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# SMART INSIGHTS FOR A NEW FUTURE.

2021 **SMB**  
PACE REPORT

Read the insights —>





# INTRODUCTION

As normal commerce begins to resume, recent global events are leading organizations to plan for a different, yet in many ways, more promising future. The Worldpay from FIS® Small Business Performance Against Customer Expectations (PACE™) research designed for payment partners of Worldpay Merchant Solutions, offers intelligence for our partners to better serve small U.S.-based business customers in this time of transition.

**The 2021 Small Business (SMB) PACE research reveals insights that can help advance new relationships while also solidifying existing small business partnerships.**



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# THE FOLLOWING THEMES EMERGED FROM THE **2021 SMB PACE REPORT**

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- Businesses that began digitalization to survive will now continue to thrive
- Certain Covid-19 implications accelerated digital transformation, resulting in unforeseen benefits for small business
- Payments are central to business success going forward

The Worldpay from FIS SMB PACE Report provides a deeper look at emerging commerce trends while offering observations on the future of the U.S. payments industry for small businesses.



## COMMERCE TRENDS

2020 was the first year in which online sales exceeded face-to-face sales across businesses overall. But 2021 and 2022 projections indicate online sales will become nearly equal to or skew slightly to face-to-face sales.

In terms of face-to-face versus online sales, the type of industry in which a small business operates matters. For example, healthcare and restaurants saw face-to-face sales percentages increasing, while organizations in personal services and retail gained slightly more revenue from online rather than face-to-face channels.





# COMMERCE TRENDS (continued)

While most businesses are selling in both locations, those that are in only one channel will see a further decrease as more businesses thrive by selling through both channels. Small businesses able to optimize channel access for their customers came through this past year in better shape than their peers.



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# COVID-19 DROVE INNOVATION AND DIGITAL TRANSFORMATION

Nearly all businesses reported finding at least one “silver lining” during the pandemic. Most businesses adapted to the Covid-19 crisis by changing the way they do business, accelerating digital transformation and adoption of payment innovation.

Covid drove a leapfrog impact in technologies such as contactless and mobile payments. Adaptable organizations saw flexible payments as a key to increasing customer loyalty. This flexibility and innovation are reinforced with these proof points.



# COVID-19 DROVE INNOVATION AND DIGITAL TRANSFORMATION (continued)



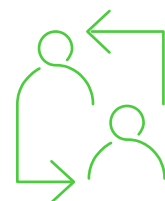
**Technology adoption and increased efficiency** are the most frequently experienced impacts from all respondents to Covid-19



Nearly all businesses say they expect to **adopt or improve technologies** in the next 12 months



About six in 10 businesses responded by **opening new lines of business or changing their products/services**



Three-quarters of businesses say they benefited in some way from **customers changing their buying behaviors**



## COVID-19 CHALLENGES

We saw that all businesses experienced negative consequences from the Covid-19 crisis, causing many to rely on loan programs and/or their owners' personal funds. Small businesses that were able to create omnichannel experiences to match customer expectations were better able to navigate the challenges presented by the pandemic, which included:

**>40%**

of businesses **had to get financial assistance** during the pandemic, and most say those funds have been fully used



# COVID-19 CHALLENGES (continued)

 Decreasing hours and limiting customers resulted in **lost revenue or sales** for most businesses

 The decline was especially true in certain industries such as **restaurants and healthcare**

 Over half of small business owners **had to use personal funds** to make it through the pandemic



## PAYMENT TRENDS

While credit/debit cards remain the leading payment type accepted by small business, the use of frictionless payment options have increased since last year's SMB PACE study. Savvy small businesses used payments strategically to increase their cash flow and profitability.

**Payment options with the greatest increase were:**

- Contactless
- Mobile
- eCheck
- Prepaid card

Small business leaders that use payments to create competitive advantages will continue to invest in and offer contactless payments and other innovative payment technologies.



# PAYMENT TRENDS (continued)

**Other payment trends indicated by the 2021 SMB PACE research include:**



Fast-growing companies, and those with **younger owners, are more likely to accept more innovative payment types** (e.g., cryptocurrency, contactless, installments, QR/POS, text-to-pay, real-time payments)



**The majority cite accepting/adopting new payment types** to be important or even critical to their survival and growth



**Contactless payment is preferred** by customers more than cash

In the future, we see the increase in frictionless payments as becoming more important to business growth, especially for businesses that cater to a younger demographic.

**Small businesses with vision will need help addressing contactless payment technology to help them meet current and future demand.**



# THE SMALL BUSINESS ENVIRONMENT AND IMPACT OF COVID-19

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While small businesses sold slightly more online in 2020, business owners foresee a slight shift to more face-to-face sales in 2021 and 2022. Nearly all businesses experienced at least one positive and one negative change during the pandemic.

Despite all the negatives, most business owners feel that overall, pandemic-related changes have had more positive than negative impacts.

Nearly all businesses have adopted or upgraded technology because of the pandemic, and nearly all expect to continue doing so in the next 12 months. As almost half of businesses received a Covid-related loan in 2020, over half used personal funds to sustain their businesses.

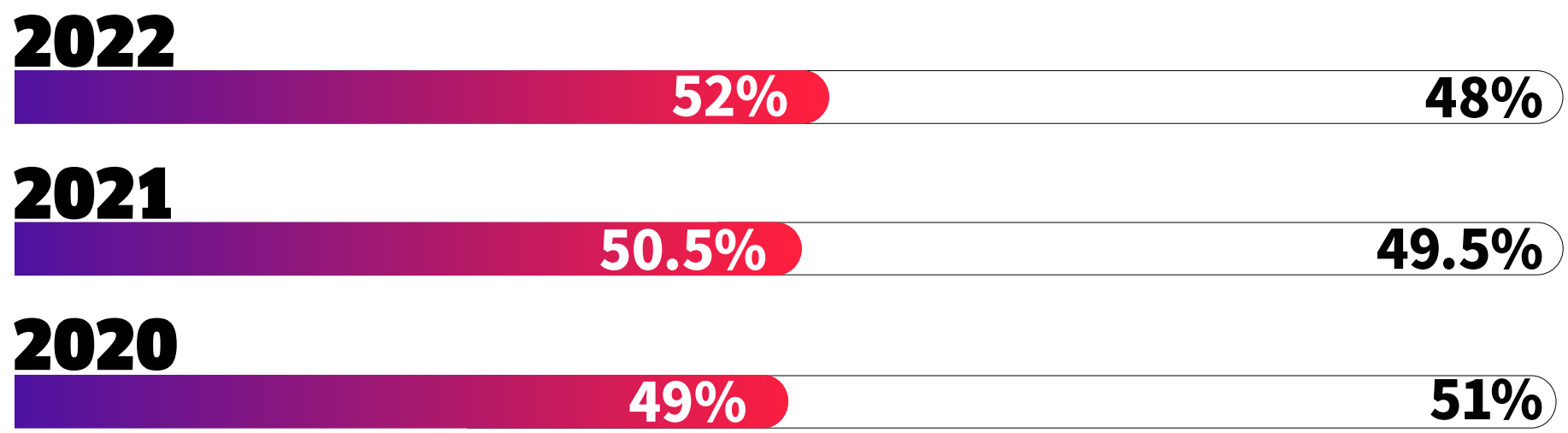


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# FACE-TO-FACE SALES ARE PRIMED TO REBOUND

While small businesses sold slightly more online in 2020, U.S. small business owners anticipate shifting slightly to more face-to-face sales in 2021 and 2022. The size of the small business matters. Research indicates small businesses with sales between \$5 to \$10 million are significantly more likely to have a higher revenue share with online versus face-to-face sales in 2022 than are smaller entities.



● Physical

○ Online



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## COVID-19 UNEXPECTED BENEFITS

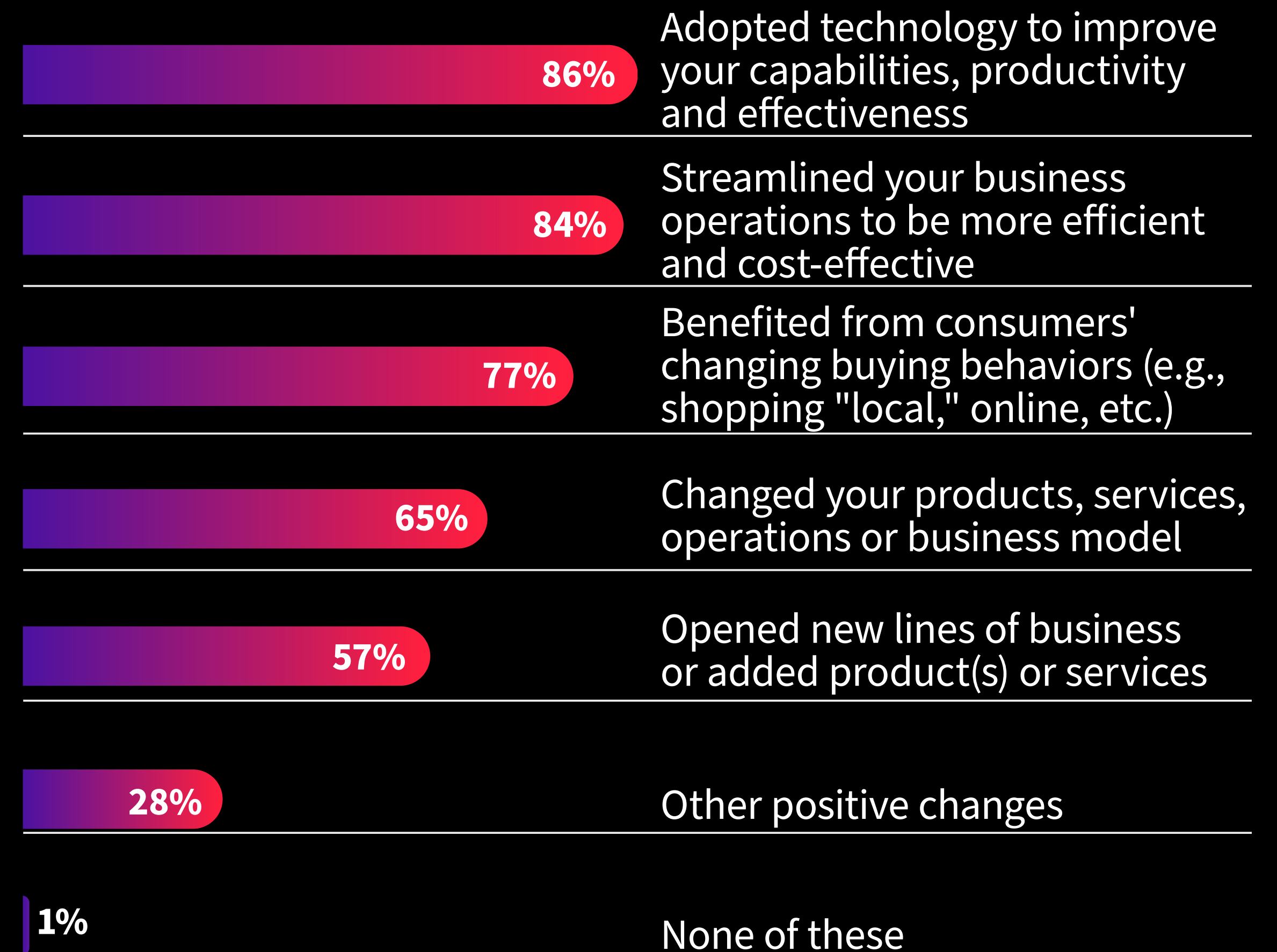
Many businesses indicated positive trends coming from the Covid-19 experience. Most small businesses adopted new technology to increase productivity, followed closely by many businesses streamlining operations to increase efficiency. Doing more with less resonated across all types of small businesses.



# COVID-19 UNEXPECTED BENEFITS (CONTINUED)

When we look deeper into these findings by industry, we see that of all businesses that adopted technology to improve their capabilities and effectiveness, the retail industry stands out. Retailers were more likely to have experienced adopting technology as a positive change. There have also been significantly more positive technology adoptions for larger small businesses with \$1 million in sales and above.

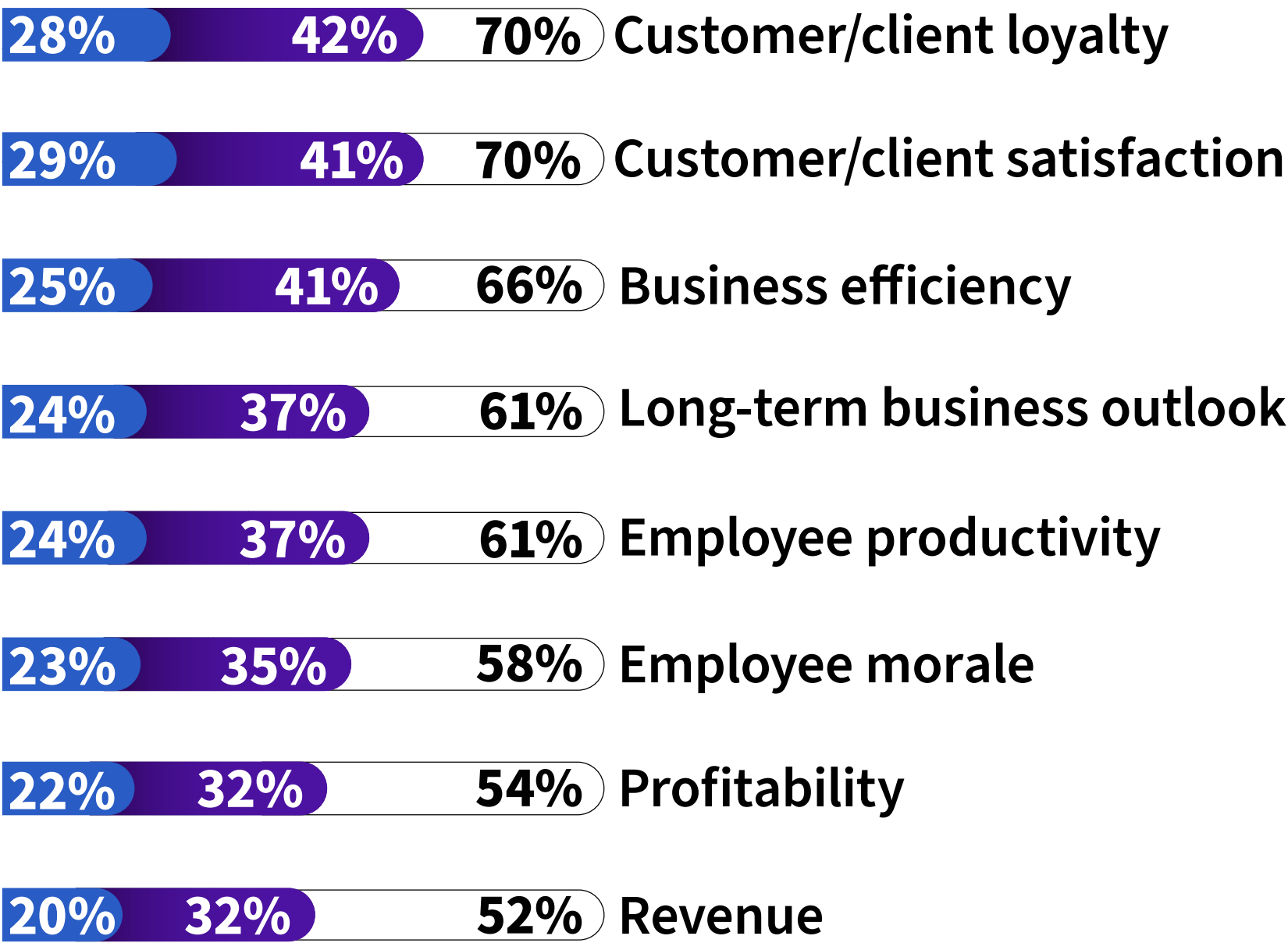
## THE SMALL BUSINESS ENVIRONMENT AND IMPACT OF COVID-19





# COVID-19 UNEXPECTED BENEFITS (continued)

A benefit found by many small businesses was strengthening customer loyalty and customer satisfaction, though that finding varies based on the size and type of the small business.



● Strongly ● Somewhat ○ Total

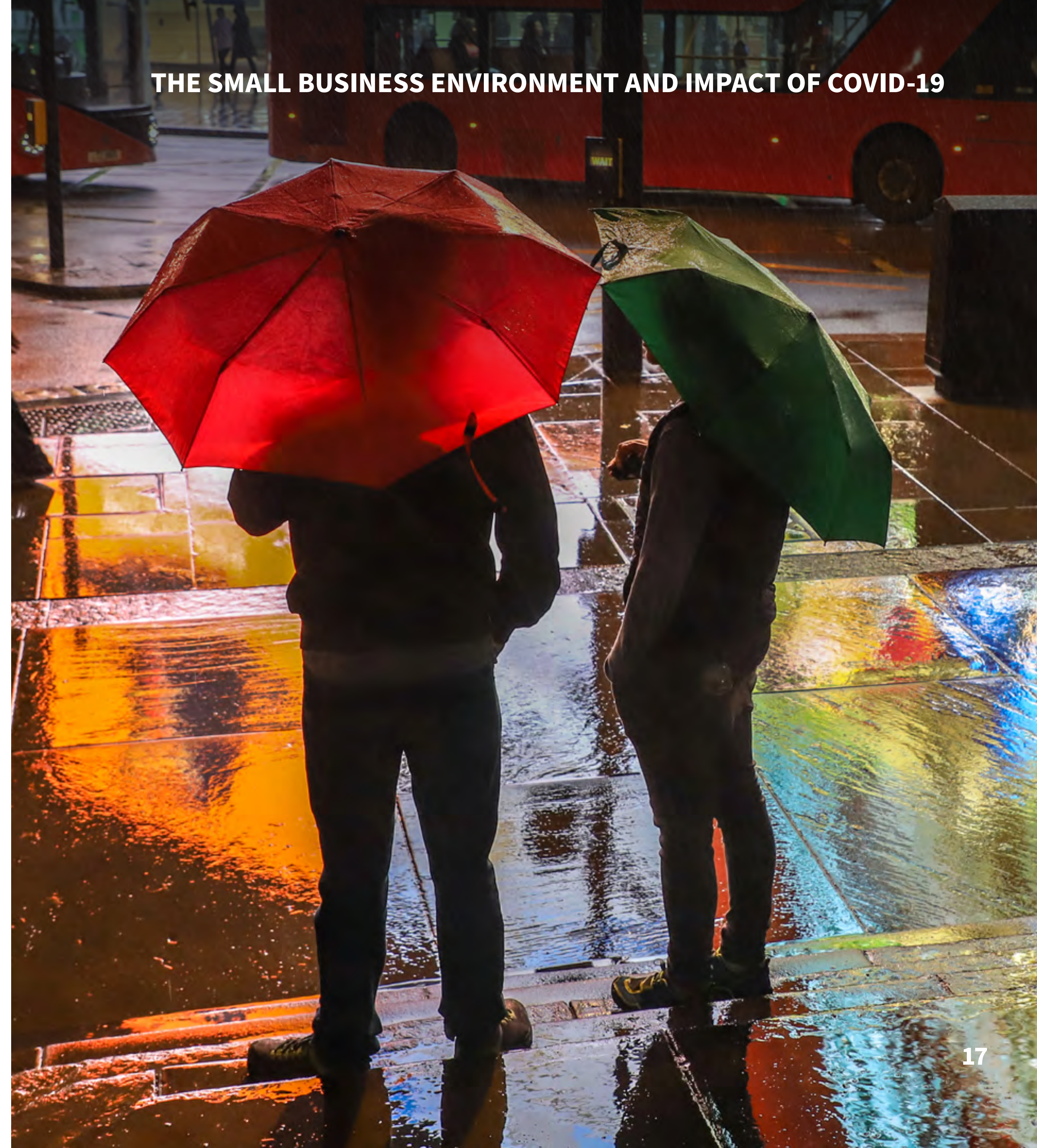




# COVID-19 NEGATIVE CHANGES

There are, however, also negative trends emerging from Covid-19. Almost **70%** of businesses indicated having to limit the number of customers on their premises, which, combined with decreasing hours of operations, led to lost sales and revenue in **62%** of businesses surveyed.

Almost two thirds of small businesses had to increase administrative and operational overhead to respond to changes brought on by the pandemic, contributing to a decline in productivity in **57%** of small businesses and lost customers or leads in **54%**. Almost half of small businesses surveyed (**42%**) had to lay off employees and **41%** had to get financial assistance or loans.





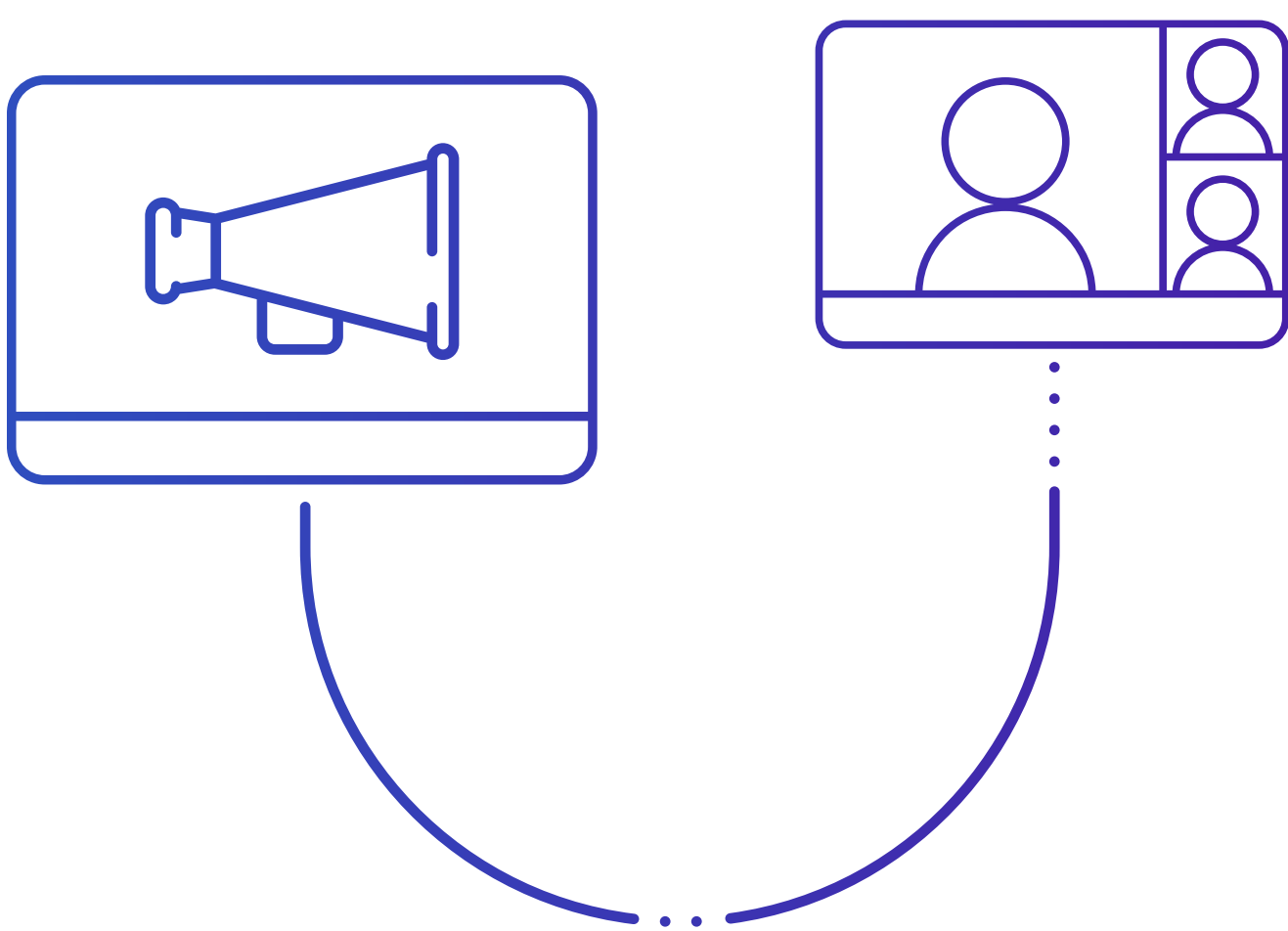
THE SMALL BUSINESS ENVIRONMENT AND IMPACT OF COVID-19



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# COVID-19 DRIVING TECHNOLOGY UPGRADES

Within the last year, nearly all small businesses have adopted new technologies or upgraded existing technology due to the pandemic. Online marketing and videoconferencing are the two most popular areas of investment, with over half of U.S. small businesses investing in those communication-centric technologies.





# PAYMENT BEHAVIOR TRENDS

In terms of payment trends, Worldpay found the top payment types accepted by small business in 2021 are credit cards, cash, mobile, and digital wallet – while credit cards and debit cards remain the most preferred payment method for customers.

More than two in three businesses in the U.S. agree that accepting new payment types has been important to their survival. However, selling through other venues such as channels and social media have been nearly as important to them.

Credit and debit cards are the most accepted form of payment at **84%**, cash still comes second at **80%**, but mobile or digital wallets are gaining ground with **66%** of small businesses accepting and **22%** of small businesses considering this payment type.

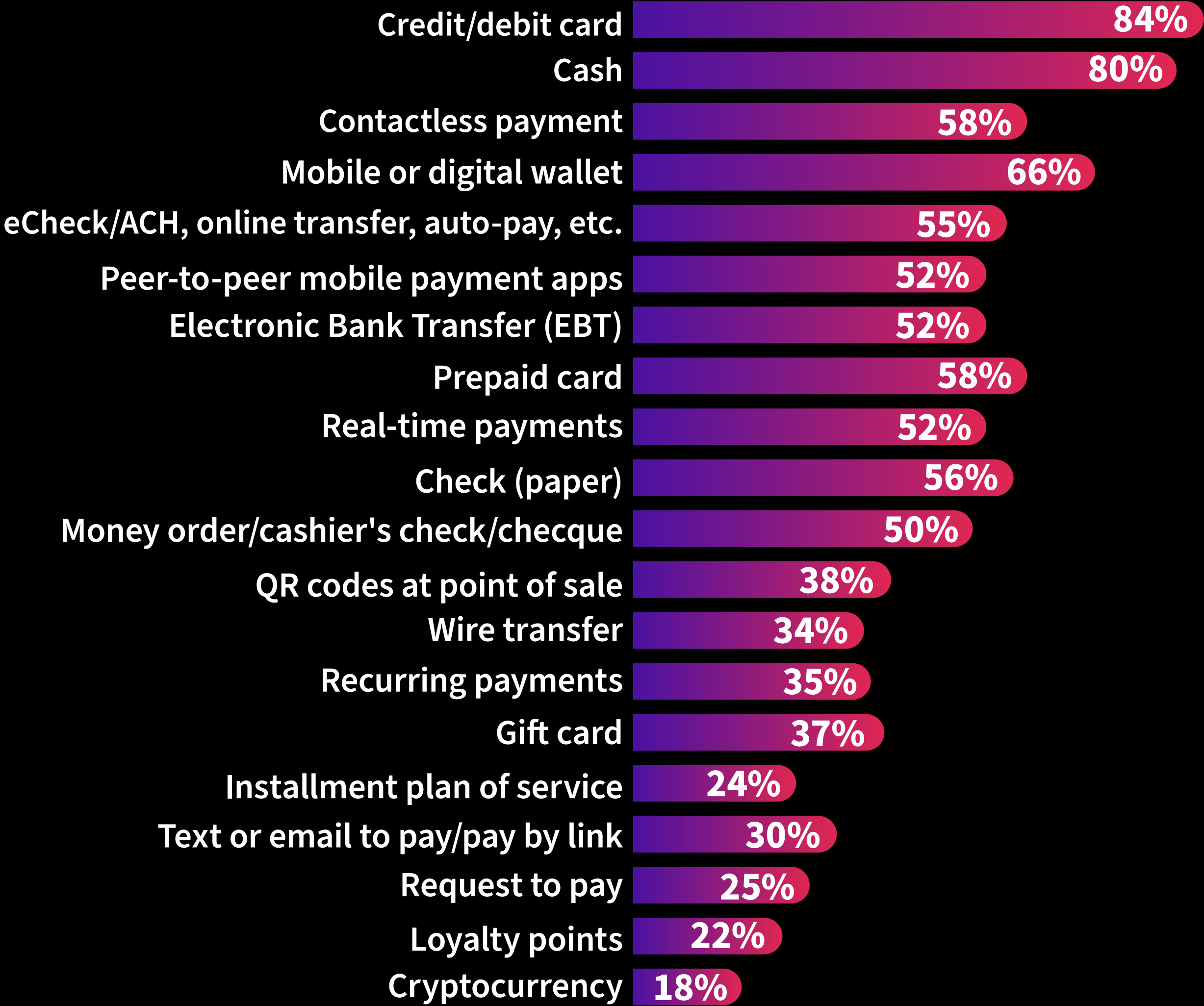
Credit/debit cards contribute to sales to a greater degree for larger organizations with small businesses having sales between \$5 to \$10 million noting that **48%** of this payment type contributed the most to their revenue.

In addition to a company's own website, the most popular sites or apps for online selling are Amazon, Facebook, eBay, and Instagram.



# CARDS AND CASH ARE THE MOST ACCEPTED FORM OF PAYMENT

The top two payment types accepted in the U.S. are credit/debit cards and cash, with many businesses accepting both as indicated percentages of payment types accepted.





## NEW PAYMENTS KEY TO SURVIVAL

Almost three quarters of small businesses agree that accepting new payment types has been important to their survival this past year. But selling through other venues, such as channels and social media, has been nearly as important to them.

Accepting and adopting new payment types is equally important across all small businesses regardless of industry or size. A key difference is how these businesses sell; adopting new payment types is significantly more important for businesses with an online presence than those with only a face-to-face presence.

The majority of online or online only businesses (73%) feel it important to their business survival to adopt and accept new payment types.

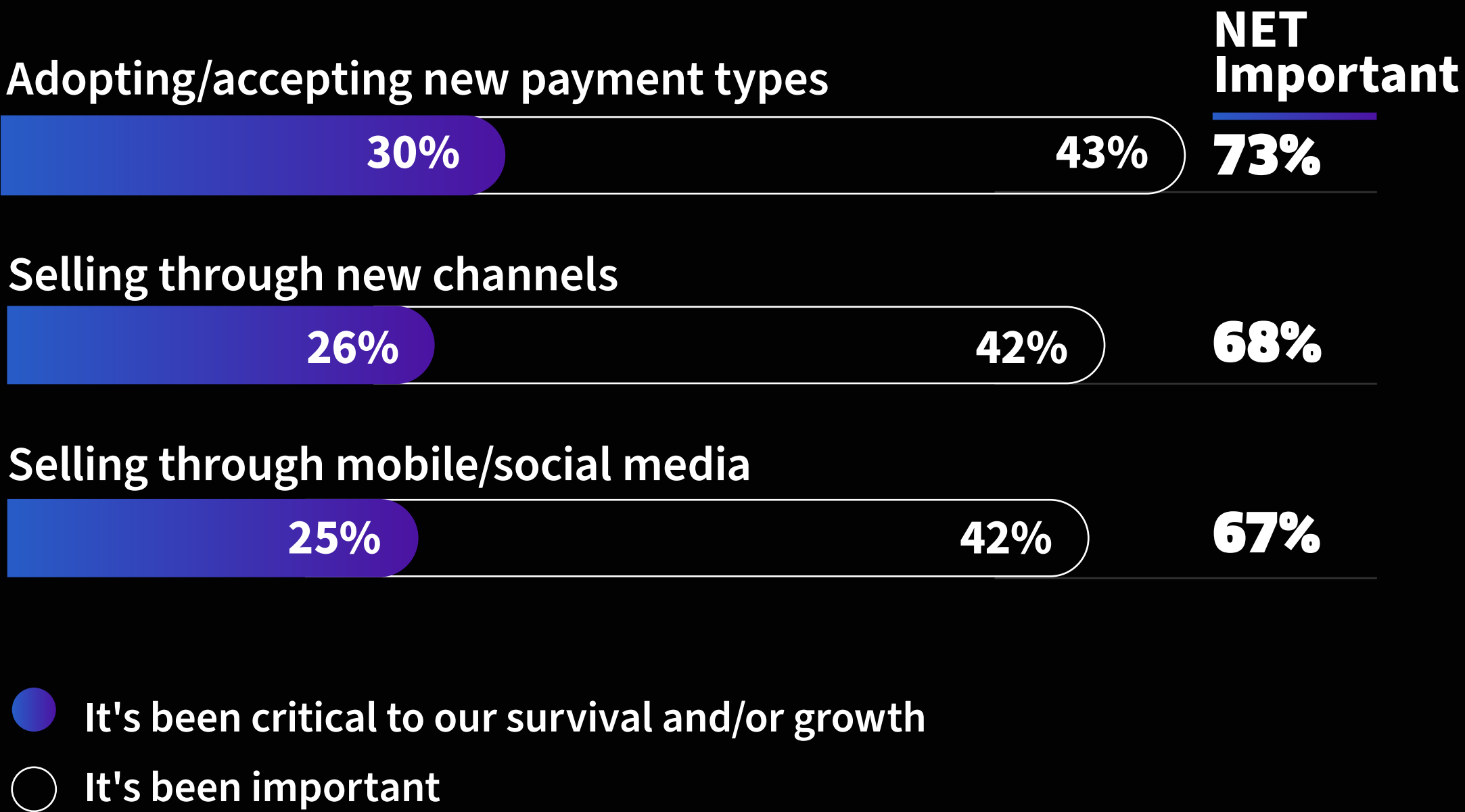


# NEW PAYMENTS KEY TO SURVIVAL (CONTINUED)

In terms of the importance of social media, how businesses sell maps to how important this selling tool becomes.

The online is significantly more important than the face-to-face, but, interestingly, having both a face-to-face and online presence is more important than just an online presence. The importance of selling through social media is at **44%** in organizations that sell only face-to-face but rises in importance to **64%** of firms selling only online and **72%** selling through both channels.

## PAYMENT BEHAVIOR TRENDS





## **SURVIVAL DRIVERS BY INDUSTRY**

Looking at changes deemed most critical to survive for U.S. businesses, in most industries, adopting new payment types was deemed the most critical – except restaurants, who are much more likely to say online sales with pick-up was more critical. Retail organizations also indicate online with curbside was their primary contributor to survival and growth.

Other than the retail and restaurant online and curbside pick-up growth, over one third of health care firms surveyed said that adopting new payment types was key to their survival.



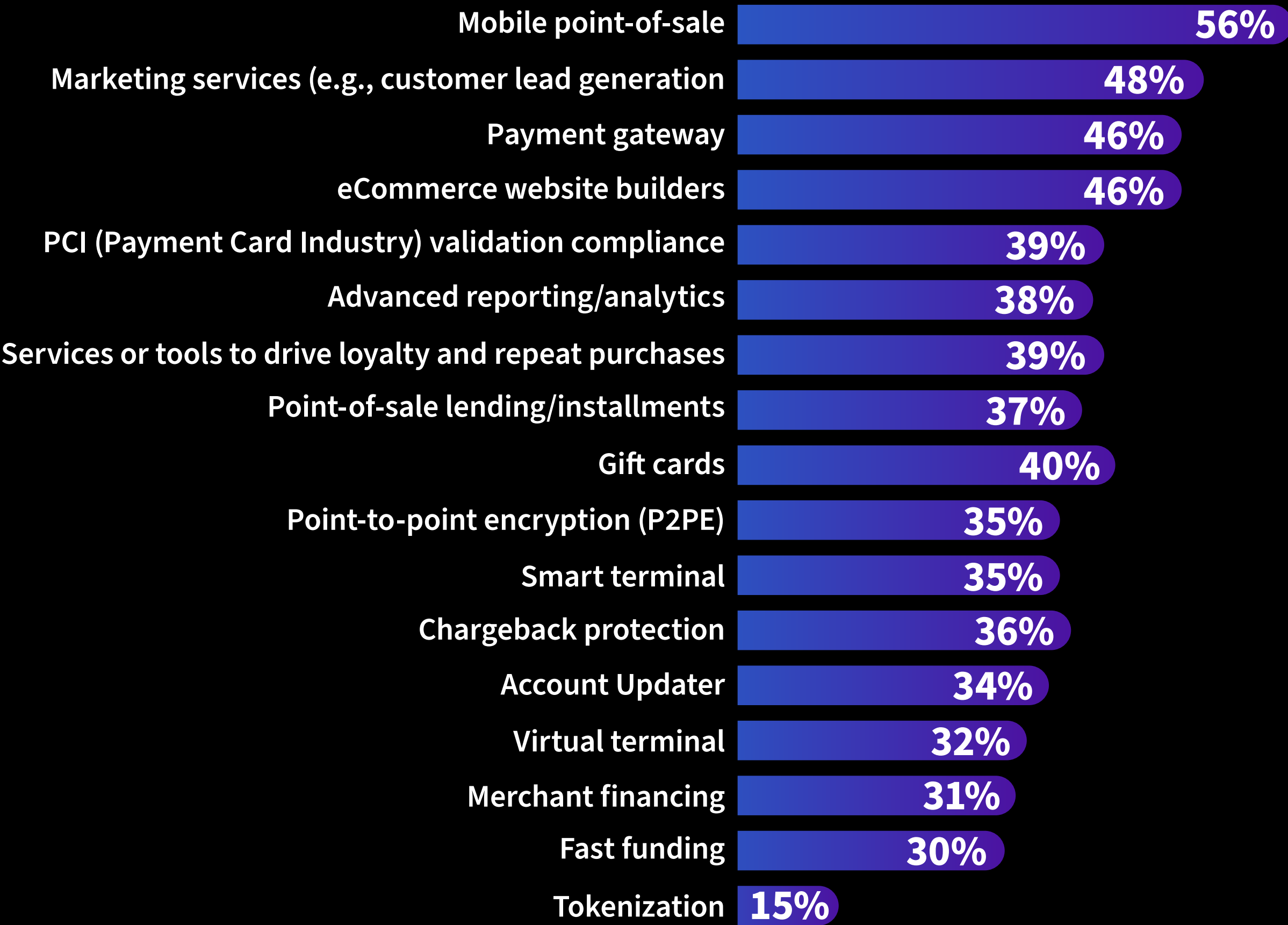
# MOST POPULAR PAYMENT TECHNOLOGIES IN USE

The SMB PACE research indicated the most popular commerce technologies in use with small businesses are mobile point-of-sale.

Marketing services (lead generation), payment gateway, and eCommerce website technologies all came closely together, with close to half of the respondents using those services.



## PAYMENT BEHAVIOR TRENDS





# RECOMMENDATIONS

## Guidance for US small businesses

In addition to payment provider insight, Worldpay offers the following considerations for the success of small U.S. business entities for the remainder of 2021 and into the future:

- If you're going to be selling more on-site, make it easier for shoppers to buy from you
- Optimize omnichannel sales so you can be wherever your customers are
- Boost customer satisfaction and loyalty by accepting the payments they want to use
- Use payments strategically to optimize cash flow and profitability
- Be prepared to accept more innovative payment types such as cryptocurrencies, contactless payments, buy now, pay later (BNPL), text-to-pay and other leading technologies



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# RECOMMENDATIONS

## Guidance for US small businesses (continued)

Companies preparing to better serve small businesses must offer to help them take action and seize these payment-oriented opportunities. Using the appropriate payment technologies is critical to sustainable success for a small business; Worldpay plans to continue offering guidance and recommendations into what those technologies are and will be in the near term. Whether you are a small business or an organization enabling small business payment strategies, it is important to remain current on payment trends to anticipate the offerings small businesses will need to thrive in the future.

**Worldpay offers these findings and subsequent future analyses based on the 2021 SMB PACE research. Keep an eye out for additional content that can help your team prioritize and plan for a brighter future.**





# METHODOLOGY

We partnered with a leading market research firm, Bredin, to conduct surveys of small businesses throughout the United States.

Survey respondents included 1,000 payment vendor influencers at U.S. or companies with two or more employees and the majority of their sales to consumers. The individuals surveyed had a manager role or above and at least one year of experience with their current firm. They represented a wide range of industries but did not include advertising or marketing firms or financial services entities.



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## About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our more than 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.

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