SMB Group’s 2016 Top 10 SMB Technology Trends

Here are SMB Group’s Top 10 SMB Technology Trends for 2016! A more detailed description of each follows below. (Note: SMB Group is the source for all research data quoted unless otherwise indicated.)

1. SMBs That Make the Business-Technology Performance Connection Outpace Their Peers.
3. SMBs Tune in to IoT Possibilities.
4. Public Cloud Is a Done Deal, but Cloud Variants Remain Hazy for SMBs.
5. Security Remains the Elephant in the SMB Room.
6. Mobile Solutions Occupy a Bigger Part of SMB IT Real Estate.
7. SMBs Rethink CRM.
8. SMBs Move Up the Cloud Analytics Curve.
9. SMBs Streamline Internal Processes to Focus on Business Growth.
10. More Tech Vendors Use Big Data to Provide New Business Services to SMBs.
Detailed SMB Group Top 10 SMB Technology Trends for 2016

1. **SMBs That Make the Business-Technology Performance Connection Outpace Their Peers.** SMB success is increasingly tied to technology. SMBs that view technology as critical to improving business outcomes are outpacing their peers in terms of business growth. According to SMB Group’s 2015 SMB Routes to Market Study, 29% of SMBs view technology as helping them to significantly improve business outcomes. These “progressive” SMBs are 18% more likely to forecast revenue increases than their peers. Progressive SMBs spend 29% more on technology, are 55% more likely to have fully integrated primary business applications (financials, CRM, HR, etc.) and are 86% more likely to use analytics than their counterparts. By using technology to streamline workflows, slash time spent on repetitive data entry and inefficient processes, gain better insights into opportunities and threats, and create new business models, progressive SMBs are well positioned to tap into new customer requirements, improve customer engagement and experience, and enter new markets. As they move forward, they will continue to outpace their peers and reshape the SMB market.

2. **The Battle for Self-Employed Workers Heats Up.** According to April 2015 statistics from the U.S. Government Accountability Office (GAO), more than 40% of all U.S. workers are contingent, which includes the self-employed as well as temp workers, contractors, on-call workers and part-time employees. That number represents a 10% increase from the previous GAO survey in 2006. The survey spans industries from construction to pet care, and from professional services to Uber and Lyft drivers. This trend shows no sign of abating, with the GAO predicting the percentage of self-employed workers to rise to 50% by 2020. Self-employed workers need tools to manage finances, build brands and grow their business—but they must do all this on a shoestring budget. SMB Group’s 2015 SMB Routes to Market Study shows that consequently, many of these workers rely on Excel spreadsheets: 40% of self-employed workers use Excel for accounting, and 85% use Excel or email (such as Outlook or Google) for sales and contact management. On average, median annual spending on technology for businesses with one employee is approximately $3,500, which includes client devices, productivity software, business software, Internet connectivity and mobile data service and device expenses. Vendors such as FreshBooks and Square have been pioneers in developing solutions specifically for self-employed workers. But more vendors, such as Intuit (with QuickBooks Self-Employed) and Sage (with Sage One), are following suit. Although the sheer market volume creates great potential, rapid scale will be required to attain and sustain profitability in this cash-constrained segment.

3. **SMBs Tune in to IoT Possibilities.** The Internet has delivered its latest game changer: the Internet of things (IoT). As with the Internet innovations that preceded it, IoT presents tremendous potential for disruption—along with all of the opportunities and challenges that accompany this type of sea change. Yet IoT is still just a buzzword for most SMBs. When asked in SMB Group’s 2015 SMB Routes to Market Study, “What are the top three technology areas that are most critical for your business to invest in over the next 12 months?,” IoT ranked at or near the bottom. Only 18% of small and 13% of medium business decision makers selected IoT as one of their top three priorities. But factors such as vendor education and early success stories will help SMBs better understand IoT use cases and opportunities, both to improve internal operational efficiencies and to create new product and services offerings. SMB Group research
indicates that SMBs in retail, wholesale/distribution and discrete manufacturing (e.g., auto, electronic equipment) are likely to lead the SMB IoT charge. Regardless of industry, IoT solutions built to move critical, trigger-based data to the Internet (through smart gateway solutions and applications) and store less important data locally will be key to helping SMBs avoid information overload and achieve successful IoT outcomes.

4. **Public Cloud Is a Done Deal, but Cloud Variants Remain Hazy for SMBs.** Cloud solutions are already part of the business fabric for most SMBs, with the adoption of cloud solutions surging across all solution areas, according to SMB Group’s 2015 SMB Routes to Market Study. In fact, the cloud is poised to overtake on-premises deployment in the next year in areas such as collaboration, file sharing and marketing automation. Cloud adoption is also growing in areas in which it has traditionally lagged: Almost one-third of SMBs planning to purchase accounting and ERP solutions say they plan to purchase a cloud offering. But for the most part, SMBs have been choosing public cloud options—despite several vendors’ vocal promotion of private and hybrid cloud alternatives. Although each variant has its pros and cons, most SMBs remain confused about what private and especially hybrid clouds are as well as when and why they should consider them. Most vendors define hybrid cloud as the integration of a public and private cloud; but because private clouds are still rarely utilized by SMBs, the hybrid cloud notion remains hazy for SMBs. Microsoft with Azure Stack for Windows Server, IBM with its Bluemix-powered “cloud everywhere” platform and Dell with Dell Cloud Manager are trying to make private and hybrid cloud options more accessible and manageable. But unless and until vendors offer more articulate, relevant and compelling alternatives, SMBs will continue to opt for the public cloud in the vast majority of cases.

5. **Security Remains the Elephant in the SMB Room.** As SMBs rely more on technology to run their businesses, the requirements to secure and protect data and access become more critical and complex. SMB Group’s 2015 SMB Routes to Market Study shows that medium businesses rank security as their second most pressing technology challenge, while small businesses rank it as their number-one challenge. However, many SMBs feel overwhelmed, confused and completely inadequate to deal with the magnitude of the seemingly endless potential for digital security breaches that could wreck havoc on their businesses. All too often, they continue to take an outdated, ineffective, 1990s-era “whack-a-mole” approach to security, deploying point solutions to ward off the security threat du jour. However, vendors are delivering more holistic, end-to-end, risk- and rules-based solutions for SMBs. These solutions can enable them to close off the biggest vulnerabilities to their most critical corporate data, wherever it resides—whether endpoint devices, mobile apps, on-premises infrastructure and applications or the cloud. Although most SMBs will need help understanding this approach, once they do, they will be able to face and address the security elephant in a more effective way.

6. **Mobile Solutions Occupy a Bigger Part of SMB IT Real Estate.** SMBs continue to turn to mobile solutions to help redefine business processes and pursue new opportunities. SMB Group’s 2014 SMB Mobile Solutions Study indicates 59% of SMBs view mobile solutions and services as “critical” to their business. The effects of mobile adoption impact traditional IT in endless ways. For instance, 85% of SMBs see mobile apps as complementing traditional business apps; 70% believe that mobile apps will replace some of their current business applications; and 48% say their employees are doing significantly more work on mobile devices. As important, mobile solutions account for a growing share of SMB technology budgets, with median spending on
mobile solutions as a percentage of total technology spending rising year-over-year. However, while they’ve been swept up in the mobile tsunami, many SMBs have yet to put mobile strategies and solutions in place to optimize their mobile investments. SMBs will need better guidance from vendors both to effectively manage and protect mobile assets and to better integrate them with traditional business applications and infrastructure.

7. **SMBs Rethink CRM.** SMBs need an integrated, holistic view of their customers, but “enterprise” CRM has proved too complicated and costly for most. The good news is that vendors are crafting CRM solutions specifically designed and priced for SMBs. These solutions go beyond contact management to help SMBs improve the customer experience; compete in a social, omnichannel world; and access analytics to stay ahead of their customers’ expectations. Examples include Salesforce, which introduced Salesforce IQ as its new sales management entry point for SMBs and followed up with a free integration for SalesforceIQ with Desk.com customer service. This combination provides sales and customer service reps with a complete view of customer interactions across sales and services. HubSpot launched Connect to integrate customer data from different applications, such as billing and payment data from FreshBooks and customer service records from Zendesk, into HubSpot, for a more complete customer view. Meanwhile, SAP rolled out SAP Anywhere & Everywhere to help SMB retailers and etailers manage sales, marketing, ecommerce and inventory activities in a more cohesive way. And Infusionsoft, which has focused on very small businesses from the start, is adding new capabilities to enable buyers to better personalize the Infusionsoft experience to their style and preferences. These vendors—and others—will help more SMBs realize that the time has come to modernize and integrate their CRM approach.

8. **SMBs Move Up the Cloud Analytics Curve.** Vendors have been making big investments to build powerful yet cost-effective cloud-based analytics solutions. Designed for business users instead of data scientists, these solutions offer user-friendly interfaces, guided discovery, visualization tools and natural language capabilities to help users quickly get actionable insights from their data. For instance, IBM’s Watson Analytics minimizes the effort required to turn raw data into insight via visualizations. Users connect their data source to Watson and then query Watson about the data in plain English (or their native language). Watson then builds a dashboard or graphics so users can easily visualize the findings. It also offers a built-in predictive engine, which can, for instance, generate personalized offers based on customer preferences and purchasing histories. Another example is Tableau, which recently introduced Vizable, designed for a touch-based, mobile world. Vizable reads a spreadsheet or .csv file, determines the key categories and then displays an initial graphical view of the data that users can explore by pinching, swiping and dragging on the iPad. Vizable also offers a built-in animation engine to help users understand why results change as they manipulate the data. With clear benefits and easy access, SMBs are shifting from on-premises analytics to the cloud. This is particularly true in medium businesses, which cite analytics as the second most critical area to invest in over the next 12 months. Although most of these businesses currently use on-premises analytics solutions, among those planning to purchase or upgrade in this area, 48% plan to use cloud-based analytics solutions. This trend will strengthen in 2016, as more SMBs seek out analytics solutions that are easy to buy and use in order to stay ahead of the market and their competitors.
9. **SMBs Streamline Internal Processes to Focus on Business Growth.** SMBs say that attracting new customers and growing the business are their top business goals, according to SMB Group’s 2015 **SMB Routes to Market Study**. Unfortunately, many SMBs waste so much time managing the daily internal grind of financial, human resources, procurement and other back-office processes that they don’t have time to focus on growth, opportunity and innovation. But SMBs in fast-growth industries such as software and biotech are role models for a more modern, automated and often cloud-based approach—one that enables them to spend less time on back-office processes and more time on decision making. In turn, early SMB adopters across the spectrum are taking note. They are replacing or foregoing outdated, disjointed back-office systems with next-generation solutions. These solutions enable them to automate drudgery and gain time-saving, visibility, collaboration and decision-making benefits that give them the flexibility to adapt to changing market requirements. As early adopters reap these advantages, pressure is mounting for SMBs that have resisted change. They will need to bite the bullet and update the way they run the business, or they will fall behind their more nimble peers.

10. **More Tech Vendors Use Big Data to Provide New Business Services to SMBs.** Tech vendors are increasingly applying analytics to challenge traditional service providers in “non-IT” areas. For instance, Intuit recently launched a new financing alternative in partnership with OnDeck. The service uses small businesses’ QuickBooks accounting data to qualify applicants for lower-rate loans than those available from traditional lenders. Intuit also formed a partnership with Stride Health, which integrates Stride Health’s personalized health insurance, healthcare and compliance management within QuickBooks Self-Employed. Meanwhile, Intacct, which provides cloud ERP software, has partnered with Pacific Crest to provide SaaS businesses with real-time comparisons of their performance relative to their peers and pinpoint specific levers for improving their execution. And IBM continues to push Watson deeper into healthcare, with a planned $1 billion acquisition of medical imaging company Merge Healthcare. IBM’s intent is to apply image analytics to medical images taken by Merge, which are used in medical specialties such as radiology, cardiology and orthopedics. Big Blue also purchased the Weather Company’s digital assets (everything but the TV network). IBM will use the Weather Company’s forecasting data and technology to create services to help weather-reliant businesses to maximize profits. Because so many industries rely on weather data, the opportunities are endless. For instance, retailers need to know if they should stock up on groceries before a winter storm; farmers use weather data to maximize crop yields; and construction workers monitor the weather to determine the best times to pour concrete or operate a crane. As these types of services proliferate and become more powerful and convenient, they offer new ways for SMBs to grow and innovate.

*If you are interested in learning more about licensing options for SMB Group’s 2016 Top 10 SMB Technology Trends, please contact Lisa Lincoln, Director of Client Services at lisa.lincoln70@smb-gr.com or 508-734-5658.*