

## Small Businesses Find Big Value in Digital Ads

### New Research: Digital Ads Help Small Businesses Compete, Drive Revenue and Grow

***78% of small businesses report that digital ads generate more revenue than traditional offline ads***

#### Overview:

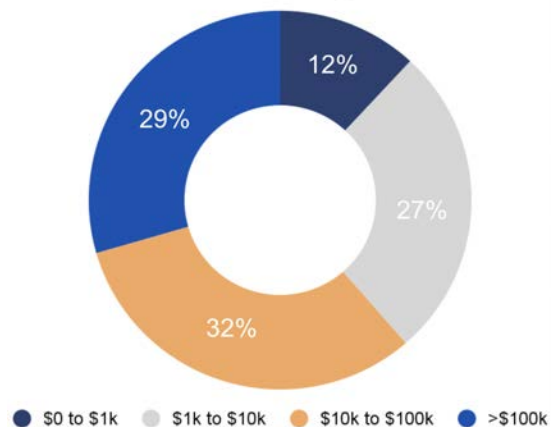
Today's digital advertising market offers America's small and medium-sized businesses (SMBs) more ways than ever before to reach potential customers, sell products, drive revenue, and succeed. SMBs that buy ads ("SMB Advertisers") report that digital advertising helps them compete with larger companies (79%), reach target audiences better than offline ads (82%), and generate more revenue than offline ads (78%). One concern of SMB Advertisers is that significant changes to digital advertising, including changes forced by new legislation or regulations, will hurt their business (69%).

Though many consider digital advertising to be the "home" of small advertisers with small budgets, 61% of SMB Advertisers spend more than \$10,000 on advertising annually, and 29% spend more than \$100,000 annually (see graph). Given the success of digital advertising, it is not surprising that 70% of SMB Advertisers plan to buy more digital ads during the next two years than they do today.

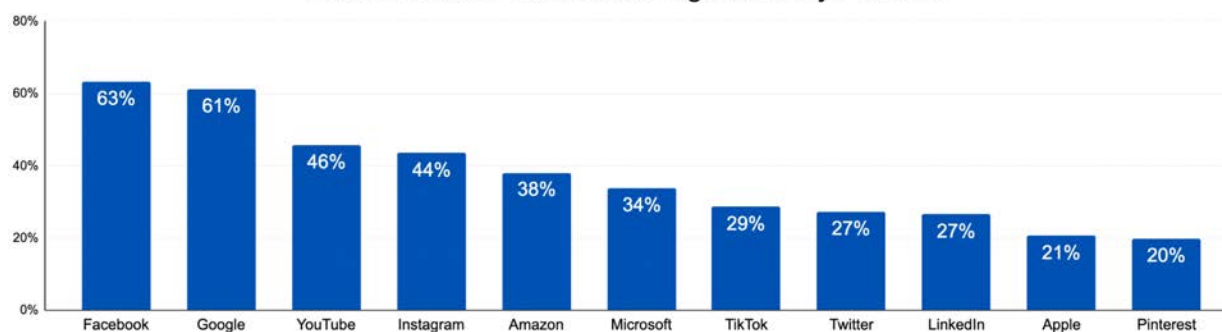
SMB Advertisers spend 67% of their advertising budget on digital formats, including social media (27%), search (16%), display (9%), video (9%), and mobile-only formats (6%). And the smallest SMBs use digital advertising even more: those with ten employees or fewer dedicate 74% of their advertising budget to digital formats.

SMBs report that diverse digital advertising providers and platforms compete fiercely for their advertising dollars. Industry leaders Google (including YouTube) and Meta (Facebook, Instagram) are the most popular, but Amazon, Microsoft, TikTok, and Twitter are among several strong competitors (see graph below). These data from SMBs mirror broader [independently reported](#) advertising industry trends that show Google and Meta losing market share to TikTok and facing increased competition from traditional retailers. Walmart, Target, CVS, and others are now using [their digital properties as advertising platforms](#), presenting more digital ad opportunities for SMB Advertisers and more competition to Google, Meta, and Amazon. This is part of a broader trend of tech, retail, and streaming companies [growing their digital advertising revenue faster](#) than Meta and Google.

Small Business Isn't Necessarily Small:  
SMB Advertiser Budget Levels



SMB Advertiser Use of Paid Digital Ads by Platform



In addition to buying ads, many SMBs are content publishers that sell ads (“SMB Publishers”) on their digital properties, including websites, newsletters, video channels, and mobile apps. (Note that SMB Advertisers and SMB Publishers are not mutually exclusive groups - many SMBs are both.) Some SMB Publishers have a business model like a media company, where ads drive much of their revenue. In contrast, other SMB Publishers have business models more akin to retailers, where ad sales are a proportionally smaller part of their overall revenue mix.

87% of SMB Publishers post content to their digital properties at least weekly, creating opportunities to monetize that content with ads: 92% of SMB Publishers say digital advertising revenue contributed to the company's overall bottom line, with 51% reporting it contributed significantly. That said, selling digital ads is one of many ways SMB Publishers generate revenue. Across all SMB Publishers, selling digital advertising is the third most common source of revenue (13% of revenue) after selling products (20%) and services (18%). Nevertheless, 74% of SMB Publishers say losing the revenue generated from selling digital ads would negatively impact their business model.

The bottom line is that digital ads are central to contemporary SMB Advertisers’ and Publishers’ overall business strategies. Similarly, 69% of SMB Advertisers and 71% of SMB Publishers report they would not have been able to launch and sustain their business without revenue from digital advertising. And 4-in-5 SMB Advertisers and Publishers say digital ads help them compete with larger businesses. Ultimately, digital ads create a free, fair marketplace for tens of millions of small businesses to diversify their revenue streams and compete for customers’ attention - and dollars.

### Key Findings:

- 78% of SMB Advertisers agree digital ads contribute more revenue to their business than traditional, offline ads.
- 82% of SMB Advertisers agree digital ads allow them to more efficiently reach their target customers than traditional, offline ads (e.g. TV, radio, newspaper ads).
- 69% of SMB Advertisers agree they would not have been able to launch/sustain their business without digital ads that allowed them to target people interested in their product/service.
- More than two-thirds (69%) of SMB Advertisers say it would hurt them if targeted digital advertising were no longer available.

- About 4-in-5 SMB Advertisers and SMB Publishers say digital ads help them compete with larger businesses.
- SMB Publishers sell digital ad space every possible way, with a majority (51%) of leaders selling ads themselves using digital tools.
- 70% of SMB Advertisers plan to use paid digital ads more than they do now during the course of the next two years.
- Without the revenue generated by selling digital ads, 74% of SMB Publishers say their entire business model would be negatively impacted.
- 54% of SMB Advertisers consider digital tools absolutely essential right now.

The study, conducted from Sept 6, 2022 to Oct 2, 2022, with sample sizes of 1,616 SMB Advertisers (margin of error +/-2.4%) and 1,524 SMB Publishers (margin of error +/-2.5%), can be found [here](#).

#### **What This Means:**

Many policymakers view digital advertising as a simplistic “duopoly” - a perceived notion that the market is divided between Google and Meta with few other choices. They equate the market leaders’ ubiquity with anti-competitiveness, but small business leaders disagree, and so does real-life data. The reality is that the digital advertising marketplace is robust and competitive, with market leaders ceding share to new upstarts and old stalwarts innovating rapidly to keep pace with modern customer preferences. Small businesses have been advertising for centuries, always looking for less expensive and more efficient ways to market and grow their businesses. Today’s small business leaders know that digital advertising is immensely valuable to competitiveness and growth, and overregulating digital advertising will hurt their businesses - perhaps quite badly.

#### **About 3C:**

The Connected Commerce Council is a non-profit organization with a single goal: to promote small businesses' access to digital technologies and tools. 3C provides small businesses with access to the market's most effective digital tools available, provides coaching to optimize growth and efficiency, and cultivates a policy environment that considers and respects the interests of today's small businesses.