



# The Rise of SMB Digital advertising in 2021

# Introduction

It is widely understood that the post COVID-19 revival will be digital, and small and medium-sized businesses (SMBs) have been forced into a light speed transformation towards digitization at speed and scale.

Following unpausing of online ad spending, small businesses (SMBs) have been rewarded: ad clicks on Google Ads online advertising campaigns have risen 308% in the past seven months (March 2020 to October 2021).

Imagine for instance an Indian restaurant on the Upper West Side transitioning to deliveries with the shuttering of indoor dining . The next stage has been buying Google Ads advertising for "Indian takeaway on the Upper West Side". This situation has been replicated across millions of small businesses across the world.

This report includes new data based on advertising campaigns across a sample of more than 6400 small businesses across more than 30 sectors. It reveals the strategy and trends causing an uptick in spend on paid ad spend and clicks.

Online ad campaigns – the lifeblood of small business – largely went dark at the start of COVID-19 in March 2020. However, by October 2020 small businesses – more digitally attuned and benefiting from greater demand for ecommerce – have turned the taps on online spending.

The largest investment has been supercharged by e-commerce, where players have seen a 670% rise in clicks on their campaigns, followed by entertainment (668%), and education-based businesses (646%). In total we analyzed 249,096,949 clicks in this seven-month period among these SMBs. Although this spend can be as little as \$1000 a month, the power of reaching consumers at the point of purchase, is transforming the short and long-term fortunes of SMBs.

# 1. Clicks on SMB ads rising up to 670%

The rise in clicks on online ads to pre-pandemic levels is crucial for the recovery of small businesses. It is estimated that between 34–45% of digital ad spend is by small businesses (SMBs).<sup>1</sup>

Plainly, the power of these ads allows SMBs to reach consumers at the exact moment they are looking for a product or service, whether it is a locksmith or a lawyer. Everyone searching for a specific set of keywords is an interested buyer in the near future. The use of Google ads, based on searches, allow targeting for a product or service based on geography, allowing businesses to track results easily.

Despite a perilous situation where [81% of U.S. small businesses](#) expect to feel long-term impacts from COVID-19, new investment in digital advertising is a bright spot. Millions of new clicks on ads from engaged buyers follows a digital mindset transformation by small businesses.

This has seen one-third of small- to mid-sized businesses pivoting their supply chains, with around [25% investing in new technology](#) or aligning their IT systems in some way in response to the COVID-19 pandemic. This has been the background to new spending on digital ads and pre-pandemic levels of clicks.

<sup>2</sup> IAB Powering Up: Helping UK SMEs unlock the value of digital advertising, November 2020

<sup>3</sup> <https://www.google.com/intl/en/authorizedbuyers/terms/index.html>

## The rise and rise of SMB online clicks

Sector	March click volume	October click volume	Increase
Ecommerce	2311338	17792445	670%
Entertainment	44548	342349	668%
Media	20690	157977	664%
Education	230157	1716806	646%
Telecoms	108459	708269	553%
Realty	217482	1379257	534%
Financial Services	236958	1490822	529%
On-demand repair	43172	263862	511%
Waste Removal	19599	95604	388%
Consulting	124503	571313	359%
Pest control	35281	160671	355%
Electrician	31487	142319	352%
Software	242641	1057616	336%
Maintenance	74131	296030	299%
Insurance	227513	791438	248%
Sports and Fitness	132148	436460	230%
Marketing	154944	483821	212%
Locksmith	156586	477147	205%
Legal	547810	1669722	205%
Plumbing	165181	474350	187%
Dumpster Rental	20270	50151	147%
Healthcare	729121	1622833	123%
Online gambling	892437	1911986	114%
Addiction treatment	42170	85256	102%
Advertising	1728397	3349636	94%
Automotive	1016179	1896664	87%
Automotive	1016179	1896664	87%
Transport	676525	1227161	81%

**Average**

**321%**

## 2. SMBs rely on e-commerce more than ever

It is no surprise in our analysis of online click growth by sector, that e-commerce leads the way. Brands and retailers are shoveling money into e-commerce advertising and this is a long-term trend for 2021, and beyond.

Forrester analyst Jay Pattisall [says](#): "E-commerce, and, more broadly, retail media and marketplace commerce are top client priorities. Clients and agencies are claiming a decade of e-commerce innovation in the last six to eight months due to COVID."

E-commerce ad spending increased 38.8% by the end of 2020 to representing 12.2% of US digital ad spending, according to eMarketer. In addition, between 2020 and 2021, Amazon will have invested more than \$30 billion in logistics, tools, services, programs, and people to foster the growth of SMB sellers.<sup>2</sup>

<sup>2</sup>Amazon: Small Business Success in Challenging Times: Impact Report 2020

# 3. SMBs showing healthy signs of post-COVID 19 recovery

The start of the new year sees business optimism among SMBs expecting to see the beginning of 2021 as a return to pre-pandemic levels of digital conversions. Mike Ncube, a Google Ads expert who works with dozens of small business on paid campaigns says: "Some have increased paid campaigns since coming out of the earlier lockdown but they are not certain about the future.

I expect January 2021 to be very strong and things to go back to pandemic levels. Unfortunately, the holiday season is not going to be great for many advertisers including small retailers." In particular, during recessions, consumers pull back and avoid large outlays. Indeed for many small businesses they found that consumers, who did not lose jobs (and were not spending on travel and entertainment) found themselves with more disposable income.

This conflates with the digital strategies of small businesses who start 2021 having broadened the ways they do business.

Will Douglas, co-owner of Docks Beers in the UK moved online from a previously entirely physical sales presence at the brewers' tap room. He said: "As an owner, I have come to view the business through digital eyes, rather than just physical versus virtual sales."

Matthew Ross, co-owner and chief operating officer of sleep and mattress review website The Slumber Yard, credits advertising as one of the reasons his company exceeded \$2.5 million in revenue last year. Southern Designs, a company that sells metal signs through its website Metal Unlimited, is set to increase advertising spending by \$1 million.

"Advertising not only increases sales but [also] helps us build our brand for the long haul by increasing brand recognition and solidifying ourselves as the leader in our product category," Hughes said.

Millions of companies are on a stronger footing for a post-COVID 19 future.

# 4. Government aid boosts SMB advertising

As part of the \$2 trillion coronavirus stimulus package, the U.S. has reserved a much-needed [\\$370 billion for small businesses loans](#).

The loans, backed by the Small Business Association, can be used to pay for basic expenses. Additionally, owners would not have to repay portions that were spent on paying employees, a mortgage, rent or utilities.

The \$1,200 stimulus payments from the US government helped to foster digital spend. This has been a boon for companies that initially feared a deep recession. 60% of SMEs are currently using paid digital advertising, and half say that digital advertising is more important to their business now in time of crisis.<sup>3</sup>

<sup>3</sup>IAB Powering Up: Helping UK SMEs unlock the value of digital advertising, November 2020

# 5. Google and Facebook provide new lines of credit

Google – which relies on prosperous small businesses – has committed funds to allow them to advertise. Google deposited \$340 million worth of account credits— into SMB Google Ads accounts. The ad giant also introduced new advertising features intended to help local businesses get more customers and recover from the pandemic.

People searching on their mobile phones for local services like air conditioning repair or carpet cleaning will now be able to book those services directly through Google.

Small businesses, using a Google tool that lets them easily set up advertising campaigns, were also able to promote their business for free on Google Maps until the end of September 2020, highlighting services they offer such as curbside pickup or delivery.

[Facebook](#) providing credits of its own, also launching a new interface called “Business Suite” targeted at small businesses that have struggled.

Others are also courting small businesses in these tough times. TikTok, the leading platform for short-form mobile videos, has launched a new TikTok Back to Business program. The company is offering \$100 million in ad credits for small businesses advertising on the site. Small businesses that are eligible for the ad credit program can claim a one-time ad credit worth \$300.

Blake Chandlee, Vice President, Global Business Solutions at TikTok says: “We are continuously building for the future and aiming to meet the growing needs of our partners.

We’re excited to continue supporting our community by providing the tools and resources for SMB owners to navigate these challenging times”. Disney-owned Hulu also launching a [“self-service” tool](#) to make it easier for small and medium-sized businesses to buy ads on its streaming service for as little as \$500.



## 6. COVID-19 drives record rush to start new small businesses

Surprisingly, perhaps the pandemic has yielded the largest increase in American entrepreneurship.

Dave Lavinsky, co-founder of Growththink, says: "Specifically, 931,310 new businesses were started in Q2, up modestly from 917,680 in Q2 2018 and 910,070 in Q2 2019. But the more interesting story started in Q3 (July/August/September).

In in Q3 of 2020, we saw more new businesses started in the United States than in any quarter in history."

Lavinsky [says](#): " Realizing they need to be responsible for their own financial destinies, these entrepreneurs are opting out of the traditional workforce to start their own companies."

Meanwhile, in the UK, [85,000 additional companies](#) are likely be created in 2020 as the Covid-19 pandemic coincided with a spike in incorporation. This has further sparked the rise in online advertising.

## 7. Millennials drive further SMB ad growth

These days, anyone from age 23 to 38 is a card-carrying member of the millennial generation, and they rely on digital-led advertising growth. They tend to be more optimistic, more likely to offer benefits to their employees, and are more focused on innovation than their older counterparts, according to [studies](#).

The [vast majority](#) (61%) of millennial-owned small businesses (ages 18 to 34) spend more than \$50,000 on advertising, compared to 36% of Generation Xers (ages 35 to 54) and just 15% of baby boomers (ages 55 and older). They are fueling this digital led growth.

# 8. SMBs expand their tech stack

Companies enabling enhanced advertising for small businesses are also booming despite the pandemic. Adriel a South Korean startup bring automated ad-buying to small businesses has seen ad spend grow and further investment.

Adriel, co-founder CEO Sophie Eom says: " We see that even in the midst of tough times, many startups and entrepreneurs are not giving up their businesses. In fact, they are shifting their focus and investments into more digital to reach their customers."

Similarly, website-creation business, Wix has seen new users increase by a startling 50 percent to 3 million as small businesses focus on digital transformation.

Nir Zohar, President and COO, says: "For many of our users, the ability to create a functioning, attractive, stable website means the ability to put bread on the table—particularly now, when they're not able to operate, or operate fully, in the physical domain."

ClickCease which is the largest solution in the SMB has more than doubled during COVID-19. Prevents [click fraud](#) for tens of thousands of small businesses has seen record growth as companies seek to ensure digital ad spend is not lost to bots or competitor clicks. Such services have been seen as mission-critical for ensuring growth by small businesses.

<sup>2</sup> Sixgill Report: Death by a Thousand Clicks; Autoclickers and Click Fraud on the Dark Web, 2019

<sup>3</sup> <https://www.google.com/intl/en/authorizedbuyers/terms/index.html>

# 9. Challenges in the new digital age for SMBs

Though there is much for SMBs to be positive with the start of 2021, it is worth remembering that challenges remain with the switch to rapid digital advertising. It remains the case that digital-led growth is not equally distributed. In fact, 40% of SMBs are currently not using paid digital advertising at all and, among those that do, the average number of digital channels used is just 1.3.<sup>4</sup>

Among companies that are not investing in digital advertising, the majority point to cost, relevance or lack of knowledge and understanding as the main barriers. One in seven SMBs describe their knowledge and ability to use digital as “not good”.

Many small business owners are behind in creating their online presence. In the United States pre-COVID-19, one in three companies still did not have a website, according to Facebook.<sup>5</sup>

However, those online and investing are growing digital sales. Earlier this year, in partnership with the World Bank and OECD, Facebook published its first Global State of Small Business report, surveying more than 30,000 small business leaders across more than 50 countries. In the majority of countries, at least one-third of SMBs reported earning a minimum of 25% of their sales from digital channels in the previous 30 days.

In addition, for those that do invest on online ads, there has been a long-term trend towards click fraud as fraudsters take advantage of the recession. In a separate study we have shown that 14% of all clicks on search are [click fraud](#), including everything from competitor clicks to bot attacks on spend. As Google points out, "hackers frequently look at crises as an opportunity, and COVID-19 is no different".<sup>6</sup>

In addition, a thriving [underground ad click economy](#) has also surged. This allows sophisticated ad fraud at cost prices, ranging from auto click bots, to pay per click sites, connecting ads-to-be clicked with freelancers. Based on the upper end of advertising on paid search, the average small business can lose more than \$15,000 a year to click fraud. These are among the challenges that must be tackled in the "new normal" SMB digital economy.

<sup>4</sup> IAB Powering Up: Helping UK SMEs unlock the value of digital advertising, November 2020

<sup>5</sup> Facebook, <https://about.fb.com/news/2020/07/global-state-of-small-business-report/>

<sup>6</sup> <https://www.blog.google/threat-analysis-group/findings-covid-19-and-online-security-threats>

# Conclusion

The renewal of digital advertising represents a digital-first strategy among small businesses accelerated by COVID-19. It is part of a wider digital mindset with 78% of businesses that had started using a new digital tool for the first time saying they expect to increase their use once the pandemic is over.<sup>7</sup>

The hyper-targeted opportunities available through pay per click advertising have become even more important to SMEs, particularly during the COVID 19 crisis. According to Vincent Letang, EVP of global market intelligence at advertising forecaster, Magna, small and local businesses represent 65% to 75% of search and social media spend on Google and Facebook. This is likely to only increase in 2021 and beyond.

Online businesses have taken up the call to advertise and interact online as a necessary measure: with 51% of businesses reporting increased online interactions with their clients.

PPC spending has become an even more powerful and proven means for growth for small and medium sized enterprises. The rewards are already being seen with restored levels of clicks to campaigns – a precursor for renewed optimism and growth.

<sup>7</sup> Facebook, <https://about.fb.com/news/2020/07/global-state-of-small-business-report/>