

The Global Digital Shopping Index: SMB Edition examines how consumers' shopping habits and preferences are changing amid the pandemic and how SMBs are adapting to these shifts. The report is based on surveys of more than 8,000 total consumers and more than 2,000 total merchants in Australia, Brazil, the U.K. and the U.S.

The Global Digital Shopping Index



SMB Edition

PYMNTS.com



The Global Digital Shopping Index Series



United States Edition



Australia Edition



United Kingdom Edition



Brazil Edition

MARCH 2021

The Global Digital Shopping Index

PYMNTS.com



The Global Digital Shopping Index was done in collaboration with Cybersource, and PYMNTS is grateful for the company’s support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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Introduction

Digital commerce is more commonly associated with big-name brands — Amazon is likely the first to come to mind — than with small to mid-sized businesses (SMBs). Smaller retail enterprises cannot afford to cede this realm to technology giants, however, especially not in the wake of a global pandemic that has pushed a massive share of commerce online.

PYMNTS has tracked the monumental changes set in motion by the pandemic in its Global Digital Shopping Index series, which features reports focused on four key markets: Australia, Brazil, the United Kingdom and the United States. In this special edition, we examine the different ways SMBs and large stores are adapting to these shifts alongside their customers.

The conventional wisdom is that SMBs are outmatched by large companies when it

comes to offering robust digital services, such as mobile ordering and store pickup services like click and collect and curbside pickup. Our research confirms some of these assumptions: SMBs are less likely to offer wide-ranging digital features and they tend to score lower than large firms in our Index, which measures satisfaction with various aspects of the shopping experience.

Our research reveals something much more complex, however. Consumers in the U.K. and Australia are as likely to use digital channels through SMBs as they are through large stores. Many SMBs are as ambitious as large stores in their plans to invest in digital services like mobile order-ahead and store pickup options. Our data also shows that an important subset of SMBs — those that make most but not all of their sales in-store — perform as well as large stores in consumer satisfaction. In fact, omnichannel businesses of all sizes

Size is not destiny when it comes to digital innovation, and well-executed strategies could magnify some of **SMBs' natural advantages.**

generally score considerably higher than those that engage solely in eCommerce.

These global findings suggest that size is not destiny when it comes to digital innovation and that well-executed strategies could magnify some of SMBs' natural advantages. These include knowledge of and connection to the communities in which they operate — and these attributes may count for even more as the

pandemic eases its grip and consumers rediscover the businesses that have served as anchors for their local economies.

The Global Digital Shopping Index: SMB Edition is based on surveys of more than 8,000 total consumers and more than 2,000 total merchants in Australia, Brazil, the U.K. and the U.S.

This is what we learned.

The Global Digital Shopping Index

Part I: SMBs and the digital divide

SMBs tend to be more brick-and-mortar oriented, but this is not a universal principle.

SMBs in the U.K. are as likely as large stores to sell through a mix of online and in-store channels.

Our research does not support the notion that there is a universal, monolithic approach to digital commerce — or that it is the sole turf of large chains. Bigger companies are more likely than smaller ones to offer robust digital services, but this is not the case in all markets. Consumers in the U.K. and Australia appear to be more likely to utilize digital channels through SMBs than large stores.

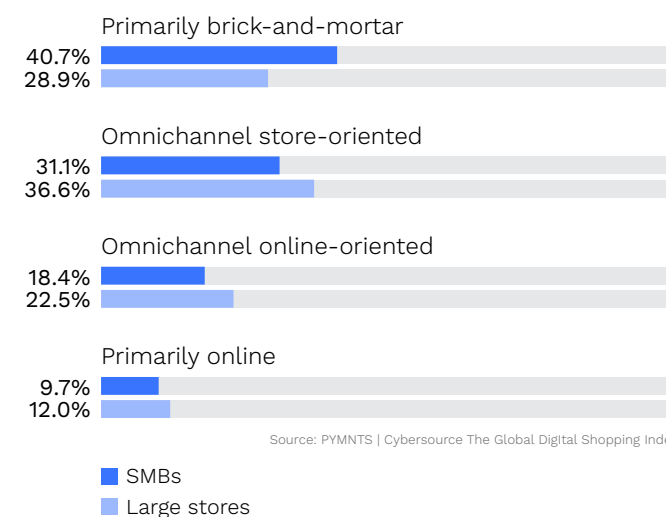
We divided firms into four groups based on the portion of sales they make through physical stores versus online channels:

- **Primarily brick-and-mortar:**
More than 75 percent of sales in store
- **Omnichannel store-oriented:**
50 percent to 75 percent of sales in store
- **Omnichannel online-oriented:**
25 percent to 50 percent of sales in store
- **Primarily online:**
Less than 25 percent of sales in store

FIGURE 1:

Omnichannel commerce and SMBs

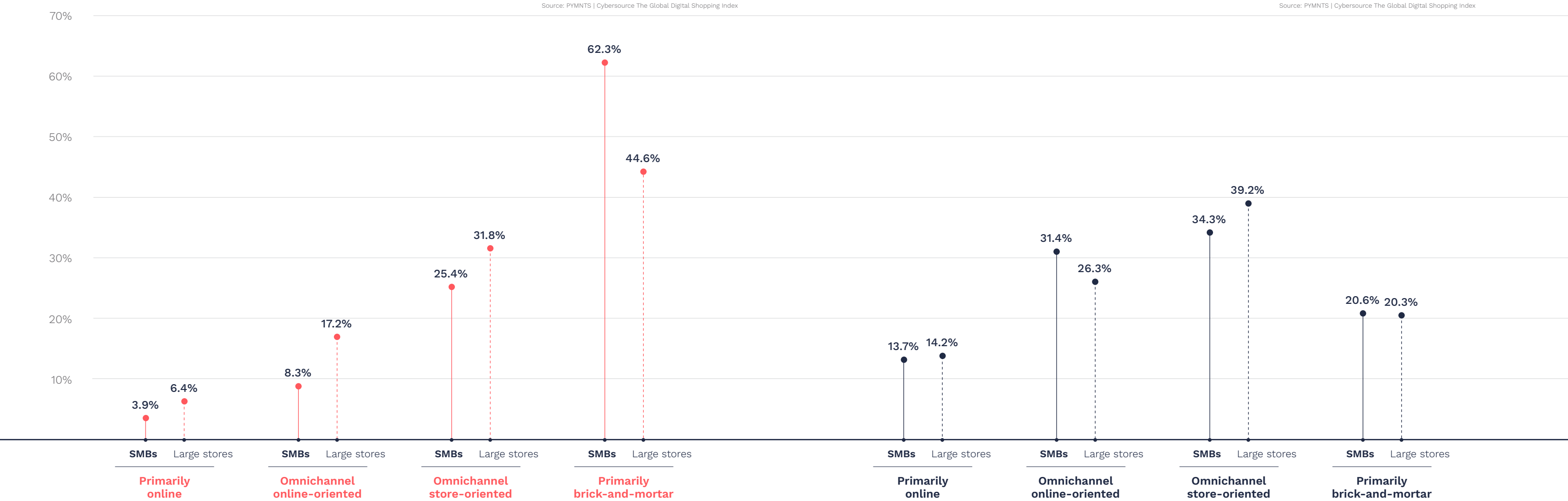
Shares of SMBs and large stores that are primarily brick-and-mortar, omnichannel store-oriented, omnichannel online-oriented and primarily online — Australia, Brazil, the U.K. and the U.S. together



Our data shows SMBs make up an average of 41 percent of primarily brick-and-mortar stores across the four markets. This is 1.4 times the share of large stores, which make up 29 percent of primarily brick-and-mortar stores. Chains make up greater portions of omnicommerce businesses, those that do a mix of online and in-store sales, and primarily online businesses. The greatest share of large stores — 37 percent — are omnichannel store-oriented compared to 31 percent of SMBs.

FIGURE 2:
Omnichannel commerce and SMBs
Shares of SMBs and large stores that are primarily brick-and-mortar, omnichannel store-oriented, omnichannel online-oriented and primarily online — the U.S.

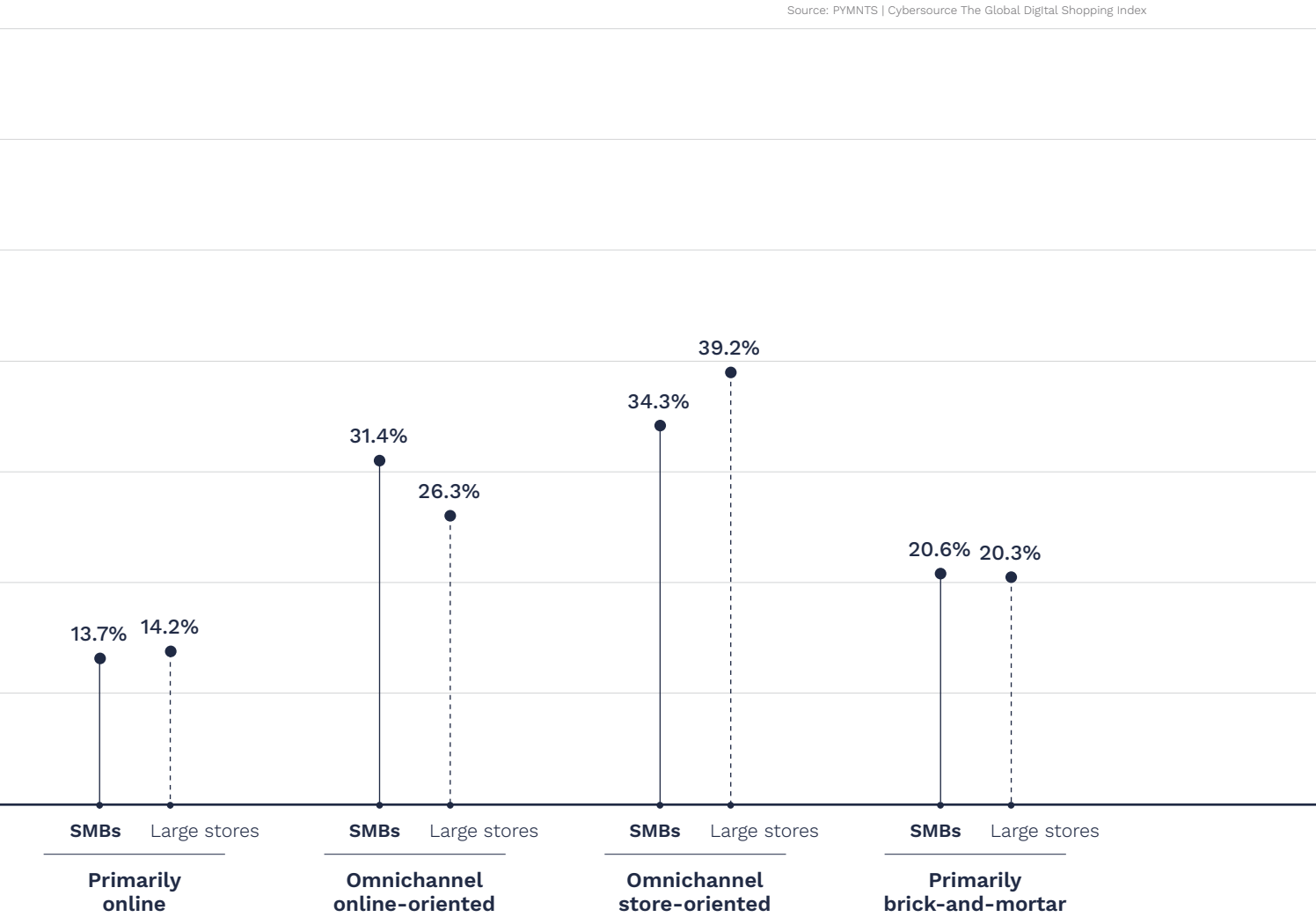
Source: PYMNTS | Cybersource The Global Digital Shopping Index



We find these patterns are even more pronounced in the U.S., where the largest share of SMBs by far — 63 percent — are found in the primarily brick-and-mortar category, while the greatest share of large stores — 32 percent — are omnichannel, doing 50 percent to 75 percent of their sales in stores. SMBs in the U.K. are no more likely than large stores to be primarily brick-and-mortar and they make up a larger portion of stores that are omnichannel online-oriented at 31 percent versus 26 percent for large stores.

FIGURE 3:
Omnichannel commerce and SMBs
Shares of SMBs and large stores in these groups — the U.K.

Source: PYMNTS | Cybersource The Global Digital Shopping Index



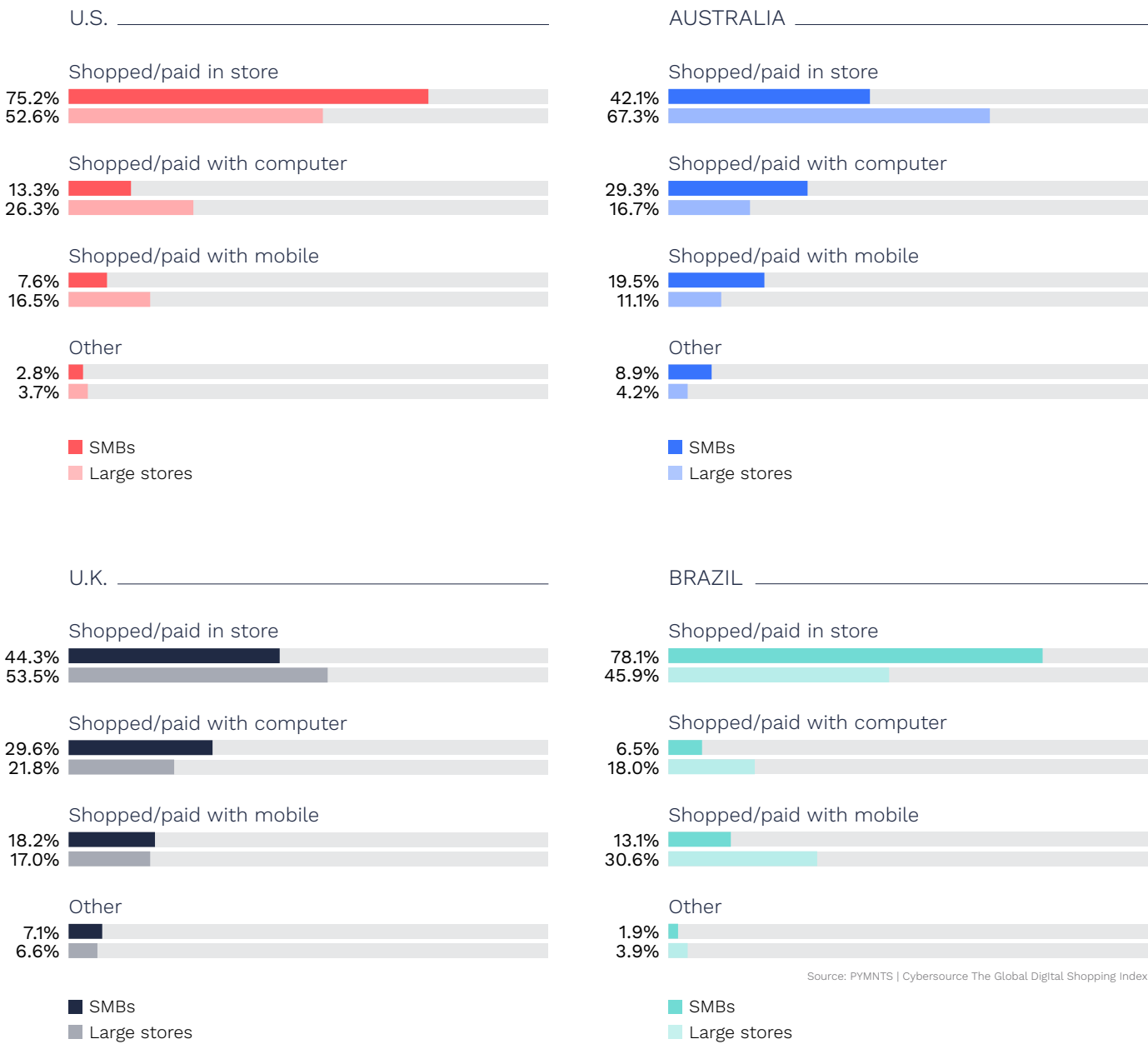
Whether consumers tend to shop at SMBs or large stores affects their digital services use: SMB patrons in the U.S. and Brazil are more likely to shop in stores while those in the U.K. and Australia are more likely to use digital channels.

Our research shows that shoppers in the U.S. and Brazil who typically shop at large chains are more likely to use digital channels while SMB shoppers in the U.K. and Australia are more likely to use digital channels. More than three-quarters of SMB shoppers in the U.S. and Brazil made their most recent purchases in a store — 1.4 and 1.7 times the share of regular large-store shoppers, respectively.

SMB shopping in the U.K. and Australia corresponds with digital channel use, on the other hand. Nearly 50 percent of U.K. consumers who most recently did their shopping at SMBs used mobile or computer channels compared to 44 percent who shopped exclusively in brick-and-mortar stores. An even stronger pattern is found in Australia, where SMB shoppers are roughly 1.8 times more likely to employ digital channels than large-store shoppers.

48%
of U.K. SMB customers
made their most recent purchases
through digital channels.

FIGURE 4:
Purchasing channels in the four markets
Share of consumers who made their most recent purchases via select channels, SMBs versus large stores



Source: PYMNTS | Cybersource The Global Digital Shopping Index

Part II:
Driving satisfaction

Consumers experience about 1.3 times less friction when shopping at large stores than they do at SMBs.

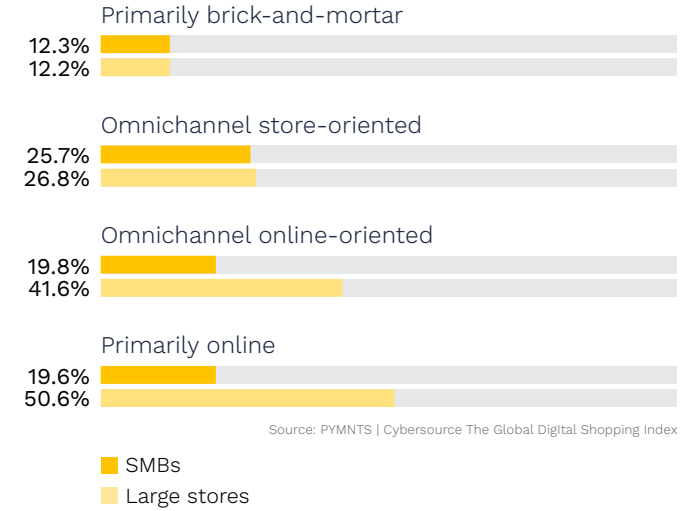
Our study series features an Index designed to measure consumers’ satisfaction with various aspects of the shopping experience — higher scores indicate that consumers are better able to access features that mitigate frictions, such as long checkout lines, shipping delays or other complications. Our research shows that larger stores tend to perform better by these metrics, and this is the case across the four markets. They score roughly 20 to 25 points higher than SMBs on our scale, which is weighted based on the features consumers most value in each market. Large stores earn an average score of 99.4 in the U.S., for example, while SMBs score 74.7 on a scale that goes up to 137. These differences are likely driven to a significant degree by the fact that large stores tend to offer more digital features, which is a key component of our Index scoring system.

FIGURE 5:
Consumer Satisfaction Index scores
Score in each of the four markets, SMBs versus large stores



Large stores that sell mostly online
tend to outperform SMBs that also do so,
but SMBs that are more brick-and-mortar-oriented
perform as well as large stores.

FIGURE 6:
Top-performing merchants by omnichannel sales
Shares of brick-and-mortar, omnichannel store-oriented, omnichannel online-oriented and primarily online stores that are top-performing merchants, SMBs versus large stores, all markets



The big picture presented by our data is that a greater share of large businesses are top performers — those with the highest Index scores — especially large businesses that operate primarily online. Large stores tend to have more robust eCommerce operations and can thus make a greater portion of their sales online than SMBs.

Focusing on omnichannel businesses that do a greater proportion of their sales in store reveals a more complex pattern: SMBs do as well as large stores in this group. Twelve percent of SMBs that are primarily brick-and-mortar are top performers, matching the portion of large stores in this group. This is also the case for omnichannel store-oriented businesses: 26 percent of SMBs in this category are top performers as are 27 percent of large stores.

26%
of omnichannel
store-oriented
SMBs are
top performers.

Our research shows that consumer satisfaction is linked to the level of digital services to which consumers have access. This is demonstrated by the fact that the more online sales large stores do, the more likely they are to be top performers in the eyes of consumers. SMBs that are more brick-and-mortar-oriented appear to be able to bridge the satisfaction gap, perhaps because they offer less quantifiable attractions, such as hands-on shopping experiences or trust and familiarity.



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Part III: The digital features agenda

SMB customers tend to be more interested in digital features that can make in-store shopping more convenient and economical but not eliminate the need for it altogether.

Just 4%
of U.S. SMB customers think
free shipping is the most important feature —
large-store customers are nearly four times more likely to have this view.

Our research series has found some consistent themes when it comes to the digital features consumers find most compelling: Those that make the shopping experience more economical and convenient tend to top the list. Our analysis reveals that these types of features are even more compelling for SMB shoppers. Seventeen percent of them consider rewards the most important feature, for example, making it the most cited among smaller stores' patrons. Thirteen percent of large-store shoppers consider this feature most important. Our research shows elevated interest among SMB shoppers in other value-based features, such as coupons and promo codes, as well as convenience-based features, including buy online, pickup in store (BOPIS).



SMB customers’ greatest distinction lies in their comparatively low interest in free shipping for digital orders, which consistently ranked as one of the most popular consumer features in our studies. This trend is especially pronounced in the U.S., where barely 4 percent of SMB customers consider free shipping the most important feature while the greatest share of large-store customers have this view: 14 percent.

This further reinforces the possibility that consumers are drawn to SMBs for reasons that go beyond convenience or digital bells and whistles. Many shoppers would just as soon skip the trip to large retailers and have purchases delivered. SMB shoppers may be more interested in enhancing their shopping trips through digital features rather than replacing them, and this could confer an important advantage, since visits to the store tend to result in additional unplanned purchases.

TABLE 1:
U.S. consumers’ most important features
Shares of U.S. consumers who say select features are most important, SMB customers versus large-store shoppers

	SMBs	Other
<ul style="list-style-type: none">• Profile• Information sharing (shipping)• Information sharing (history)• Information sharing (payments)	5.6% 3.4% 0.5% 0.7%	4.1% 2.2% 1.0% 1.9%
<ul style="list-style-type: none">• Rewards• Coupon usage• Recommendations• Promo codes• Marketing opt-in	16.5% 9.5% 1.3% 4.9% 0.0%	12.9% 6.4% 0.9% 3.5% 0.9%
<ul style="list-style-type: none">• Price matching• Inventory	4.1% 7.1%	5.7% 7.4%
<ul style="list-style-type: none">• Product details• Voice• Product reviews• Free shipping• Product recommendations• BOPIS from a kiosk• Mobile app availability for purchase with delivery/pickup options• Locate product in store with mobile phone• BOPIS from employee or curbside	2.6% 1.9% 0.9% 3.6% 0.9% 0.7% 1.5% 0.7% 5.1%	4.6% 0.1% 3.0% 14.1% 0.4% 0.6% 1.9% 1.2% 3.6%
<ul style="list-style-type: none">• Purchase returns• Protect data• Disputes• Digital purchase refunds• Fraud purchase refunds• Live help• Online returns	3.6% 9.2% 4.5% 2.7% 2.5% 4.4% 1.6%	2.6% 7.0% 3.6% 2.8% 4.3% 1.6% 1.3%

Source: PYMNTS | Cybersource The Global Digital Shopping Index

SMBs tend to offer fewer digital features overall than large stores, but they tend to recognize the particular importance their customers place in convenience and customer service-oriented features.

Our research uncovered a features gap between SMBs and large stores. The latter are more likely to offer wide-ranging features, including dispute resolution and promo codes. Seventy percent of large merchants offer 19 features, with the most common being dispute resolution, refunds and product details. No more than three features are offered by 70 percent of SMBs, however. SMBs instead tend to be particularly focused on features that make the shopping experience more convenient for consumers and responsive to their needs, which we have classified as “make it easy for me” and “protect me” features, respectively. These include dispute resolution (offered by 77 percent of SMBs), refunds of fraudulent purchases (75 percent), product details (72 percent) and returns (70 percent).

SMBs’ orientation toward “make it easy for me” features becomes clearer when we focus on those business owners and managers consider the most important. These firms are most likely to consider product details to be the most important feature, cited by 9 percent. Large retailers are more likely to consider rewards the most important digital feature, cited by 14 percent.

TABLE 2:
Digital feature offerings
Share that say selected features are available, SMBs versus large stores

	SMBs	Large stores
• Profile	38.7%	63.2%
• Information sharing (shipping)	56.5%	75.6%
• Information sharing (history)	58.2%	79.0%
• Information sharing (payments)	46.2%	68.6%
• Rewards	47.2%	76.2%
• Coupon usage	44.9%	75.1%
• Recommendations	54.5%	78.6%
• Promo codes	48.5%	75.0%
• Marketing opt-in	53.2%	79.6%
• Price matching	47.7%	62.0%
• Inventory	53.9%	76.4%
• Product details	71.7%	86.7%
• Voice	30.6%	47.7%
• Product reviews	62.4%	81.2%
• Free shipping	57.1%	69.8%
• Product recommendations	58.9%	78.1%
• BOPIS from a kiosk	36.3%	62.2%
• Mobile app availability for purchase with delivery/pickup options	44.1%	74.6%
• Locate product in store with mobile phone	37.2%	62.3%
• BOPIS from employee or curbside	55.5%	79.4%
• Purchase returns	69.6%	83.5%
• Protect data	54.2%	74.5%
• Disputes	77.3%	86.4%
• Digital purchase refunds	68.8%	85.5%
• Fraud purchase refunds	75.0%	86.7%
• Live help	67.3%	82.5%
• Online returns	47.3%	68.4%

Source: PYMNTS | Cybersource The Global Digital Shopping Index

SMBs are especially interested in improving two digital-first capabilities that can drive more customers to the store: **mobile order-ahead and store pickup options.**

Our research indicates that smaller businesses tend to be less inclined than larger ones to invest in digital-first capabilities, those that support payments and other key digital commerce components. This almost certainly relates to resources: Larger companies typically have more funds and dedicated staff to adopt these types of innovations.

Fifty percent of SMBs in Brazil — a market where mobile is the primary channel for digital commerce — plan to invest in mobile order-ahead capabilities over the next three years, exceeding the share of large merchants that plan to do so. Forty percent of SMBs in Australia plan to invest in this area, for example, close to the share of large stores — 45 percent — that plan to do the same.

Store pickup options are another important area of innovation for SMBs. Options like curbside pickup and click and collect go hand in hand with digital ordering capabilities, allowing users to receive their purchases efficiently. Thirty-four percent of SMBs in both the U.K. and the U.S. are planning to invest in store pickup options.

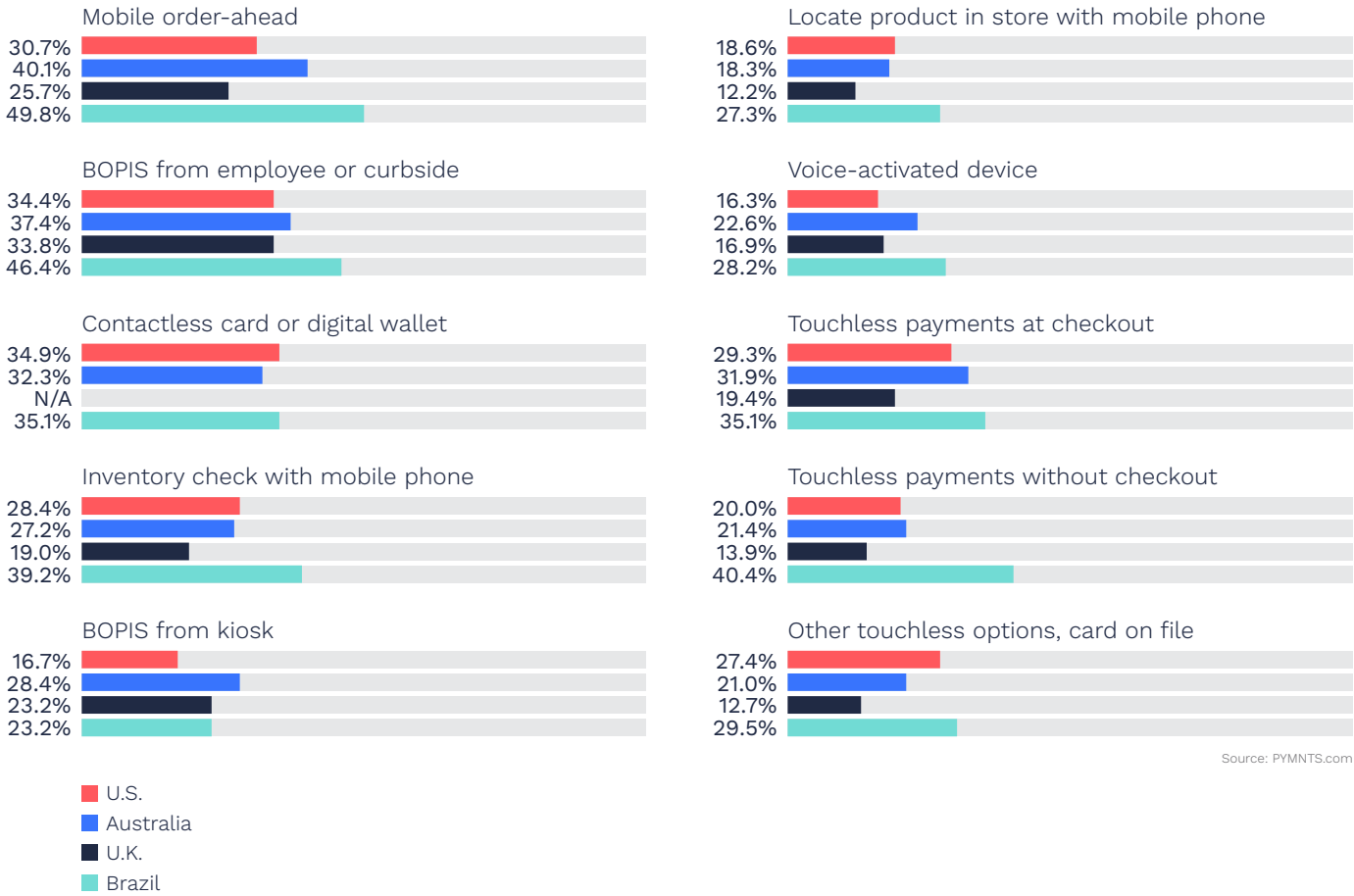


Improving contactless card and digital wallet acceptance also stands out as a priority for U.S. SMBs: 35 percent plan to invest in this area, making it the most popular digital-first feature for future investment and exceeding the share of large stores planning such investments. This could also reflect the fact that SMBs may have more ground to make up compared to larger stores, which more likely have the resources to update point-of-sale (POS) systems.

FIGURE 7:

SMB merchants’ top digital-first priorities

Shares of SMBs that consider select digital-first features to be important investment priorities over the next three years

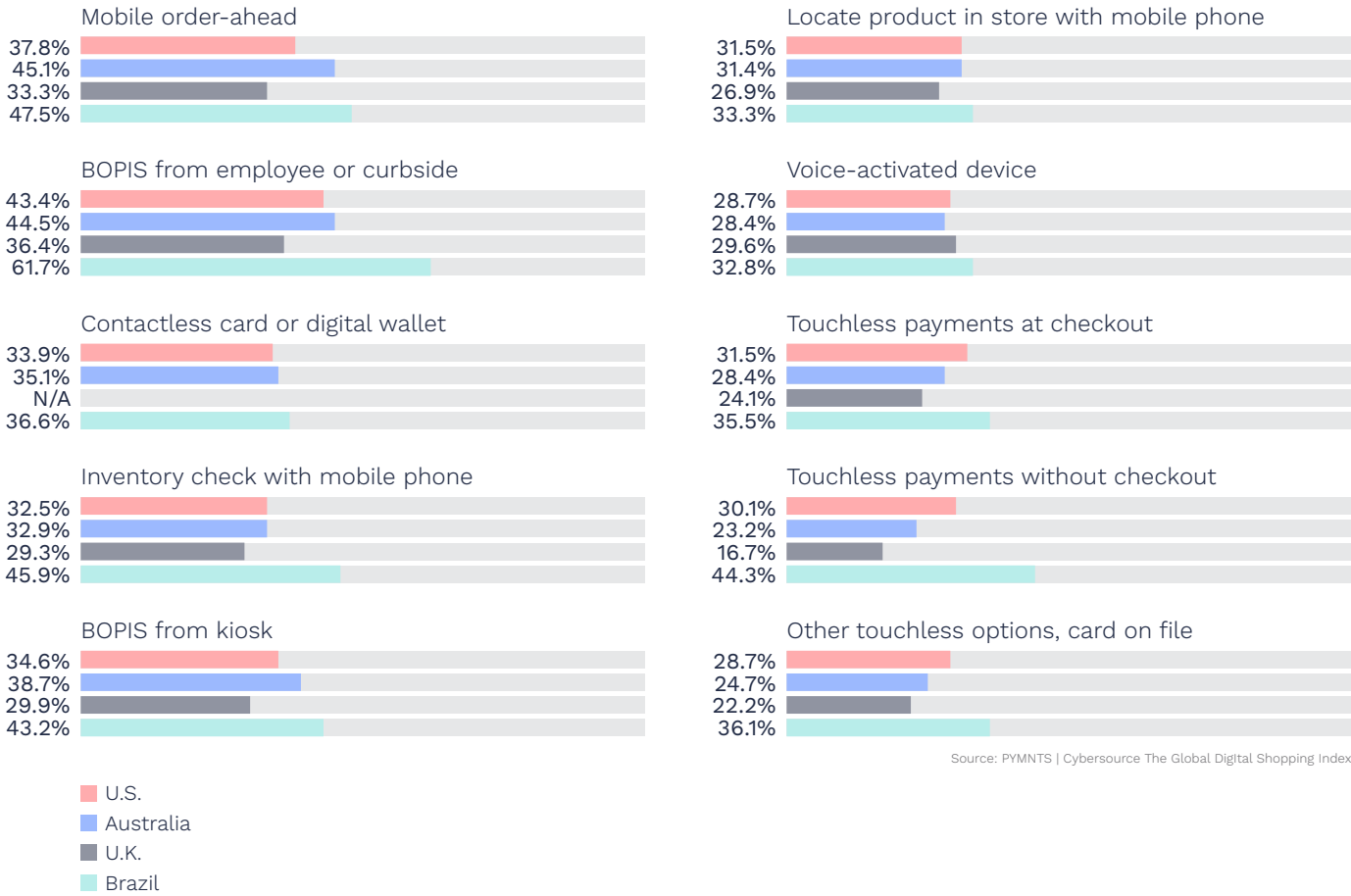


50%
of Brazilian SMBs plan
to invest in new or better
mobile order-ahead services.

FIGURE 8:

Large merchants’ top digital-first priorities

Shares of large stores that consider select digital-first features to be important investment priorities over the next three years



The Global Digital Shopping Index

Part IV: The payments factor

SMB customers use cash an average of 1.3 times more than those who shop at larger stores, reflecting the fact that SMBs are more brick-and-mortar oriented.

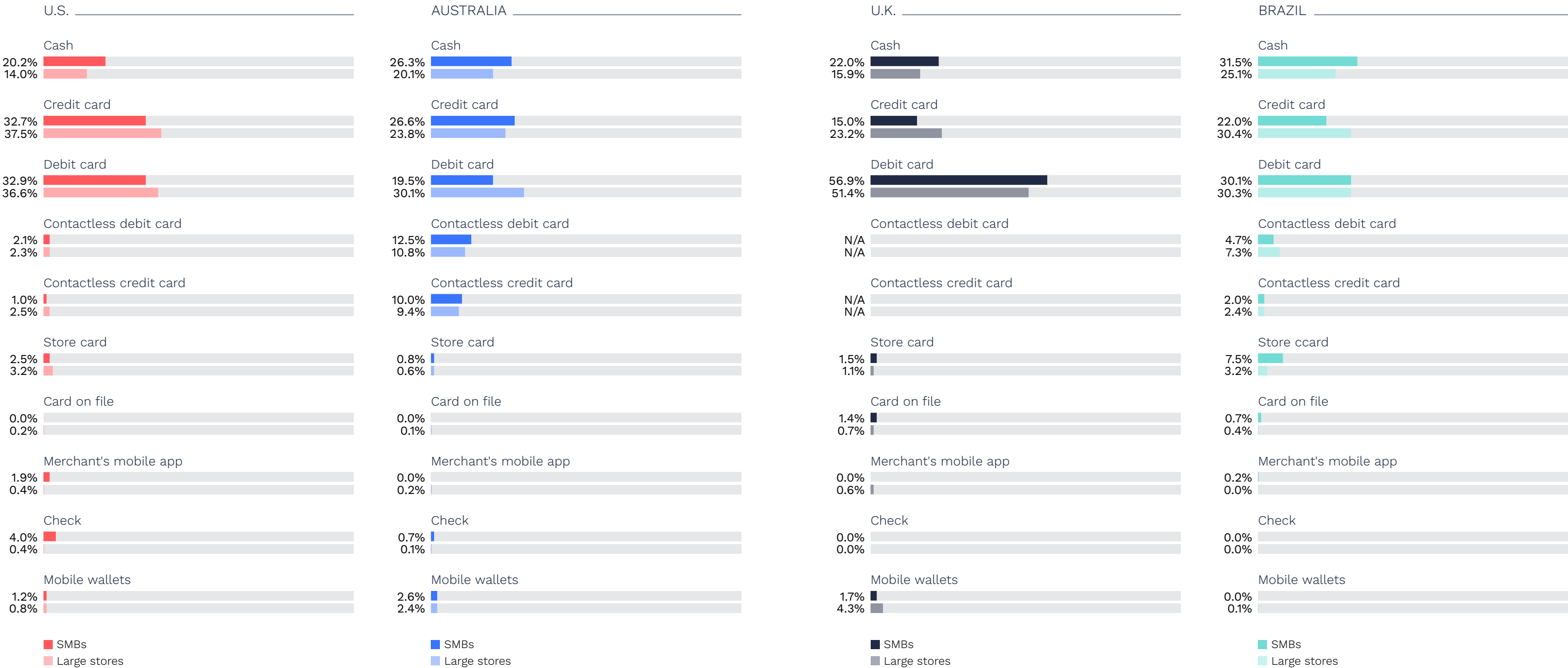
Consumers are more likely to use cash when shopping with SMBs than large stores across the studied markets. Cash is the most common in-store payment method in Brazil, where 32 percent used it to make their most recent purchases in physical stores, while cash use in store is on par with credit card use in Australia, where 26 percent used either payment method to complete their transactions. Card use is more prevalent in stores in the U.S. and U.K., but the pattern where consumers are more likely to pay with cash at SMBs prevails.

26%
of Australian
SMB customers
pay with cash.

FIGURE 9:

In-store payment methods

Share of consumers who used select payment methods for their most recent purchases in each of the four markets, SMB customers versus large-store customers



Source: PYMNTS | Cybersource The Global Digital Shopping Index



SMB customers tend to use a greater variety of digital payment methods, including digital wallets, online than large-store shoppers.

Our research broadly indicates that patrons of large businesses are more likely to use credit cards to pay online than those of small businesses, who are more likely to use digital wallets. Thirty-eight percent of large-store customers in the U.S. use credit to pay — slightly more than the share of small business customers. Sixty-nine percent of Brazil's large-store customers use credit to pay online compared to 51 percent of the country's SMB customers. The exception to this pattern is the U.K., where consumers are more likely to use cards with smaller merchants and debit is the more favored option.

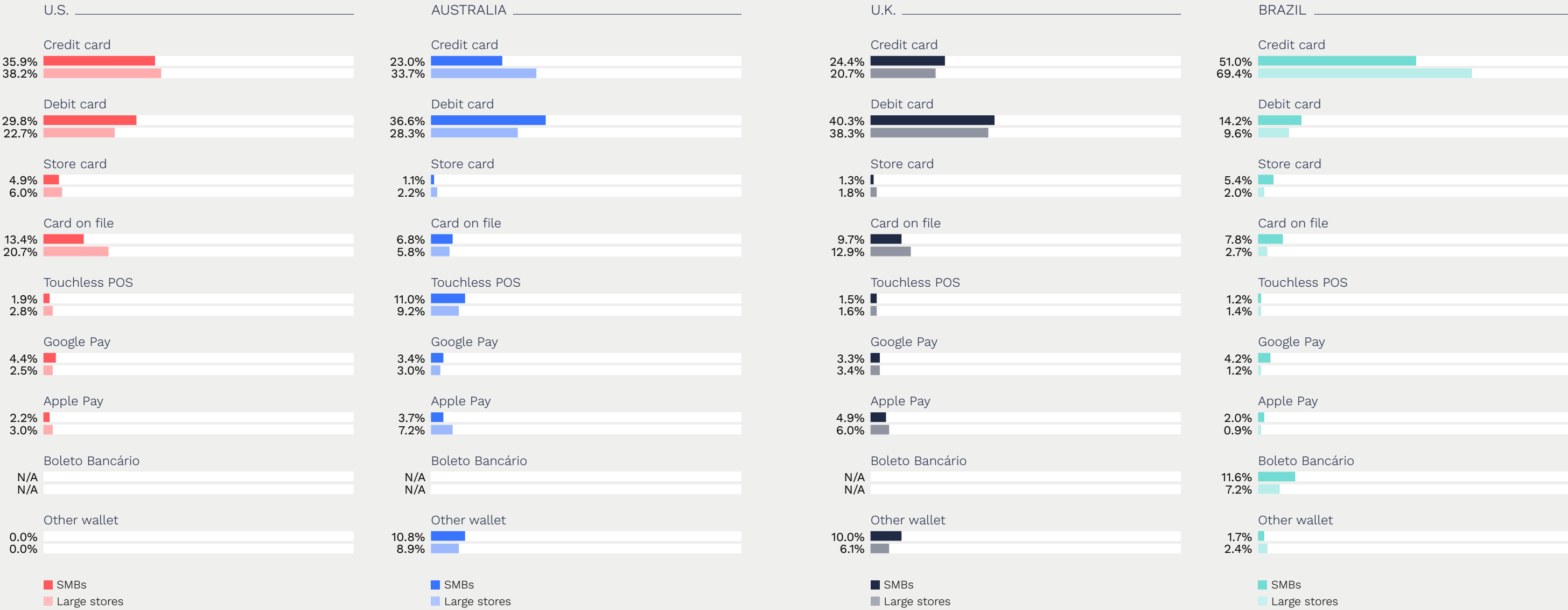
Digital wallets stand out for being more popular online payment options with SMB customers than large-store ones — although they are still relatively minor

parts of the payment mixes in all the studied markets. Ten percent of small business patrons in the U.K. use digital wallets, which include services like PayPal, to pay online — twice the share of large-store customers who use this method. This does not apply to Google Pay or Apple Pay, which U.K. customers of both large and small businesses use to roughly the same extent. An interesting pattern emerges in other markets when it comes to these two prominent digital wallets: Google Pay tends to be used more by SMB customers while Apple Pay is more likely to be used by large-store customers. More than 4 percent of SMB patrons in the U.S. and Brazil use Google Pay online — close to two times the share of large-store customers in the former market and four times the share in the latter market.

FIGURE 10:

Online payment methods

Shares of consumers who used select payment methods for their most recent purchases in each of the four markets, SMB customers versus large-store shoppers



Source: PYMNTS | Cybersource The Global Digital Shopping Index

Conclusion

The pandemic has severely impacted consumers and businesses across the spectrum, but the toll has been particularly heavy for SMBs, which tend to lack the capital reserves and resources of larger businesses. These circumstances should be viewed as challenges rather than impediments for SMBs, however. Our research suggests that the new retail reality emerging in the wake of the pandemic that revolves around digital channels and services will only grow stronger in the months and years to come.

Our research shows that SMBs are generally less likely to offer digital services at the scale of large-store chains, yet it also undermines the notion that there is a universal, monolithic

approach to digital commerce or that said approach is the sole turf of large chains. Consumers in the U.K. and Australia are as likely to employ mobile and online shopping channels through SMBs as large stores.

SMBs may have ground to make up when it comes to offering digital services, however they do not lack for ambition. Our data suggests that significant shares of SMBs across the studied markets view improved digital-first capabilities — particularly mobile order-ahead and store pickup services — as the path forward to improve customer experiences. These types of services could greatly enhance some of the natural advantages SMBs have: the connection and presence they have in the communities they serve.

The Global Digital Shopping Index

SMB Edition ■

Methodology

The Global Digital Shopping Index: SMB Edition is based on census-balanced surveys of 8,219 consumers, with approximately 2,000 consumers surveyed in each of the studied markets — Australia, Brazil, the U.K. and the U.S. It is also based on surveys of approximately 500 merchants in each of the markets — 2,149 merchants in total.

We collected data on merchants' annual revenues and defined SMBs based on them: less than \$10 million USD in the U.S., less than \$10 million AUD in Australia, less than £10 million in the U.K. and less than R\$5 million in Brazil. To evaluate consumers, we collected the names of the stores where consumers most recently made their purchases and manually reviewed every response to determine those that had large national footprints. The rest were defined as SMBs.

The consumer surveys consisted of 38 questions and the merchant surveys had 30 questions. They were conducted between July 2020 and December 2020.

About

PYMNTS.com

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