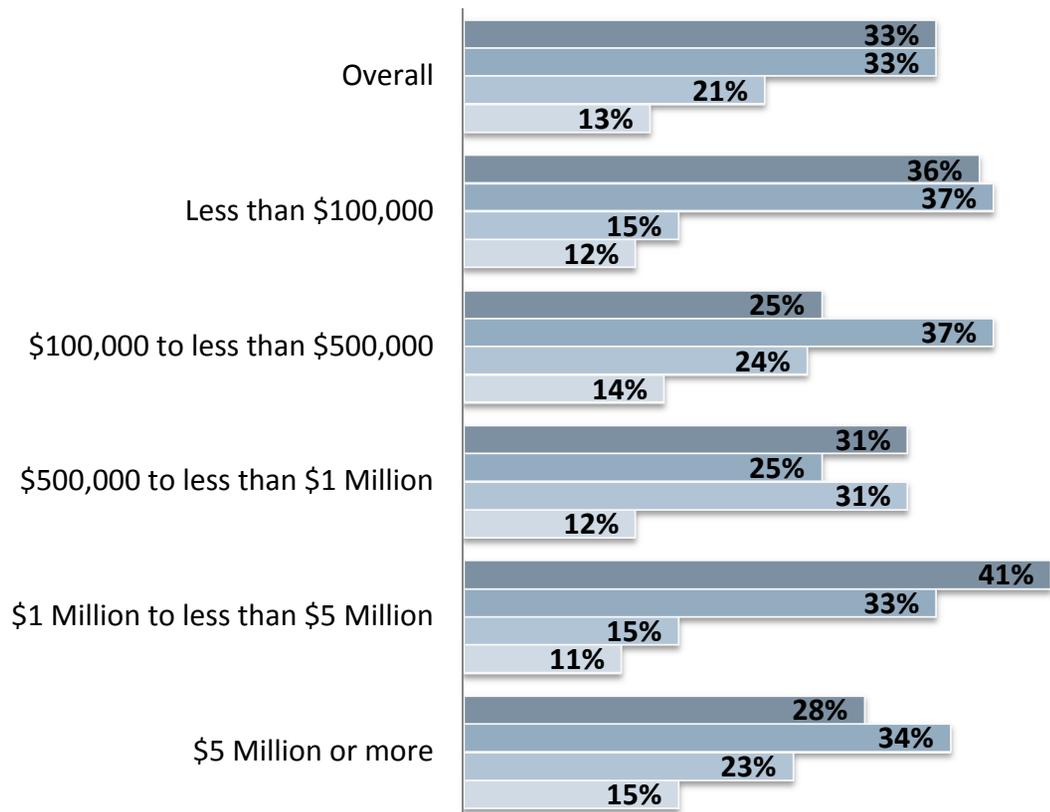
*An exact figure was given by respondents who could estimate the number of owner hours saved from online advertising.



Nearly one-third of small business owners with revenues between \$500,000 and \$1 Million save 11 to 15 hours a week

Exact Number of Owner Hours Saved Per Week By Company Revenue

■ Under 6 hrs ■ 6 to 10 hrs ■ 11 to 15 hrs ■ 16 hrs or more



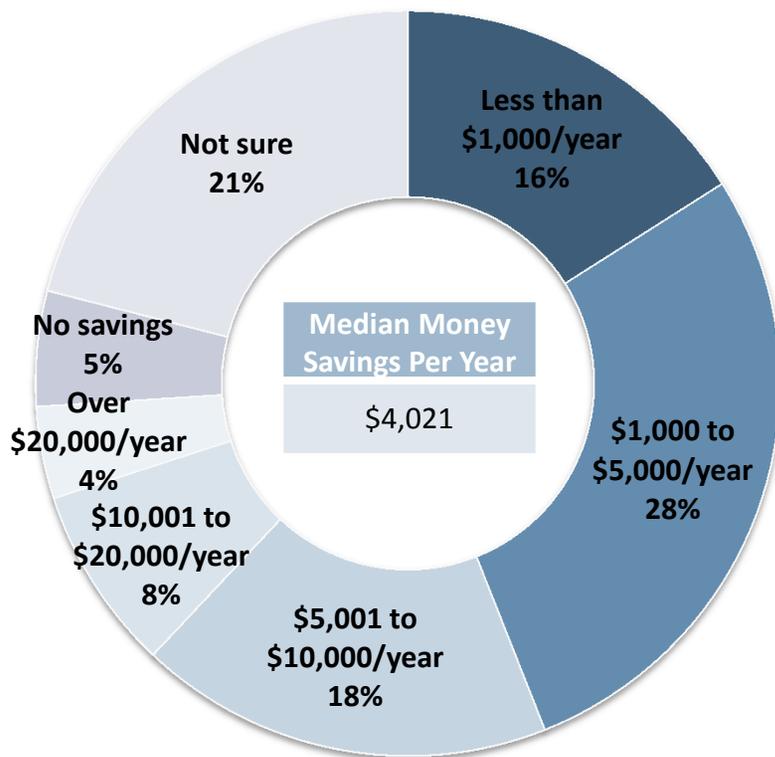
Median Owner Hours Saved Per Week By Company Revenue



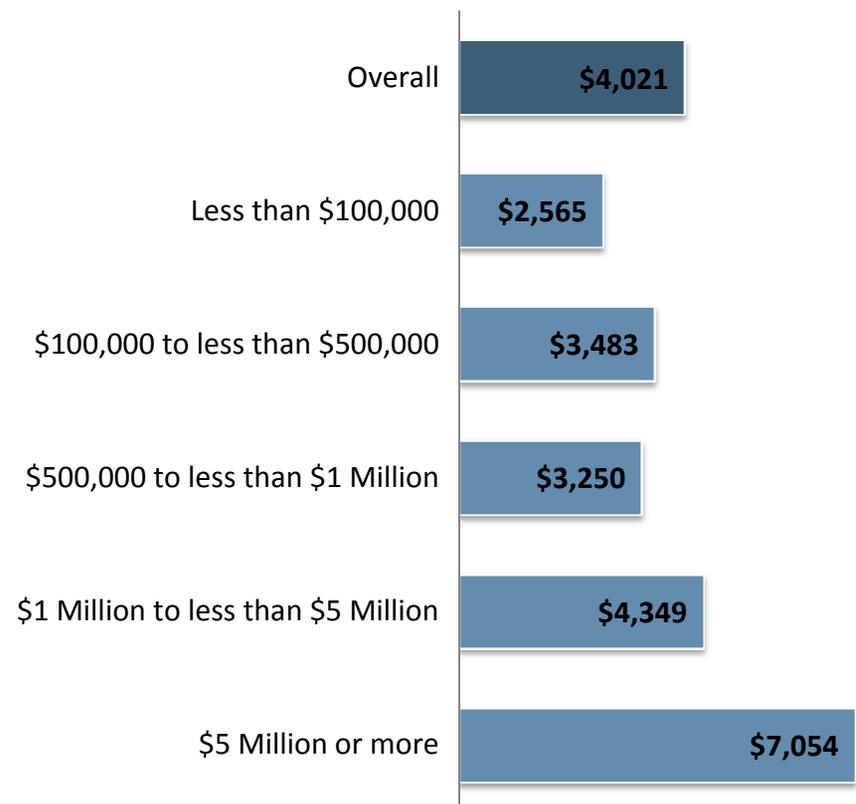
More than one-quarter of small businesses save between \$1,000 and \$5,000 a year as a result of online advertising

(Base = All respondents : 506)

Amount of Money Saved Per Year Due to Online Advertising



Median Annual Money Savings By Company Revenue



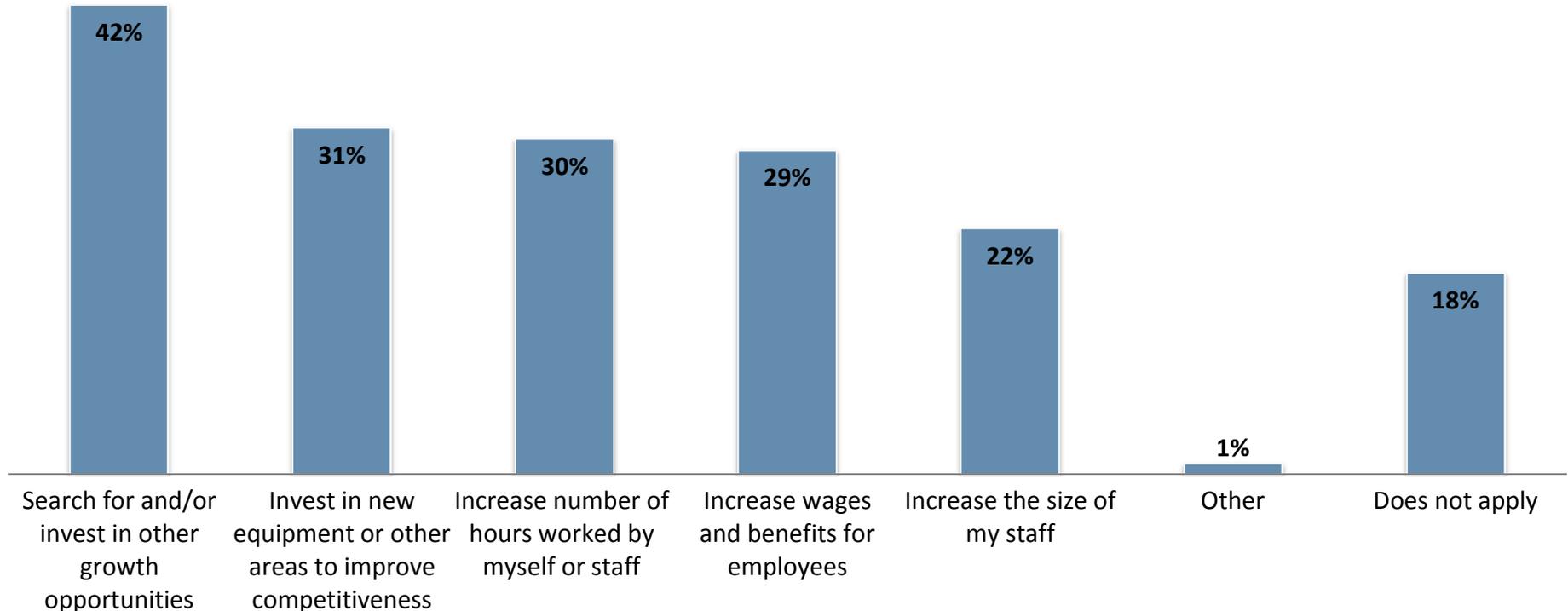
Q. Approximately, on average, how much money do you save in a year as a result of redirecting your advertising efforts to online advertising from other strategies?



Time and money savings have encouraged more than two in five businesses to seek other growth opportunities

(Base = All respondents : 506)

Top Benefits Resulting from Saving Time and Money Due to Online Advertising



Q. Which of the following actions taken in your business have resulted from saving time and money that can be attributed to online advertising?



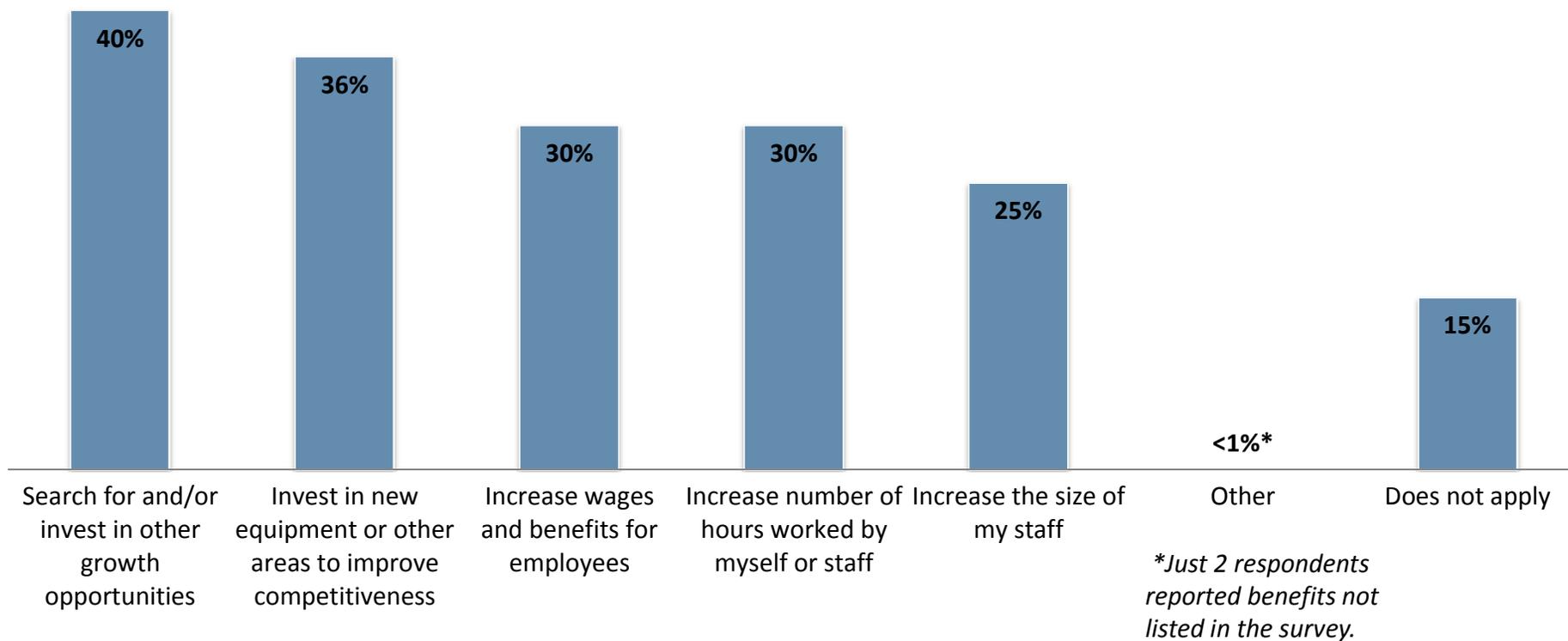
Lower-revenue companies are more likely than the largest small businesses to have increased the number of working hours

Benefits of Saving Time and Money	<i>Overall</i>	Less than \$100,000	\$100,000 to less than \$500,000	\$500,000 to less than \$1 Million	\$1 Million to less than \$5 Million	\$5 Million or more
Search for and/or invest in other growth opportunities	42%	40%	29%	40%	41%	59%
Invest in new equipment or other areas to improve competitiveness	31%	30%	28%	31%	32%	34%
Increase number of hours worked by myself or staff	30%	32%	34%	34%	27%	24%
Increase wages and benefits for employees	29%	22%	30%	31%	27%	34%
Increase the size of my staff	22%	13%	22%	25%	20%	28%
Other	1%	1%	2%	1%	-	-
Does not apply	18%	16%	20%	19%	23%	11%

Similar shares of small businesses have invested in growth opportunities and improving competitiveness due to sales gains

(Base = All respondents : 506)

Top Benefits Resulting from Increased Sales Revenues Due to Online Advertising



Q. Which of the following actions taken in your business have resulted from increased sales revenues that can be attributed to online advertising?



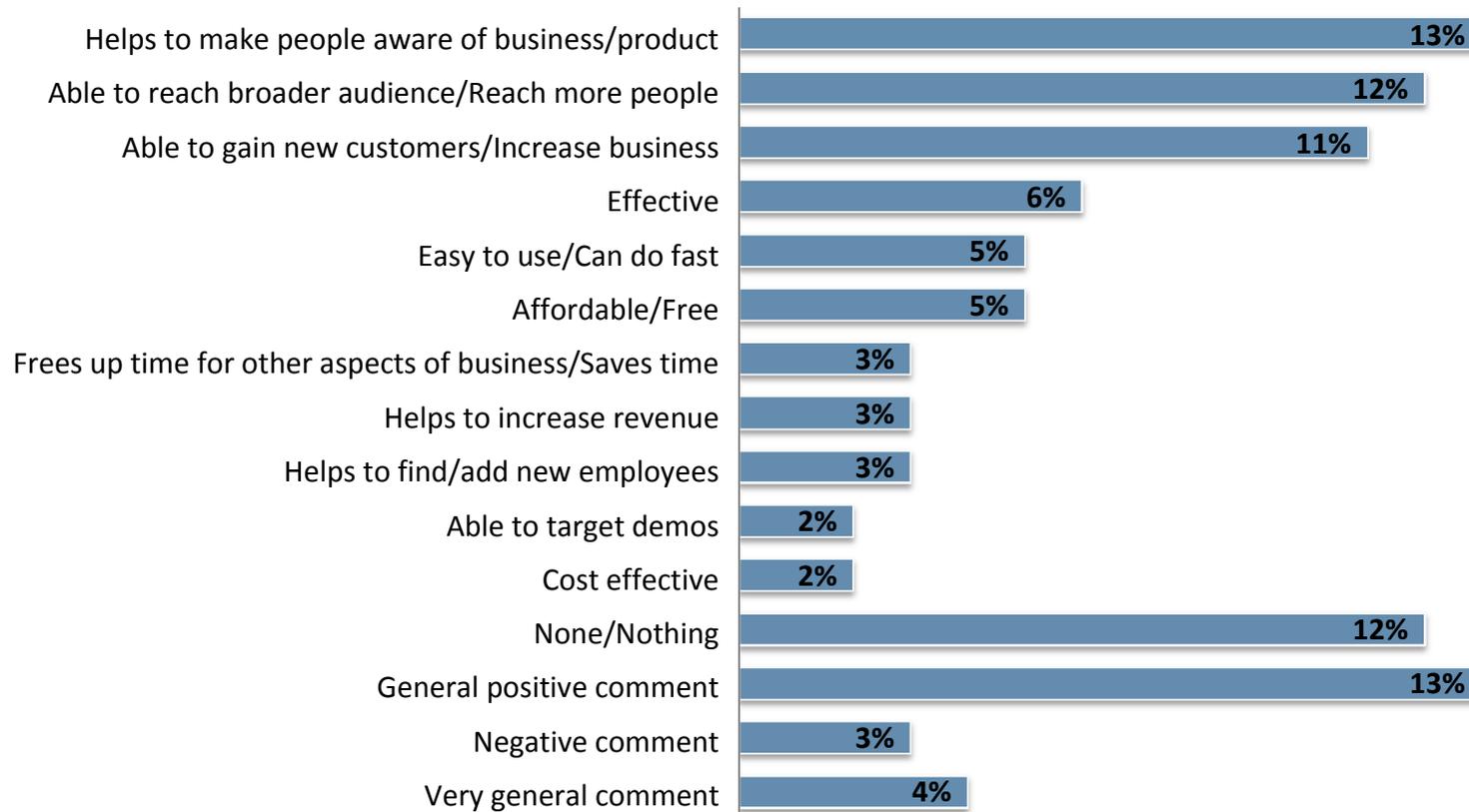
The largest small businesses are more likely than all other segments to pursue further growth opportunities

Benefits of Increased Sales Revenues	<i>Overall</i>	Less than \$100,000	\$100,000 to less than \$500,000	\$500,000 to less than \$1 Million	\$1 Million to less than \$5 Million	\$5 Million or more
Search for and/or invest in other growth opportunities	40%	34%	34%	39%	39%	52%
Invest in new equipment or other areas to improve competitiveness	36%	34%	32%	39%	37%	38%
Increase wages and benefits for employees	30%	22%	23%	33%	35%	32%
Increase number of hours worked by myself or staff	30%	30%	30%	34%	29%	26%
Increase the size of my staff	25%	15%	24%	26%	25%	34%
Other	<1%	1%	1%	-	-	-
Does not apply	15%	20%	14%	13%	18%	8%

Small businesses perceive the effectiveness of online advertising in expanding brand awareness and customer reach

(Base = All respondents : 506)

Additional Thoughts on Online Advertising (Free Response)



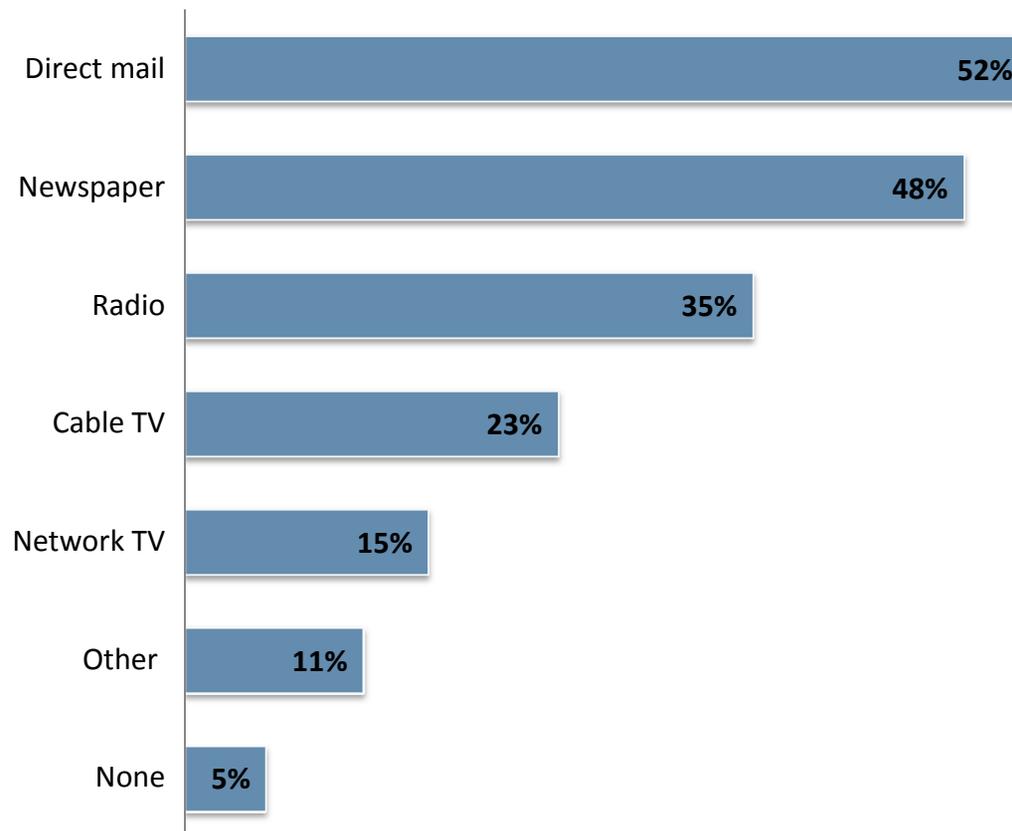
Q. Please share with us additional comments you have about online advertising and its impact on your business, including information about specific online platforms and their effectiveness.



Around half of advertisers would likely turn to direct mail and newspapers if online advertising was unavailable

(Base = All respondents : 506)

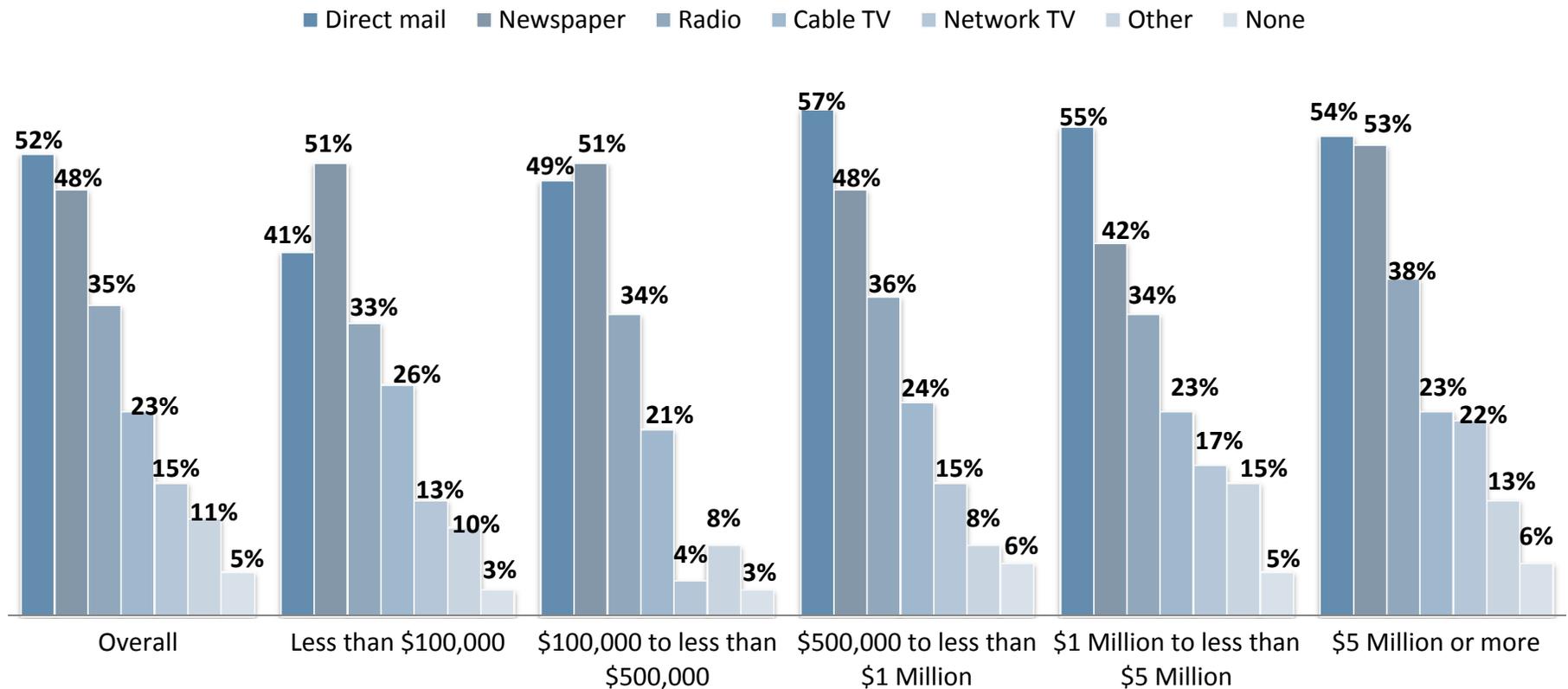
Potential Alternatives to Online Advertising



Q. If it were not for online advertising, which of the following advertising options would you most likely use?

Newspapers represent the top alternative choice among small businesses with lower revenues

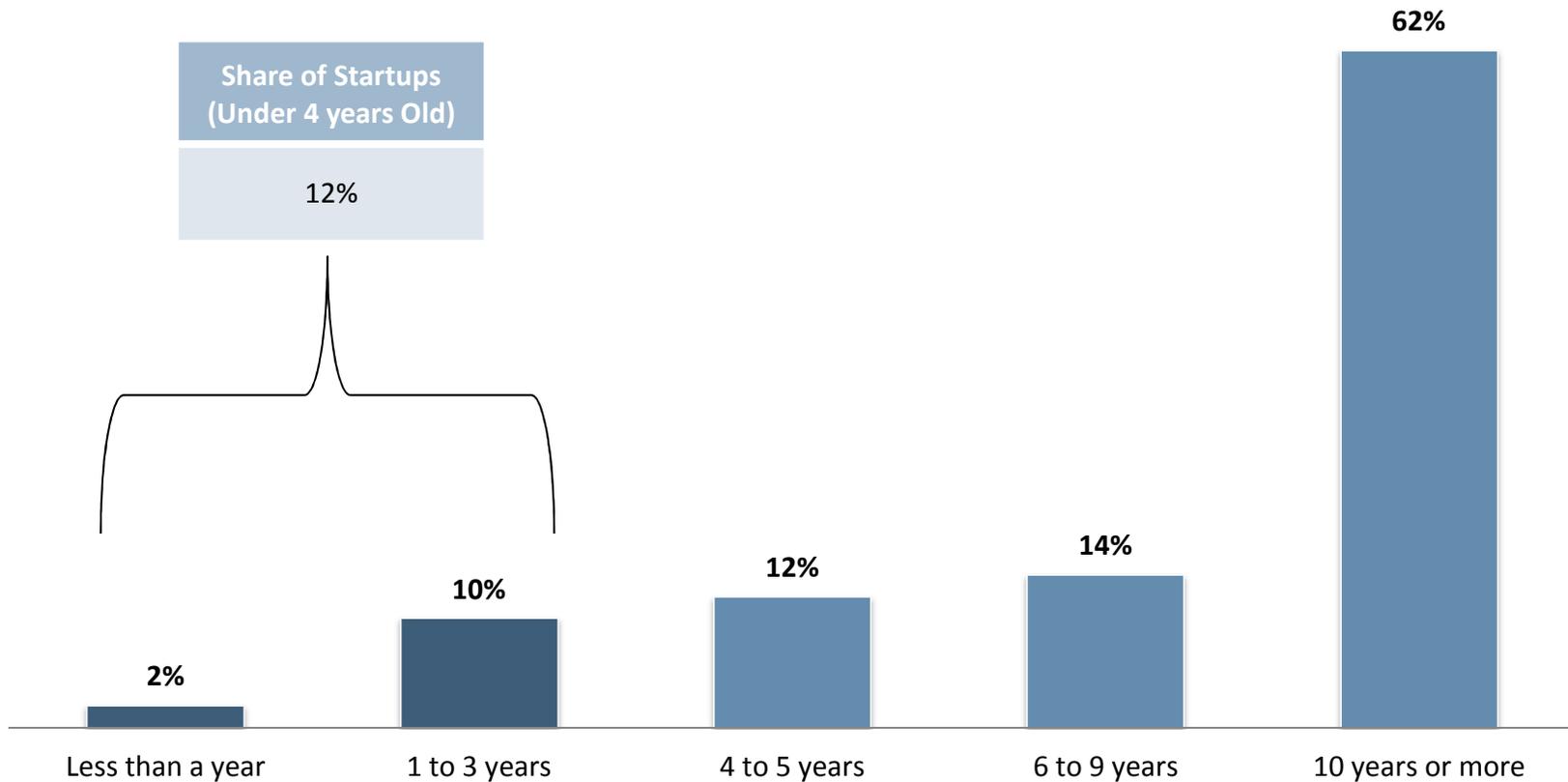
Potential Alternatives to Online Advertising
By Company Revenue



Startup companies represent more than one in ten respondents to the survey

(Base = All respondents : 506)

Number of Years in Business

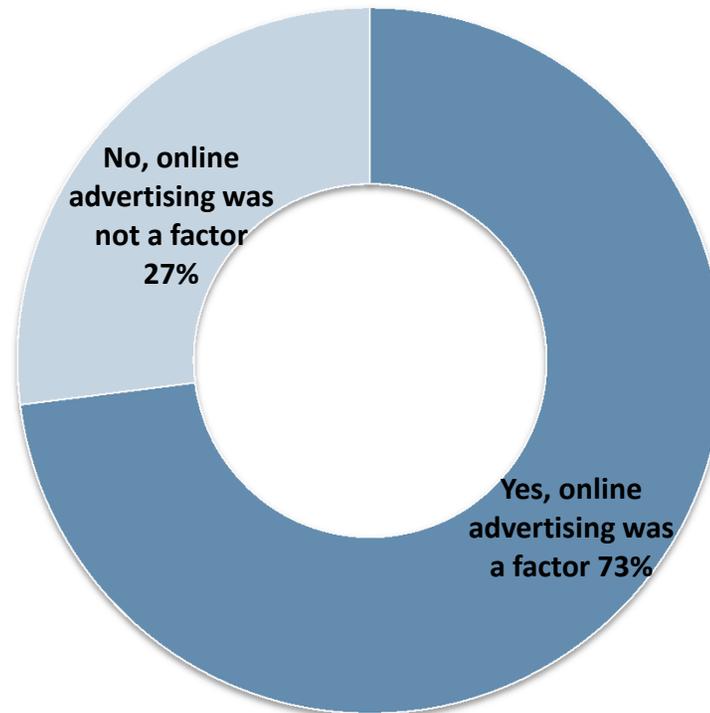


Q. How many years has your company been in business?

Online advertising played a role in the genesis of a vast majority of startup companies

(Base = Small businesses under four years old: 59)

Role of Online Advertising in Starting a Business and Initially Reaching Customers

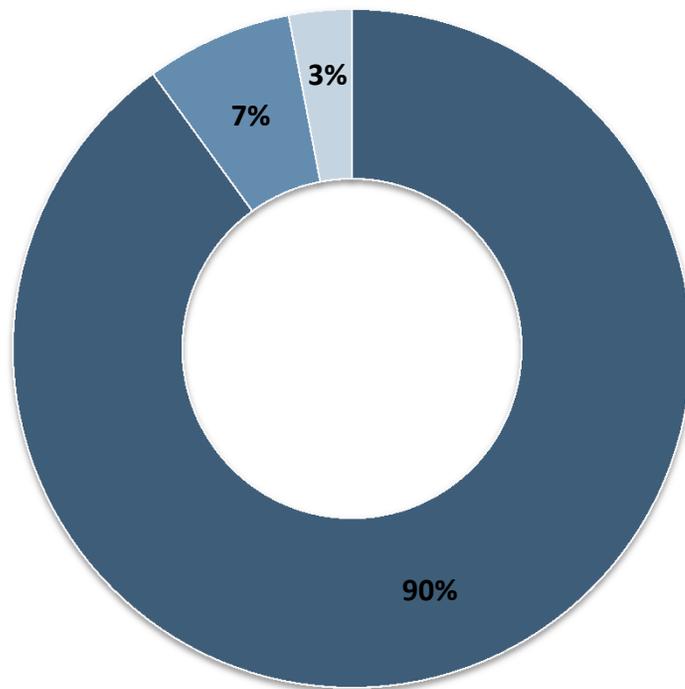


Q. Did online advertising play a factor in starting your business and/or in your confidence in reaching potential customers once the business launched?

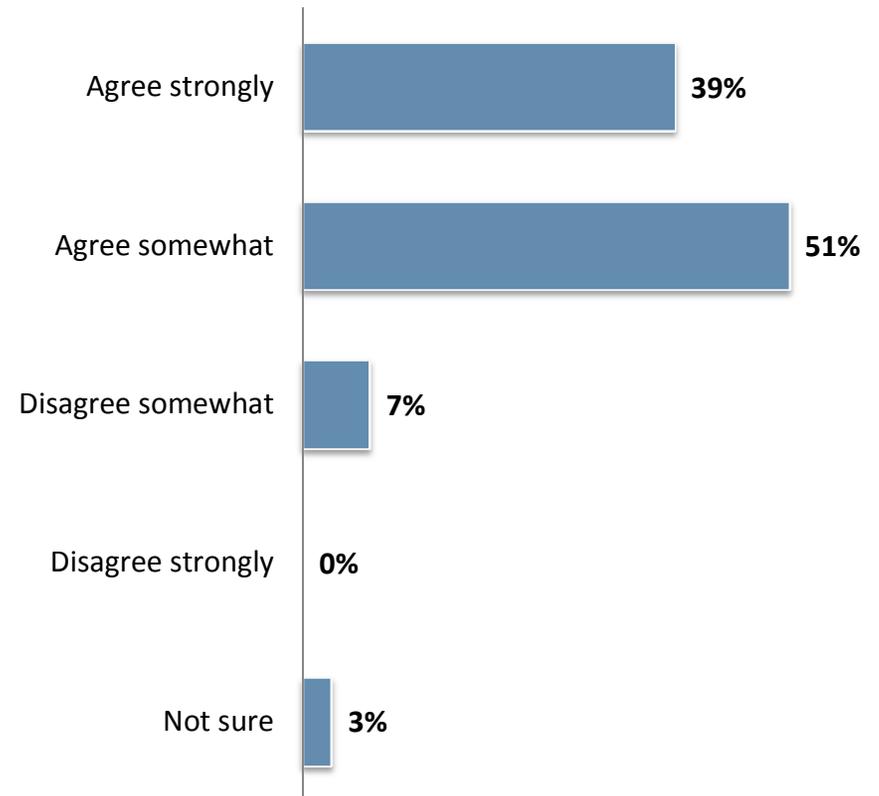
Startups widely agree that online advertising provides an affordable means for launching and growing their business

(Base = Small businesses under four years old: 59)

Online Advertising Provides Startups with an Affordable Option to Launch and Grow their Business



Breakdown of Views



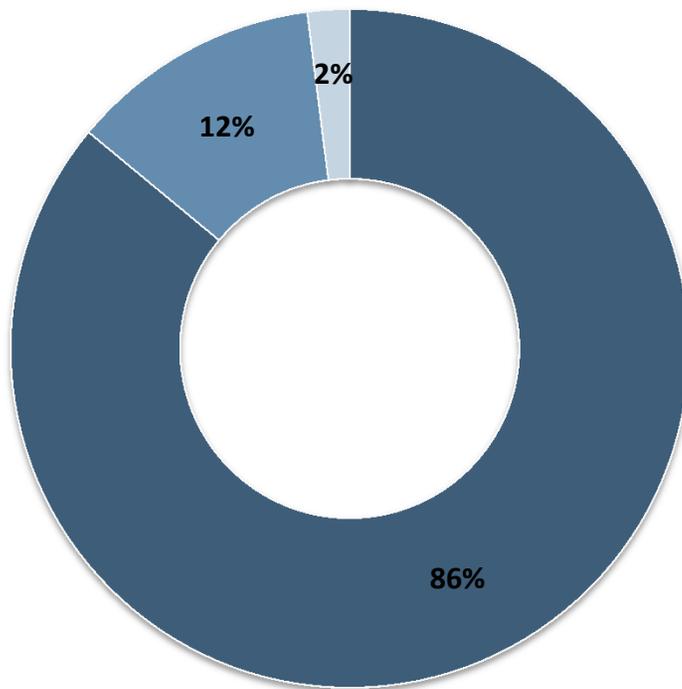
Q. To what extent do you agree or disagree with the following statement: Online advertising has provided my business with an affordable option to launch and/or grow my business.



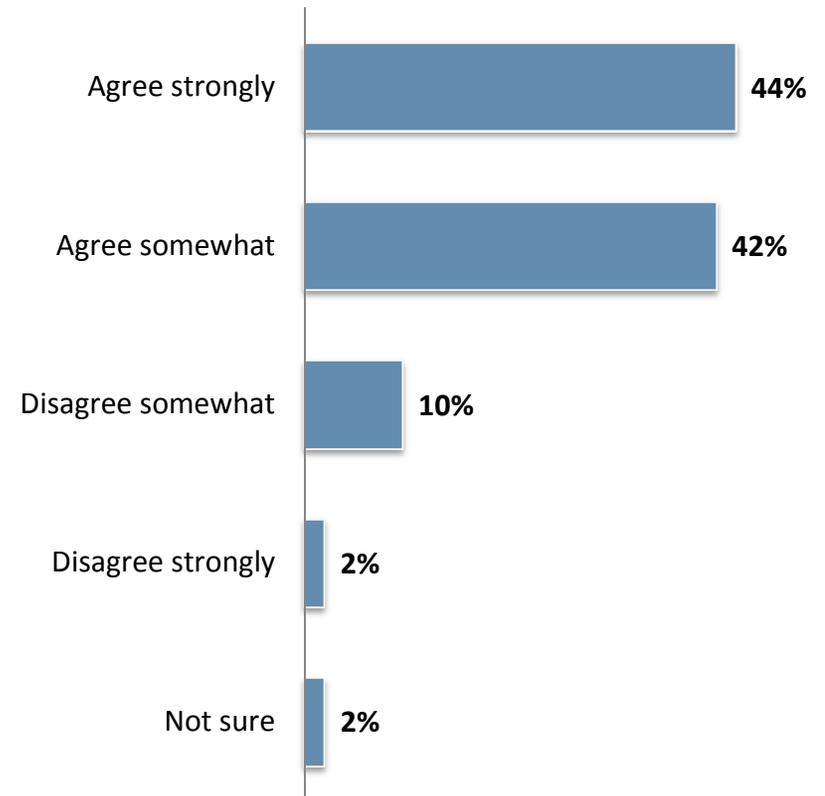
More than two in five startups strongly rely on the targeting capabilities of online advertising for their continued survival

(Base = Small businesses under four years old: 59)

The Ability to Target Customers Through Online Advertising is Important to Startup Survival and Growth



Breakdown of Views

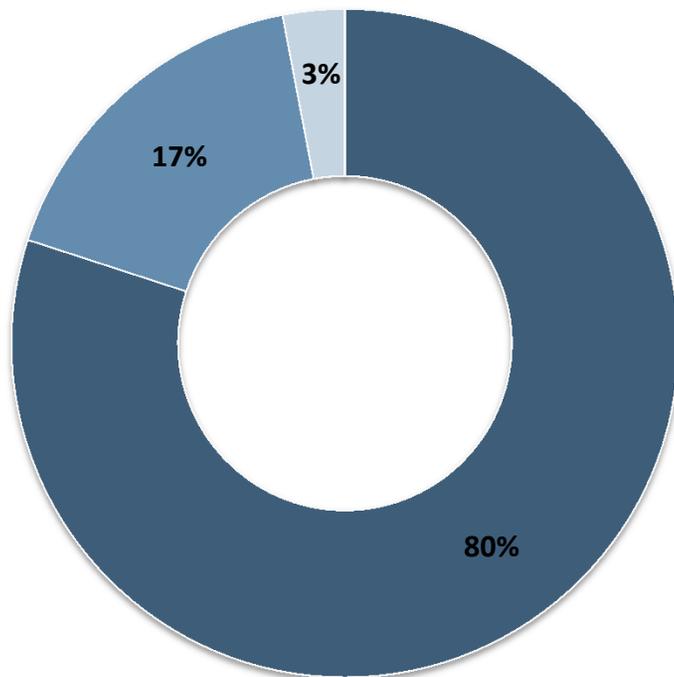


Q. To what extent do you agree or disagree with the following statement: The ability to target customers through online advertising is a feature that is important to my business survival and growth.

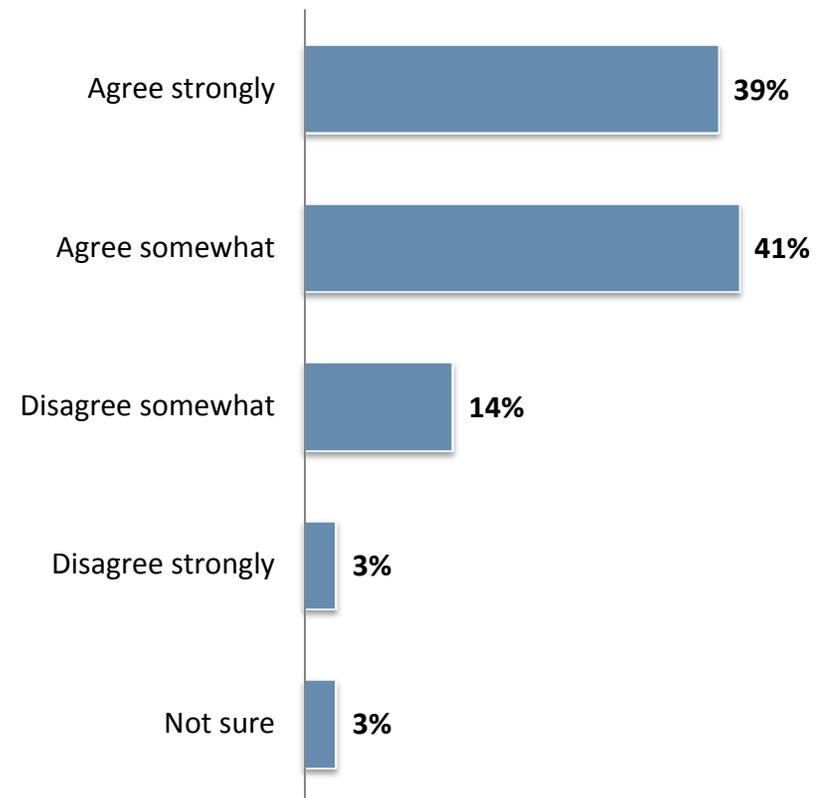
8 in 10 companies say the ability to reach customers via online advertising was a key factor in starting their business

(Base = Small businesses under four years old: 59)

The Ability to Reach Customers through Online Advertising is Important in Starting a Business



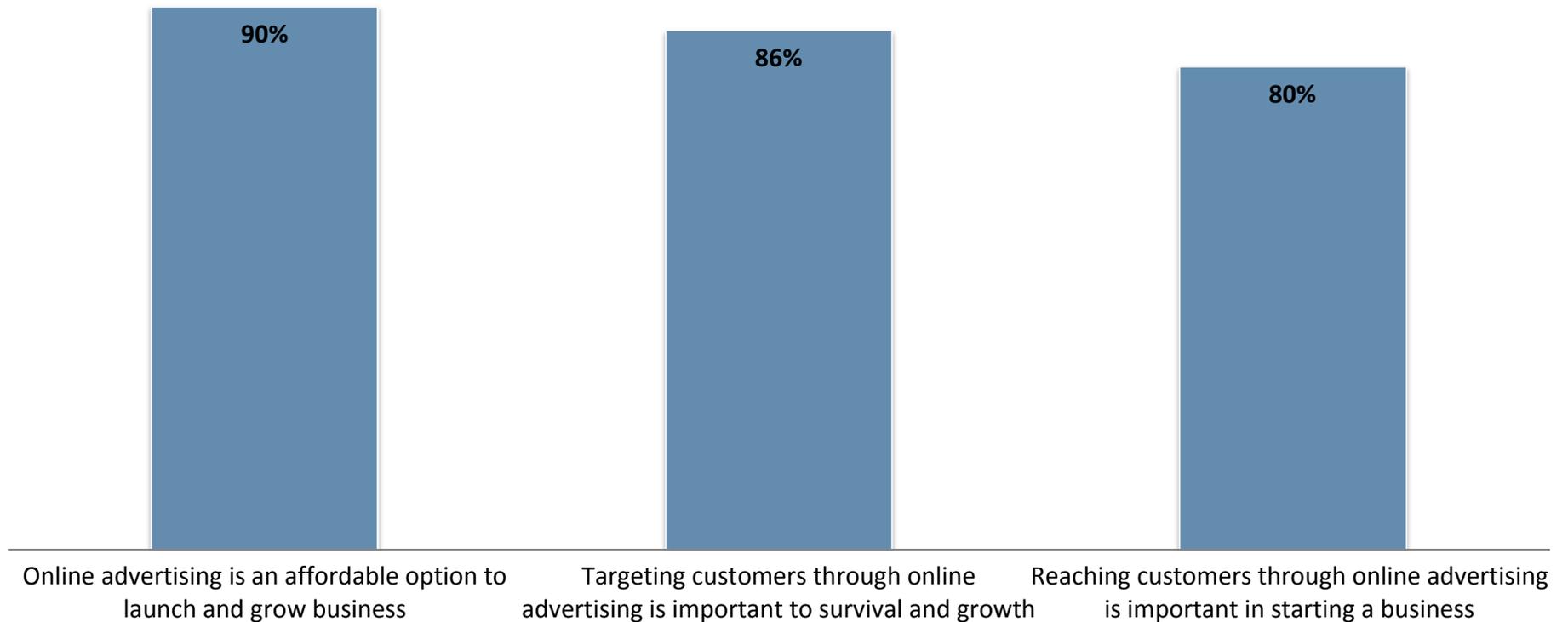
Breakdown of Views



Q. To what extent do you agree or disagree with the following statement: The ability to reach customers and potential customers through online advertising was an important factor in starting my business.

Startup companies overwhelmingly rely on online advertising

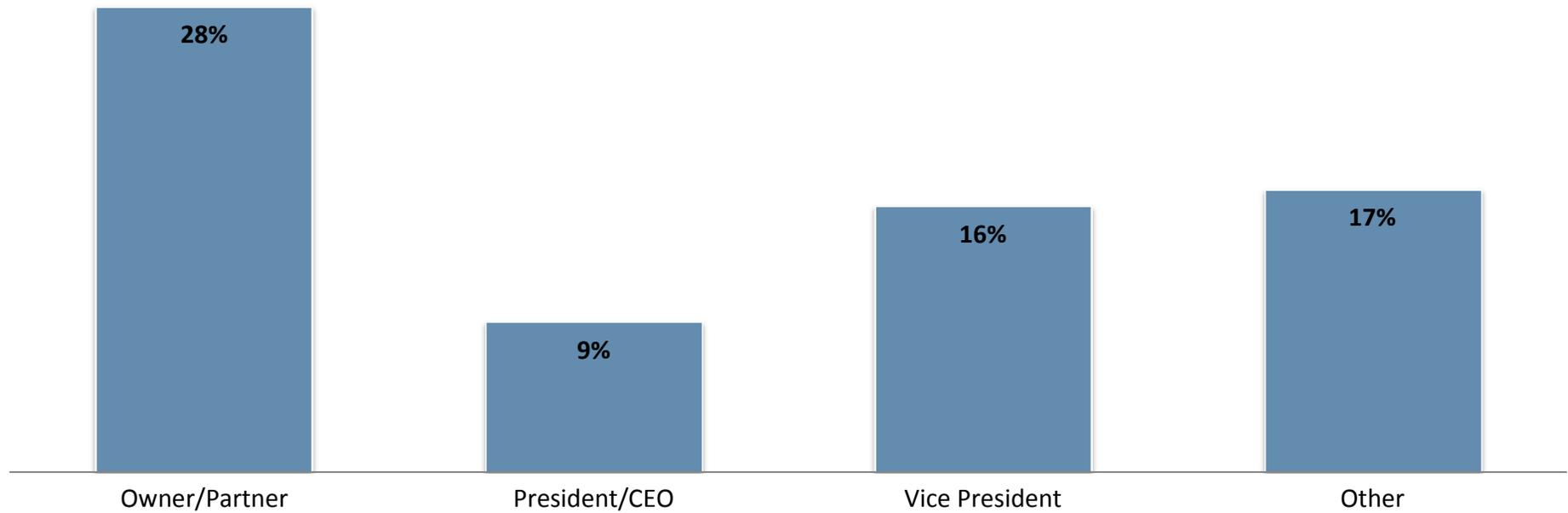
**Startup Perception of Online Advertising
(Summary of Statement Responses)**



Demographics

Job Title

(Base = All respondents : 506)

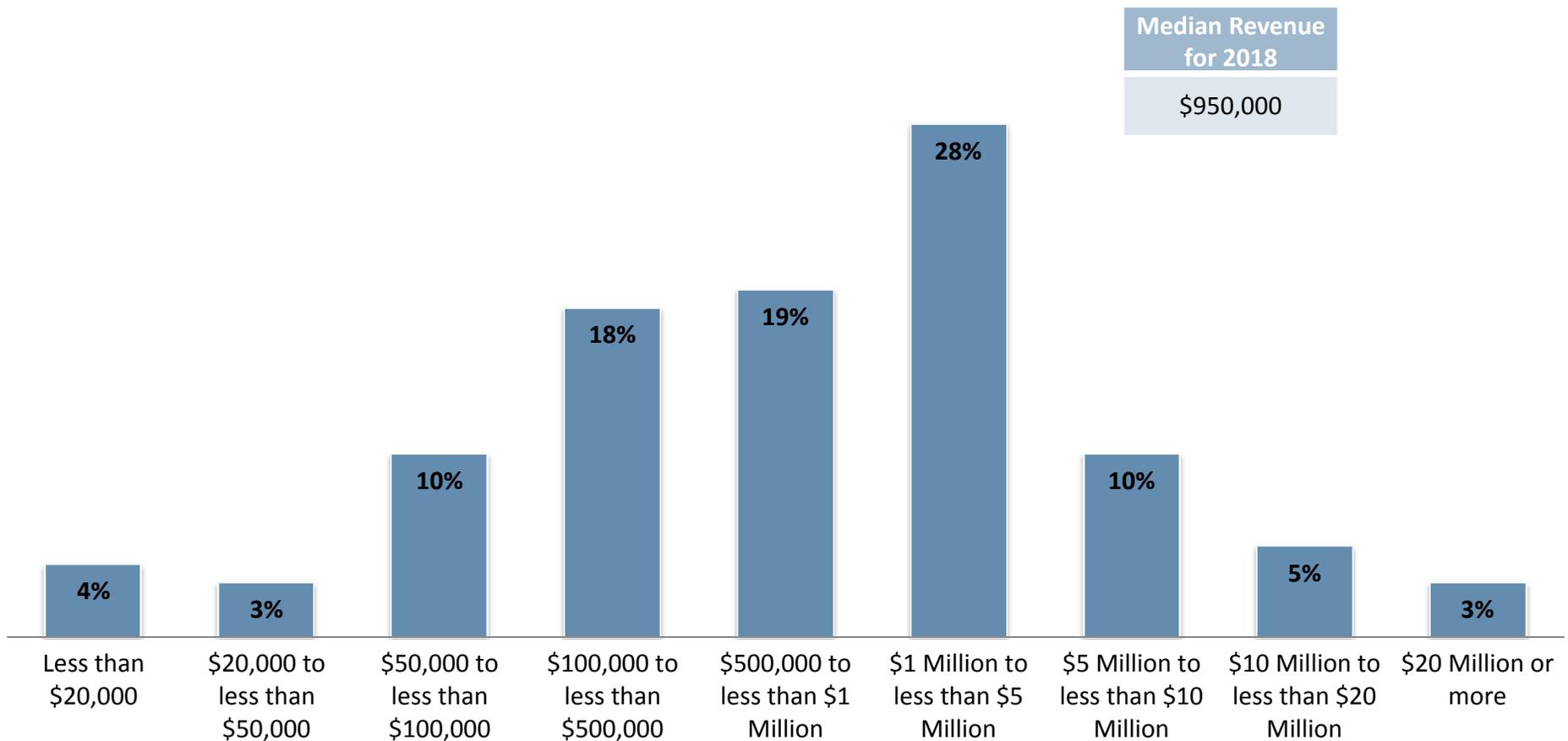


Q. What is your job title?



Annual Revenue for 2018

(Base = All respondents : 506)

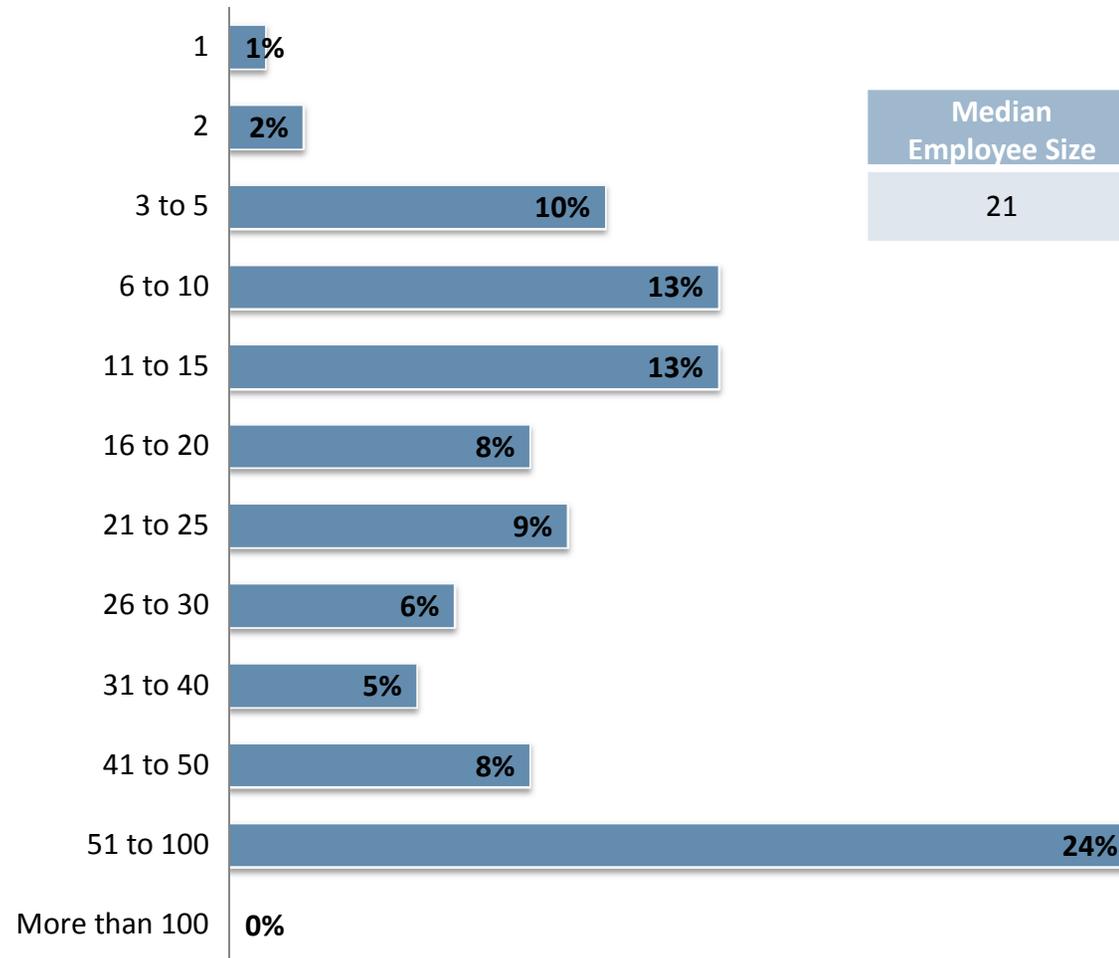


Q. What was your company's approximate revenue for 2018?



Size of Small Business

(Base = All respondents : 506)

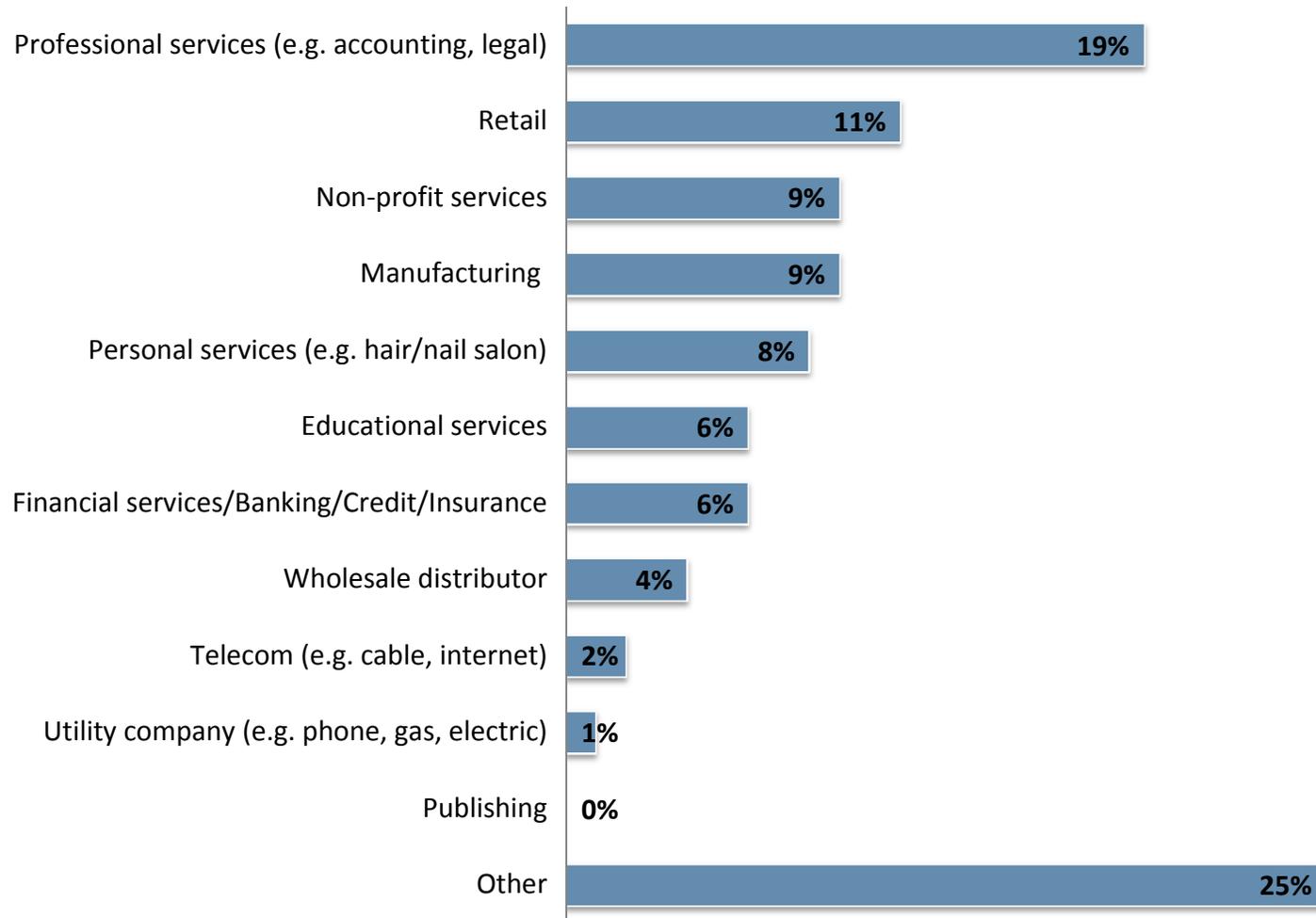


Q. Including yourself how many people are currently employed by your business?



Type of Small Business

(Base = All respondents : 506)

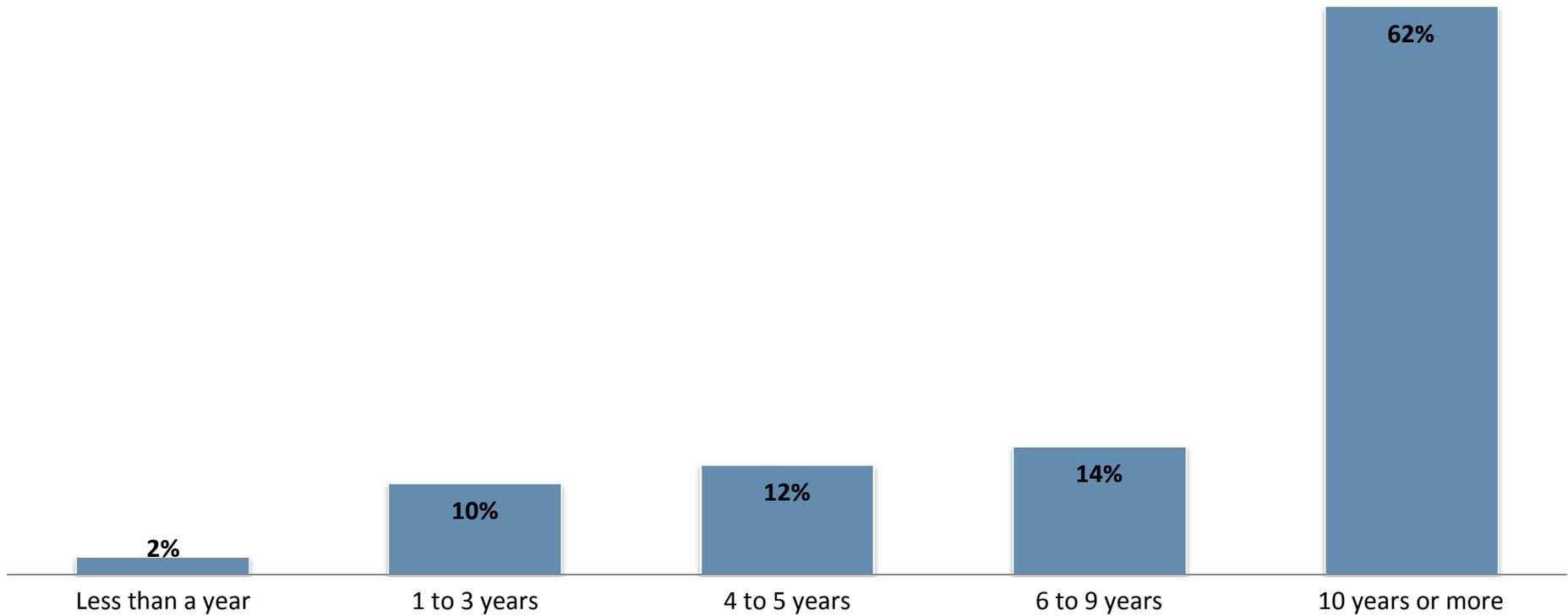


Q. Which of the following categories best describes the primary business of your company?



Years in Business

(Base = All respondents : 506)

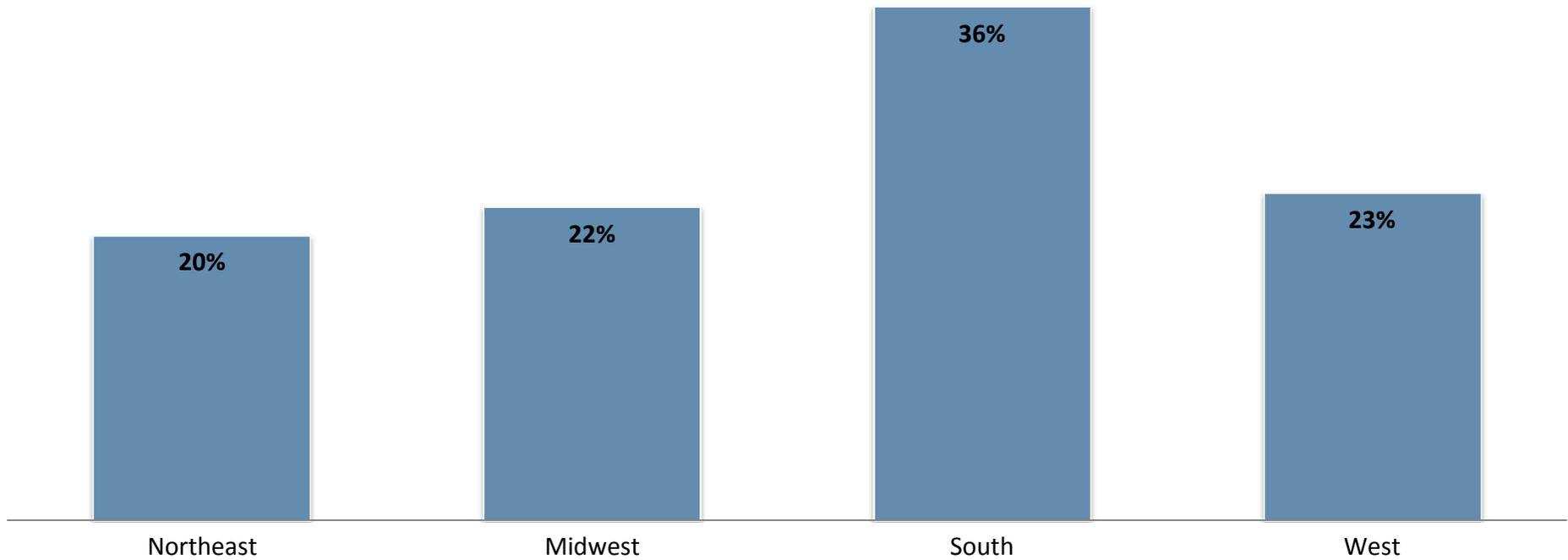


Q. How many years has your company been in business?



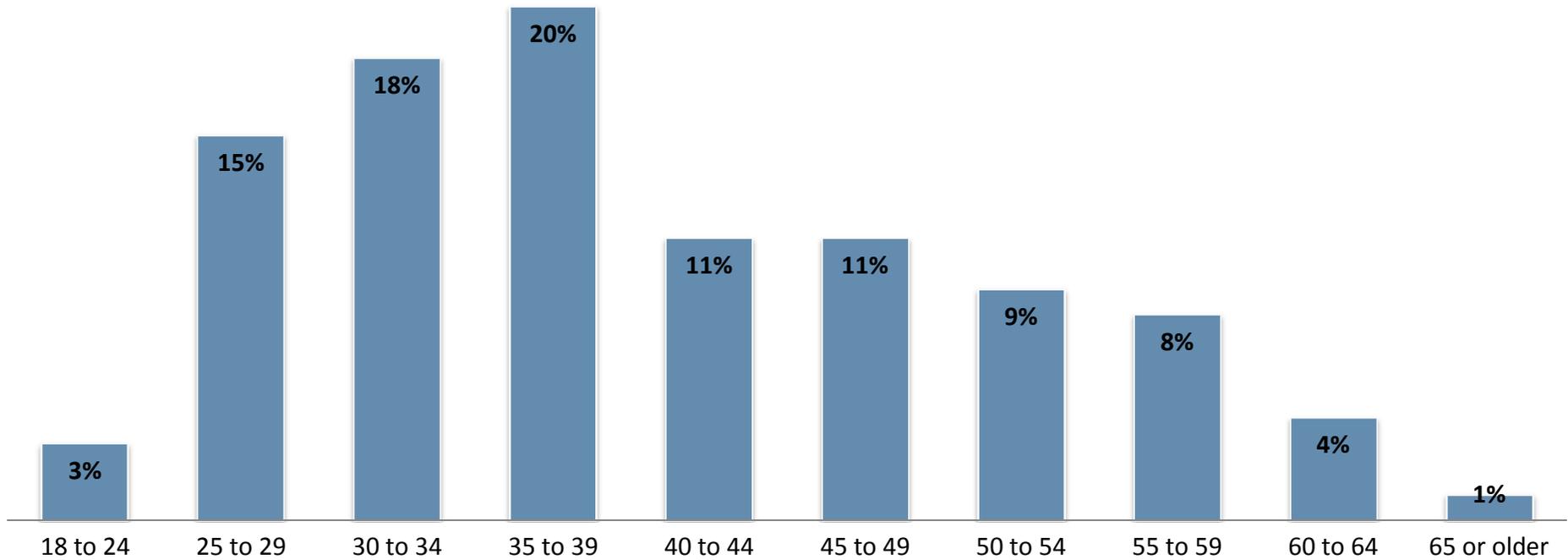
Region

(Base = All respondents : 506)



Age

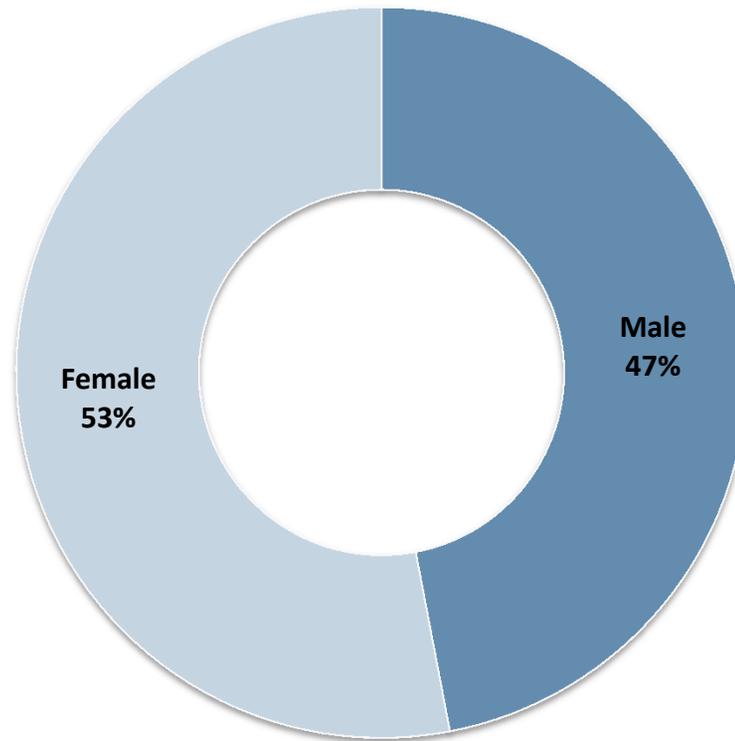
(Base = All respondents : 506)



Q. What is your age?

Gender

(Base = All respondents : 506)



Q. What is your gender?