Priming the Economic Engine
How Social Media is Driving Growth for Small and Medium Businesses (SMBs)
Executive summary

$5.5 trillion in annual revenue. This is the value that small and medium businesses (SMBs) contribute to the North American economy. It’s no surprise then to see SMBs are playing such an important role in job creation and the overall economic recovery. In generating revenue and driving business growth, SMBs are continuing to leverage the multitude of digital channels available to them – social media in particular being used by 8 in 10 SMBs.

In fact, social media is a preferred marketing channel for SMBs and is closely tied to the success of hyper growth businesses, those businesses whose revenues are increasing the most. Seventy-two percent of hyper growth businesses report an increased spend on social media over last year, more than any other marketing channel.

What does social media bring to the table?

With the explosion of social media usage, social media marketing has become an important platform for SMBs to engage with customers, prospects, and employees. Indeed, social media is helping to address SMB’s number one challenge of “attracting new customers”, with sixty-one percent (61%) of SMBs finding social media useful in gaining new customers. SMBs use social media platforms to engage with existing and prospective customers, reinforce brand messaging, influence customer opinions, provide targeted offers, and service customers more efficiently.

Outside of the more ‘traditional’ measures of using social media, SMBs have also turned to social media platforms to gather information to make better business decisions. Forty-nine percent (49%) of SMBs use social media to learn, either from their own peers, experts, or partners. When it comes to making decisions on financial products, social media doesn’t lose its influence. An impressive thirty-seven percent (37%) of SMBs, who use social media in both the discovery and consideration phase, were driven to purchase a financial product.

Social media has the potential to further impact what financial products SMBs ultimately purchase. One significant opportunity lies in bridging the gap between the type of content SMBs expect on social media and what they actually receive. SMBs are looking for content like new product information and best practices/how-to-guides on social media, yet financial institutions have yet to fully deliver. Ultimately, financial institutions that can build lasting relationships with today’s fastest growing SMBs stand to gain tremendous lifetime value from these companies who may grow into tomorrow’s large enterprises.

1 Dun and Bradstreet Database, Jan. 2014. SMBs include businesses between $1 million and $49.9 million in revenue.
Objectives

In order to understand the role of social media in the SMB value chain and its effectiveness in solving key business challenges, LinkedIn teamed up with TNS to survey financial decision makers at 998 North American SMBs, which are defined as enterprises with revenue between $1 million and $49.9 million.

The research also examines the impact of social media in the path to purchase for financial decisions and the opportunities for financial institutions to cater to SMB’s unmet needs by providing the content they seek on social media.

Summary of Key Findings

Social media: ideal for marketing, but also for learning.
- 81% of SMBs currently use social media to drive business growth and 9% are planning to use it in the future.
- While 94% of SMB social media users leverage it for marketing, nearly half also use it for learning and deriving business insights.

Marketing on social media helps to address SMB’s number one challenge, “finding new customers” – especially for hyper growth companies.
- 3 in 5 say it helps to gain new customers.
- 56% of SMBs increased spend on social media in the past year. Additionally, 73% of hyper growth businesses increased spend.
- 91% of hyper growth SMBs say it is effective for increasing awareness and 82% for generating new leads – which is more than 58% higher than the stated effectiveness for non-growth companies.

There is a prime opportunity for financial companies to connect with SMBs on social media, and they’re most receptive on LinkedIn.
- 68% use social media for finance-related reasons.
- After using social media for discovery and consideration, 93% are driven to take some sort of action and 37% are driven to purchase.
- Following a brand page is the #1 social media touch point when choosing a financial institution.
- SMBs are 21% more open to receive financial information on LinkedIn than on Facebook and Twitter.
SMBs: A Highly Valued Segment

Widely considered the engine of economic growth and job creation, SMBs are fundamental blocks in rebuilding the global economy. According to Dun and Bradstreet, small and medium businesses with revenue between $1 million and less than $50 million account for 1.3 million business units in North America and are generating approximately $5.5 trillion in revenue. They’re optimistic about the economy in 2014, and they’re spending more as marketing budgets are up 10.7% year over year.ii

Share of total revenue contribution in North America

SMALL BUSINESSES

Revenue
$1M to $9.9M USD

Total Number of Units
1,124,949

Total Revenue Contribution
~3 trillion dollars

Top 3 industries surveyed:
Professional Services
Retail & Consumer Products
Financial Services

MEDIUM BUSINESSES

Revenue
$10M to $49.9M USD

Total Number of Units
127,815

Total Revenue Contribution
~2.5 trillion dollars

Top 3 industries surveyed:
Manufacturing-Industrial
Professional Services
Financial Services

Social Media: Ideal for marketing, but also for learning

Social media plays a significant role in the success of SMBs as an important resource for marketing and learning -- presenting a prime opportunity for financial institutions to develop beneficial relationships with these growing companies.
With 4 in 5 SMBs currently using it, social media use spans over 1 million SMBs in North America, impacting more than $4.5 trillion in revenue. Another 9% of SMBs intend to use social media in the near future, further expanding the share of revenue social media can impact.

- **Social media use is growing:** more than 1 in 2 SMBs have increased spend on social media compared to the prior year; increased spend on social media is higher than that for any other marketing channel, including email marketing and events.

- **Social media provides ROI:** 3 in 5 SMBs say it helps to gain new customers; more than 2 in 5 SMBs find it useful to retain existing customers.

- **Social media solves for their top business challenge:** nearly 2 in 3 SMBs state their #1 challenge is attracting new customers, and 60% find social media solves for that by effectively building brand awareness vis-à-vis growing/maintaining company presence, marketing their company and gaining new customers.

“We’ve successfully run several promotions... gathered a few thousand potential end-user customers and had a moderate conversion rate for paying customers.”

*(Medium Business, Fitness)*

“We established contact with a company doing some similar work in another part of the country and were able to share resources necessary to complete a project.”

*(Medium Business, Technology - Software)*

**SMBs look to social media for learning and to research suppliers**

Social media proves useful in other key areas of the SMB value chain as well, notably learning and productivity. 1 in 2 SMBs leverage social media as a learning tool and the key reason is access to a network of peers. 72% of social media learners stated that it was effective, which they use not only to gain insights and information, but also to build credibility and source potential business partners and suppliers.

**Top reasons for learning**

1. **Access a network of peers** to ask questions / get recommendations

2. **Learn from experts** in my industry

3. **Obtain learning, insights or best practices**

4. **Find information and opinions** to answer my questions
Providing the right content for SMBs

Finance marketers can make learning more impactful and build deeper relationships with SMBs by providing the content that they seek. Over 3 in 4 SMBs consider industry-specific news/articles to be most valuable. Testimonials from clients and industry experts are also highly valued content.

**Top 5 valuable social media content**

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<tr>
<td>01</td>
<td>NEWS</td>
<td>79% Industry specific news / articles</td>
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<tr>
<td>02</td>
<td>Testimonials / reviews / opinions from customers or clients</td>
<td>74%</td>
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<tr>
<td>03</td>
<td>Testimonials / reviews / opinions from industry experts</td>
<td>70%</td>
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<tr>
<td>04</td>
<td>67% Best practice guides from other companies</td>
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<td>05</td>
<td>66% News articles about other companies</td>
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We looked at the top articles viewed by small business owners on LinkedIn and found that content about business leadership and marketing are most popular with them. Below are a couple of examples:

**Insights & Publications**

*Article | McKinsey Quarterly*

**Why leadership-development programs fail**

Sidelining four common mistakes can help companies develop stronger and more capable leaders, sooner, and at a fraction of the cost. Over two-thirds of respondents identified leadership development as a top priority. How do companies identify and develop their leaders effectively? McKinsey partner discuss lessons learned.

**How iBeacons could change the world forever**

Apps such as Google Maps and Foursquare have long used location data to try to improve the average person’s mobile experience. But that could be just the tip of the iceberg as Bluetooth’s latest technology revolutionizes how people interact with everyday objects and places.

With iOS 7, Apple unveiled iBeacon, a feature that uses Bluetooth 4.0, a location-based technology. This makes it possible for retailers to place iBeacon sensors on such as this one from Staples around their stores, in hopes of better connecting with and serving customers. (Courtesy...
There is a strong correlation between increased social media spend and hyper business growth.

Undoubtedly, the SMBs that have the greatest impact on the economy and job creation are those in growth mode, and those companies are most active on social media.
We found that over 3 in 5 SMBs are growing and 1 in 6 SMBs is in hyper growth mode, meaning they report a significant increase in overall revenue compared to last year. Among hyper growth companies, 40% are small businesses and the other 60% are medium businesses. On the other hand, small businesses make up the bulk of non-growth companies (62%).

Hyper growth SMBs are increasing their spending on social media at a faster pace. Close to three-quarters of SMBs in hyper growth indicate increased spend, compared to only 42% of SMBs that are in non-growth mode. And similar to all SMBs in general, social media emerges as the top marketing channel where SMBs have increased spend.
The increased adoption of social media by SMBs in hyper growth may be tied to its effectiveness in building awareness and generating new leads – two critical challenges for growing companies. Nearly 90% of hyper growth SMBs said that social media advertising is effective for increasing awareness of their company, products, and services and for generating word of mouth. 82% stated that social media is effective for generating new leads.

**SMBs in hyper growth find social media to be very effective in achieving key marketing goals**

% Reporting That Social Media is Effective For…

<table>
<thead>
<tr>
<th>Branding</th>
<th>Word-of-Mouth</th>
<th>Content Marketing</th>
<th>Lead Generation</th>
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</thead>
<tbody>
<tr>
<td>90%</td>
<td>88%</td>
<td>89%</td>
<td>82%</td>
</tr>
<tr>
<td>Maintaining a company presence &amp; identity</td>
<td>Generating word-of-mouth about a company</td>
<td>Delivering content &amp; information about company</td>
<td>Advertising to generate new leads</td>
</tr>
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</table>
Social media is one of the most influential touch points when SMBs choose a financial provider

Engaging with financial services companies on social media triggers SMBs to take action, usually in the form of gathering more information to make a purchase.
Over two-thirds of SMBs use social media for finance-related reasons, providing a golden opportunity for financial institutions to connect

The top three finance-related reasons SMBs turn to social media are:

1. Staying up-to-date on financial trends
2. Gathering preliminary information about financial products and companies
3. Seeking information for financial decisions

In the process of engaging with social media, at least 1 in every 4 SMBs are following the institution (33%), looking for referral/recommendations from peers (28%) and/or seeking real-time assistance (25%).

“Engaging with financial services companies on social platforms has provided [us] with details about new products that our company will find beneficial.”

(Medium Business, Technology - Software)

Social media triggers SMBs to take action and learn more about financial products and companies

Social media serves as a trigger for learning new information, so financial institutions should deliver a clear path to purchase that includes discovery and consideration.* Nearly 2 in 3 SMBs turn to social media for financial education or research in their path to purchase of financial products. After hearing or reading about a financial product on social media, SMB’s top actions are conducting additional research (24%) and actively learning about products, account types and companies (22%).

When looking at the combined impact of discovery and consideration on SMB’s financial decisions, the vast majority who use social for both purposes take action- whether it is to learn, discuss or purchase (93%).

* Discovery includes keeping up-to-date and/or gathering preliminary information on current financial trends, products/policies/solutions, or institutions/companies; Consideration includes seeking advice or gathering information to help make a specific financial decision and/or evaluating (or re-thinking) a financial decision their company has already made.
Additionally, 37% of SMBs who use social for discovery and consideration are driven to purchase a financial product, completing the purchase cycle and leaving the channel open for future customer service and referrals.

There is a significant opportunity for financial service providers to cater to SMB’s unmet needs.

As SMBs look for information on products, companies and industry, there is a substantial gap (16-29%) between the information they expect and what they actually receive, thereby presenting an opportunity for financial institutions to provide the very content they seek.

**Top 5 Types of Finance Content expected on social but not received**

- **Best practices, how-to guides, checklists**: 29%
- **New innovation and technology developments**: 22%
- **New product information**: 21%
- **Company background**: 20%
- **Industry news/strategy information**: 16%
SMBs are most receptive to learning about financial products on LinkedIn

In today’s economic environment, transparency and authenticity in business are held at a premium. Financial institutions must turn to channels that SMBs consider relevant and trustworthy. When looking at the top social media websites/services used by SMBs, LinkedIn emerged as the top site for receiving financial information (57%) -- a 21% difference compared to Facebook and Twitter (47%, each).

Openness to receiving financial information on social media sites

<table>
<thead>
<tr>
<th>Platform</th>
<th>Openness to Receiving Financial Information</th>
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<tbody>
<tr>
<td>LinkedIn</td>
<td>57%</td>
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<tr>
<td>Google+</td>
<td>49%</td>
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<tr>
<td>Facebook</td>
<td>47%</td>
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<tr>
<td>Twitter</td>
<td>47%</td>
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<tr>
<td>Pinterest</td>
<td>45%</td>
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<tr>
<td>Yelp</td>
<td>38%</td>
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Only LinkedIn provides SMBs with the 4 C’s -- credibility, connection, context, and community - which allows them to share content and recommendations with a relevant network of peers and experts in a trusted context. No other social media provides this level of professional context and credibility at scale.

**CREDIBILITY**
Nearly 3 in 4 agree LinkedIn allows them to build credibility.

**COMMUNITY**
Nearly 2 in 3 agree LinkedIn provides access to a broader community of other companies to seek opinions.

**CONNECTION**
Over 2 in 3 agree LinkedIn lets them connect with vendors or potential partners.

**CONTEXT**
Over 2 in 3 agree LinkedIn provides a relevant context to promote and advertise their company.
Furthermore, LinkedIn supports different activities throughout the entire value chain for SMBs. Whether for inbound activities, such as sourcing suppliers and innovating with a broader social community, or outbound activities such as marketing and customer service, LinkedIn provides a relevant context for SMBs to connect and collaborate.

LinkedIn is a valuable tool across different activities in the SMB value chain

**SOURCING**
Allows me to identify the **CREDIBILITY** and expertise of potential partners and **CONNECT** with vendors or other companies

**OPEN INNOVATION**
Provides access to a broader **COMMUNITY** of other companies and thought leaders to seek opinions/recommendations

**MARKETING & SALES**
Allows me to **CONNECT** with current customers

**CUSTOMER SERVICE**
Allows me to build **CREDIBILITY** and provides a relevant **CONTEXT** for me to promote and advertise my company

As a result of the 4C’s, small business owners share content 3x as much on LinkedIn compared to other professionals on the platform. In addition to being the #1 platform for information on financial services and products, LinkedIn offers products to support all of the top five social media touch points SMBs find important when choosing a financial service provider and sourcing suppliers/partners. Financial institutions can build deeper relationships with these business owners on LinkedIn by engaging them across each of these touchpoints.

Build relationships through multiple touchpoints on LinkedIn

- **FOLLOW** Build your followers
- **LIKE**, **SHARE**, **COMMENT** Encourage referrals and recommendations
- **SEND INMAIL** Provide real-time assistance
- **GROUPS** Build community
- **SPONSOR UPDATE** Publish through leadership
Conclusion

SMBs will continue to be a driving force of the economy for years to come. If financial institutions want to play an active role in this growth story, they need to find new and effective ways of connecting with the financial decision makers at SMBs. Social media provides a significant opportunity to provide useful content and information that differentiates.
Implications for Marketers

How can financial institutions leverage social media to connect with SMBs?

1. Enable learning throughout each phase of the purchase path
   Social media is an important resource for SMBs to learn about financial trends and information -- triggering them to take further action and eventually purchase. Establish a social media content plan that provides resources and helpful information to build pathways to discovering your company. Tailor your content to key industry verticals to make your brand even more relevant.

2. Fulfill unmet content needs
   How-to guides and info on new business technologies are valuable content that SMBs have indicated they are not getting enough of on social. This unfulfilled need presents an opportunity for financial institutions to provide meaningful value that differentiates -- particularly product info that is presented in a simple and useful way (ie. best practices and checklists).

3. Target hyper growth companies
   With the vast number of SMBs in North America, it’s important to have a targeted plan of engagement. SMBs in hyper growth mode not only represent the more lucrative financial opportunity, but they are also more receptive to receiving information from financial institutions. Building a relationship with them now can mean an even greater lifetime value as they grow into tomorrow’s large enterprises.

4. Provide resources for the entire SMB value chain
   SMBs use social media for a number of different activities - from sourcing suppliers and collaborating on ideas to marketing their business and providing customer service. Financial institutions can help them take full advantage of the platform by sharing content across the full value chain, not just strictly on financial topics.

5. Build your credibility by facilitating an open dialogue with SMBs
   Authenticity, transparency, and trust can make or break your brand’s presence on social media. Establish these brand characteristics by facilitating an open dialogue on the social platform that they are most receptive to receiving financial information - LinkedIn.
Methodology

This report is based on a study conducted in November 2013 by LinkedIn in partnership with TNS. A 20-minute online survey was conducted among 998 North American small and medium businesses with revenue between $1 million and less than $50 million. In order to participate in the study, individuals had to be: owners/decision makers/ influencers of financial services and selecting financial service providers for their company; and had to have financial decision making influence at the company/ division/business unit level. Participants were also chosen to represent a good mix of SMBs across all industries. In addition, results were weighted to represent the greater North American SMB population [small business (revenue between $1M-9.9M): 54%; medium businesses (revenue between 10M-$49.9M): 46%].
Notes
Build relationships with SMBs on LinkedIn

If you would like to receive more information on how to tap into the growing SMB market through social media, please visit: http://marketing.linkedin.com/contact.

For SMBs looking to learn more about leveraging LinkedIn for your business, visit http://lnkd.in/smallbiz.