

Fuel Brand Growth with B2SB Marketing®

Cargo

New research uncovers
the key to flourishing
in 2023 and beyond.





Let's Talk About Your Target Market

Small and Medium-sized Enterprises (SMEs) are the engine of economies. And at Cargo, we understand what fuels these engines.

We've spent the last 15+ years learning all there is to learn about SMEs—their passions, challenges, motivators, and everything in-between. In this white paper, we'll share some of that expertise with you. By presenting research, insights, and exclusive high-level results from a survey conducted in partnership with MSI-ACI, we'll uncover the challenges standing in the way of SME growth. But most importantly, we'll talk about the people who create, shape, and drive SMEs. And then, we'll explore how Brand marketers can appeal to these decision-makers in 2023 and beyond.



Has the Engine Stalled?

How inflation and the energy crisis are threatening SME acceleration.

Of all businesses, Small and Medium-sized Enterprises (SMEs) were the most affected by the pandemic. They endured shutdowns, layoffs, economic churn, and endless uncertainty that threatened the longevity of their organizations. **But today, that longevity is facing new threats.** Inflation and the energy crisis have taken hold around the world, crushing SME optimism and stifling confidence.



SME Outlooks Around the World

- **Germany:** Nearly 10% of businesses feel their economic survival is threatened.¹ More than 50% expect to deteriorate in the next year, while only 8% anticipate improvement.²
- **Netherlands:** Across all industries except information and communications, 25% of entrepreneurs have flagged that the economic climate is on a consistent downturn.³
- **United Kingdom:** Recent political and economic turmoil has caused SME confidence to take a dive, with some surveys reporting this confidence is at its lowest point since 2009.⁴
- **United States:** While inflation is much lower in the U.S. than across Europe, it's accelerating. As a result, overall business optimism dropped in October 2022 for the first time in 4 months.⁵

The Light at the End of the Tunnel

If you asked an SME owner to describe the future in one word, their response might be “bleak,” “uncertain,” or even “insecure.” We’re not trying to cry doom and gloom here, but this is reality. It’s clear from the sentiments outlined above—**SMEs believe the future of their business is fragile.**

Inflation is ramping up, increasing costs across the board. Labor struggles are still prevalent, due to skills shortages and staff cutbacks. Supply chain disruptions continue to make distribution difficult, creating major cashflow and consumer confidence problems. And now, we appear to be headed for a global recession.

These unpredictable forces and more have left SMEs exposed—unable to protect themselves or make plans for growth.



What's Holding SMEs Back?

The four factors that have paused SME business growth.

There are several factors limiting SME growth right now, but they all point back to capital. Businesses must funnel all revenue into keeping the lights on, leaving no room in the budget for future investments.

What's Limiting SME Growth?



Inflation & Rising Costs



Human Capital Shortages



Customer Demand



Cashflow Challenges

Understanding the Growth Limiters

There's a complex mix of uncontrollable and unfavorable challenges facing SMEs right now. And for Brands to successfully market to these businesses, understanding their growth limiters is key.

First, there's the issue of **inflation and rising costs**. In October 2022, 33% of U.S. Small Business Owners cited inflation as the most important barrier to business operations.⁵ In Germany, rising energy and commodity prices are threatening to close 80% of businesses, with energy-intensive sectors such as manufacturing and construction most at risk.² Rising operation costs have even forced some to scale back on business activities. For example, the smallest organizations in Belgium have reduced their activity by 8%.⁶

SMEs around the world are also contending with a **human capital scarcity**. Research shows that more than 36% of Dutch entrepreneurs have cited staff shortages as a main barrier to successful business operations.³ And, when human capital is available, it comes with a higher price tag. In some countries, labor costs have reached an all-time high, as reported by 46% of German businesses.²

There's also a prevailing **concern about customer demand** as inflation spreads. For instance, 41% of all German companies are concerned about domestic demand.² To protect this demand, SMEs often absorb price increases caused by inflation, **squeezing cashflow** as a result. And let's not forget, organizations are still recovering from the pandemic. For some, this means paying back debts on emergency loans and coping with below-normal sales and revenue.

Operation expenses are also steadily climbing, which further inhibits profitability and leaves **little capacity for SMEs to invest in business growth activities**. The Banque de France, for instance, revealed that business investments have slowed down considerably, with only a 1.8% increase in 2022 versus a 12% increase in 2021.⁷

With these compounding challenges facing SMEs, it's no wonder optimism is low. Organizations have no choice but to remain in neutral. But as a Brand marketer, you can be a beacon for troubled SMEs. Because wherever SMEs are, they need Brands to help their business not just survive, but thrive.

Preventing Trust Erosion

Genuine human connection is your best marketing tool.

As consumers, we've all felt the wallet-draining effects of rising costs, supply shortages, and geopolitical conflict. SMEs echo these sentiments on a broader scale. So, when marketing to them, it's **essential that Brands remember the people they're selling to.**

Even if you're a B2B marketer, you're not selling to a business. You're selling to a person or group of people. And the decisions those people make will be impacted by the uncertainty surrounding all of us.

Decision-Making in Uncertain Times

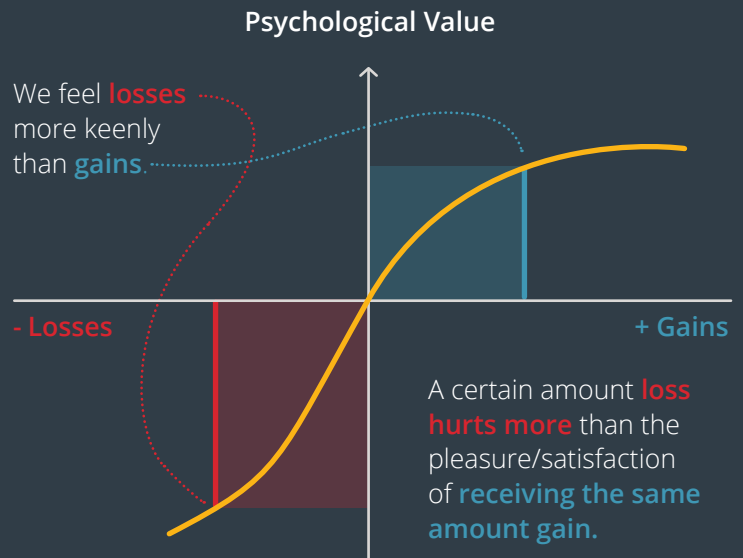
Making decisions is not a rational activity. It's an emotional, human process.

Research has shown⁸ that when faced with uncertainty, decision-makers evaluate potential gains and losses differently. For instance, when budgets are lean, so is the decision-maker's appetite for risk. In the human psyche, the fear of loss far outweighs the satisfaction of gain. This makes decision-makers less likely to jump at an opportunity with high risk potential. Instead, they seek solutions that offer smaller, but guaranteed, gains.

Prospect Theory

Losses are felt more keenly than gains, making the pain of a monetary loss more acute than the satisfaction of gaining the same amount.

Source: "The Prospect Theory."
Daniel Kahneman and Amos Tversky.



Crisis of Confidence

Today's SMEs are wary of risk, but they're also suspicious of true sincerity. According to the 2022 Edelman confidence barometer⁹, confidence in big companies and politicians is lower than ever, as society struggles to determine what's real and what's "fake news." This research also shows that an astonishing 63% of people feel business leaders purposefully provide false information to mislead their workforce and customers.⁹

As a result of this shift, **trust has become a key decision-driver for 88% of consumers.**⁸ This same sentiment is reflected in 89% of business buyers, who are more likely to purchase from Brands that demonstrate a sincere understanding of their needs.¹⁰

So, how can Brands build trust with SMEs? The key is to establish an emotional connection through Business to Small Business (B2SB) Marketing[®]. Much like B2C, B2SB Marketing[®] requires a thorough understanding of the needs, wants, and beliefs of SME decision-makers and influencers. And once those needs are understood, **Brands must provide value through honest and transparent communications supported by action.** Overarching sentiments of "we're all in this together" and "we're here for you" feel like empty promises without genuine follow-through, which means **action is key.**

The New Meaning of Value

Evolving your Brand to offer what SME customers truly need.

Now that we know where SMEs stand, let's explore what that means for Brands.

As SMEs wrestle with rising costs and instability, purchase behaviors will change. In some cases, compromises and management decisions will be made to alleviate cashflow pressure. Knowing this, and with the threat of inflation still looming, **Brands must rethink the value they deliver to SMEs.**

This starts, again, with customer needs. And right now, your customers don't need more products or services. They need solutions. Explore how your Brand can answer this ask. Bring relevant products or services together to build holistic solutions that solve pain points and offer outstanding customer experiences, rather than positioning standalone products to your target market.

An evolution of this magnitude will be challenging. It requires a deep understanding of where your SME customers draw the line on compromise, what their unique pain points are, and how value differs across your customer segments. Plus, you'll almost always be working with multiple decision-makers and decision-breakers in the SME sector. That means understanding how they all define value is key to success.

Value-Defining Questions



- How does the SME perceive the value of your offering?
- How do they assess potential gains and losses?
- What is valuable to them? And what is not?
- What does your Brand perceive as beneficial, that SMEs do not?



Top Three Takeaways

1

Help solve for inflation and fuel the innovation pipeline.

The worst thing Brands can do right now is ignore the SME's state of concern. Customers want and need to hear from organizations equipped to help them navigate a crisis. But remember, generic “we’re in this together” communications won’t stick. You need to lead with authentic messaging that calls out the problem while presenting a solution. And then, deliver.

This could mean compromising on revenues by offering simple bundles of essential products. Or perhaps presenting a solution that can help SMEs manage cashflow. Whatever your solution looks like, make sure it solves for an essential business need. And then use the new critical thinking and solution skills you gain from that exercise to keep innovating.

2

Mitigate risk as much as possible.

Recent economic and geopolitical issues have hindered SME growth by swelling risk. Instead of prioritizing growth, most SMEs are focused on protecting their business from the unknown.

As a Brand, your next move should help to reduce or remove the risk factor. No, you can’t stop inflation. But you can alleviate pain points caused by inflation. For example, a major pain point for SMEs is the risk of shutting down, which on a basic human level causes anxiety, fear, and worry that makes it difficult to run a business, let alone enjoy life.

By providing solutions that accommodate tight budgets, limited resources, increased demand, and the human experience, you can grow your Brand from a provider to trusted partner.

3

Build trust by proving that you care.

Trust is one of the most important purchase factors for today’s consumers. But to establish that trust, Brands must create genuine connection by thoroughly understanding their customer. And that starts with acknowledging that B2B isn’t really B2B. It’s B2P (Business to People) because no matter what, you’re always selling to a person or group of people.

Therefore, appealing to human emotions and the human experience can differentiate your Brand. But remember, customers are tired of reading “fake news.” To gain SME trust, Brands must communicate with honesty and integrity, even before the customer journey begins. And that communication isn’t just marketing’s responsibility. To be successful, this approach requires an “always on” mentality across all channels that will provide a consistent experience to customers, employees, and stakeholders.



The New Business Landscape



Survey results reveal how the working world is responding to inflation.

We've examined SME growth limiters, but what about the people working for, purchasing from, and surrounding these organizations? As inflation increases the cost of living worldwide, everyone is looking for ways to make things work. For many, that means sourcing more income from a side hustle or additional employer, blurring the traditional dividing lines of business more than ever.

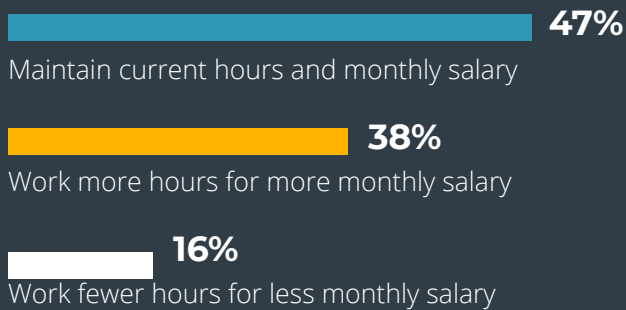
How Are People Coping with Inflation?

United States: 48% work extra hours or additional jobs to supplement income.

France: 31% take on additional paid work outside of their main job.

United Kingdom: 77% are considering overtime or extra shifts to pay their bills.

Sources: USA. Harris Poll. October 2022; France. Opinion Way. September 2022; UK. Qualtrics. November 2022.



Extra Income is Critical

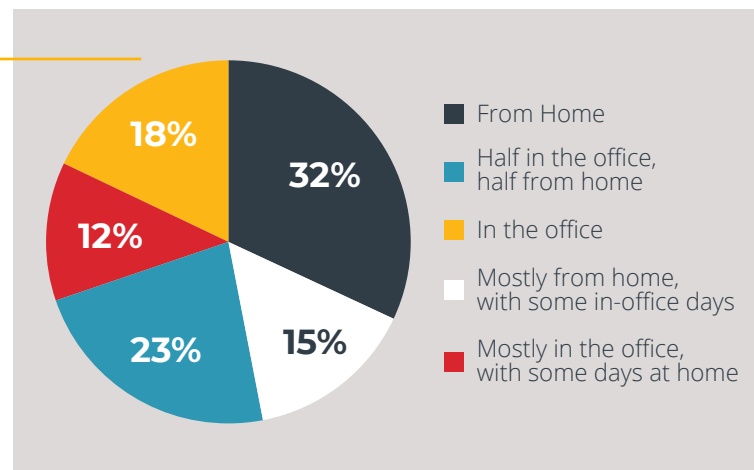
People need more money to support their families, power their homes, and enjoy their lives. In a November 2022 survey conducted in partnership with MSI-ACI, we found that 38% of people need more money, and they're willing to work more hours to get it.

Source: MSI-ACI for Cargo Strategy. November 2022.

Flexibility Remains a Priority

Our survey also revealed that remote and hybrid flexibility remains a priority for today's workforce. While people are not reluctant to return to the office full-time, they do want the option to work from home when necessary. We believe this preference may change in markets heavily impacted by rising energy costs, which is something Brand marketers should closely monitor to stay relevant with customers.

Source: MSI-ACI for Cargo Strategy. November 2022.



The Rise of the Gig Economy

No one is immune to the effects of inflation.

Extra jobs, gig work, side hustles—whatever you want to call them, these sources of additional income are on the rise. A recent Google Trends search¹¹ revealed that since 2020, “side job” search interest has skyrocketed, and appears to be on a continued upward trajectory.

No one is immune to economic pressures, which means even business owners are taking on extra work. Many self-employed entrepreneurs in France, for example, are finding it difficult to remain exclusively self-employed. Profits are down, resulting in less income, which is unsustainable in an economy with rapidly increasing costs.

Self-Employed Status in France



Source: FNAE. “Business Climate Perception from Self-Employed.” October 2022.



Ambition Never Stops

Despite the economic weight felt by the self-employed, we found that **there is still an interest in starting new businesses**. In fact, 19% of our survey respondents claimed they are either very or somewhat likely to start a new business in the next 12 months.¹² But perhaps even more interesting is that of those intending to start a business, the majority are full-time workers. This data further reveals the need for so many to source additional income.

Workers Want the SME Experience

Another trend we see is a potential sector shift that will impact the way business is done. And that’s a growing interest in the SME employee experience.

At Cargo, we’re all about B2SB relationships. So, when we discovered that 21% of people want to move on from large firms to smaller enterprises¹⁰, the wheels started turning. After more digging, we found that these intentions are higher among the Millennial (Gen Y) demographic. We also discovered that this trend is consistent across Belgium, France, Germany, Netherlands, UK, and USA, despite the cultural and economic differences between these countries.

And the wheels started turning faster.

What insights and buying behaviors will these individuals bring to SMEs? Why do they want to join smaller businesses? How will this shift impact SME growth? These are big questions that will change how Brands market to their SME customers in 2023 and beyond.

Top Three Takeaways

1

B2B and B2C are no longer distinct markets.

The dividing line between B2B and B2C isn't much of a line anymore. It's dissolved into a puddle in the new business landscape, where value is being redefined.

Brands pursuing SME partnerships should analyze their target market to identify what's motivating people to start new businesses. Are they driven by the need for extra income? Or are they excited to share a talent with the world? Once you've narrowed down the motivators, develop solutions and offer support to help those entrepreneurs get started. But keep in mind—new entrepreneurs may have different mindsets than your current SME customers. Be sure to identify these differences and craft experiences suited to the needs of each audience. Once you've built a foundation of understanding for these dynamics, track their pace continually.

2

Today's incoming entrepreneurs have differing mindsets.

Taking on gig work or a side job is gaining popularity as costs rise worldwide. But that doesn't necessarily mean everyone takes on an extra job for the same reasons. As we see it, there are two distinct mindsets for approaching gig work: passion and provision.

The passion mindset tends to be more growth-focused and entrepreneurial. For example, a chef or baker with incredible passion for their food might take on gig work in the form of their own catering business. The provision mindset, on the other hand, is more constrained and focused on income. Provision-minded individuals are more inclined to take on gig work out of necessity. These entrepreneurs may also stray from the traditional life cycle of business, as they're less likely to scale up as time goes on.

Regardless of their differing mindsets and approaches to business, both passion and provision entrepreneurs will contribute to the changing SME landscape. It's up to Brands to identify, engage, and motivate these entrepreneurs as they plant their businesses.

3

Adjust your offering to cultivate the new landscape.

What qualifies as a Small Business or start-up is not the same as it was a few short years ago. Side hustles, gig work, virtual companies, and other modern business models are reshaping Brand expectations. In response, marketers should prepare to adjust their offerings.

For example, if you're seeing more part-time business owners in your area, you may want to consider the flexibility of your solution. Can you allow the business owner to opt in and out of certain features, depending on their needs? Also consider the simplicity of your offering. With limited time in their day, business owners need simple solutions to help them operate with speed and precision.

To succeed in this new market, Brands must understand how their target market is changing, and craft flexible solutions to match.



Get More Growth Insights

Connect with the SME experts at Cargo.

We've tackled some tough issues in this narrative. But we hope you saw the opportunity hidden beneath these challenges. Because as a Brand, this is your time to shine by truly understanding and connecting with SMEs.

The organic survey results presented in this white paper were gathered for Cargo by MSI-ACI, using their omnibus panel. A total of seven countries participated in an online survey, with all data then collected and processed by MSI-ACI. Here's the participation breakdown:



- 250 participants each from Belgium, France, Germany, Netherlands, and South Africa
- 500 participants from the United Kingdom
- 1,000 participants from the United States

This document offers high-level results focused on the European region (including UK) and the United States. The main objective of the study was to analyze key trends in the workforce, including work vs. money, hybrid work preference, short-term (6 months) job search intent, short/mid-term (12 months) new business start intent, and SME vs. large enterprise employment shift intent.



Want to see more of the results?

Contact us at thecargoagency.com/strategy.

Let's Talk Strategy

Dan Gliatta

Chief Strategy Officer

Add me on LinkedIn: linkedin.com/in/dan-gliatta/

Get in Touch: dgliatta@thecargoagency.com

Bérengère Parouty

Director of Marketing Strategy & Insights

Add me on LinkedIn: linkedin.com/in/berengereparouty/

Get in Touch: bparouty@thecargoagency.com

Maurice Wassen

Research Manager & Analyst

Add me on LinkedIn: linkedin.com/in/mauricewassen/

Get in Touch: mwassen@thecargoagency.com

Sources

¹ ifo Institute. "ifo Business Climate Remains Gloomy." October 2022.

² Association of German Chambers of Commerce and Industry. "Business expectations of German companies drop massively." November 2022.

³ CBS Statistics Netherlands. November 2022.

⁴ UK Federation of Small Businesses. October 2022.

⁵ US National Federation of Independent Business. October 2022.

⁶ National Bank of Belgium. September 2022.

⁷ France BPI. Barometer. November 2022.

⁸ "The Prospect Theory." Daniel Kahneman and Amos Tversky.

⁹ Edelman Trust Barometer. 2022.

¹⁰ Salesforce. "State of the Connected Customer."

¹¹ Google Trends Search. "Side Job." November 2022.

¹² MSI-ACI for Cargo Strategy. November 2022.