

Small Business Survey 2020

Conducted by Inquisitive, LLC

Overview

Objectives

- Gain a deeper understanding of the following about small businesses:
- Characteristics of business processes (reconciliation, manual vs. electronic, payments)
- Challenges with business and financial processes
- Usage of business and financial tools and software, including current/planned investment

Methodology

- Online survey among an external panel of 500 individuals employed at small businesses
- Survey was conducted in July/August 2020.
- All respondents have the following characteristics:
 - » Involvement in the decision making for payment processing and financial technology solutions at their company
 - » Employed at an organization with fewer than 500 employees

	Number of Respondents
1 – 50 employees	234
51 – 499 employees	266
TOTAL	500

Key Findings

- Two-thirds of organizations surveyed would characterize their business as growing.
- Processes most likely to be electronic are time tracking, invoicing, and payroll. Least likely to be electronic is expense reporting and reconciliation. One-fourth receive payments entirely electronically.
- Two-thirds said they receive their funds by the due date or within 10 days after the due date. Larger businesses are more likely than smaller ones to experience delayed payment.
- Top business challenges are hiring/retaining employees and technology efficiencies.
- Many businesses are confident they have streamlined the costs to receive and send money. More than half acknowledged that they experience some unpredictability surrounding cash flow.
- Among financial processes, fee/rate transparency, cash flow management, and manual processes present the most significant challenges.
- The three most common types of software in use are online banking, payroll and payment processing. Larger companies are more likely to use expense management software, benefit management software and ERP software.
- When selecting financial tools, businesses rank security/privacy as highest in importance. Ease of use ranks highest among very small businesses. Integration with other tools is a high priority for larger businesses.
- 48% of businesses surveyed spend more than \$10K per year on financial management software. Among larger businesses, that share is 72%.
- A little more than half of respondents are currently looking for new financial tools/solutions. Larger businesses are much more likely than smaller ones to be looking.

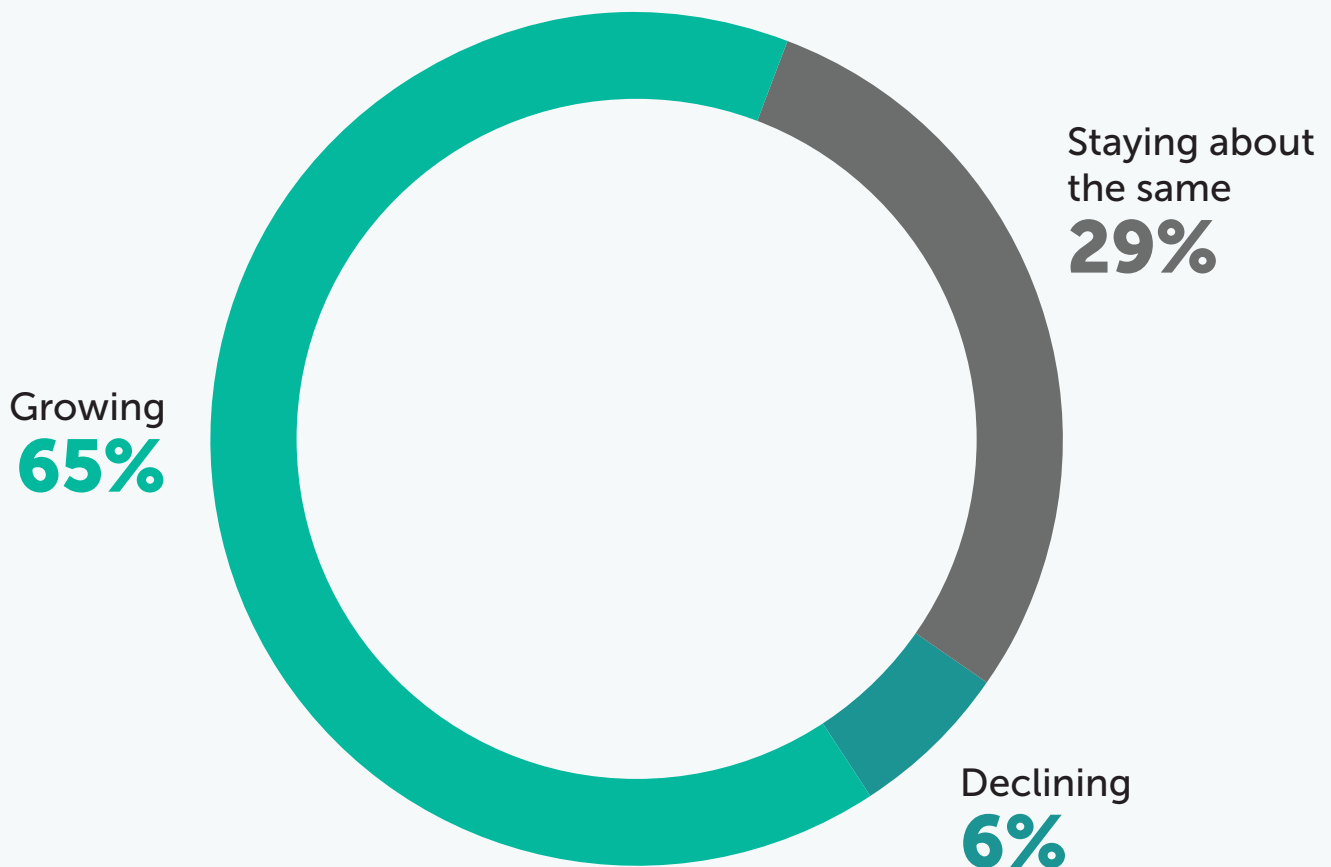


Status of Business

Two-thirds of organizations surveyed would characterize their business as growing.

Q. How would you characterize your business?

% of Respondents



No significant differences by company size



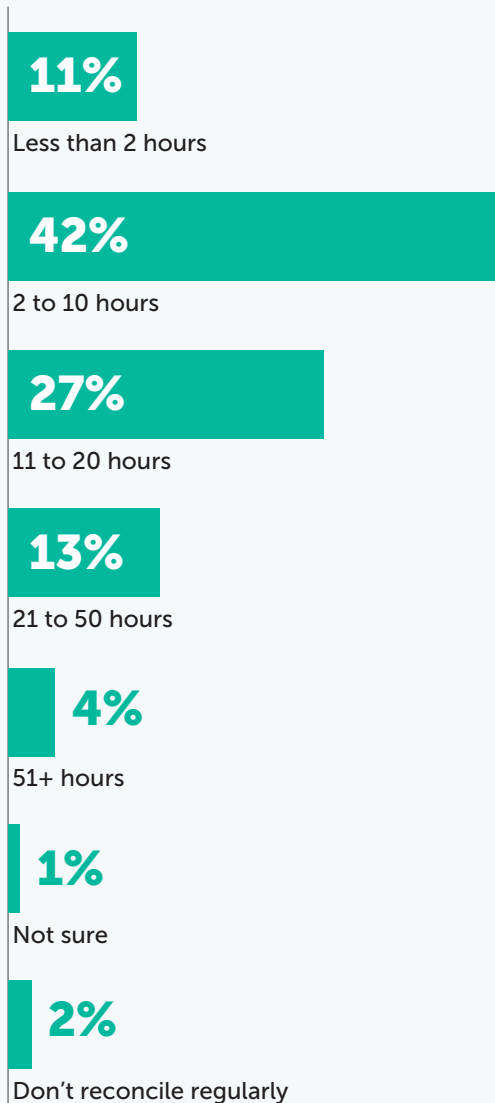
Time Spent Monthly Reconciling Books

Nearly half spend more than 10 hours per month reconciling their books. About one in five feel reconciliation takes too long. Larger companies (51 – 499 employees) take longer on average.

Q. On average, about how much time do you spend per month reconciling your books?

% of Respondents

Total



By Company Size

	1-50 EE	51-499 EE
Less than 2 hours	19%	5%
2 to 10 hours	48%	37%
11 to 20 hours	21%	32%
21 to 50 hours	6%	18%
51+ hours	2%	6%
Not sure	1%	2%
Don't reconcile regularly	3%	1%

21% feel they are spending too much time reconciling books

**EE = total employees*

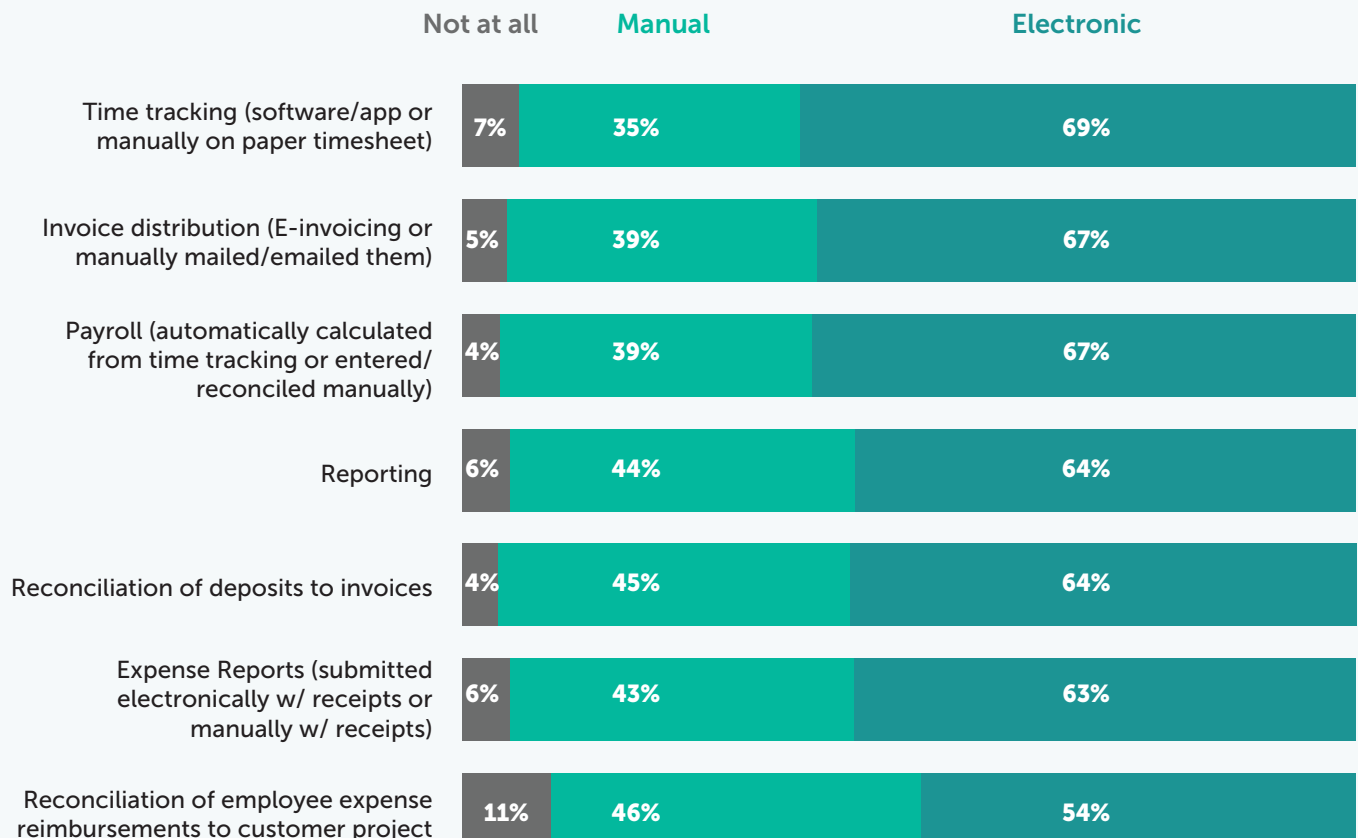


Processes – Manual vs Electronic

Processes most likely to be electronic are time tracking, invoicing and payroll. Least likely to be electronic are expense reporting and reconciliation.

Q. For the following actions, please indicate if they are performed electronically, manually or not at all.

% of Respondents



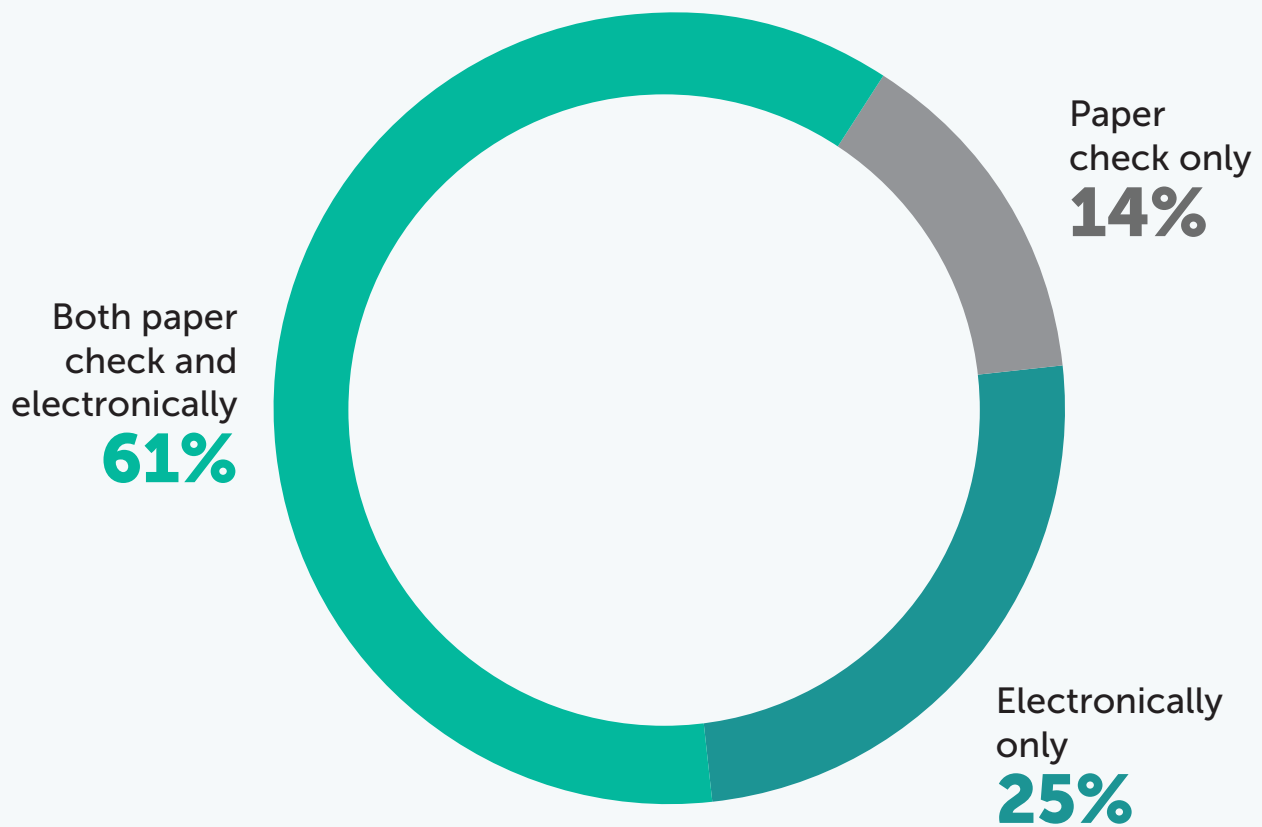
No significant differences by company size



Method of Payment Receipt

One-fourth receive payments entirely electronically. Most of the rest have a mix of electronic and paper.

Q. How do you receive payment?



No significant differences by company size



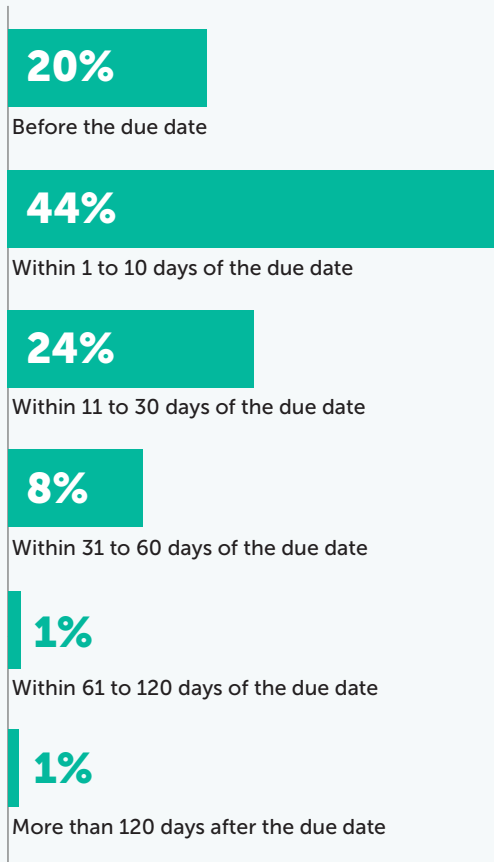
Receipt of Funds in Relation to Due Date

Two-thirds of respondents said they receive their funds by the due date or within 10 days after the due date. Larger businesses are more likely to experience delayed payment.

Q. On average, when does your business typically receive funds in relation to the due date?

% of Respondents

Total



By Company Size

	1-50 EE	51-499 EE
Before the due date	21%	20%
Within 1 -10 days of due date	50%	41%
Within 11 to 30 days of due date	20%	28%
Within 31-60 days of due date	7%	6%
Within 61 to 120 days of due date	2%	1%
More than 120 days after due date	1%	1%

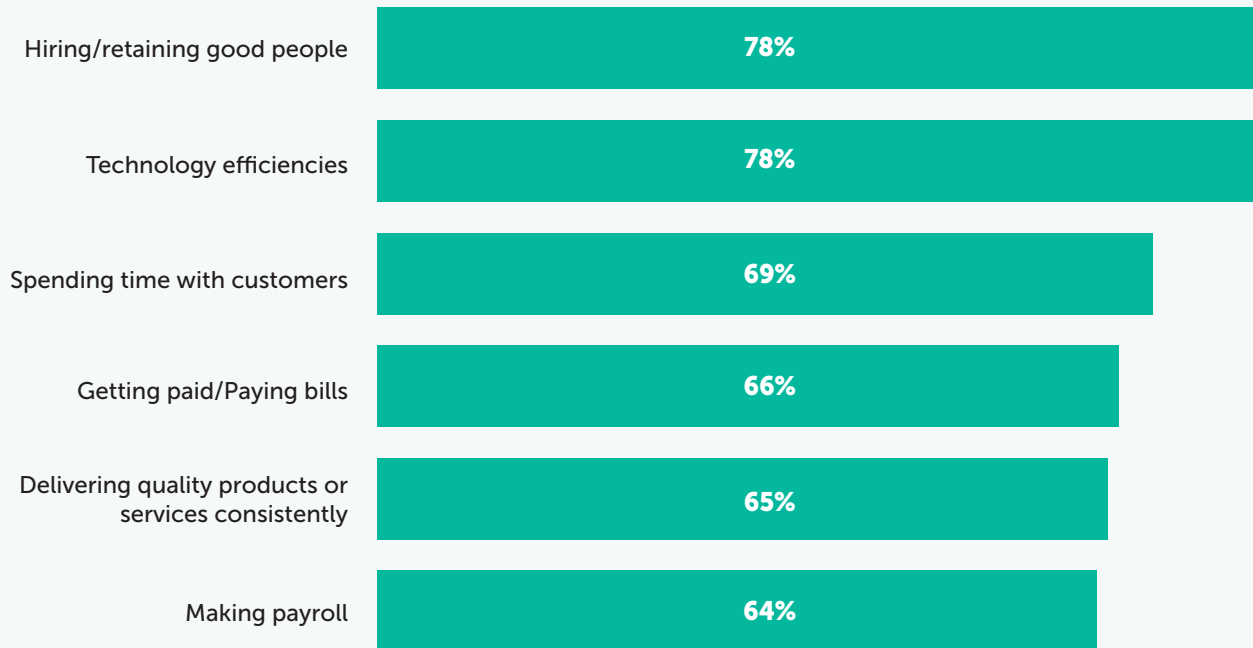


Business Challenges

Hiring/retaining employees and technology efficiencies are the top challenges among the ones studied.

Q. Please rate each of the following in terms of the extent to which it's a challenge for your business.

% of Respondents Saying It's a Significant or Moderate Challenge



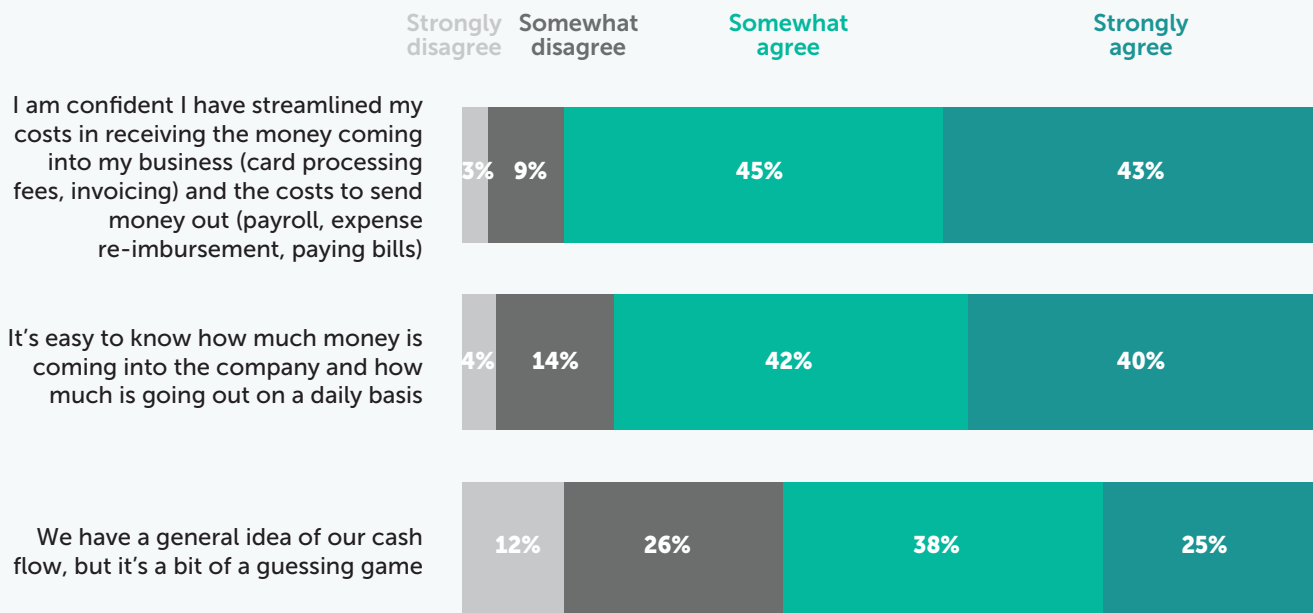
No significant differences by company size



Attitudes About Cash Flow

Confidence is high with respect to ability to streamline costs to receive and send money. More than half agreed that there is some uncertainty around cash flow.

Q. What is your level of agreement with these statements?

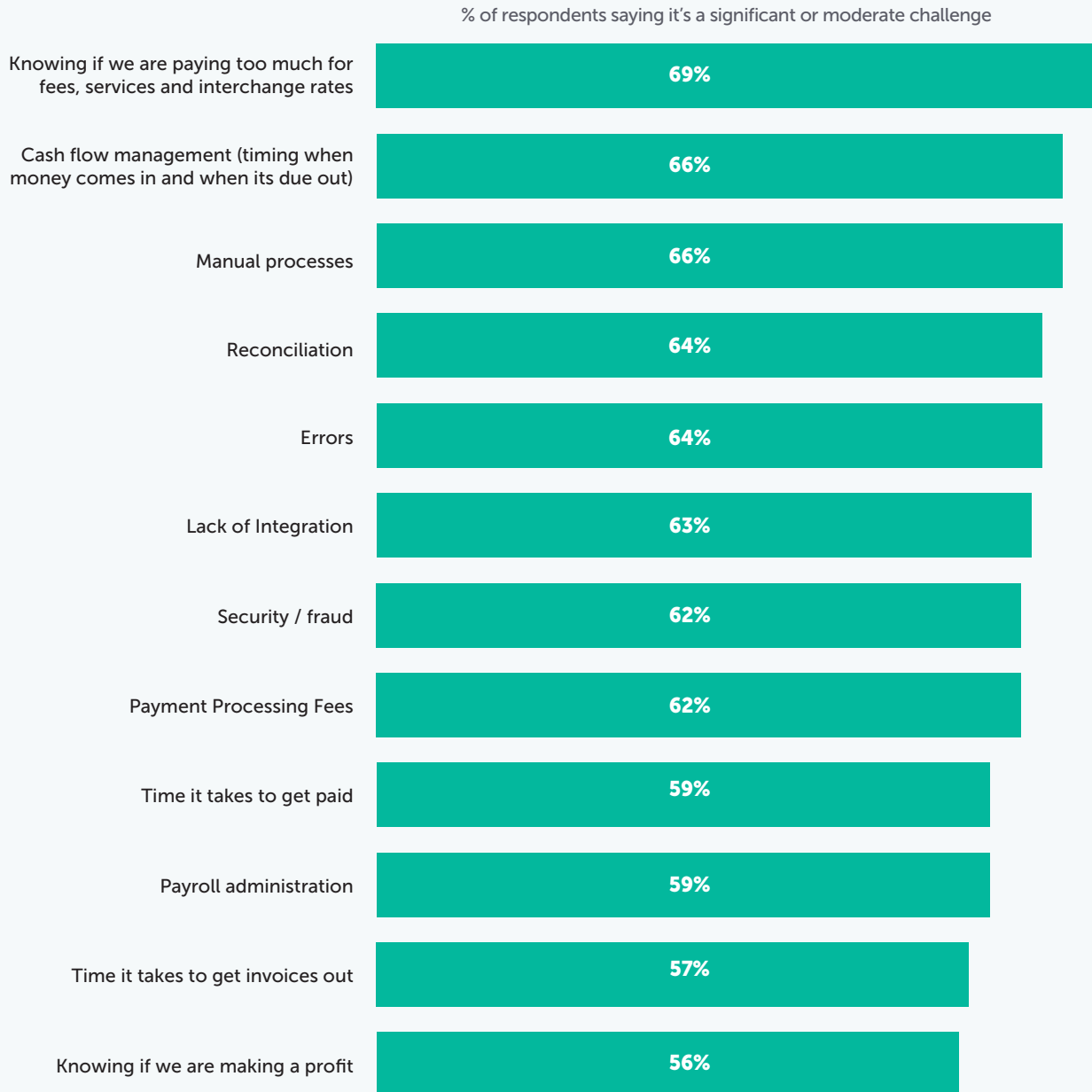




Financial Process Challenges

Regarding financial processes, fee/rate transparency, cash flow management, and manual processes present the most significant challenges.

Q. Please rate each of the following in terms of the extent to which it is a challenge or problem with your current financial processes for your business.



No significant differences by company size

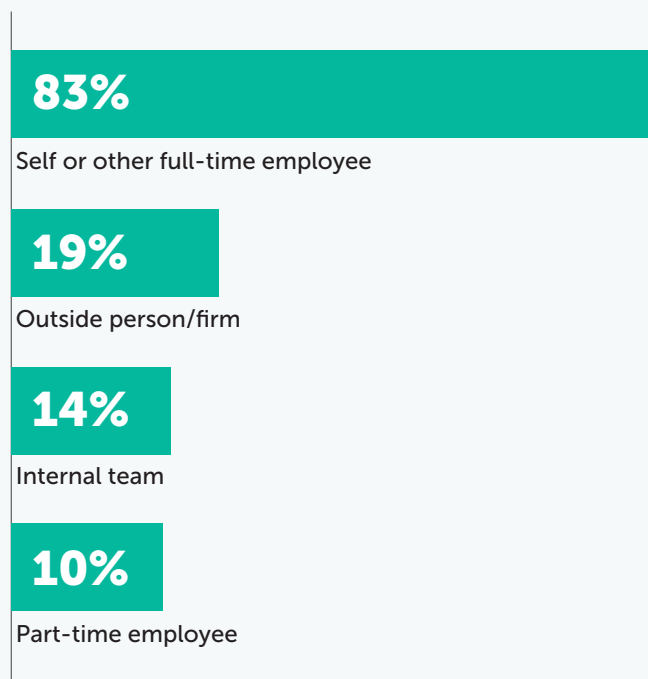


Responsibility for Accounting/ Financial Solutions

Management of the company's accounting/financial solutions is primarily done by a full-time employee.

Q. Who manages your company's accounting/financial solutions? (Check all that apply)

% of Respondents



No significant differences by company size



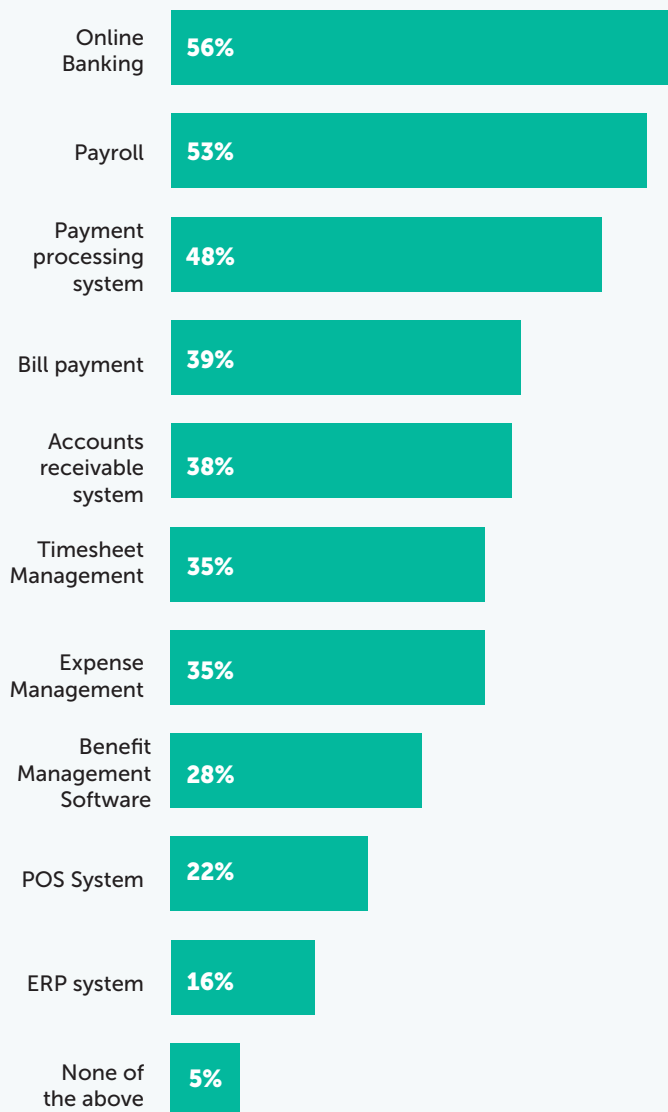
Usage of Software Solutions

The three most common types of software in use are online banking, payroll, and payment processing. Larger companies are more likely to use expense management software, benefit management software, and ERP software.

Q. What software solutions does your company currently use? (Check all that apply)

% of Respondents

Total



By Company Size

	1-50 EE	51-499 EE
Online Banking	59%	54%
Payroll	53%	52%
Payment processing system	47%	48%
Bill payment	32%	46%
Accounts receivable system	32%	44%
Timesheet Management	31%	39%
Expense Management	27%	42%
Benefit Management Software	17%	38%
POS System	19%	24%
ERP system	9%	22%
None of the above	8%	2%



Financial Tools – Important Attributes

When selecting financial tools, businesses rank security/privacy as highest in importance. Looking at just the very-small-business segment, ease of use ranks highest. Integration with other tools is a higher priority for larger businesses.

Q. Please rank the following in order of importance when it comes to selecting financial tools for your business.

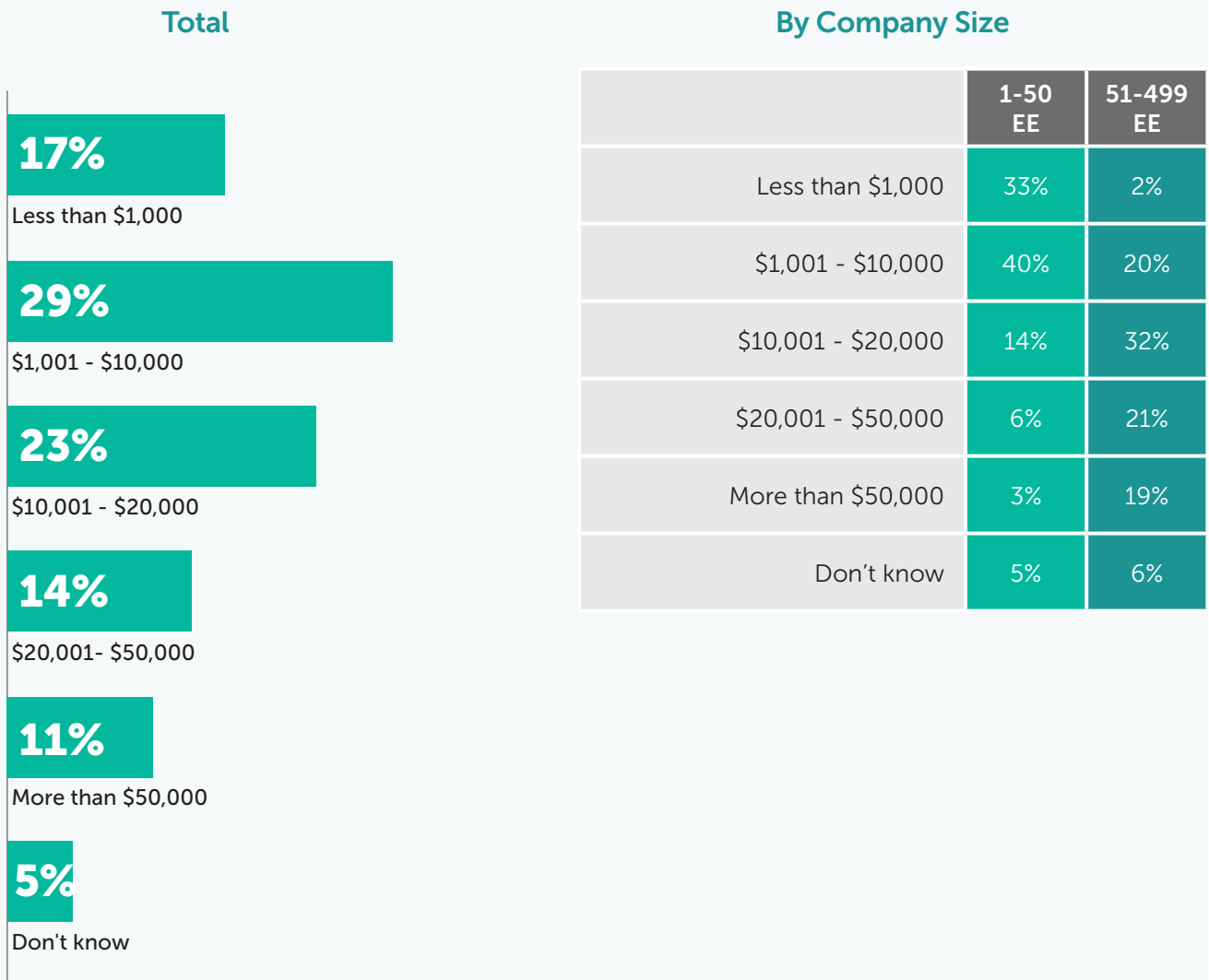
	TOTAL	1-50 EE	51-499 EE
Security/privacy	1	2	1
Ease of Use	2	1	4
Cost	3	3	3
Integration with other tools	4	4	2
Support	5	5	5
Reporting	6	6	6

\$ Annual Spending on Financial Management Software

48% of businesses surveyed spend more than \$10K per year on financial management software. Among larger businesses, that share is 72%.

Q. On average, about how much does your organization spend annually on financial management software?

% of Respondents



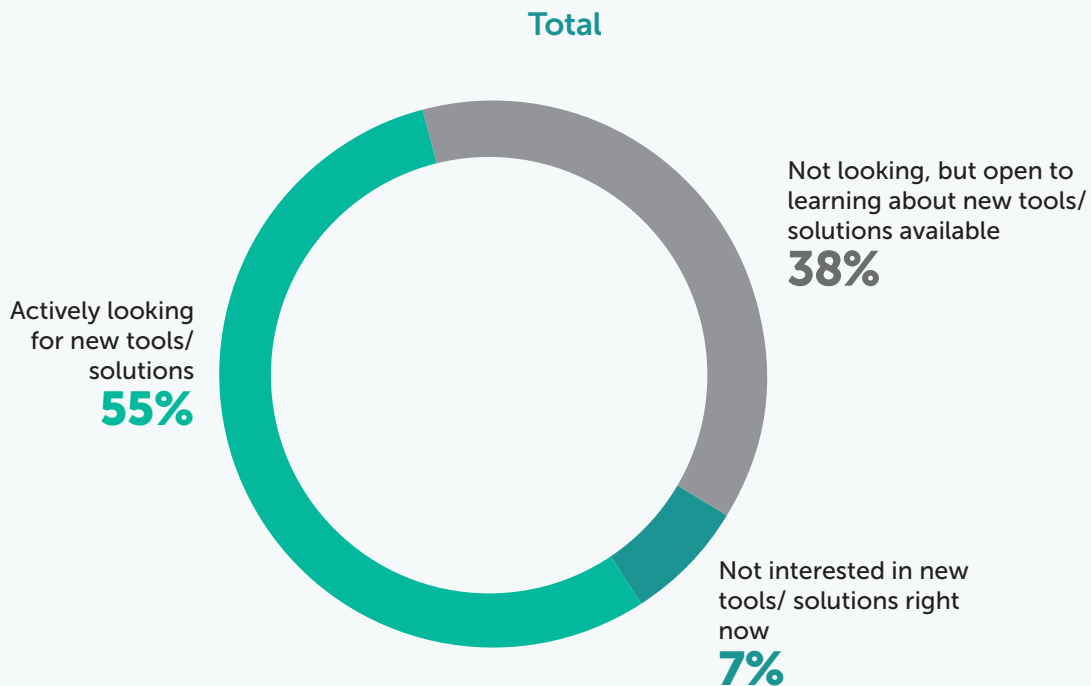


2020 Investment Plans – New Financial Tools

A little more than half of respondents are currently looking for new financial tools/solutions. Larger businesses are much more likely than smaller ones to be looking.

Q. What best describes your plans to invest in new financial tools/solutions in 2020?

% of Respondents



By Company Size

	1-50 EE	51-499 EE
Actively looking	39%	69%
Not looking, but open to learning	49%	29%
Not interested now	12%	2%



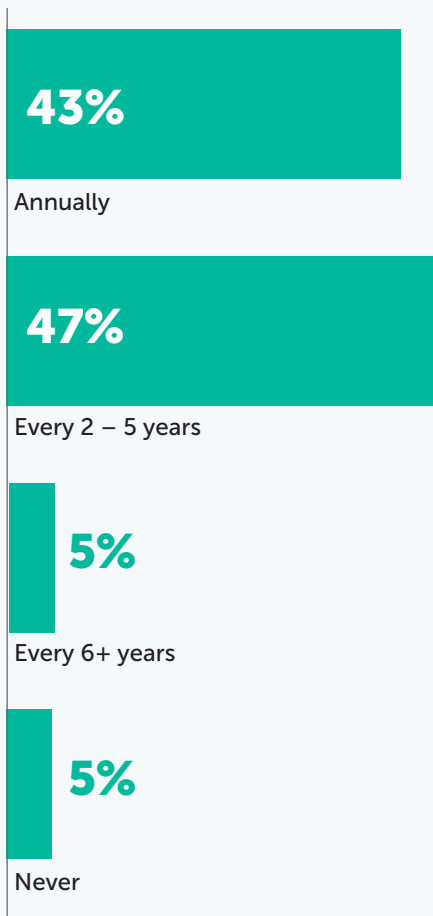
Frequency Financial Tools Changed/Reconsidered

43% of respondents reconsider or change their financial solutions annually, with most of the remainder doing so every 2 to 5 years. Larger businesses are more likely than smaller ones to make a change annually.

Q. How often do you re-consider or change your financial tools/solutions?

% of Respondents

Total



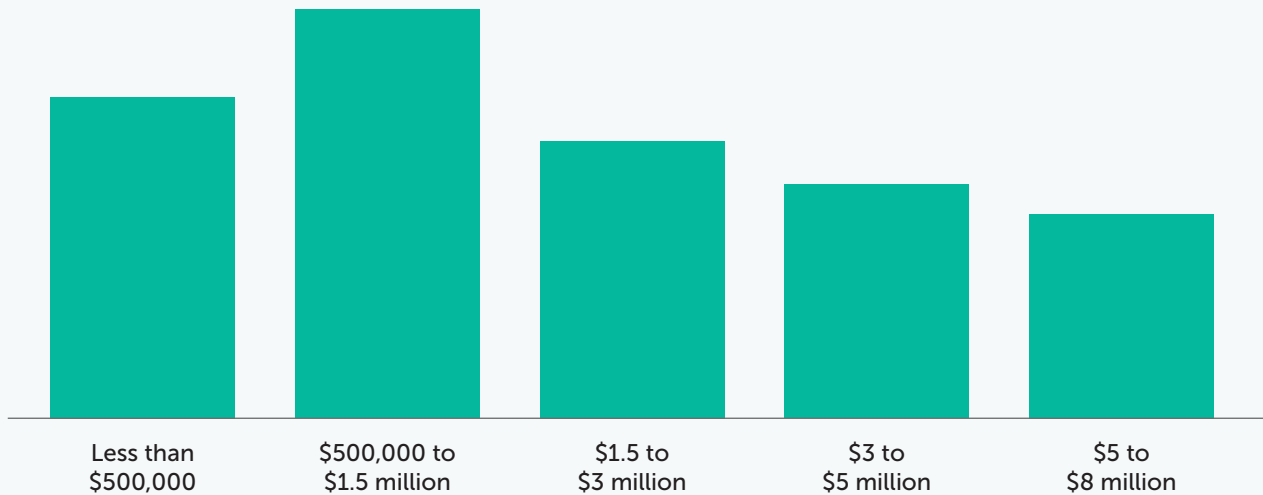
By Company Size

	1-50 EE	51-499 EE
Annually	35%	50%
Every 2-5 years	50%	44%
Every 6+ years	5%	5%
Never	10%	1%

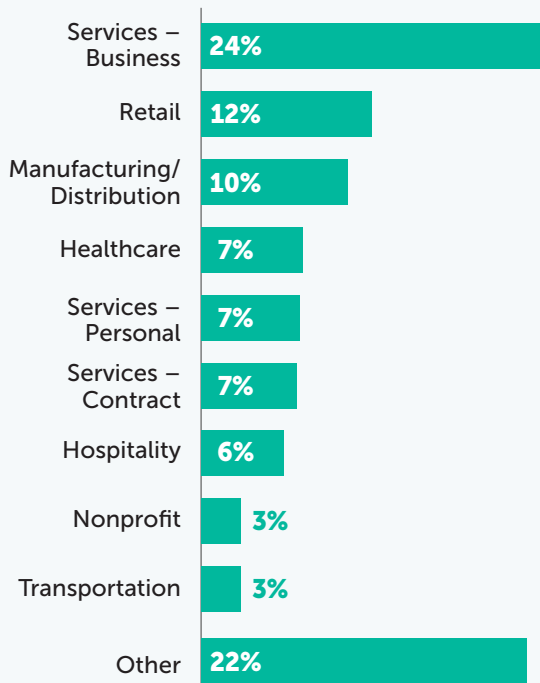


Demographics of Respondents

Annual Gross Revenue



Industry



Role

