Deloitte.

Hidden in plain sight:
Serving small businesses through super-apps

Contents

Super-apps:
Refreshing and reframing

Super-apps, made largely famous by the Chinese offerings WeChat and Alipay, are reshaping the way billions of people globally engage through mobile. Throughout Asia, Central America, and Africa, the services many outside those areas are accustomed to seeing as separate mobile apps—food delivery, mobile banking, messaging, and more—are rolled into a single, powerful application. Super-apps don't just integrate these features; they share data and account information across them to give users a frictionless, convenient customer experience.

Why haven't we seen these apps in North America, Europe, or Australia? Super-apps grew "super" as their developers addressed gaps in services available—gaps that don't exist in Western markets where behaviors are more ingrained. Now, even countries where customers are accustomed to single-app solutions, like the United States, may be drawn into super-apps' orbit, as **super-apps bank on advice and convenience to create experiences exponentially better than the sum of their app parts.** In our three-part series, we explore the impacts super-apps could have across industries. Our first paper, focused on explaining super-app models and forecasting their evolution in Western markets, can be found here.

The prospect of an American WeChat is unlikely as most super-app features are well-covered by single-app services today. So where can we anticipate the super-app-styled development to strike first and fastest?

Taking a note from Asian super-apps, it's where the greatest sources of customer friction meet the largest profit pools. In the United States, this isn't the mass market of smartphone users; **it's small businesses**.
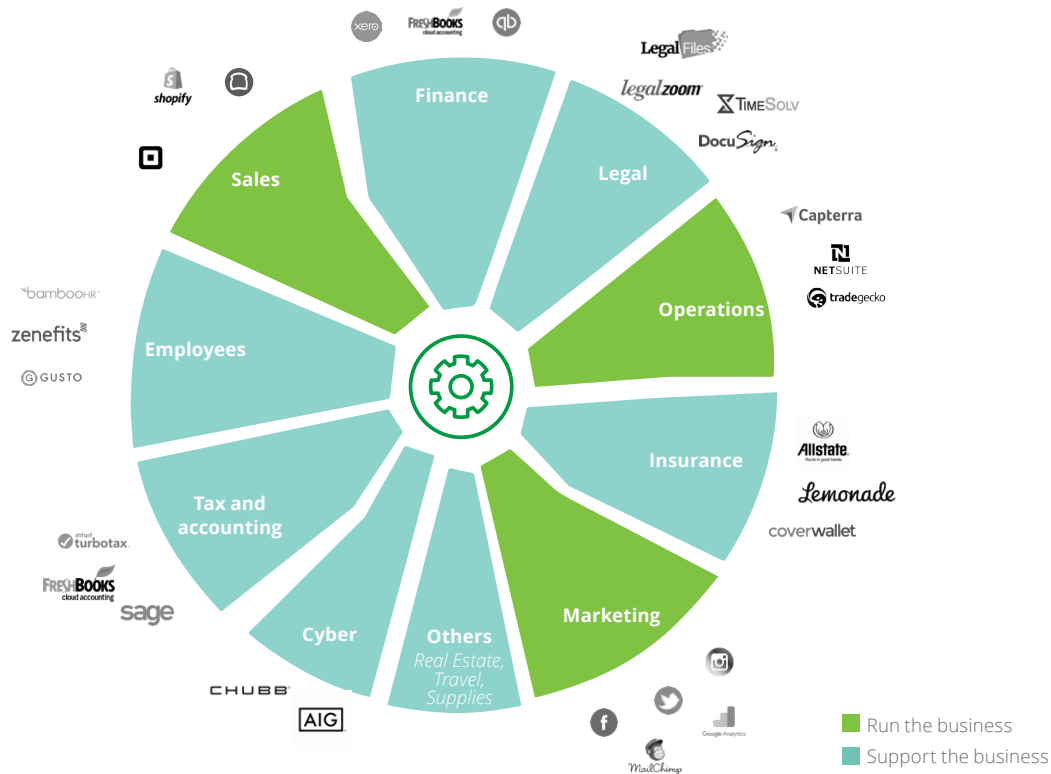
The small and medium-sized business (SMB) segment has historically been underserved, with small business owners experiencing a common set of frustrations and confusion—but that's changing. Fundamental shifts in supply and demand are making the market easier, and more lucrative, to serve. Now, **more than ever, the demand for insights, better platforms, and more powerful workspaces is clear**—and super-apps may be the solution.

1

Scattered and underserved

SMBs today live at the center of a disconnected ecosystem primed for disruption. Owners are constantly pulling together information from multiple discrete tools to try to understand the health of their businesses (figure 1). This fragmented ecosystem causes poor visibility into underlying issues and creates friction in connecting with the right solution providers. The result is cost-efficiency leakage and opportunity cost, as business owners waste time they'd rather spend running and growing their business.

Figure 1. Illustrative SMB entrepreneur software ecosystem

Many SMB owners lack expertise in these "support the business" areas, and because they feel that today's solutions are confusing given their lack of knowledge, they often accept what is easiest to use and most convenient. Through hundreds of one-on-one interviews, our research identified the biggest pain points for small business owners:

- **Give me more hours in the day:** If they have spare time, owners put it into sales and marketing—new business is their top priority.

- **Be the expert so I don't have to:** Owners know there are many things that they don't know. It can be an overwhelming part of starting a new business.

- **Keep my business shockproof:** Minor incidents can have a huge impact. Owners built their business to be a source of financial and emotional stability, and they're willing to pay to keep it that way.

- **Share my mindset and values:** Owners are always on call for their customers and like to deal with problems quickly and personally. They expect the same from their service providers.

- **Understand my business:** Owners know their industry inside and out and need services that do, too. Most companies they speak to have generic advice and solutions.

A market primed for disruption

Due to their fragmented nature, small businesses have long been categorized as a high-cost-to-serve, low-profit market. Historically, SMBs occupied the space between large institutional clients and retail consumers, being treated by service providers as an extension of either their institutional or retail businesses. As a result, many services evolved to be a poor fit for the needs of SMBs.

Pushed to choose between "off-the-rack" solutions from large providers and disjointed niche offerings from specialists, SMBs' purchasing and partnership options are suboptimal. As a result, SMBs could potentially suffer added costs, poor customer experiences, and often inefficient buying processes. However, a series of catalysts are changing the return-on-investment of the SMB segment.

Supply

	Digital capabilities and platform offerings have made it feasible to serve SMBs at scale
	Data and analytics enable SMBs to leverage insights to target customers more precisely
	Incentives from the government (tax and stimulus money) favor SMBs

Demand

	SMBs are increasingly utilizing digital capabilities across their operations
	New businesses are being registered in record numbers; and these numbers are likely undercounted
	SMB expectations are rapidly evolving as they bring their experiences as consumers to their businesses

These changes in supply-and-demand conditions have created a fertile ground for new players, giving rise to a slew of unicorn startups that serve SMBs. Rising consumer demand for e-commerce, which has been further exacerbated by the COVID-19 pandemic, has pushed more and more small businesses online.

This trend was capitalized upon by Shopify. The e-commerce platform provider has experienced a meteoric 5,000% rise in valuation since going public in 2015 and is now valued at $190 billion. The increasing need for SMBs to have an online presence has also fueled the rise of Squarespace, which went public last year at a valuation of $6.6 billion.

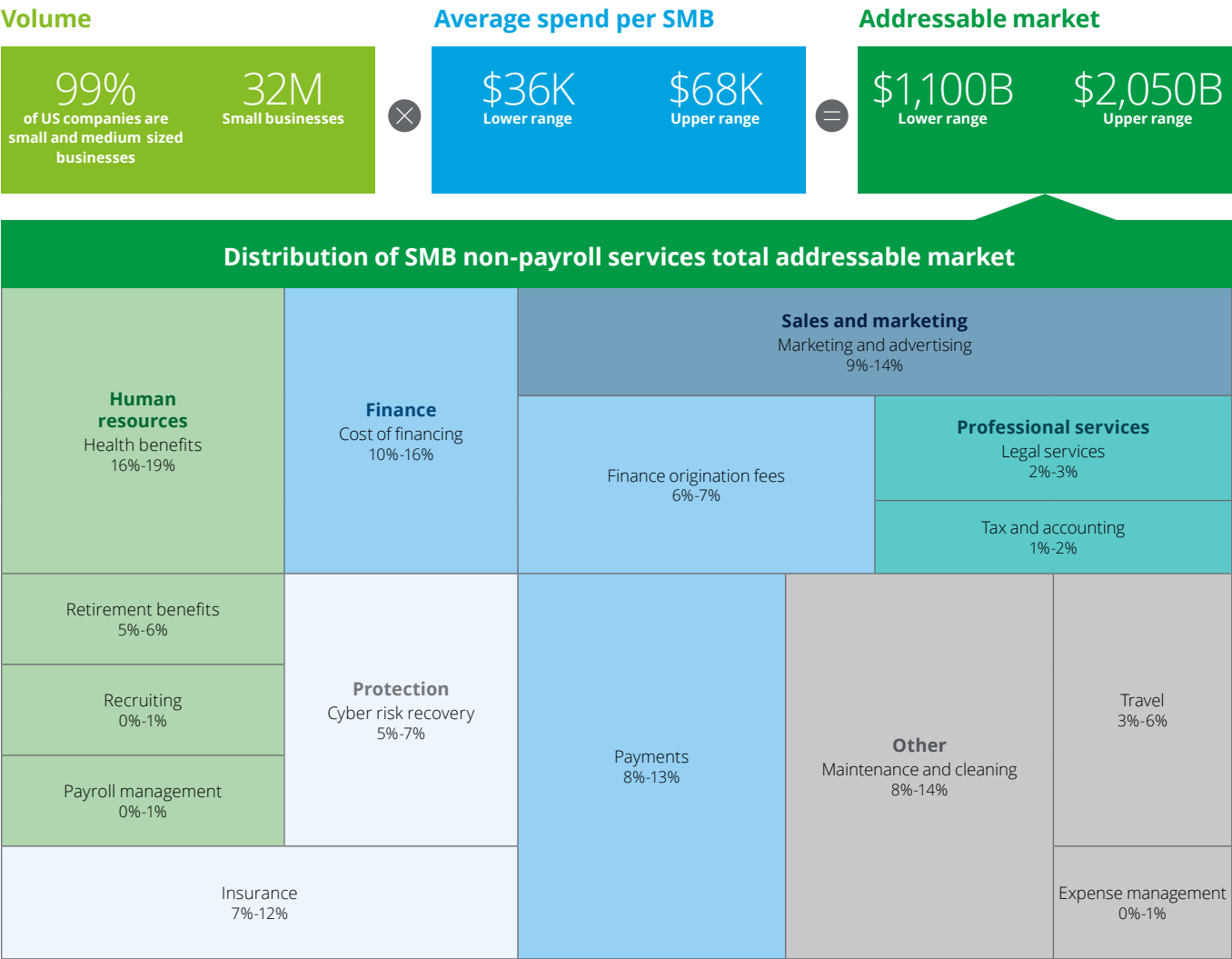Startups are seeing huge success through their rolled-up service approach, but they're far from all-encompassing. They typically don't have the distribution capabilities to succeed across more than a handful of services. If large enterprises were structured around the needs of the small business segment, they would likely outperform new players with their resources, infrastructure, and distribution capabilities.

Sizing the SMB super-app opportunity

The definition of what size of business qualifies as SMB is nebulous, complicating discussions and comparisons across firms. Even the US Small Business Administration varies the definition based on industry, revenue, and employment. We've defined the market as those SMBs having fewer than 50 employees and up to $10 million in revenue, a definition that includes 99% of all 32 million businesses registered in the United States. The addressable market opportunity from serving SMBs is significant at $1.1 trillion to $2 trillion[1] as of 2022.

Delivering a super-app to the SMB market requires integrating the non-payroll services well to add value (see figure 2). Right now, entrepreneurs are managing each component on different platforms, often failing to identify overlaps or gaps between their solutions. With most, if not all, of these responsibilities handled digitally today, we've arrived at a precipice for better service integration. Millions of SMBs are seeking to change their ways of working to be more convenient, informed, and effective—they just need the tools.

Figure 2. Total addressable market for core products and services

Volume

99% of US companies are small and medium sized businesses

32M Small businesses

×

Average spend per SMB

$36K Lower range

$68K Upper range

=

Addressable market

$1,100B Lower range

$2,050B Upper range

Distribution of SMB non-payroll services total addressable market

Human resources Health benefits 16%-19%

Retirement benefits 5%-6%

Recruiting 0%-1%

Payroll management 0%-1%

Insurance 7%-12%

Finance Cost of financing 10%-16%

Finance origination fees 6%-7%

Protection Cyber risk recovery 5%-7%

Payments 8%-13%

Sales and marketing Marketing and advertising 9%-14%

Professional services Legal services 2%-3%

Tax and accounting 1%-2%

Other Maintenance and cleaning 8%-14%

Travel 3%-6%

Expense management 0%-1%

Source: Deloitte Consulting LLP research.

Envisioning an SMB super-app

Super-apps are service aggregators and integrators. The more they're able to own a "piece of a user's life," the more substantial the benefits—greater convenience, easier transacting, better loyalty, and less decisioning. These value-adds make the super-app approach ideal for small businesses, where the lack of aggregation and integration is precisely the issue. An SMB super-app has the potential to:

1. **Pull the pieces together:** SMBs are dealing with a scattered system when running their business. Centralizing their platforms and data across functions would improve efficiency.

2. **Offer better insights:** SMBs don't have the time or background to discern the best additional services to pull in. They need guidance tailored to their firm to avoid gaps and grow their business.

3. **Simplify business planning:** SMBs need certainty in their projections as they expand. A more robust financial planning and project system empowers them to make decisions more concretely.

4. **Create connections:** SMBs are especially susceptible to demand fluctuations, supply chain disruptions, and government policy changes.

Owners want to connect to peer entrepreneurs that have needs like theirs, without feeling like they're talking to potential competitors.

To design a potential solution, Deloitte ran a human-centered design process rooted in the pain points explored earlier in this paper. Our concept, **Lens**, addresses SMBs' needs through a two-sided approach (figure 3):

Inside-out by helping SMBs run their businesses more effectively. Lens consolidates an SMB's existing platforms into a single space. Integrated dashboards help SMBs understand their business and offer tools to help run and grow their business.

Outside-in by curating products and services to procure. Lens curates suitable products and services in conjunction with tailored advice and a community of like-minded owners. The network of other businesses, vetted freelancers, and additional platforms becomes the proving ground for assessing new business ideas and scaling the services needed for success.

Figure 3. Illustrative Lens value proposition concept

Inside-out

INSIGHTS
Better understand their business
Provide SMBs with advanced insights and analytics to:
- Understand the market and demand for their products/services
- Optimize cost-cutting decisions to limit leakage
- Plan around inventory and supply chain shifts
- Determine the most effective marketing strategies

PROJECT SPACES
A smarter way to scope and transact
Centralized and easy-to-use project spaces offer SMBs:
- Enhanced organization and facilitated work-from-home
- Increased efficiency/ease of access to employee hours and working capacity
- Facilitated hiring and onboarding to recruit and train new resources

Powered by data

Outside-in

TRANSACTIONS
Connecting SMBs to businesses that help them prosper
Streamlined transactions will make it easier for business owners and sellers through:
- Updated tracking of clients still in business
- Access to a broadened potential market
- Cash flow and HR solutions
- Enhanced access to social media marketing, targeting consumers where they are exposed to content

COMMUNITY
Learn and engage with a community of like-minded business owners
Access to a community of peers and mentors will offer support and best practices around:
- Challenges with revenue, demand, marketing, and managing employees
- Business owners' confidence, unanswered questions
- Collective adjustments to market shifts, government policy, and new technologies

SMBs are free to engage with one another on the platform, creating a sense of community dedicated to information sharing, collaboration, and partnership. When business needs arise, Lens also offers professional and freelance services from sellers on the marketplace.

These relationships occur both organically through search and through insights-based matching that suits SMBs. When buyers and sellers transact, Lens facilitates payments in-app and drives fee-based revenue. The full ecosystem of interaction looks like figure 4.

Figure 4. Illustrative Lens business model

The importance of insights

In our assessment of SMB needs, the desire for better advice was omnipresent. While large commercial businesses can call on consulting services for guidance, SMBs are often too small to serve with a relationship manager model. The gap is especially evident in banking, where only 5% of SMB client relationships are typically managed by a human.[2] We envision insights as being the cornerstone of Lens' value proposition, closing the guidance gap between small and large businesses. Insights will be delivered through:

Smart notifications: Small business owners work to keep their whole business at the forefront of their minds, but even the most active entrepreneurs struggle to stay atop every element of their firm. Notifications are specific to the business's profile and data, serving as reminders, updates, and news flashes to busy business owners.

Advanced forecasting: The plight of small businesses during the pandemic has highlighted the need for better projections in periods of uncertainty. Forecasting on demand to inform inventory, purchasing, and hiring decisions will help protect businesses from the pitfalls of rapidly shifting markets.

Customizable dashboard and reports: Sales, inventory, workforce management, online traffic— dozens of reports sit in silos. Not only can extracting them be taxing, but small business owners often struggle with fusing the numbers being reported across them into business decisions. Housing these metrics in a single space offers SMBs full view of their business's health and optimizes cost-cutting by calling out redundancies.

Figure 5. Imagining the Lens client journey

Meet Tiffany

Tiffany's tools

Accounting: QuickBooks
Project management: Asana
Marketing: HubSpot
Social media: Hootsuite
Payments: PayPal

Tiffany's business

Based in: New York City
Owns: Corporate PR & events firm
Annual revenue: $250K
Employees: 3, including herself

Tiffany's needs

- Less time spent on business development
- Guidance to grow quickly
- Discretion in choosing features
- Needs to hire a CPA
- Missing security assurance

Insights for Tiffany

Financial
Cash flow forecasting and predictions
Market scaling potential
Spend optimization
Competitor comparisons

HR and payroll
Talent/staff optimization
Benefit packages
Salary comparison and payroll management
Staff forecasting

Legal
License requirements
Insurance and benefits guidance
SMB aid and developments

Landing page

Tiffany sees an ad and navigates to the landing page to learn more. As an ambitious small business owner, she is excited to see what a **digital guide** might do to help her run and grow her business. She also likes the idea of connecting to a peer community of entrepreneurs and accessing a marketplace of solution providers right for her business.

Tiffany notices the platform is **free** to use and appreciates the **transparency regarding data usage**. As she discovers how the service works, and the **trusted partners** involved, she decides to explore the **Market and Community pages** to see what features are offered.

She values the **rating and referral system** for solutions and understands the benefit that specific **community groups and forums** could provide.

Onboarding

She decides to **activate** her account using **LinkedIn** and is greeted by the **digital chief of staff**. Tiffany is impressed by how the platform suggests relevant communities to engage with based on her current LinkedIn connections, location, and industry. Tiffany appreciates that the platform considers her **business priorities** so that she can receive **personalized insights** and is subsequently asked to **connect any business tools** that she is currently using to help the platform gain a **holistic view of her business**.

Dashboard

Once connected, Tiffany is taken to her dashboard and sees her **key business performance metrics** in one place. She is delighted that the platform pulled information from different sources and created simple, digestible views **automatically**, and that she can **customize** the dashboard's layout. Relieved that her overall "vitals" are positive, she navigates to the insights page to see what the platform recommends to improve her business performance.

Feedback loop

A few days later, Tiffany logs back into the platform and is asked to **provide feedback** on her purchase. Understanding that she needs to contribute to the ratings system to be able to use it herself, Tiffany is motivated to take a few seconds to **rate the service**.

Community

As she has a growing e-commerce business, Tiffany is particularly concerned about the possibility of getting hacked. Unsure about how to protect herself, she turns to her community and notices Glen Ross has been **recommended by her peer group** as a cybersecurity expert. She sees that he is currently online, so she **messages him directly** for input on a particular question.

Insights

Tiffany notices her variable costs are higher than average. Concerned, she decides to learn more. She was not aware that her labor costs are higher than her peers, so she looks at the **different solution options** and thinks it is best to speak with a consultant who may be able to explain what is going on with her company. She can **easily compare Sharon and Zach's capabilities**, and she pursues Sharon's **offerings, pricing, and reviews** before **scheduling a free consultation**.

SMB super-app revenue model

Many of today's personal super-apps (e.g., WeChat, Alipay, etc.) leverage third-party partnerships to enable most of their services. Given that many of the SMBs joining Lens are already customers of sales, finance, marketing, and other products that the super-app

hopes to integrate, Lens will need to form similar partnerships with these platforms to succeed. Without owning these services, Lens is still able to drive revenue across buyers and sellers in a few ways (figure 6).

Figure 6. Illustrative Lens revenue model

Core revenue model can be either:

1 or **2**

Lead fees
(levied on seller)
Charged to seller per
buyer lead

Commission fee
(levied on seller)
% of transaction amount
or flat fee per transaction
from seller

+

Additional revenue models that can be added are:

3 and/or **4** and/or **5**

Processing fees
(levied on buyer)
% of transaction amount
or flat fee per transaction
from buyer

Freemium subscription
(levied on buyer)
User choice to opt in/out
of additional services

Promotion fees
(levied on seller)
Charged for promoting
ads and posts on the
platform from sellers

Deloitte conducted extensive interviews based on the options in figure 6 to discern SMB owners' and marketplace sellers' preferences:

For small business owners, the monthly freemium pricing model proves most popular. The ability to try the platform without risk upfront is enticing to users, and a recurring pricing approach for premium features is familiar to business owners as they already pay monthly platform licenses. Only 2% to 5% of free users generally convert to premium in freemium models,[3] but a small business super-app can create stickiness by onboarding the platforms that SMBs are already using into a single space.

For sellers, different businesses favor different approaches. Most popularly, sellers are eager to advertise within the platform's free features knowing that their products are being marketed among a much more targeted audience. For sellers with high-cost products, purchasing qualified leads is a promising value proposition, while those focused on promoting their services more broadly prefer to follow a subscription payment model.

Assessing today's competitive landscape

SMBs are quickly jumping to more integrated offerings. Today's leading startups have seen rapid expansion despite offering only a subset of Lens' services. The market is beginning to evolve beyond point solutions aimed at managing one or two SMB needs at a time, but none have evolved into a "one-stop shop." As competitors look to expand their services, two strategic approaches have emerged:

Segment-focused super-app: Shopify has done a good job of stitching together services needed to run a small business, like e-commerce and point of sale, so long as that business is selling a product. For SMBs offering services rather than goods, Shopify is essentially a website builder. This represents a choice in segment, opting to become a complete service for a subset of the SMB market. This approach better tailors the platform's features to its customers' needs but limits the platform's reach within the market. Once at scale, however, it's feasible for segment-focused platforms to transplant their approach, with tweaks, to better serve new SMB segments. Offerings in this space can become full super-apps by expanding laterally to cover more services around supporting the business, such as insurance, security, tax, and legal—services that have remained fairly fragmented so far.

Feature-focused super-app: Some platforms have focused instead on simplifying the SMB experience in a specific area, regardless of the SMB's industry or product. This works especially well for addressing needs that are relatively homogenous across business models, like accounting services. Most firms need it, along with billing and invoicing, budgeting, enterprise resource management, and expense management. Their ubiquity means there is little downside to bundling these products, simplifying the process for SMBs and creating stickiness within the platform. Platforms that reach this point can continue to layer related services under the same payments umbrella, and customers will pay to have more of their financial data synchronized and organized on their behalf.

The hybridized solutions that are gaining market traction, although incomplete, are testament to small businesses' need for better platforms. Some, like those outlined in figure 7, have attracted huge numbers of entrepreneurs to their platforms.

Figure 7. Hybridized solutions

	Platform description	Market stats	Competitive spaces
Firm A	Freelance services marketplace	**11M** Freelancers and entrepreneurs on platform	Community, Insight, Project spaces, Marketplace
Firm B	Business communication platform for internal teams	**>10M** Daily active users on platform	Community, Insight, Project spaces, Marketplace
Firm C	E-commerce platform for online stores and POS system	**17M** Merchants on platform	Community, Insight, Project spaces, Marketplace

Conclusion

The SMB space has never been more ripe for change. The limitations that have enervated previous efforts in the SMB space are waning—the market is expanding, SMB preferences are becoming increasingly digital, and the technology underpinning platform solutions is becoming truly scalable. With SMBs becoming more plentiful and easier to serve, we anticipate significant focus on this segment in the coming years. As firms look to marry the solutions SMBs use today, we offer this advice:

Don't do it alone: A strong SMB super-app will be built on the backs of existing platforms. To ignore QuickBooks, Salesforce, or TurboTax is to err—partnerships are a foothold into the existing SMB market and enable rapid growth of scale. No single player is likely to have all the answers in building out such an expansive, disruptive product. Our extensive research into the space has made clear that the needs of SMBs are more misunderstood than many realize, so assumptions should be tested and retested.

Insights are key: Our research strongly indicates that SMBs value advice and are willing to pay for it. This applies to trend sensing, identifying gaps in services, small business news, demand forecasting, and dashboarding—the space is wide and distinctly underserved. We predict that insights will serve as the cornerstone of super-apps' value-added services.

Strive for loyalty: Super-app success is tied directly to the depth with which its users engage. Offer appwide rewards to deepen cross-sell, or promote campaigns to drive initial engagement. Creating stickiness within the platform, not just pushing the most profitable products, should be a primary focus to help maximize the lifetime value to users.

Learn more in our two companion reports that explore the potential rise of consumer super-apps in Western markets and define the capabilities and approaches necessary for super-app development.

Interested? Get in touch.

Contacts

Gopi Billa
Deloitte Consulting LLP
gobilla@deloitte.com

Zach Aron
Deloitte Consulting LLP
zaron@deloitte.com

Mark Purowitz
Deloitte Consulting LLP
mpurowitz@deloitte.com

Contributors

Deloitte Consulting LLP colleagues Peter Pearce, Liam Hosey, Jill Barbano, Ranjit Jain, Mayur Kumar, Marlies Laros, Brett McCoy, Baylee Simon, Jon Valenti, and Gauthier Vincent

Endnotes

1. Deloitte research study.

2. Deloitte research.

3. Keith Fenech, "Why are Spotify's freemium conversion rates so high? Look to the data.," Revenera, September 15, 2017.

Deloitte.