2011 Small and Medium Businesses Routes to Market Study

September , 2011

Sanjeev Aggarwal
Laurie McCabe
Arjun Aggarwal

Table of Contents

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

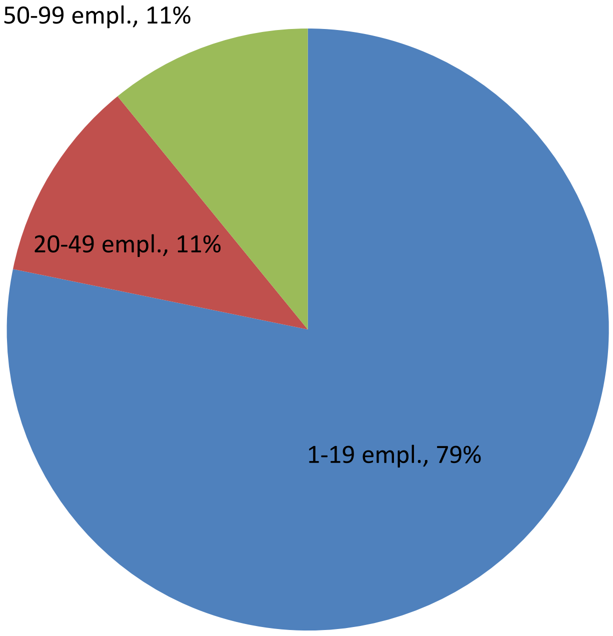
Small Businesses

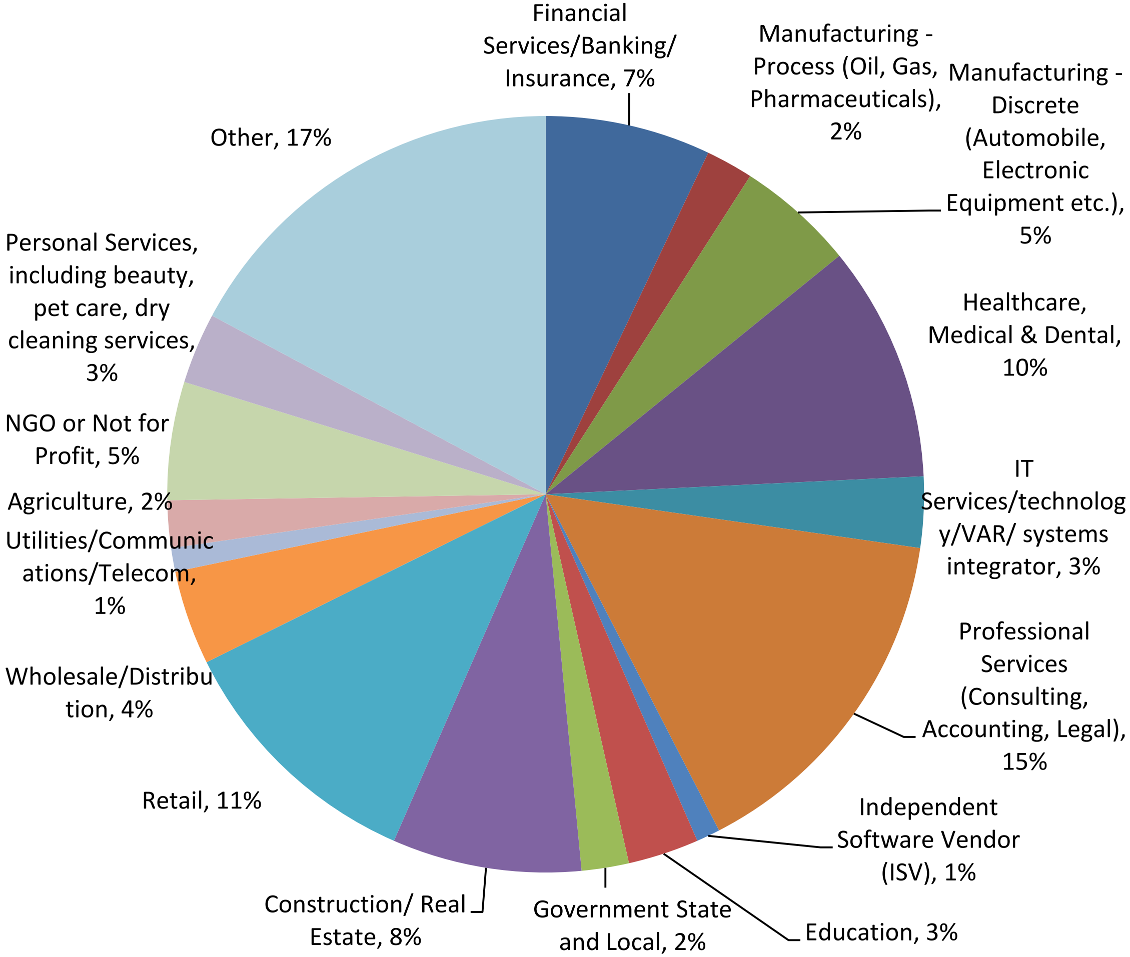
- Fewer than 100 employees (full-time) across entire corporation
  - Education, government, non-profit organizations are included
- **Location:**
  - Home-based businesses (Soho) are included
  - Non-profits are included
  - Located in North America
- Franchises are not included
  - Purchase decisions 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

Employee Size Distribution





Sample Size = 472

2) How many full-time employees, including yourself, are in your company in total (not including contractors)?

Survey Process

SMB Company Databases

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)

Web based survey

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

Study Deliverable

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

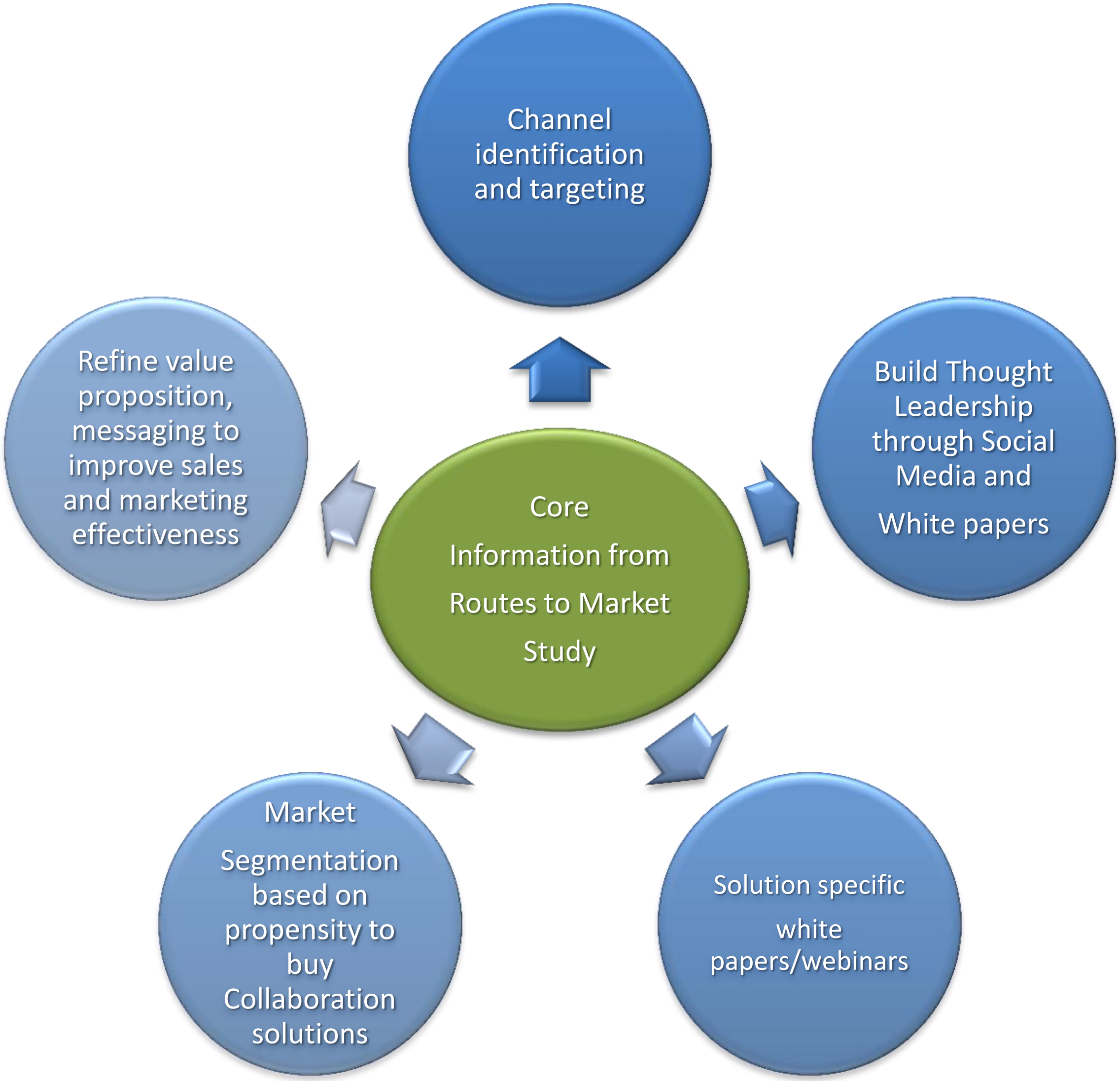
Option B: Basic Package—Study Results $16,000

- 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



Sample Charts from Study

Routes to Market Study

November 2011

Key Findings: Current and Planned IT Solution Investments

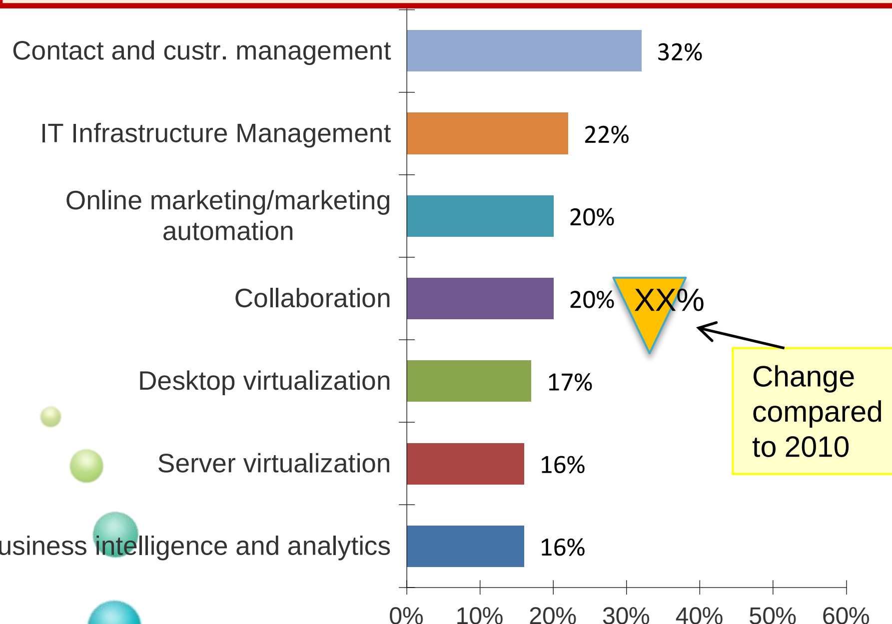
	2011 Study	Trends vs. 2010
Solutions purchased/Upgraded in the last 24 months	• Customer facing applications are the top investment areas after the 2008-09 recession—direct correlation to top business challenges of attracting new customers and growing revenues. • Top 3: Website design/hosting; Accounting/ERP; Contact and customer management. • More higher performance SBs purchased/upgraded technology solutions in the last 24 months and also have higher purchase plans for the next 12 months	• 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 • Likely that a significant number of SBs implemented solutions in 2009/10 timeframe after holding back in the 2008/09 recession • Accounting/ERP is the only area with an increase for purchases/upgrades over 2010: +4%
Purchases planned in the next 12 months	• Plans for customer facing solutions remain strong • Other high plan areas: IT Infrastructure management, business intelligence and analytics, and to a lesser extent, virtualization solutions	• 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
Packaged vs. cloud-based software solutions	• Strongest areas for current cloud adoption (current and planned): Collaboration, Website Design/Hosting, Marketing Automation and Server Virtualization	• 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%.
Top Vendors	• Intuit remains the dominant accounting vendor, but is down 5% in current vs. planned • Sage, Microsoft, SAP and NetSuite show single digit gains in planned vs. current use	• *NA: did not get vendor specific data for 2010.*

- 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.

Software and Services Solutions Purchased/Upgraded

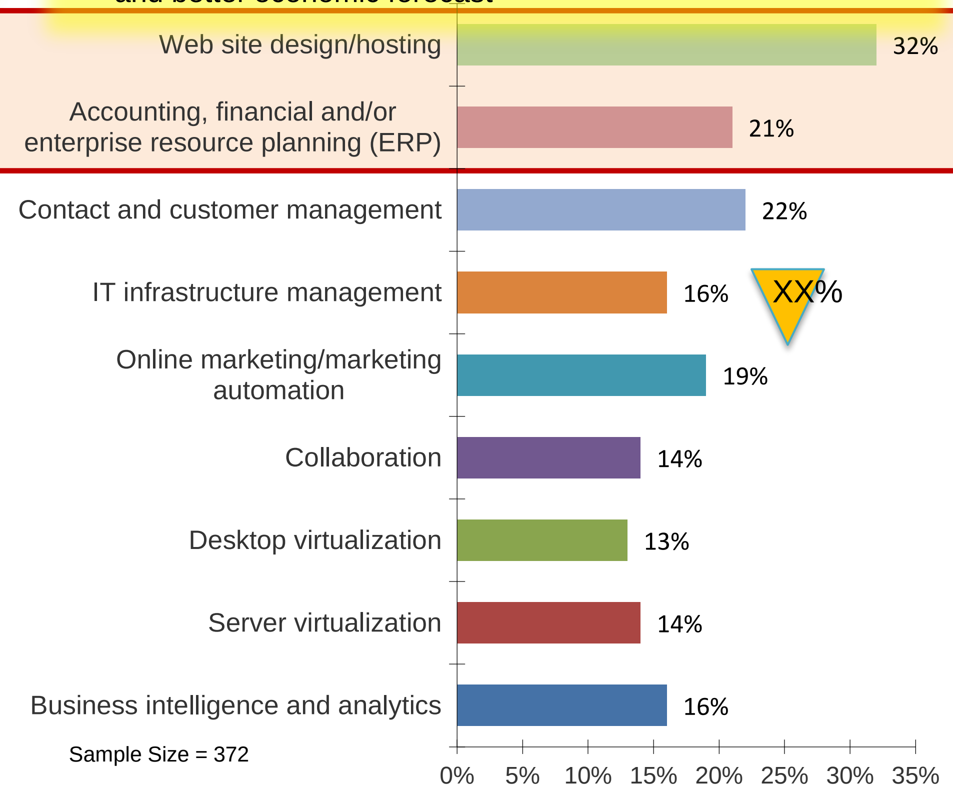
Purchase/Upgraded in last 24 months

- 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 rescission period



Purchase planned for next 12 months

- 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

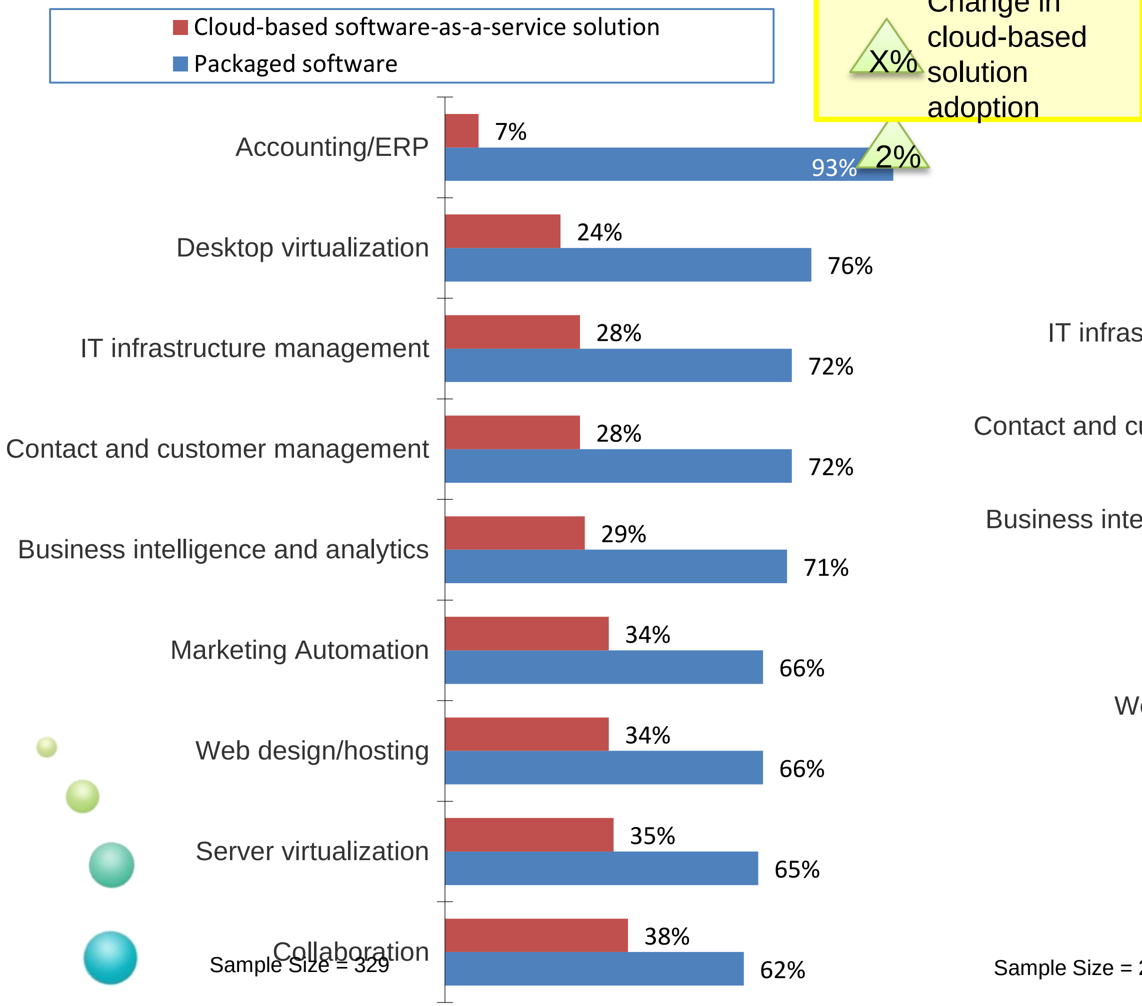


6) Please let us know what software and service technology solutions your company has purchased and/or upgraded in the last 24 months?
19) Which of these technology solutions and services do you plan to purchase or upgrade in the next 12 months?

Packaged vs. Cloud-based Software and Services

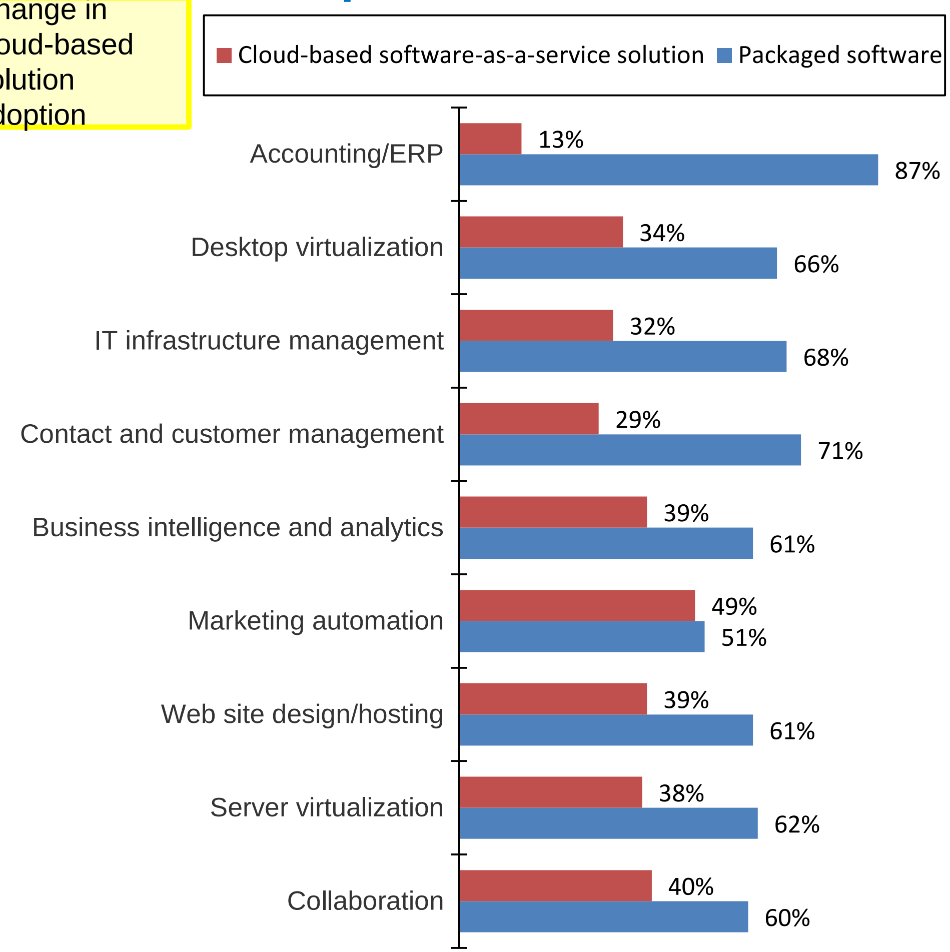
SMB Group
Actionable Market Insight

Purchase/Upgraded in last 24 months



Sample Size = 329

Purchase planned for next 12 months



Sample Size = 213

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

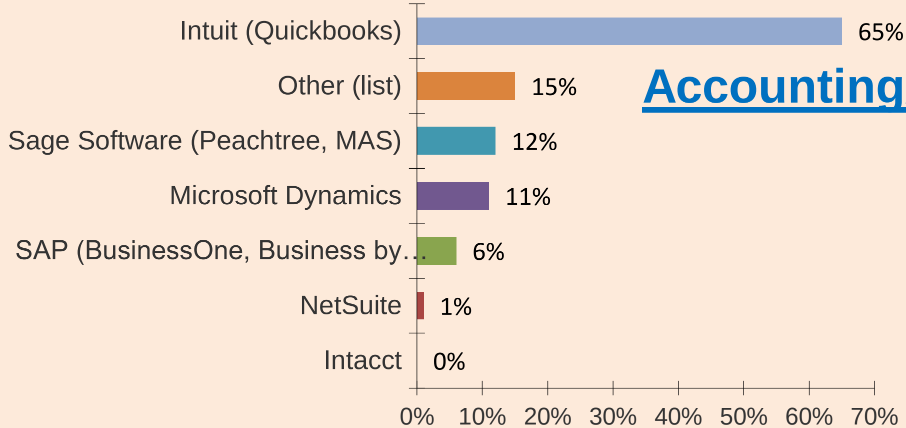
20) At this time, do you think your company will choose to purchase and use a packaged software application or a cloud-based solution?

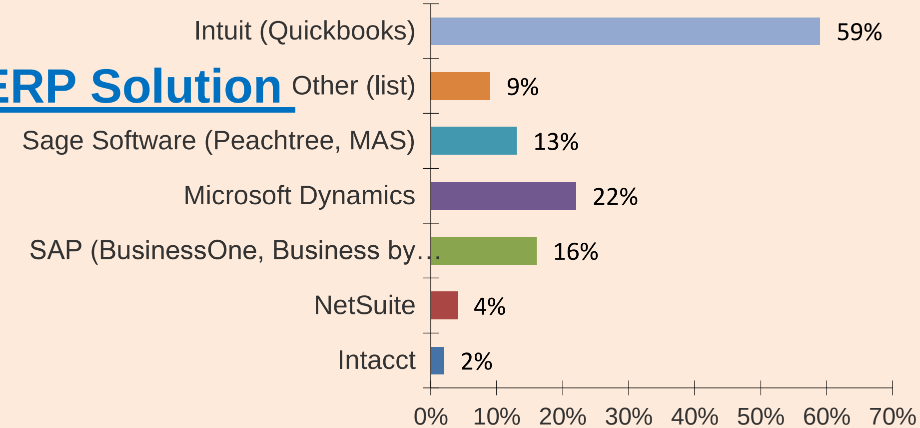
Accounting/ERP Solution and Website Design/hosting – Top Vendors

SMB Group
Actionable Market Insight

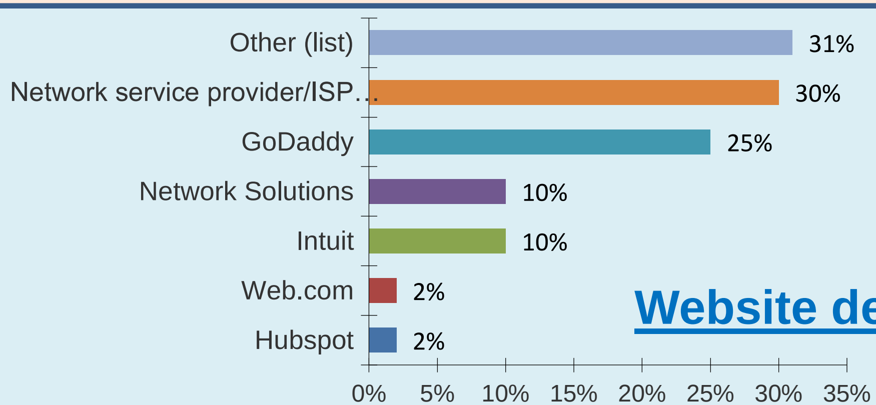
Purchase/Upgraded in last 24 months | Purchase planned for next 12 months

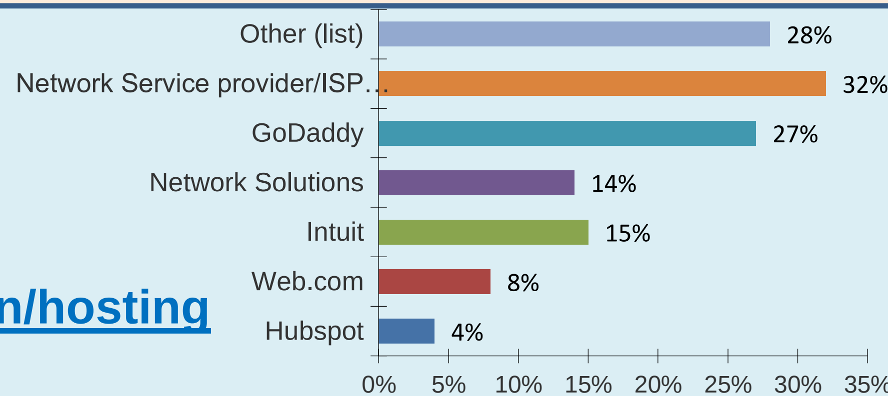
Accounting/ERP Solution





Website design/hosting





Sample Size = 176

Sample Size = 97

12A) What brand solution(s) did your company purchase/upgrade for accounting/financials/ERP?

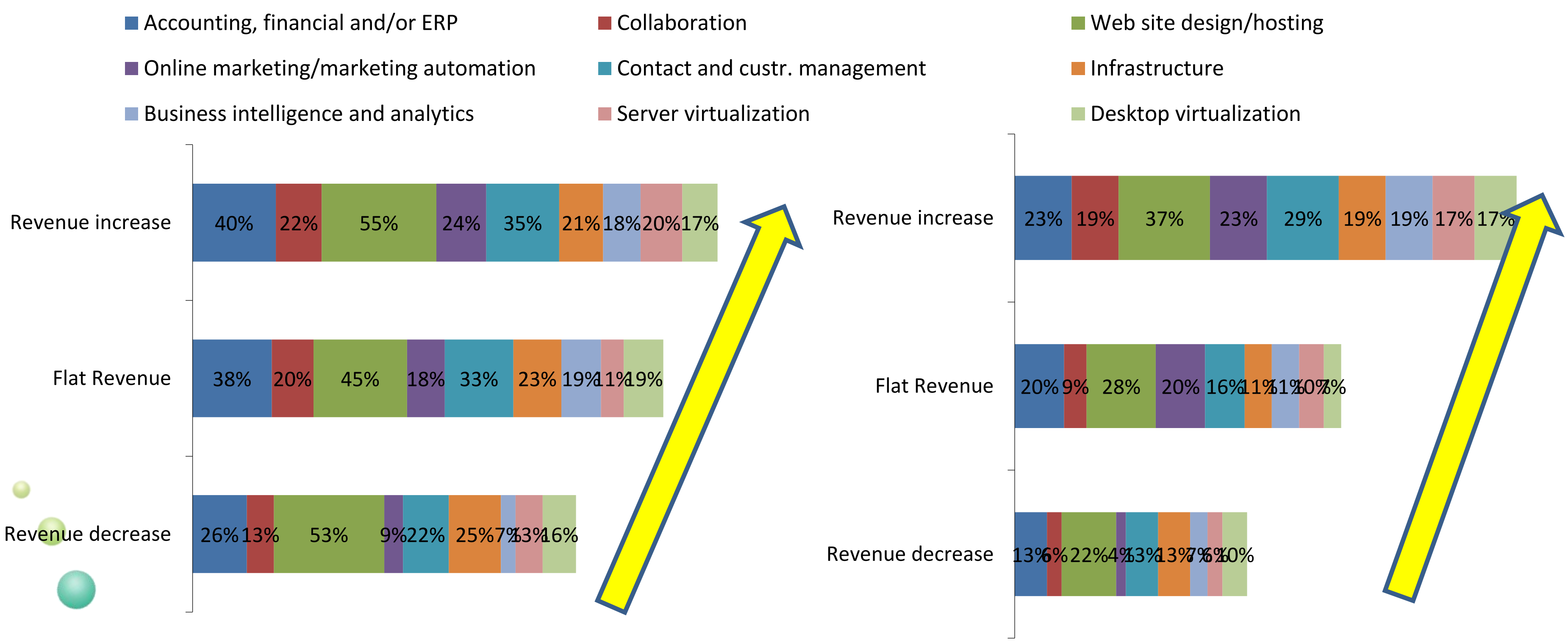
Q20A) What vendor(s) is your company is considering for an accounting/ERP solution?

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

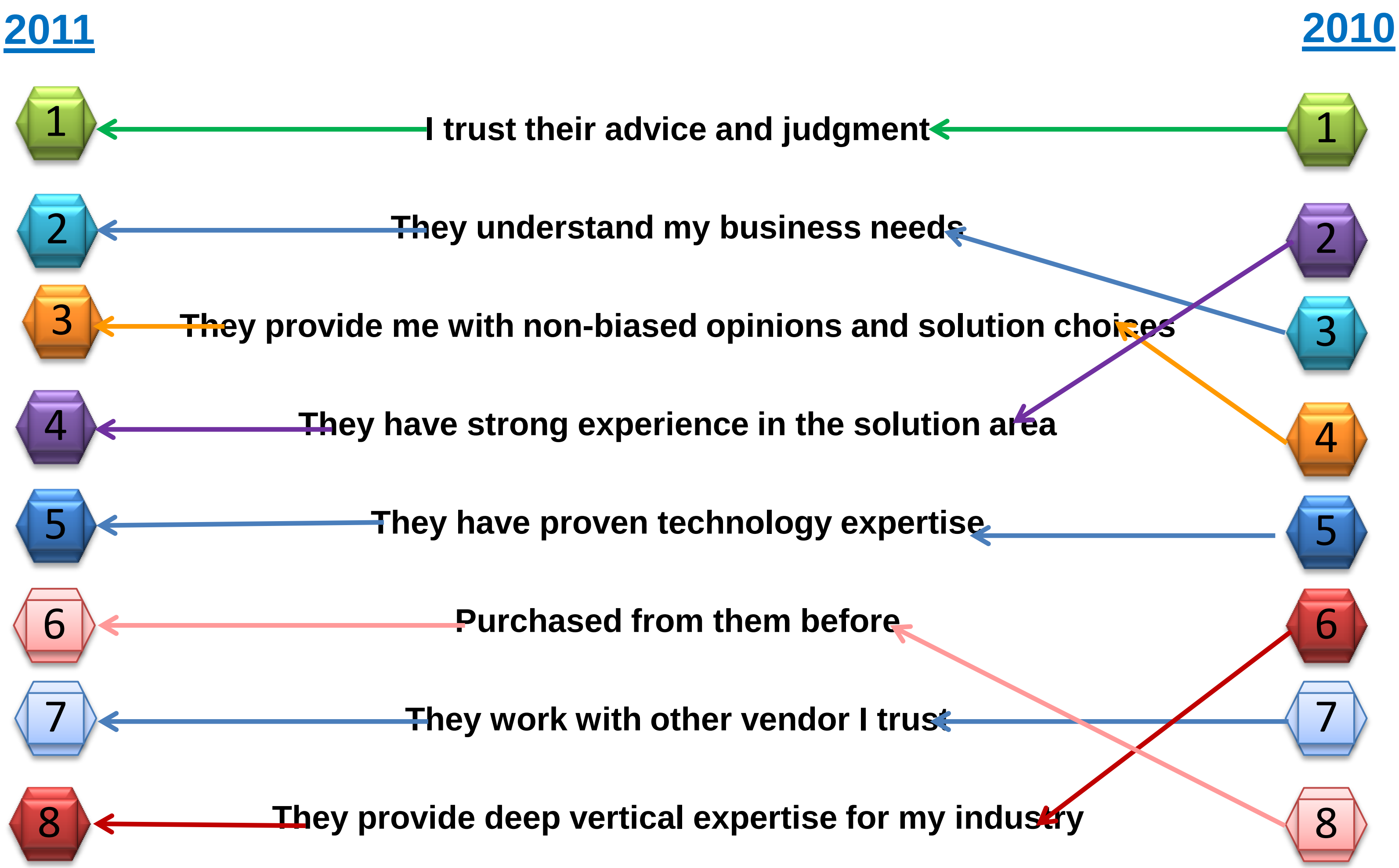
Purchase planned for next 12 months



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

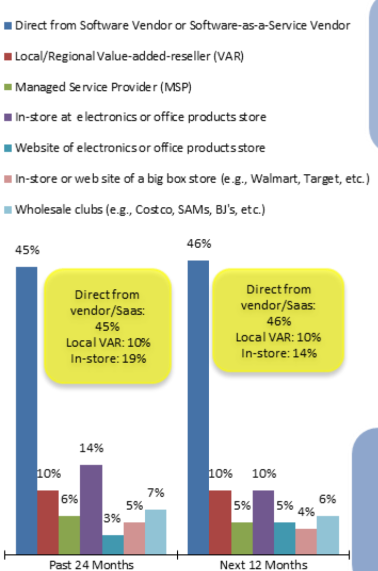


Decision Cycle – Accounting/ERP solutions

- Accounting/ERP is the only area with an increase for purchases/ upgrades over 2010: +4% , from 33% in 2010 to 37% of SBs in 2011
- Packaged apps continue to lead in both current and planned, momentum for cloud solutions is increasing Accounting/ERP: 5% ('10) > 7% ('11) > 13% ('12)

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

Purchase channels



Identify Need

Accounting/ERP
Solution Purchasing Behavior
(1-99 employee businesses)

Purchase Channels

Information Sources

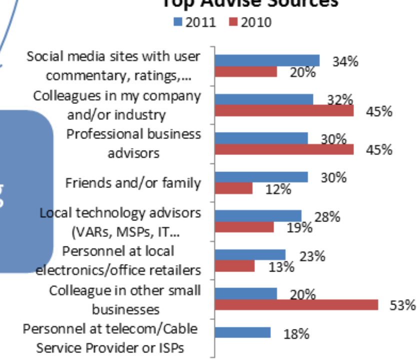
Top information Sources

Top information sources are:

- Social media (Facebook,-33% Linked,-31% Blogs-26%, Twitter-19%)
- Search engines – 73%
- 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 challenges focus on attracting new customers and profitably growing the business. - Attracting new customers, Growing revenue, Improving cash flow, Maintaining profitability, Retaining customers
- SBs have an optimistic business outlook - 56% are forecasting revenue growth
- 36% plan to spend more on technology solutions and services in the next 12 months
- More higher performance SBs purchased/upgraded accounting/ERP solutions in the last 24 months and also have higher purchase plans for the next 12 months
- **Vendors seeing increase in planned purchases in 2012 are Microsoft Dynamics, SAP BusinessOne, NetSuite and Intacct**

Top Advise Sources



Advice on Evaluating Solutions

Finalizing Purchases

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
- For SBs, 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

SMB Group
Actionable Market Insight

SMB Group, Inc.
2011 Routes-to-Market Study

Why these sources:

- They understand n=my business needs – 60%
- 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%

Why these Sources?

Medium Business Technology Solution Purchase Process

Medium Business

- 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

Identify Need

- 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

Information Sources

- Most MBs view IT as a strategic business priority and make time to stay current on new solutions
- Digital/social media are the most influential sources—especially for those under 35
- Almost half of SBs use search engines daily; ≅50% use social media weekly
- Almost half of SBs use search engines daily; ≅50% use social media (blogs, Twitter, Facebook, etc.) weekly
- Marketplaces emerging as key information sources.

Advise on Evaluating Solutions

- 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

Developing a "Short List"

- 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

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

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