

MAIN STREET HEALTH Q4 2023

eCommerce Protects Main Street SMBs'
Bottom Line in a Cooling Market

December 2023 Report

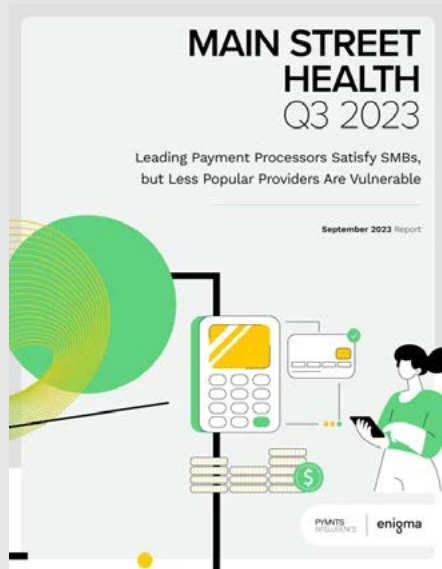
Main Street Health Q4 2023, a PYMNTS Intelligence and Enigma collaboration, is based on a survey of 540 SMBs with brick-and-mortar shops in commercial districts across the United States that reveals the latest on how business owners are reshaping their economic forecasts for the next 12 months — and what they see as the biggest hurdles to staying in business now and in the event of a recession.



TABLE OF CONTENTS

Introduction	04
Key Findings	06
Conclusion	16
Methodology	17

READ MORE _____



■ September 2023

Main Street Health Q3 2023:
Leading Payment Processors’
Satisfy SMBs, but Less Popular
Providers are Vulnerable

PYMNTS
INTELLIGENCE | enigma

Main Street Health Q4 2023 was produced in collaboration with Enigma, and PYMNTS Intelligence is grateful for the company’s support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

The COVID-19 pandemic accelerated the shift to an eCommerce economy, resulting in historically high sales in 2020 and 2021.¹ Though eCommerce has dipped marginally since then, it remains above pre-pandemic levels. Through the first three quarters of this year, eCommerce sales reached \$793.7 billion, accounting for 15% of total retail sales. Accordingly, almost all small to mid-sized businesses (SMBs) on Main Street, USA, see eCommerce as crucial for the sustainability and viability of their presence in the marketplace.

However, with inflation continuing to sour current market sentiment, macro-economic challenges are weighing on Main Street SMBs in the final quarter of 2023. Only 51% of Main Street SMBs expect revenues to grow this year compared to 2022 — down from 57% that expected greater growth during the first half of the year.

In our previous quarterly reports, we focused on the funding available to support Main Street SMBs' growth, access to credit and satisfaction with payment processors. Now, we turn our attention to how and why Main Street SMBs are leveraging eCommerce in the face of economic challenges. Importantly, we ask how payment providers can help meet these needs to win over Main Street SMBs.

¹ Van Gelder, K. Coronavirus impact on U.S. e-commerce – statistics & facts. Statista. 2023. <https://www.statista.com/topics/6321/coronavirus-covid-19-impact-on-e-commerce-in-the-us/>. Accessed December 2023.

PYMNTS Intelligence finds that 85% of Main Street SMBs making online sales use at least one eCommerce platform, with Shopify and Squarespace standing out as the most popular options. Payment providers have a chance to win over these SMBs, and their success depends on factors like the adaptability, cost-effectiveness, security and user-friendliness of their offerings — as well as their ability to understand and address the unique challenges and preferences of Main Street SMBs.

Importantly, Main Street SMBs that make most of their sales via eCommerce are more optimistic about their revenue expectations (57%) than those that rely on in-store purchases for most of their sales (38%). Additionally, there are stark differences between what average Main Street SMBs and high-revenue Main Street SMBs demand from eCommerce platforms: Average Main Street SMBs seek ease of use and low costs, while high-revenue ones demand more features.

These are some of the key findings explored in Main Street Health Q4 2023: eCommerce Protects Main Street SMBs' Bottom Line in a Cooling Market, a PYMNTS Intelligence and Enigma collaboration. This edition surveys 540 SMBs that generate less than \$10 million in annual revenue and have at least one brick-and-mortar location in commercial districts across the United States. The findings shed light on how eCommerce helps Main Street SMBs increase business activity and their thoughts on eCommerce overall.

This is what we learned.

Virtually all Main Street SMBs recognize the importance of eCommerce for their business sustainability.

Nearly 8 in 10 Main Street SMBs are currently leveraging online channels, while an additional 16% are interested in implementing them. Moreover, the average Main Street SMB generates half its sales via online channels. Main Street retail SMBs lead the way, generating 54% of their sales from these channels. Overall, Main Street SMBs primarily use websites and social media to support their eCommerce operations, with retail businesses relying on these online channels most heavily.

Indeed, 2 in 3 retail-focused Main Street SMBs use social media to support online sales while, by contrast, only half of all Main Street SMBs use this channel. Likewise, third-party marketplace usage differs by industry. Nearly half of Main Street retail SMBs use third-party marketplaces compared to one-third in general, as these platform providers heavily emphasize retail. Though retail Main Street SMBs most heavily utilize online channels, industries that do not depend as heavily on eCommerce for their sales, such as construction and professional services, tend to use online channels in support of marketing efforts to reach a broader customer base.

8 in 10

Main Street SMBs currently leverage online channels.

FIGURE 1:

Main Street SMBs' use of eCommerce

Share of Main Street SMBs citing the online channels currently offered to customers, by industry

	SAMPLE	HOSPITALITY	PERSONAL AND CONSUMER SERVICES	PROFESSIONAL SERVICES	RETAIL TRADE	CONSTRUCTION OR UTILITIES
• Website	57.2%	61.4%	34.3%	55.3%	65.6%	58.3%
• Social media	56.6%	54.7%	56.1%	45.7%	62.6%	46.9%
• Third-party marketplace	31.5%	22.3%	24.2%	27.5%	47.1%	20.8%
• Mobile app	22.8%	14.5%	14.8%	19.3%	22.4%	10.7%
• Online via an aggregator	14.5%	18.1%	7.7%	9.7%	8.9%	6.1%

Source: PYMNTS Intelligence
Main Street Health Q4 2023: eCommerce Protects Main Street SMBs' Bottom Line in a Cooling Market, December 2023
N = 540: Whole sample, fielded Oct. 7, 2023 – Oct. 25, 2023

High-revenue Main Street SMBs leverage more than one eCommerce platform to strengthen their online presences and expand their market reach.

When we look at market reach and presence, 85% of Main Street SMBs that make online sales use at least one eCommerce platform. On average, Main Street SMBs use 1.6 eCommerce platforms, while high-revenue Main Street SMBs use 2.2. Shopify and Squarespace stand out as the most popular options, with nearly 7 in 10 Main Street SMBs using one of these two as their primary platform.

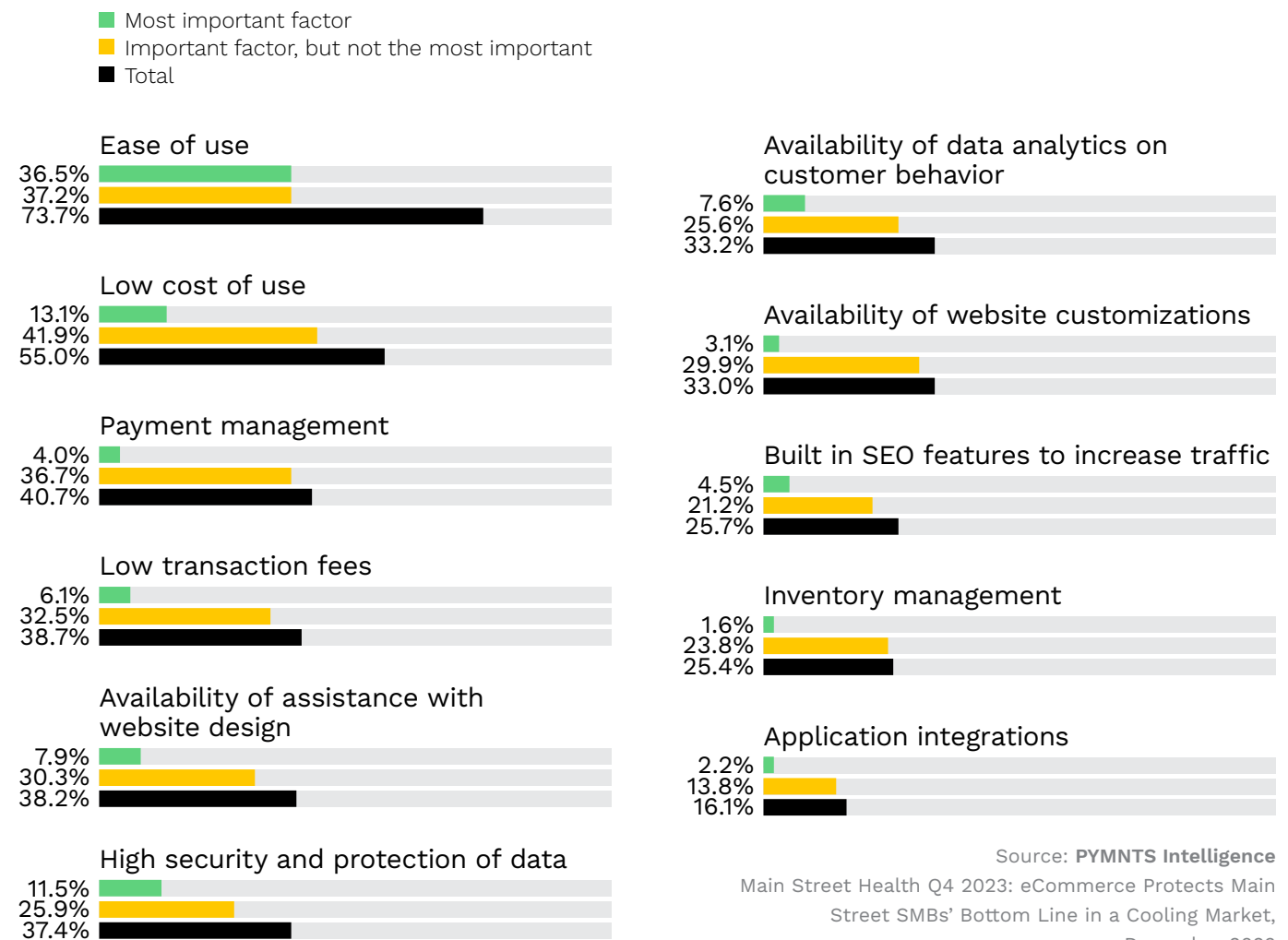
High-revenue Main Street SMBs demand more features from their eCommerce platforms than average Main Street SMBs, which are mostly interested in using the least expensive platforms. Ease of use was most important among high revenue Main Street SMBs and those in the hospitality industry, such as hotels and restaurants. On the other hand, professional service Main Street SMBs were particularly interested in the availability of data analytics tools provided by the platforms.

Strategic opportunities exist in this market for payment providers. They can appeal to Main Street SMBs by including integrations with more popular eCommerce platforms, developing diverse feature sets like data analytics and offering sector-specific solutions. Above all, they should focus on developing products that are easy to use.

FIGURE 2:

Selecting a payment processor

Share of Main Street SMBs that find select factors important when choosing a payment processor



Source: PYMNTS Intelligence
 Main Street Health Q4 2023: eCommerce Protects Main Street SMBs' Bottom Line in a Cooling Market, December 2023
 N = 540: Whole sample, fielded Oct. 7, 2023 – Oct. 25, 2023

Main Street SMBs that rely heavily on eCommerce to drive sales maintain an optimistic outlook despite reduced revenue expectations for 2023.

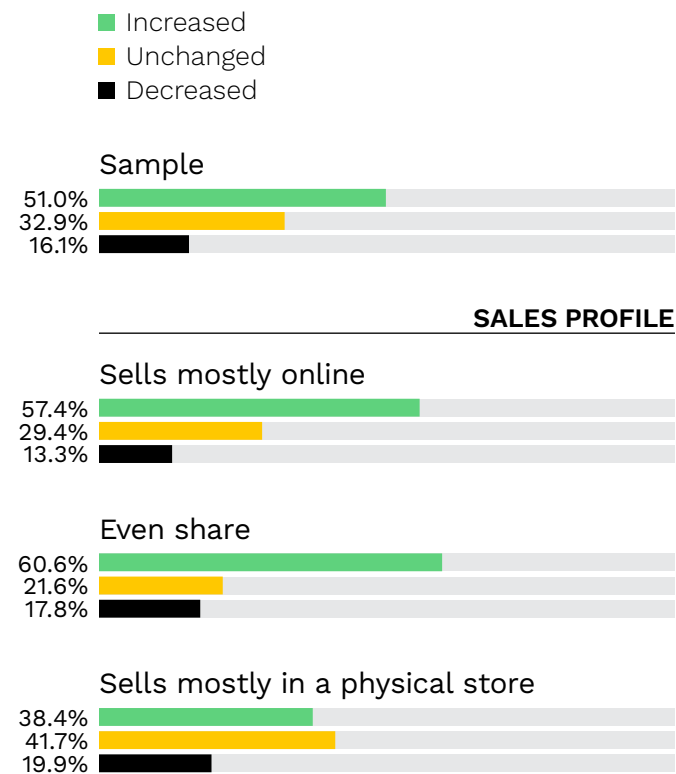
U.S. economic growth is projected to slow in Q4 2023 and Q1 2024, which helps explain why just 51% of Main Street SMBs expect their revenues to grow this year. However, the Main Street SMBs that use eCommerce channels remain optimistic: 57% of those that make most of their sales through eCommerce expect revenue to grow this year. Main Street SMBs with similar sales across in-person and eCommerce channels are the most optimistic: 61% of these companies anticipate revenue growth this year.

Integrating omnichannel payment solutions and forging strategic partnerships could be vital in supporting Main Street SMBs across sales channels and economic conditions over the coming year. In this environment, payment providers that offer flexible pricing models and enhanced digital payment capabilities may have the most appeal for these SMBs.

FIGURE 3:

Revenue expectations

Share of Main Street SMBs citing select changes in revenue in 2023 versus 2022, by the channel used to conduct most of their sales



Source: PYMNTS Intelligence
 Main Street Health Q4 2023: eCommerce Protects Main Street SMBs' Bottom Line in a Cooling Market, December 2023
 N = 540: Whole sample, fielded Oct. 7, 2023 – Oct. 25, 2023

57%
 Share of Main Street SMBs that sell **mostly online** and expect their revenues to **increase** in 2023

Main Street SMBs incorporate online channels into their sales strategies to attract new customers and stay competitive.

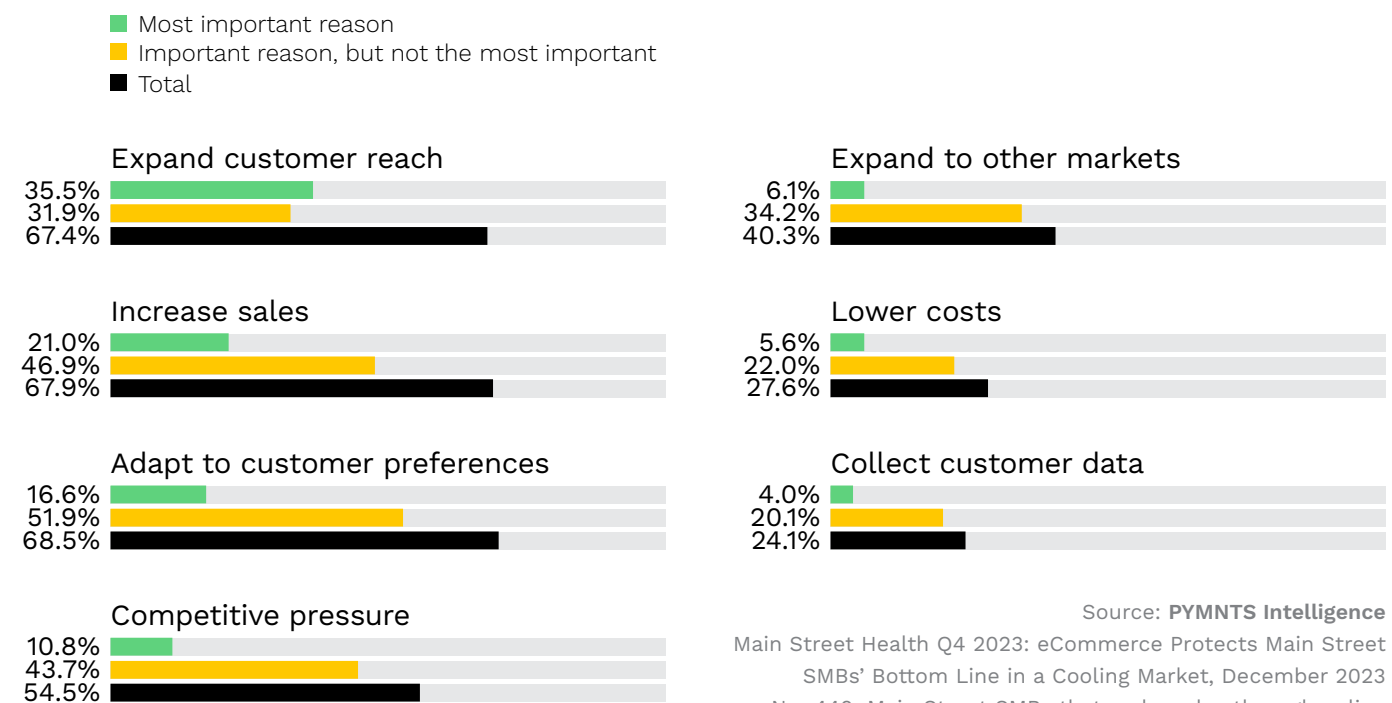
More than two-thirds of Main Street SMBs engage in online sales to expand customer reach and boost sales, demonstrating that eCommerce is essential for staying competitive with both larger companies and other SMBs. Nearly 70% have adapted to online sales to align with changing customer preferences. This trend is particularly prominent in the retail and hospitality sectors, where more than 80% say they had to start making sales through online channels to adapt to customer preferences.

The businesses that serve Main Street SMBs should consider adapting their services to support this eCommerce shift. Offering more versatile and user-friendly online payment solutions, especially for key sectors like retail and hospitality, will be pivotal. In this way, they can more effectively meet the evolving preferences of SMBs and help them thrive in the digital marketplace.

FIGURE 4:

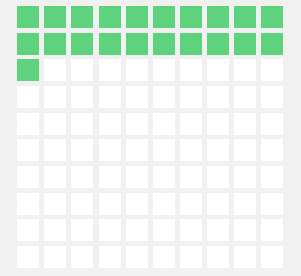
eCommerce provides more than sales

Share of Main Street SMBs citing select reasons why they use online channels, by level of importance



Source: PYMNTS Intelligence
 Main Street Health Q4 2023: eCommerce Protects Main Street SMBs' Bottom Line in a Cooling Market, December 2023
 N = 440: Main Street SMBs that make sales through online channels, fielded Oct. 7, 2023 – Oct. 25, 2023

21%



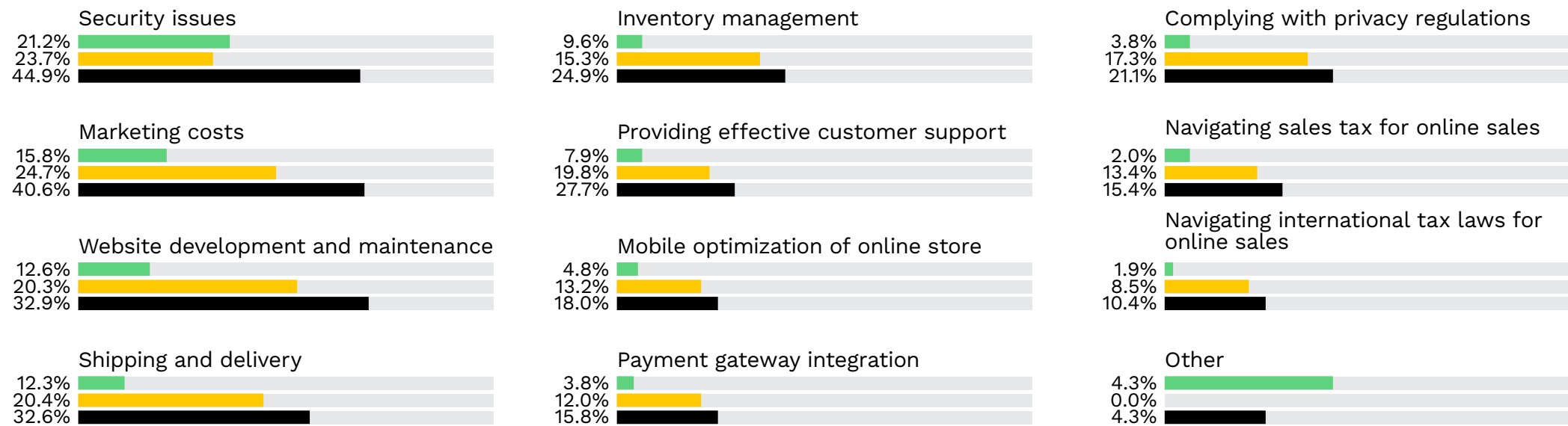
Share of Main Street SMBs that cite **security issues** as the biggest challenge similar firms face when using online sales channels

FIGURE 5:

eCommerce challenges that Main Street SMBs face

Share of Main Street SMBs citing select challenges they think similar firms face when selling online, by level of challenge

- Biggest challenge
- Important challenge, but not the biggest
- Total



Source: PYMNTS Intelligence
 Main Street Health Q4 2023: eCommerce Protects Main Street
 SMBs' Bottom Line in a Cooling Market, December 2023
 N = 540: Whole sample, fielded Oct. 7, 2023 – Oct. 25, 2023

CONCLUSION

Main Street SMBs that rely heavily on eCommerce are more optimistic about their revenue expectations than those that rely mostly on in-store sales. As the economy shows signs of slowing down, eCommerce will become an ever more important tool.

Businesses that serve Main Street SMBs should consider bolstering eCommerce support, recognizing its vital role in buoying revenue optimism. They have an opportunity to equip Main Street SMBs with the advanced data analytics necessary for modern eCommerce success and omnichannel solutions that seamlessly integrate online and in-store shopping. Strategic partnerships with eCommerce platforms are key to providing comprehensive solutions to help Main Street SMBs navigate a more challenging economic landscape.

METHODOLOGY

Main Street Health Survey Q4 2023: eCommerce Protects Main Street SMBs' Bottom Line in a Cooling Market, a PYMNTS Intelligence and Enigma collaboration, is built from a survey of 540 SMBs with brick-and-mortar shops in commercial districts across the United States. This Q4 iteration explores how eCommerce helped these companies increase business activity, as well as determined their overall thoughts about eCommerce. SMBs surveyed needed to have at least one physical location from which they conducted their business, and all generated less than \$10 million in revenue. Our survey excluded contractors, house cleaners and personal service businesses that operate out of workers' homes.

THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS REPORT

Scott Murray
SVP and Head of Analytics

Harold Maldonado
Senior Writer

Story Edison, PhD
Senior Analyst

Adam Putz, PhD
Senior Writer

ABOUT

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

enigma

Enigma provides comprehensive intelligence about the identity and financial health of every small and medium business across the United States. By engineering better data from hundreds of public and third-party sources, we aim to tell the complete story of every business, so that companies of every size can access the financial services they need to grow and thrive. Financial organizations from the world's largest banks to tomorrow's unicorns use Enigma's data to better serve their small business customers. To learn more visit enigma.com.

Main Street Health Survey Q4 2023: eCommerce Protects Main Street SMBs' Bottom Line in a Cooling Market may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED "AS IS" AND ON AN "AS AVAILABLE" BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS is the property of PYMNTS and cannot be reproduced without its prior written permission.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe, please email us at feedback@pymnts.com.