2011 Small and Medium Businesses
Routes to Market Study

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# Table of Contents

- **Executive Summary and Key Findings:**
  - Business and Economic Outlook
  - Top Business & Technology Challenges
  - Areas of Investment
  - Attitudes About Keeping Current with Technology
  - Top Sources of Information
  - Top Sources for Advice and Why
  - Top Reasons For Reliance On These Sources For Advice
  - Top Reasons Why Specific Technology Solutions Get on the “Short List”
  - Purchase Channels for Technology Solutions
  - Personnel Involved in Solutions Purchase Process and Budgeting Style

- **Summary:**
  - Small Business Technology Solution Purchase Cycle
  - Medium Business Technology Solution Purchase Cycle

- **Methodology**

- **The topics below are tabulated by employee bands for both Small Business (1-19, 20-49, 50-99 employees) and Medium Business (100-249, 250-499, 500-1,000 employees):**
  - Top business challenges
  - Top technology challenges
  - Business Outlook for 2010
  - Annual spending on technology solutions
  - Technology solutions spending change
  - Technology solutions purchased in last 24 months and plans for purchases in next 12 months
  - Company’s attitudes regarding the budgeting process
  - Company’s attitude about keeping current with new software and service technology solutions
  - Use of information sources to run business
  - Technology solution purchase sources (by technology)
  - Top reasons for selection of purchase source (by technology)
  - Top sources of advice on solution selection (by technology)
  - Top reasons to rely on these sources for advice
  - Top reasons to “short list” a solution
  - Persons involved in technology solution purchase process

- **Selective additional insights by Respondent age and Who the business sell’s to?**
Routes To Market Study Goals

- Analyze how U.S. SMB decision-makers learn about, evaluate and buy software and services technology solutions to help run their businesses
- Identify and analyze:
  - Current and planned use of software and services technology solutions
  - Where SMBs go to discover and learn about these solutions
  - Who SMBs rely on to guide them in selecting these solutions—and why they rely on them
  - Top reasons that some solutions make the “short list” over others
  - Where SMBs purchase software and services technology solutions—and why they select these channels
  - Budgets, planned spending and budgeting process
  - Decision-making process and roles throughout the process

SMB Technology Solution Purchase Process
Study Focus and Methodology

- The survey asked respondents for input on “software and service technology solutions” throughout the survey.
  - These include:
    - ERP, Financial and Accounting
    - Business Intelligence and Analytics
    - Collaboration
    - Web site design/hosting
    - Online Marketing
    - Contact and Customer Management
    - IT Infrastructure Management Solutions and Services
    - Server Virtualization (new addition for 2011)
    - Desktop Virtualization (new addition for 2011)

- For brevity, we have shortened “software and service technology solutions” to “technology solutions” in this slide presentation.

- Web-based survey
- Data collected in October 2011
- Random sample of small and medium businesses
- 29 questions
- 688 respondents/completed interviews covering the four segments:
  - Very small business (1-19 employees)
  - Small business (20-49 employees, 50-99 employees)
  - Medium business (100-249 employees, 250-499 employees)
  - Mid-market business (500 to 999 employees)
- Respondents are responsible for making/influencing technology solutions decisions.
## SMBs Defined

### Very Small Businesses
- 1-19 employees (full time) across entire corporation
  - Education, government, non-profit organizations are included
- **Location:**
  - Home-based businesses (Soho) are included
  - Non-profits are included
  - Located in North America
- Franchises are not included
  - Purchase decisions driven by business/location being surveyed

### Small Businesses
- Fewer than 100 employees (full-time) across entire corporation
  - Education, government, non-profit organizations are included
- **Location:**
  - Home-based businesses (Soho) are included
  - Non-profits are included
  - Located in North America
- Franchises are not included
  - Purchase decisions driven by business/location being surveyed

### Medium Businesses
- 100 – 1,000 employees (full-time) across entire corporation
  - Education, government, non-profit organizations are included
- **Location:**
  - Commercial location
  - Non-profits are included
  - Located in North America
- Franchises are not included
  - Purchase decisions driven by business/location being surveyed
2) How many full-time employees, including yourself, are in your company in total (not including contractors)?
Survey Process

Target Quota: N=500-750

Nationally Representative Sampling

Technology Solutions Selection and Purchasing Decision Makers in North America Based Small and Medium Businesses (businesses with 1-999 employees)

Completed Interviews: N=866

All employee sizes represented
Representative of most vertical industries
Representative of most regions
Home-based, non-profit included
Weighted by employee size

Web based survey
The Social Business Study sponsorship package includes:

- **Personalized kick-off meeting** to gain sponsor input to help shape specifics of the study. Regular updates about the project plan and progress.

- **Survey data analysis report**: Report containing detailed survey results, data analysis, trend information for routes to businesses by employee size and industry segments.
- Detailed Crosstabs by employee size and additional interesting data points

- **Tailored presentation**, presented by the authors of the study, with focused implications and recommendations for each sponsor.

- **Inquiry**: 3 hours of inquiry, additional crosstabs, etc.
Deliverables and Pricing

Option A: Sponsorship Package—Study Results plus Additional Cross Tabs and Inquiry time $17,500
- Collaborate with SMB Group to provide input on survey questions
- Data report study (Power Point format)
- Web conference presentation of key findings and Q&A
- 3 hours of additional inquiry (including additional crosstabs)
- PDF of study results with employee size crosstab banner for all questions
- Analysis and crosstabs by industry

Option B: Basic Package—Study Results $16,000
- Data report study (Power Point format)
- PDF of study results with employee size crosstab banner for all questions

Please contact us if you’d like to schedule time to learn more.

surveys@smb-gr.com or call Sanjeev Aggarwal (508)410-3562
Follow-on Vendor Specific Engagements

Channel identification and targeting

Refine value proposition, messaging to improve sales and marketing effectiveness

Build Thought Leadership through Social Media and White papers

Core Information from Routes to Market Study

Market Segmentation based on propensity to buy Collaboration solutions

Solution specific white papers/webinars

Refine value proposition, messaging to improve sales and marketing effectiveness
Sample Charts from Study

Routes to Market Study
November 2011
Key Findings: Current and Planned IT Solution Investments

<table>
<thead>
<tr>
<th>2011 Study</th>
<th>Trends vs. 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solutions purchased/Upgraded in the last 24 months</strong></td>
<td>• Overall purchase/upgrades are lower in the past 24 months (2011 survey) than when in the 24 months prior to when the 2010 survey was fielded</td>
</tr>
<tr>
<td>• Customer facing applications are the top investment areas after the 2008-09 recession—direct correlation to top business challenges of attracting new customers and growing revenues.</td>
<td>• Likely that a significant number of SBs implemented solutions in 2009/10 timeframe after holding back in the 2008/09 recession</td>
</tr>
<tr>
<td>• Top 3: Website design/hosting; Accounting/ERP; Contact and customer management.</td>
<td>• Accounting/ERP is the only area with an increase for purchases/upgrades over 2010: +4%</td>
</tr>
<tr>
<td>• More higher performance SBs purchased/upgraded technology solutions in the last 24 months and also have higher purchase plans for the next 12 months</td>
<td></td>
</tr>
<tr>
<td><strong>Purchases planned in the next 12 months</strong></td>
<td>• Purchase/upgrade plans are somewhat lower for 2012, especially for Website and online marketing areas, due in part to customers waiting for better integrated web site/social media solutions</td>
</tr>
<tr>
<td>• Plans for customer facing solutions remain strong</td>
<td></td>
</tr>
<tr>
<td>• Other high plan areas: IT Infrastructure management, business intelligence and analytics, and to a lesser extent, virtualization solutions</td>
<td></td>
</tr>
<tr>
<td><strong>Packaged vs. cloud-based software solutions</strong></td>
<td>• Packaged apps continue to lead in both current and planned, momentum for cloud solutions is increasing in almost all categories: Accounting/ERP: +2%; Website design/hosting: + 10%.</td>
</tr>
<tr>
<td>• Strongest areas for current cloud adoption (current and planned): Collaboration, Website Design/Hosting, Marketing Automation and Server Virtualization</td>
<td></td>
</tr>
<tr>
<td><strong>Top Vendors</strong></td>
<td>• NA: did not get vendor specific data for 2010.</td>
</tr>
<tr>
<td>• Intuit remains the dominant accounting vendor, but is down 5% in current vs. planned</td>
<td></td>
</tr>
<tr>
<td>• Sage, Microsoft, SAP and NetSuite show single digit gains in planned vs. current use</td>
<td></td>
</tr>
</tbody>
</table>

• Solution vendors need to double-down on proof of business value to overcome soft adoption plans
• Accounting plans are relatively strong, purchase plans for next 12 months show increasing interest in ERP solutions from vendors such as Microsoft GP, SAP BusinessOne and NetSuite.
6) Please let us know what software and service technology solutions your company has purchased and/or upgraded in the last 24 months?

19) Which of these technology solutions and services do you plan to purchase or upgrade in the next 12 months?

Sample Size = 372

-- Change compared to 2010 --

• Purchase/upgrades are lower in 2010/11 as a significant number of SBs implemented these in 2009/10 timeframe after holding these in the 2008/09 recession period

• Purchase/upgrade plans are somewhat lower for the 2012, especially for Website and online marketing areas, as customers wait for a better social media integrated solutions and better economic forecast
Packaged vs. Cloud-based Software and Services

Purchase/Upgraded in last 24 months

<table>
<thead>
<tr>
<th>Service</th>
<th>Cloud-based Software</th>
<th>Packaged Software</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting/ERP</td>
<td>7%</td>
<td>93%</td>
</tr>
<tr>
<td>Desktop virtualization</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>IT infrastructure management</td>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>Contact and customer management</td>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>Business intelligence and analytics</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>Marketing Automation</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>Web design/hosting</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>Server virtualization</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Collaboration</td>
<td>38%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Sample Size = 329

Change in cloud-based solution adoption

<table>
<thead>
<tr>
<th>Service</th>
<th>Cloud-based Software</th>
<th>Packaged Software</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting/ERP</td>
<td>13%</td>
<td>87%</td>
</tr>
<tr>
<td>Desktop virtualization</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>IT infrastructure management</td>
<td>32%</td>
<td>68%</td>
</tr>
<tr>
<td>Contact and customer management</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>Business intelligence and analytics</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>Marketing automation</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>Web design/hosting</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>Server virtualization</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Collaboration</td>
<td>40%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Sample Size = 213

12) Do you use a packaged software application OR a cloud-based software-as-a-service solution in this area?

20) At this time, do you think your company will choose to purchase and use a packaged software application or a cloud-based solution?
**Accounting/ERP Solution and Website Design/hosting – Top Vendors**

**Purchase/Upgraded in last 24 months**

- **Intuit (Quickbooks)**: 65%
- **Sage Software (Peachtree, MAS)**: 12%
- **Microsoft Dynamics**: 11%
- **SAP (BusinessOne, Business by...)**: 6%
- **NetSuite**: 1%
- **Intacct**: 0%
- **Other (list)**: 15%

**Website design/hosting**

- **Other (list)**: 31%
- **Network service provider/ISP**: 30%
- **GoDaddy**: 25%
- **Network Solutions**: 10%
- **Intuit**: 10%
- **Web.com**: 2%
- **Hubspot**: 2%

**Purchase planned for next 12 months**

- **Intuit (Quickbooks)**: 59%
- **Sage Software (Peachtree, MAS)**: 13%
- **Microsoft Dynamics**: 22%
- **SAP (BusinessOne, Business by...)**: 16%
- **NetSuite**: 4%
- **Intacct**: 2%
- **Other (list)**: 9%

**Q20A** What vendor(s) is your company is considering for an accounting/ERP solution?

- **Hubspot**: 28%
- **Web.com**: 32%
- **Intuit**: 27%
- **Network Solutions**: 14%
- **Intacct**: 15%
- **GoDaddy**: 8%
- **Hubspot**: 4%

**Sample Size = 176**

12A) What brand solution(s) did your company purchase/upgrade for accounting/financials/ERP?
Business Performance and Purchase/Planned Purchase of Technology Solutions

- A larger percentage of higher performance SBs purchased/upgraded technology solutions in the last 24 months and also have higher purchase plans for the next 12 months.

**Purchase/Upgraded in last 24 months**

- **Revenue increase**
  - Accounting, financial and/or ERP: 40%
  - Online marketing/marketing automation: 22%
  - Business intelligence and analytics: 55%
  - Collaboration: 24%
  - Contact and cus. management: 35%
  - Server virtualization: 21%
  - Web site design/hosting: 18%
  - Infrastructure: 20%
  - Desktop virtualization: 17%

- **Flat Revenue**
  - Accounting, financial and/or ERP: 38%
  - Online marketing/marketing automation: 20%
  - Business intelligence and analytics: 45%
  - Collaboration: 18%
  - Contact and cus. management: 33%
  - Server virtualization: 23%
  - Web site design/hosting: 19%
  - Infrastructure: 11%
  - Desktop virtualization: 19%

- **Revenue decrease**
  - Accounting, financial and/or ERP: 26%
  - Online marketing/marketing automation: 13%
  - Business intelligence and analytics: 53%
  - Collaboration: 9%
  - Contact and cus. management: 22%
  - Server virtualization: 25%
  - Web site design/hosting: 7%
  - Infrastructure: 3%
  - Desktop virtualization: 16%

**Purchase planned for next 12 months**

- **Revenue increase**
  - Accounting, financial and/or ERP: 23%
  - Online marketing/marketing automation: 19%
  - Business intelligence and analytics: 37%
  - Collaboration: 23%
  - Contact and cus. management: 29%
  - Server virtualization: 19%
  - Web site design/hosting: 19%
  - Infrastructure: 17%
  - Desktop virtualization: 17%

- **Flat Revenue**
  - Accounting, financial and/or ERP: 20%
  - Online marketing/marketing automation: 9%
  - Business intelligence and analytics: 28%
  - Collaboration: 20%
  - Contact and cus. management: 16%
  - Server virtualization: 11%
  - Web site design/hosting: 11%
  - Infrastructure: 10%
  - Desktop virtualization: 10%

- **Revenue decrease**
  - Accounting, financial and/or ERP: 13%
  - Online marketing/marketing automation: 22%
  - Business intelligence and analytics: 43%
  - Collaboration: 13%
  - Contact and cus. management: 7%
  - Server virtualization: 16%
  - Web site design/hosting: 10%
  - Infrastructure: 10%
  - Desktop virtualization: 10%

**Sample Size = 452, Revenue increase=262, Revenue flat=122, Revenue decrease= 68**

6) Please let us know what software and service technology solutions your company has purchased and/or upgraded in the last 24 months?

19) Which of these technology solutions and services do you plan to purchase or upgrade in the next 12 months?
Top Reasons For Reliance On These Sources for Advice - Trends

2011

1. I trust their advice and judgment

2. They understand my business needs

3. They provide me with non-biased opinions and solution choices

4. They have strong experience in the solution area

5. They have proven technology expertise

6. Purchased from them before

7. They work with other vendor I trust

8. They provide deep vertical expertise for my industry

2010

1. I trust their advice and judgment

2. They understand my business needs

3. They provide me with non-biased opinions and solution choices

4. They have strong experience in the solution area

5. They have proven technology expertise

6. Purchased from them before

7. They work with other vendor I trust

8. They provide deep vertical expertise for my industry
Decision Cycle – Accounting/ERP solutions

- Most SBs are buying software and services solutions direct from software and SaaS vendors.
- V2Y momentum is increasing for cloud-based solutions. Accounting/ERP showed a 6% increase from 7% in 2011 to 13% in 2012.

Purchase Channels

- Direct from Software Vendor or Software-as-a-Service Vendor
- Local/Regional Value-added reseller (VAR)
- Managed Service Provider (MSP)
- In-store at electronics or office products store
- Website of electronics or office products store
- In-store or website of a big box store (e.g., Walmart, Target, etc.)
- Wholesale clubs (e.g., Costco, Sam’s, B&H, etc.)

Information Sources

- Top Information Sources are:
  - Social media (Facebook: 33%, LinkedIn: 31%)
  - Blogs (26%, Twitter: 19%)
  - Search engines – 75%
  - Colleagues in other small businesses – 61%
  - Vendor website – 56%
  - Email newsletters – 54%
  - Friends and family – 53%
  - Business journals/magazines – 51%
  - Technology/Industry analysts – 41%

Top Advise Sources

- 2011
- 2010
- Social media sites with user commentary, ratings...
- Colleague in my company and/or industry
- Professional business advisors
- Friends and/or family
- Local technology advisors (VARs, MSPs, IT...)
- Personal at local electronics/office retailers
- Colleague in other small businesses
- Personnel at telecom/Cable Service Provider or ISP

Developing a “Short List”

- Business owners/presidents play a key role in all phases of the process
  - Identify Needs – Business owner/president, end-user, Office manager
  - Evaluate Solution – Business owner/president, office manager, end-users, In-house IT
  - Select Solution – Business owner/president, office manager and LOB
  - Final Purchase Decision – Business owner/president
- Price is king!! However, they are willing to spend a little more time to get a easier to use/more customized solution, prior relationship with vendor and strong reputation/brand

Why these sources?
- They understand my business needs – 60%
- They trust their advice and judgment – 60%
- They provide me with non-biased information – 42%
- They have strong experience in this solution area – 36%
- They have proven technology expertise – 36%
Medium Business Technology Solution Purchase Process

- Identify Needs – Department head (LOB), end-user, In-house IT
  - Tend to have a formal budgeting process, but will be flexible if they are convinced a solution will help the business
  - Optimistic about business
  - Planning to spend more on technology solutions in NTM

- Purchase Channels
  - Most MBs buy software and services solutions direct from software vendors and SaaS vendors.
  - Business apps. are purchased direct from vendors/VARs
  - Web hosting and online marketing are purchased direct from vendor, SaaS vendor or web hosting company

- Identify Need
  - Business owner or president is most actively involved only in the final purchase decision
  - Identify Needs: LOB executive and In-house IT director
  - Evaluate Solution: LOB executive and In-house IT director
  - Select Solution: LOB executive and In-house IT director
  - Final Purchase Decision: Owner/president and In-house IT director

- Information Sources
  - Confusion about which solutions will most benefit the business
  - Unsure about ROI/payback on solutions
  - Having been finding value prop for customer-facing solutions, infrastructure most compelling
  - Business analytics picking up interest

- Finalizing Purchases
  - Select Solution: Owner/president, in-house IT, LOB executives
  - Final Purchase Decision: Owner/president and CIO/Director of IT
  - Price, easier to customize, reputation for high quality, and ease-of-use are top selection criteria

- Advise on Evaluating Solutions
  - Evaluate Solution: LOB execs and in-house IT director
  - Sources of advice are more fragmented than SB
  - Local tech advisors are #1 or 2 for collaboration, accounting/ERP, Web sites, infrastructure
  - Professional business advisors are #1 for customer/contact management 44%
  - Social media sites are #1 for online marketing
  - Colleagues in industry #1 for Infrastructure, BI
  - Top reasons for relying on selected sources: Strong experience in solution area, proven technology expertise, and trust judgment

- Developing a “Short List”