

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.¹ 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.



SOCIAL MEDIA

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.

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.



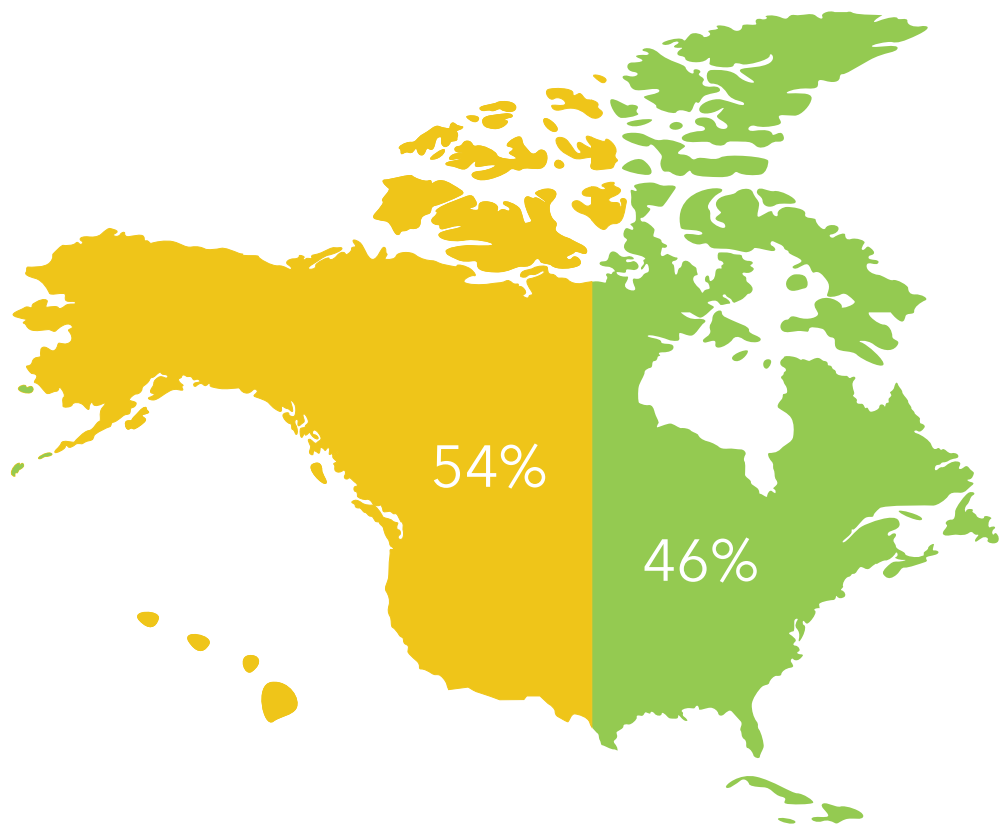
There is a prime opportunity for financial companies to connect with SMBs on social media, and they're most receptive on LinkedIn.

- 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





START
STOP
ENGINE

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.”

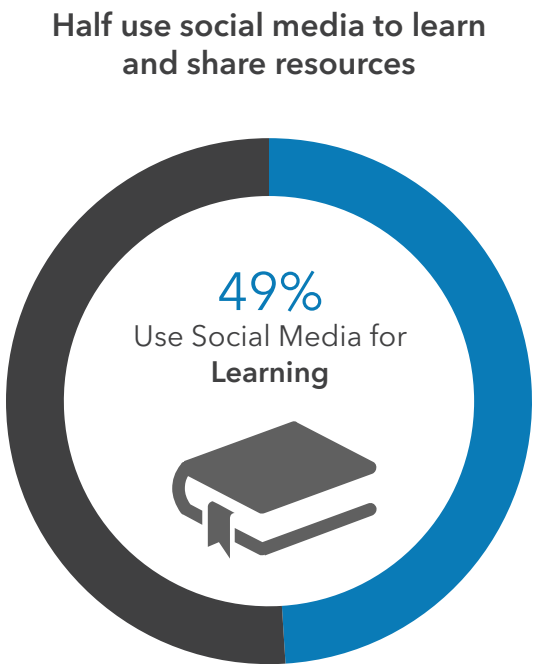
(Medium Business, Fitness)

“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.

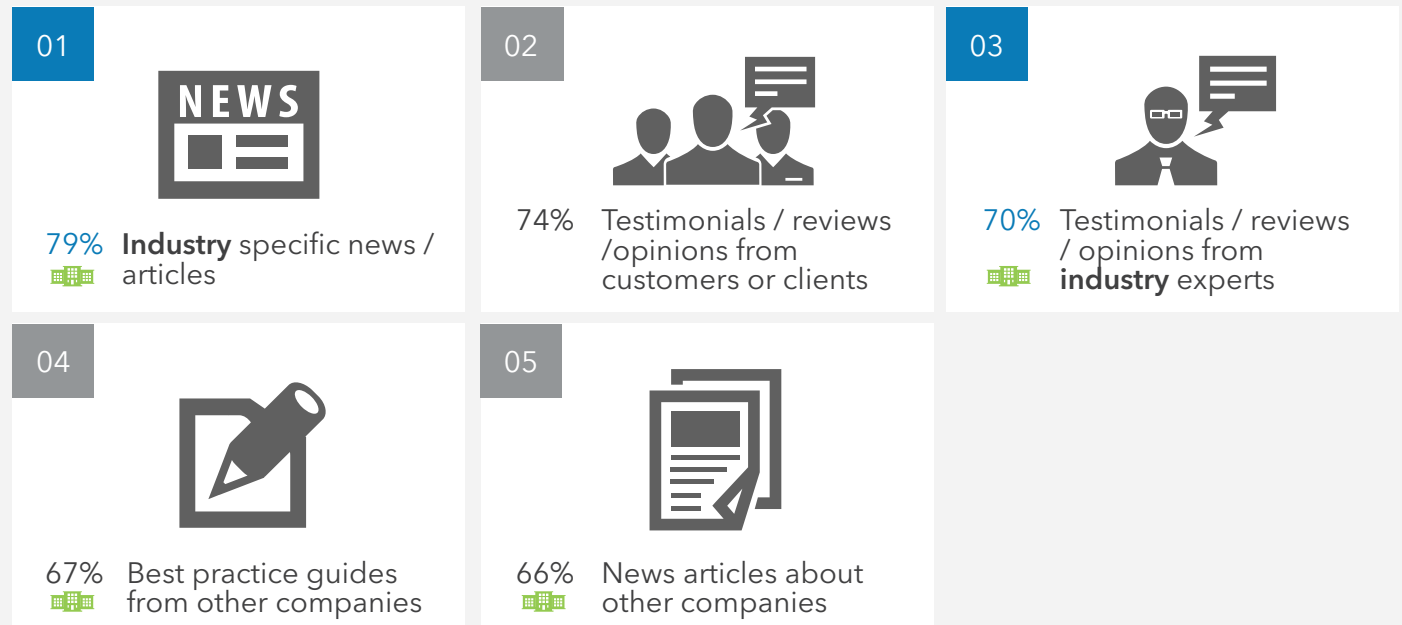


- Top reasons for learning
- 1 Access a network of peers to ask questions / get recommendations
 - 2 Learn from experts in my industry
 - 3 Obtain learning, insights or best practices
 - 4 Find information and opinions to answer my questions

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



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

Latest thinking | Industries | Functions | Regions | Themes

Article | McKinsey Quarterly

Why leadership-development programs fail

Sidestepping four common mistakes can help companies develop stronger and more capable leaders, save time and money, and boost morale.

January 2014 | by Pierre Gurdjian, Thomas Halbeisen, and Kevin Lane

For years, organizations have lavished time and money on improving the capabilities of managers and on nurturing new leaders. US companies alone spend almost \$14 billion annually on leadership development. Colleges and universities offer hundreds of degree courses on leadership, and the cost of customized leadership-development offerings from a top business school can reach \$150,000 a person.

Moreover, when upward of 500 executives were asked to rank their top three human-capital priorities, leadership development was included as both a current and a future priority. Almost two-thirds of the respondents identified leadership development as their number-one concern. Only 7 percent of senior managers polled by a UK business school think that their companies develop global leaders effectively, and around 30 percent of US companies admit that they have failed to exploit their international business opportunities fully because they lack enough leaders with the right capabilities.

We've talked with hundreds of chief executives about the struggle, observing both successful initiatives and ones that run into the sand. In the process, we've identified four of the most common mistakes. Here we explain some tips to overcome them. Together, they suggest ways for companies to get more from their leadership-development efforts—and ultimately their leaders—as these organizations face challenges ranging from the next demanding phase of globalization to disruptive technological change and continued macroeconomic uncertainty.

1. Overlooking context

McKinsey Insights app for iPad

Our latest thinking, delivered seamlessly to your iPad

The Washington Post

PostTV | Politics | Opinions | Local | Sports | National | World | Business

Innovations

It's all about what's next

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How iBeacons could change the world forever

BY MATT MCFARLAND | January 7 at 10:00 am

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 location 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

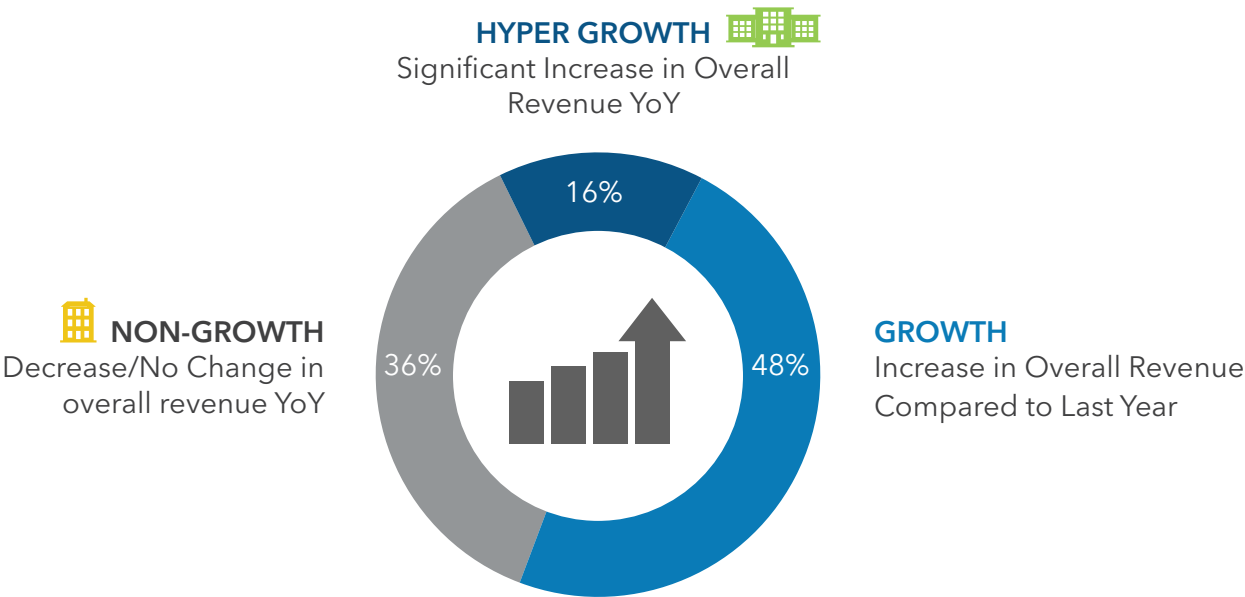
Retailers are likely to place iBeacon sensors such as this one from Shopkick around their stores, in hopes of better connecting with and serving customers. (Courtesy of Shopkick)



There is a strong correlation
between increased social media
spend and hyper business growth

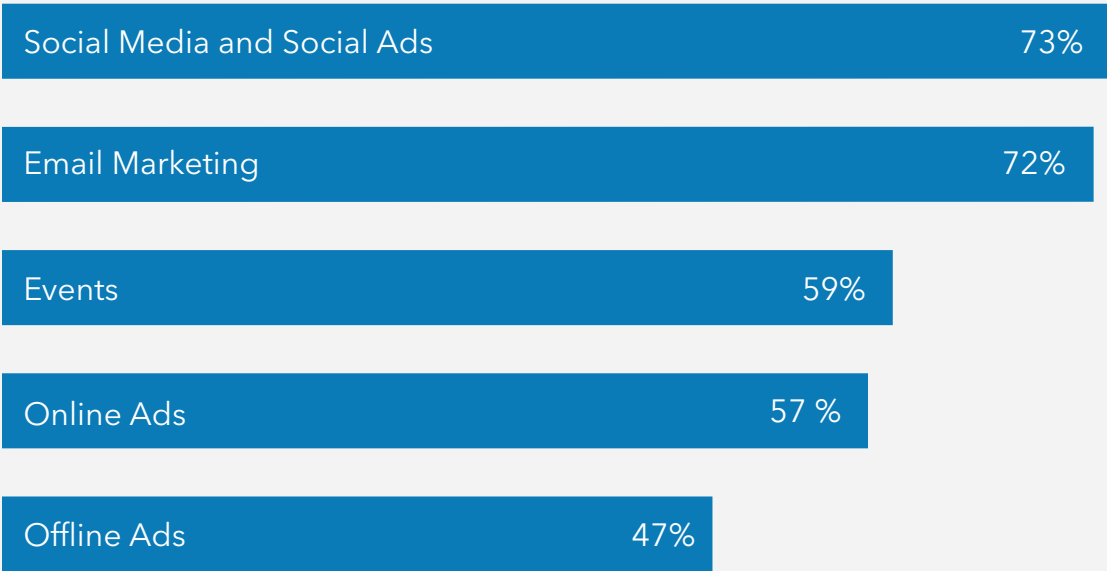
Undoubtedly, the SMBs that have the greatest impact on the economy and job creation are those in growth mode, and those companies are most active on social media.

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%).



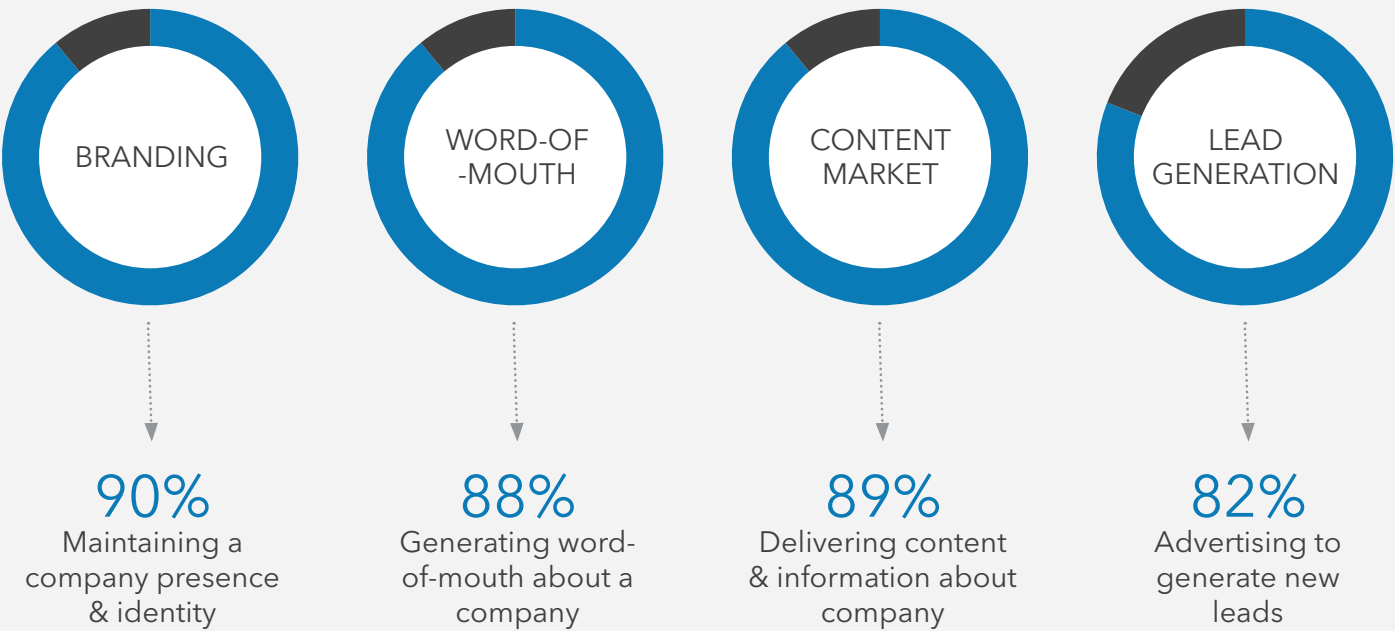
Hyper growth SMBs are increasing their spending on social media at a faster pace. Close to three-quarters of SMBs in hyper growth indicate increased spend, compared to only 42% of SMBs that are in non-growth mode. And similar to all SMBs in general, social media emerges as the top marketing channel where SMBs have increased spend.


Social media is the top channel where SMBs in hyper growth 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...





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.”

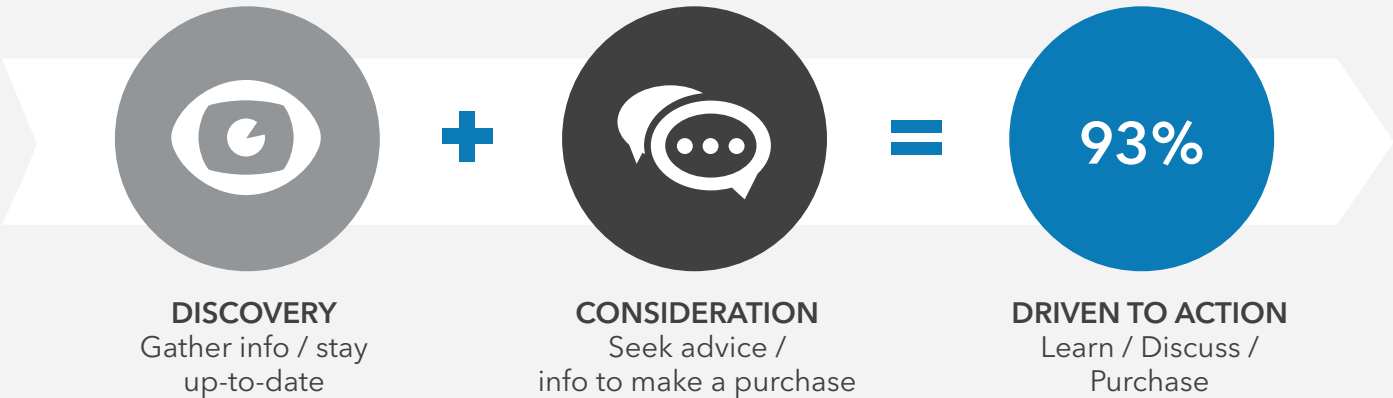
(Medium Business, Technology - Software)

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%).

Among SMBs who use social media for both discovery and consideration, almost all are driven to action



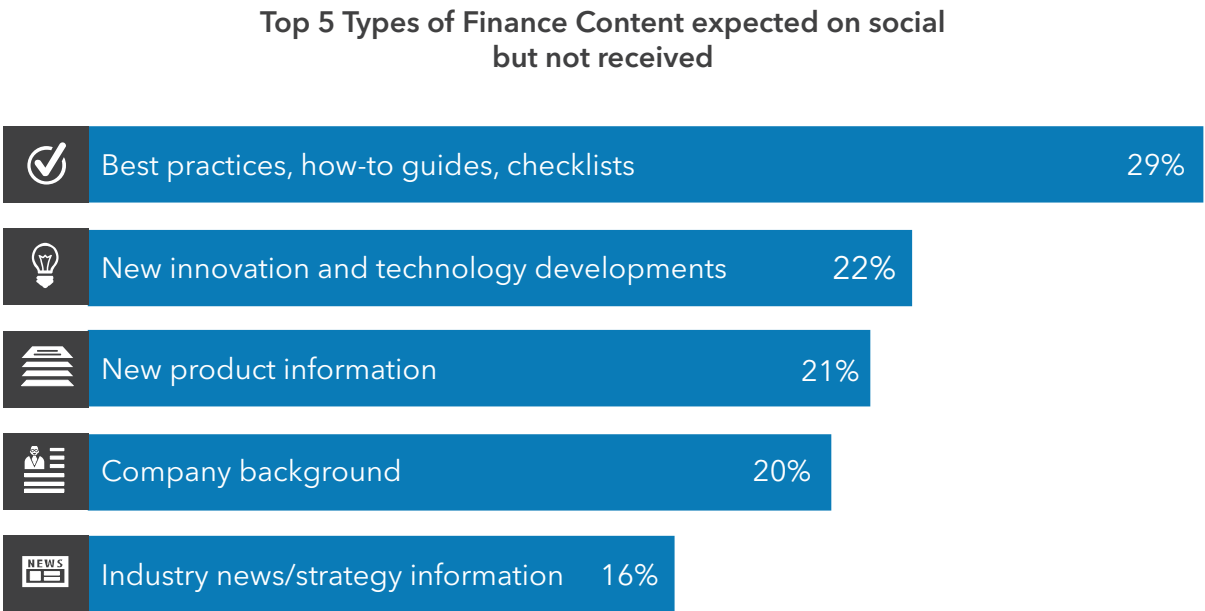
* **Discovery** includes keeping up-to-date and/or gathering preliminary information on current financial trends, products/policies/solutions, or institutions/companies; **Consideration** includes seeking advice or gathering information to help make a specific financial decision and/or evaluating (or 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

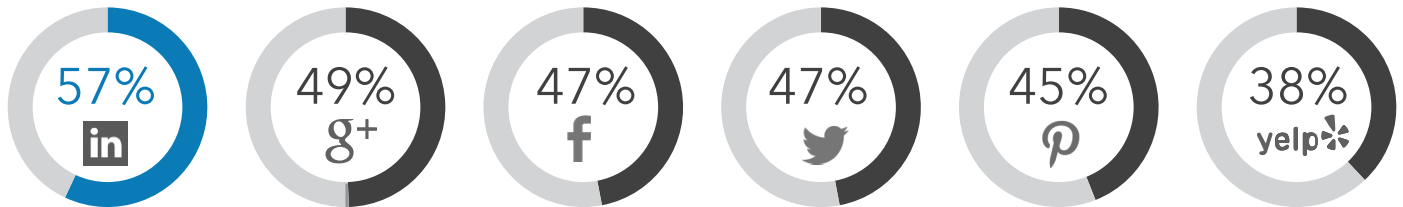
As SMBs look for information on products, companies and industry, there is a substantial gap (16-29%) between the information they expect and what they actually receive, thereby presenting an opportunity for financial institutions to provide the very content they seek.



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



69%

of hyper growth companies are receptive to finance content on LinkedIn

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.

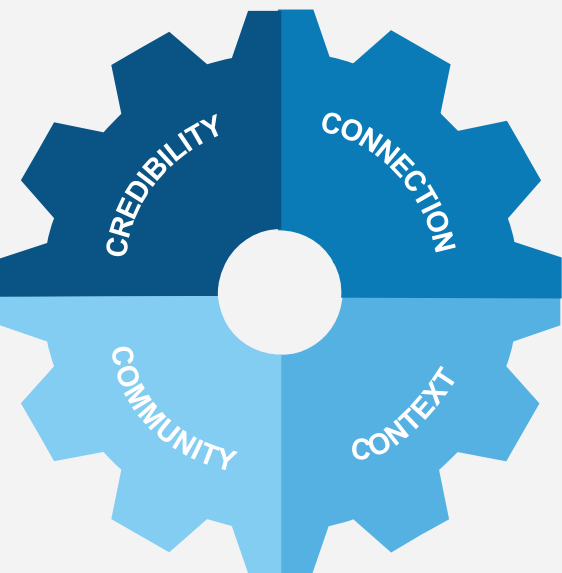


CONTEXT

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

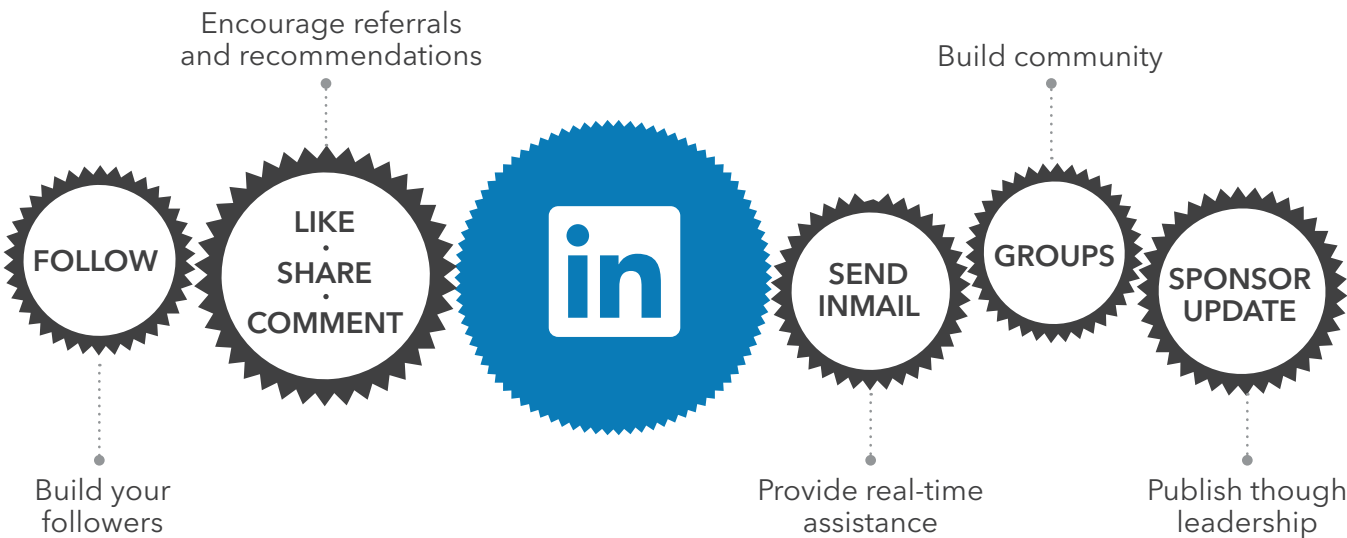
Allows me to **CONNECT** with current customers

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





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%].



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>.

