

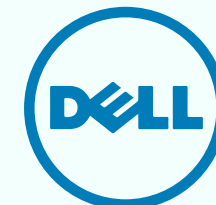
Authored by



# SMB TECHNOLOGY

## DIRECTIONS FOR A CHANGING WORLD

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# INTRODUCTION

After a year that turned all notions of business as usual upside down, small and medium businesses (SMBs) are more than ready to put COVID-19 in the rearview mirror.

As we move ahead and hopefully past the pandemic, however, surviving businesses are still dealing with many unknowns. What will revert to the “before times” in terms of customer, employee and business norms? What behaviors and expectations will remain from the pandemic long after it is over? What new changes are in store?

SMB Group’s **2021 SMB Technology Directions for a Changing World Survey Study** examines how SMBs are reshaping their business and technology strategies for what comes next. In February 2021, we surveyed 761 North America SMB (1-1,000 employee) decision-makers and influencers and mid-market (1,000-2,500 employee) organizations. Here, we refer to the entire sample as “SMBs” for the sake of brevity.

In this eBook, we share key highlights from the study about their business health, new initiatives, technology investment priorities, and more.

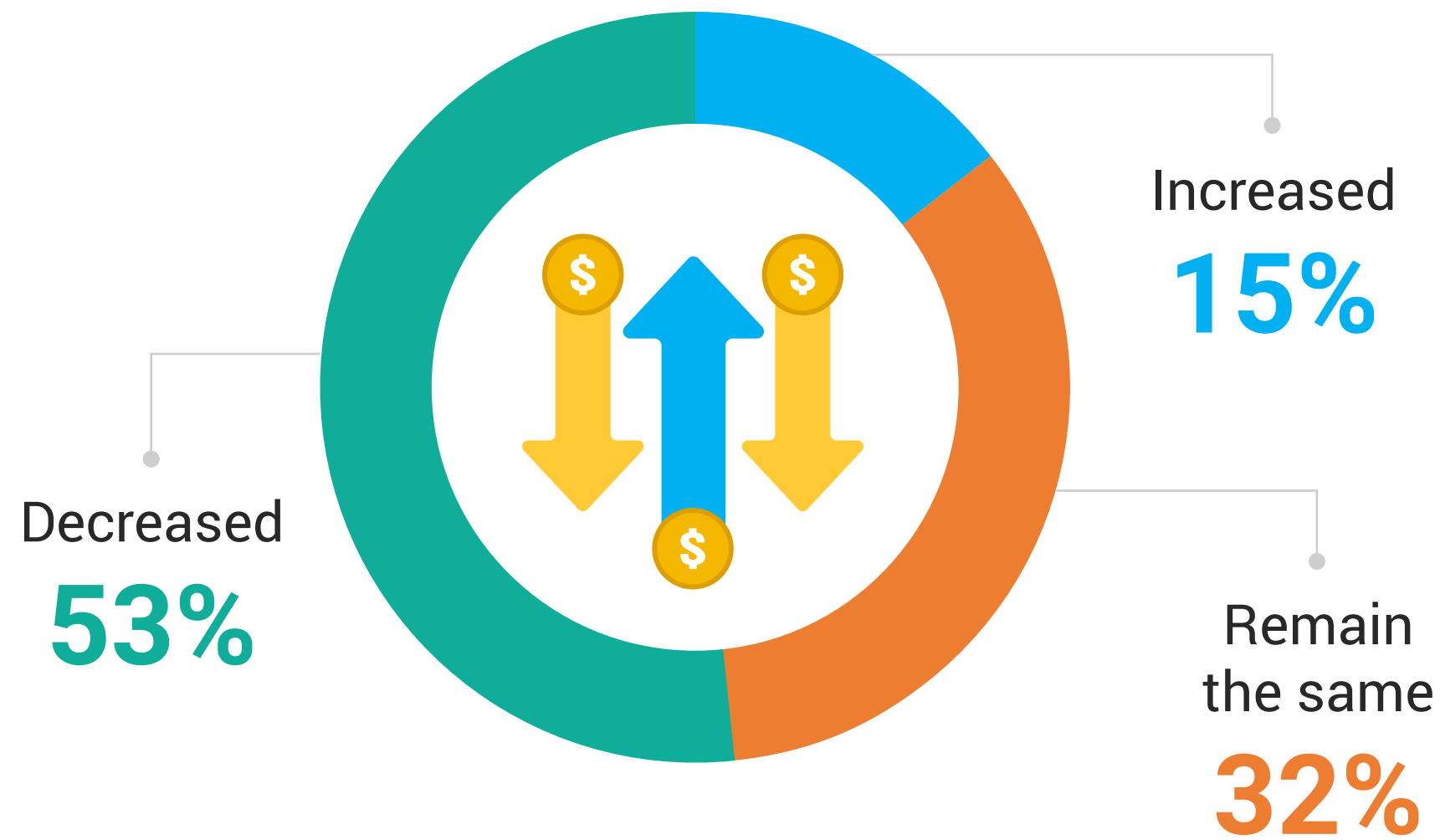
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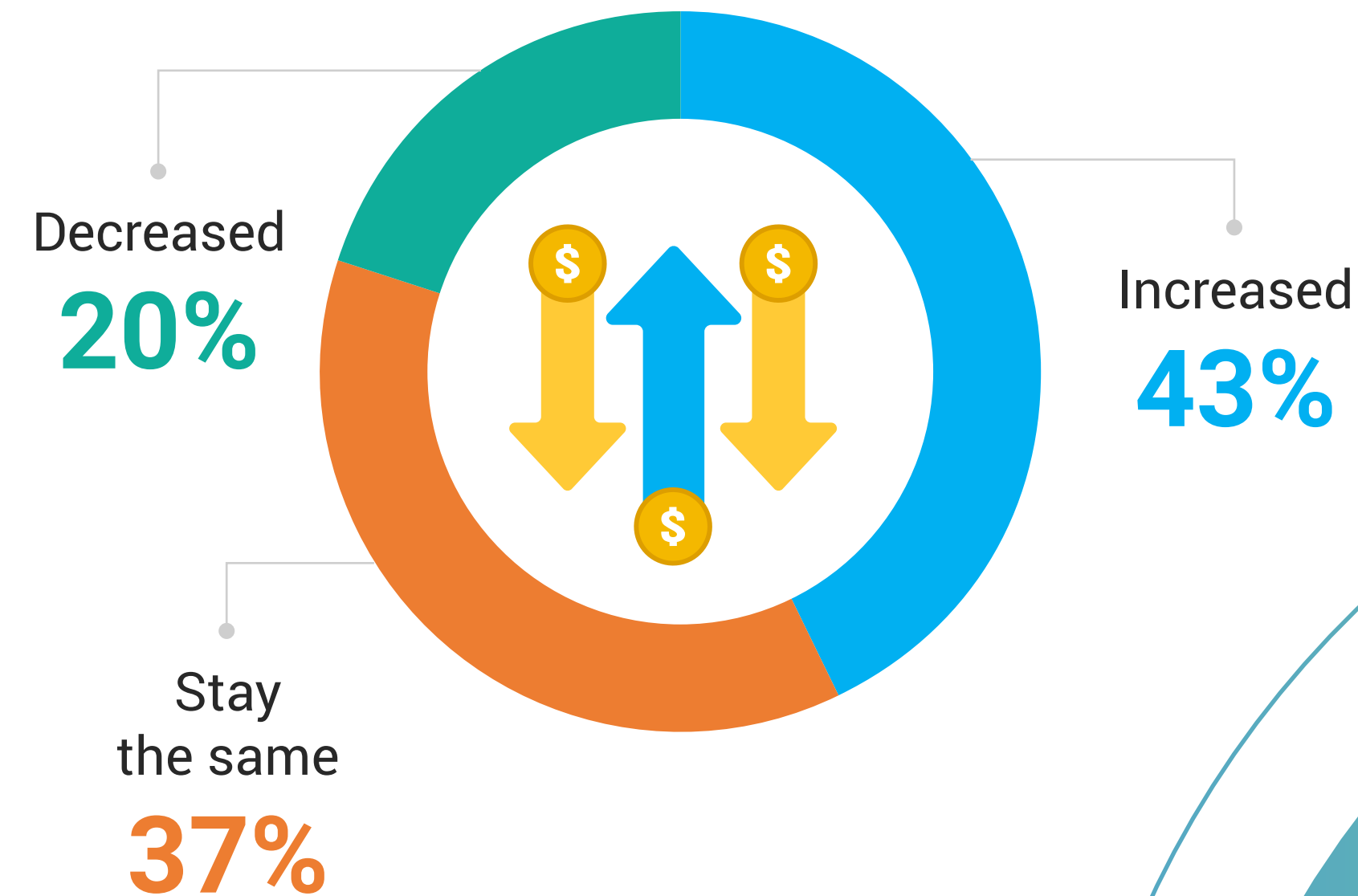


# 2020 Revenues Grew or Stabilized for Many SMBs

Have monthly revenues increased, decreased or remained from March 1, 2020 – July 1 2020?

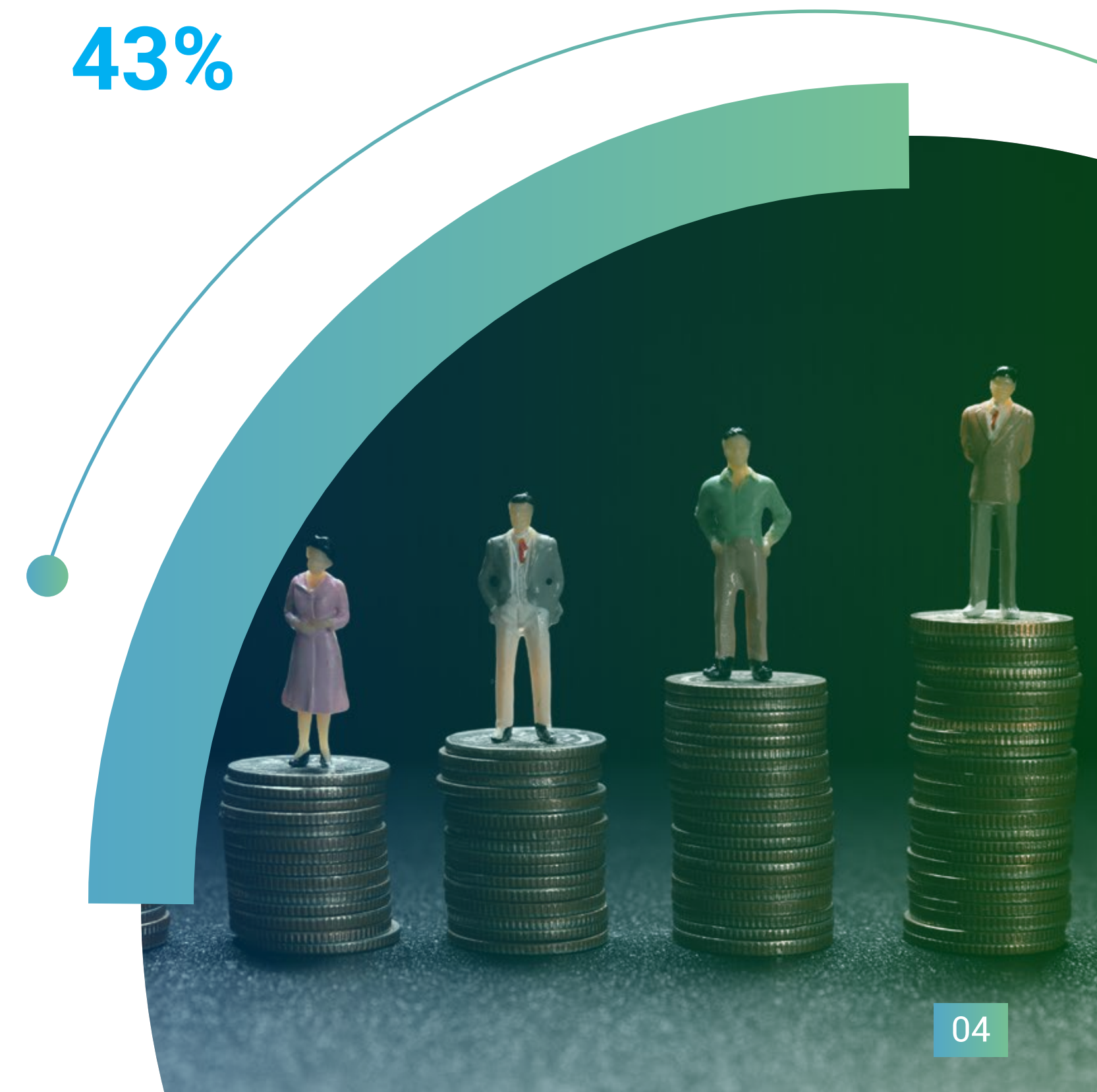


Did your company's 2020 revenues increase, decrease, or remain the same when compared to 2019 revenues?



When we surveyed SMBs in July 2020, more than half said that their average monthly revenues had decreased after the pandemic hit, and only 15% said revenues had increased.

Overall, many SMBs rebounded as 2020 progressed: 43% reported 2020 revenues exceeded 2019 revenues, just over one-third managed to break even, and only 20% suffered a year-over-year decline.



# SMB Performance Varied Greatly by Company Size and Industry

Larger SMBs fared much better than smaller ones. Those with more than 20 employees were roughly twice as likely to have enjoyed revenue growth than those with 1-19 employees

There were also substantial industry differences. IT services, financial services and healthcare were most likely to have increased revenues year-over-year, while hospitality, personal services and media were most prone to have suffered revenue declines from 2019 to 2020.

## 2020 vs. 2019 Revenues



**51%** of businesses with 100-2,500 employees grew revenues

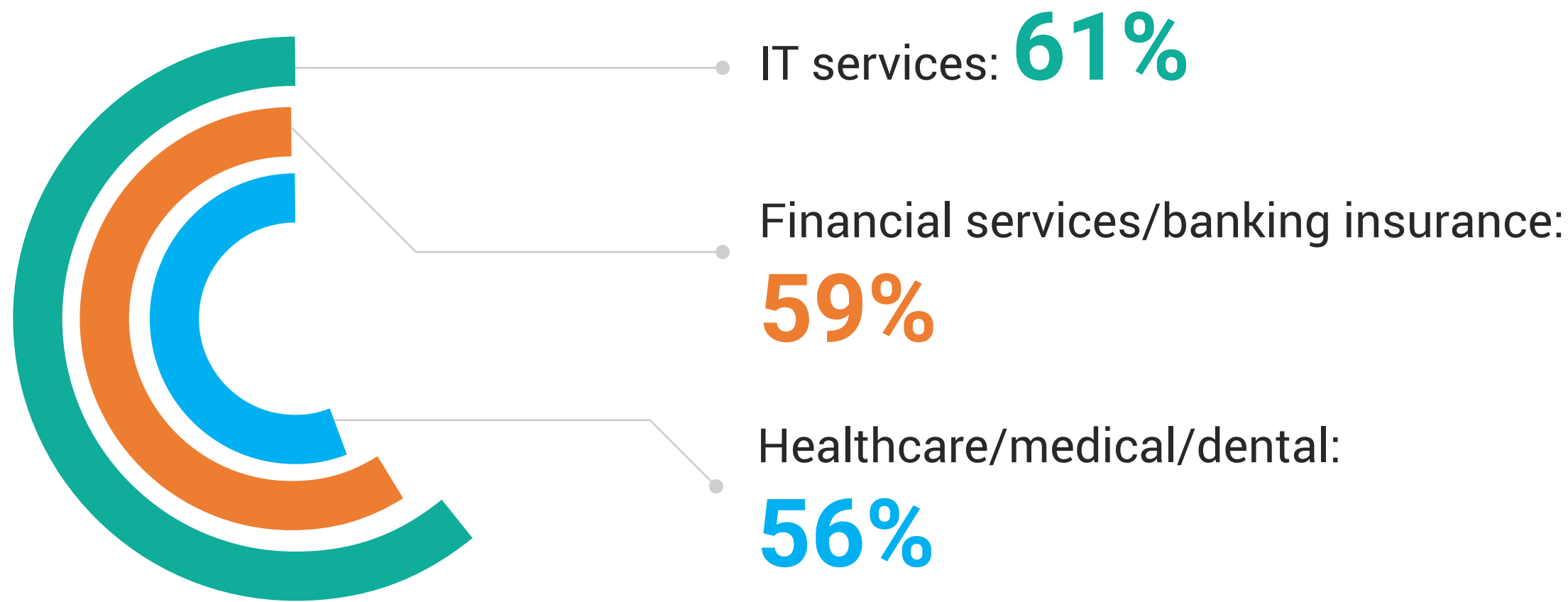


**48%** of businesses with 20-99 employees grew revenues

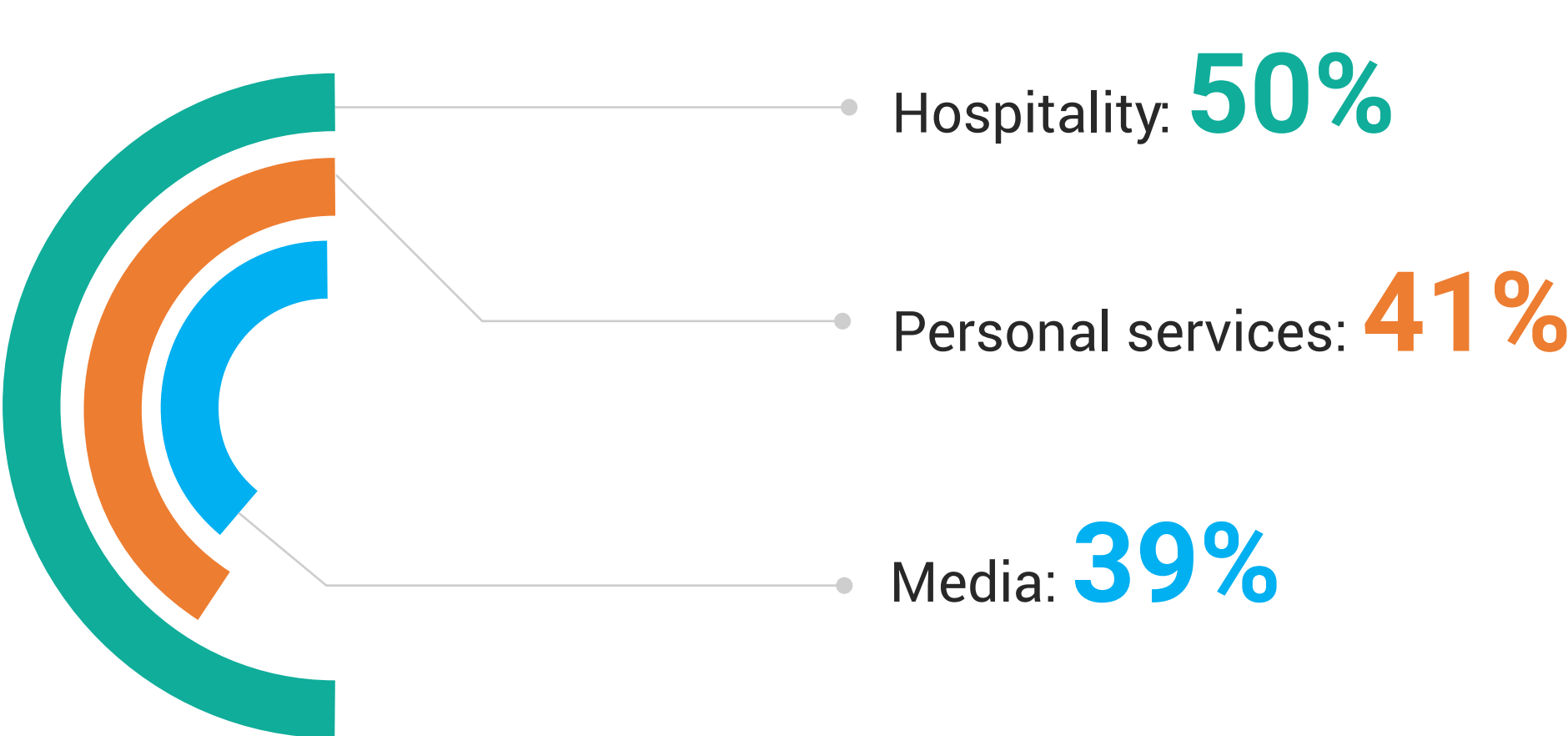


**23%** of businesses with 1-19 employees grew revenues

## Industries most likely to report Y-Y revenue increases



## Industries most likely to report Y-Y revenue decreases





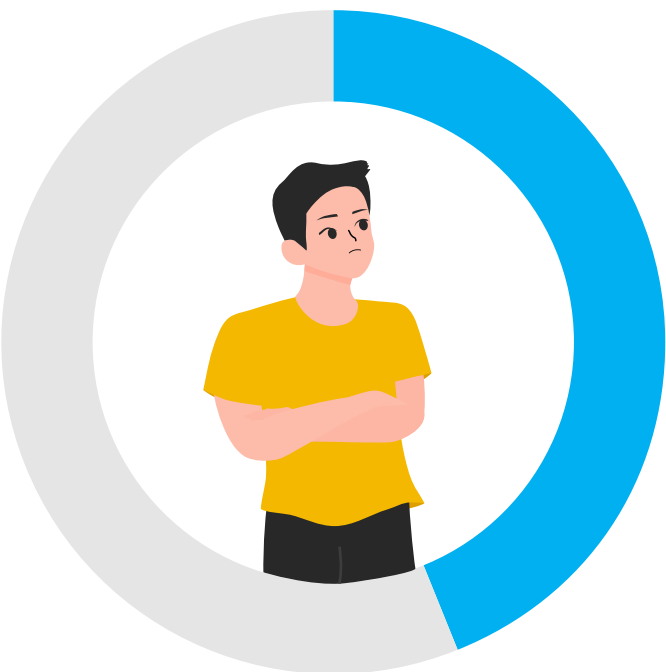
# SMBs Trend Towards Optimism for 2021—Except for the Smallest Businesses

With COVID rates declining, vaccinations in progress, and consumer stimulus boosting spending, almost three-quarters of SMBs are optimistic about their prospects for 2021.

Optimism is the norm for SMBs of all sizes—except among small businesses with 1-4 employees. Only 44% of these very small businesses are optimistic, and 23% are pessimistic.



**72%**  
of all SMBs are optimistic  
about their prospects in 2021

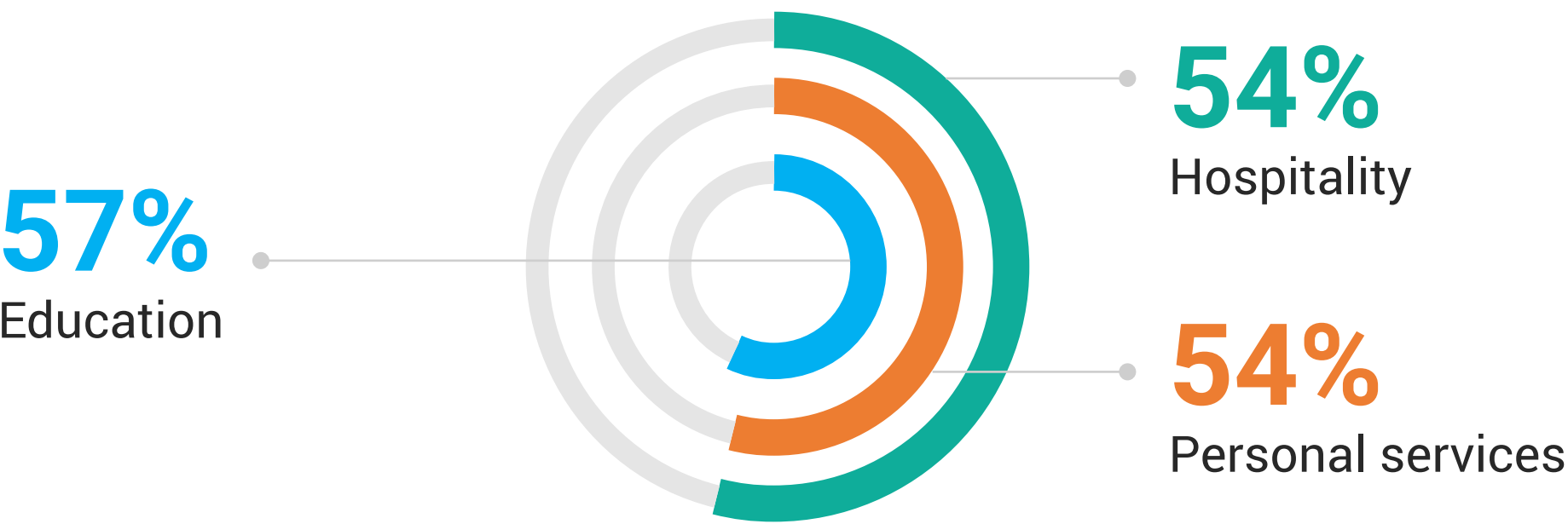


**44%**  
of small businesses with 1-4  
employees are optimistic about  
their prospects in 2021

## Industries most likely to be very/somewhat optimistic



## Industries least likely to be very/somewhat optimistic





# Many SMBs Took Advantage of PPP Loans

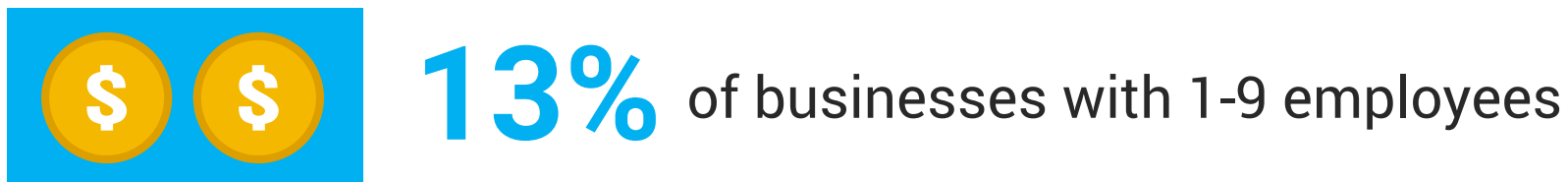
Businesses with 500 or fewer employees were eligible for U.S. Payroll Protection loans in 2020, and many SMBs took advantage of this program.

A majority of businesses with 10 or more employees secured PPP loans to help them navigate through the trough of the pandemic in 2020 and begin to build back in 2021.

However, less than 20% of businesses with 1-9 employees secured PPP loans, likely contributing to their more negative 2020 revenue results and more pessimistic outlook for 2021.

Also of concern is the finding that small businesses in some of the hardest hit industries—such as personal services and hospitality—were the least likely to receive PPP loans.

## Percentage of SMBs securing PPP loans



## Industries most likely to receive PPP loans



## Industries least likely to receive PPP loans





# About One-Third of All SMBs Intend to Apply for Financing in 2021

37% of SMBs are applying for or plan to apply for funding in 2021. SMBs are more likely to seek 2021 funding from banks and investors than from the government.

SMBs with more than 20 employees are much more likely to seek external funding than those with fewer than 20 employees. These smaller businesses are historically more wary about taking on debt and paying interest than larger companies.

But it is still somewhat surprising that such a small percentage are seeking funding in 2021, because the U.S. government offered businesses with less than 20 employees a special two-week window to apply for the second round of PPP loans before opening financing up to businesses with 20-500 employees. Hopefully, more businesses at the low end will take advantage of this business-friendly financing before the program closes at the end of May.

## Percentage of SMBs seeking funding in 2021



of businesses with 100-2,500 employees

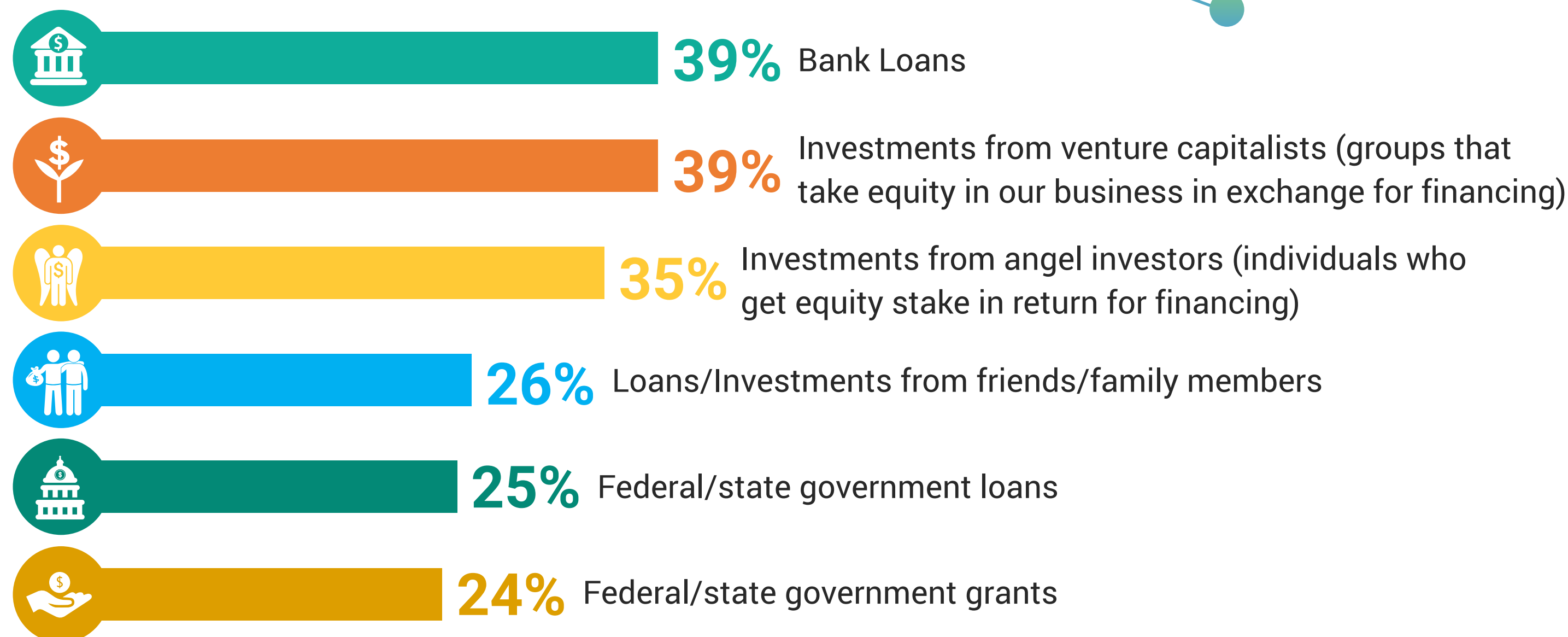


of businesses with 20-99 employees



of businesses with 1-19 employees

## Types of funding sought





# Larger SMBs Are More Inclined to Shift Gears Than Smaller Ones

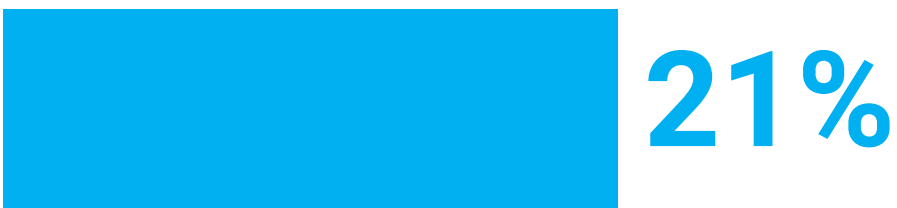
## Have made significant changes to business strategy in the wake of COVID-19



of businesses with 100-2,500 employees



of businesses with 20-99 employees



of businesses with 1-19 employees

As a result of COVID-19, many SMBs have adjusted their business and technology strategies. Larger SMBs—with more technical and business expertise and resources at their disposal—are more likely to have done so than smaller ones.

Different industries also have different appetites for change. The three most likely to be revamping business strategy are IT Services, mining and manufacturing, while those least inclined to do so are personal services, wholesale/distribution, and media.

On the technology side, IT Services, financial services and manufacturing are most prone to revise plans, while personal services, media, and wholesale/distribution are least prone to do so.

## Have made significant changes to technology strategy in the wake of COVID-19



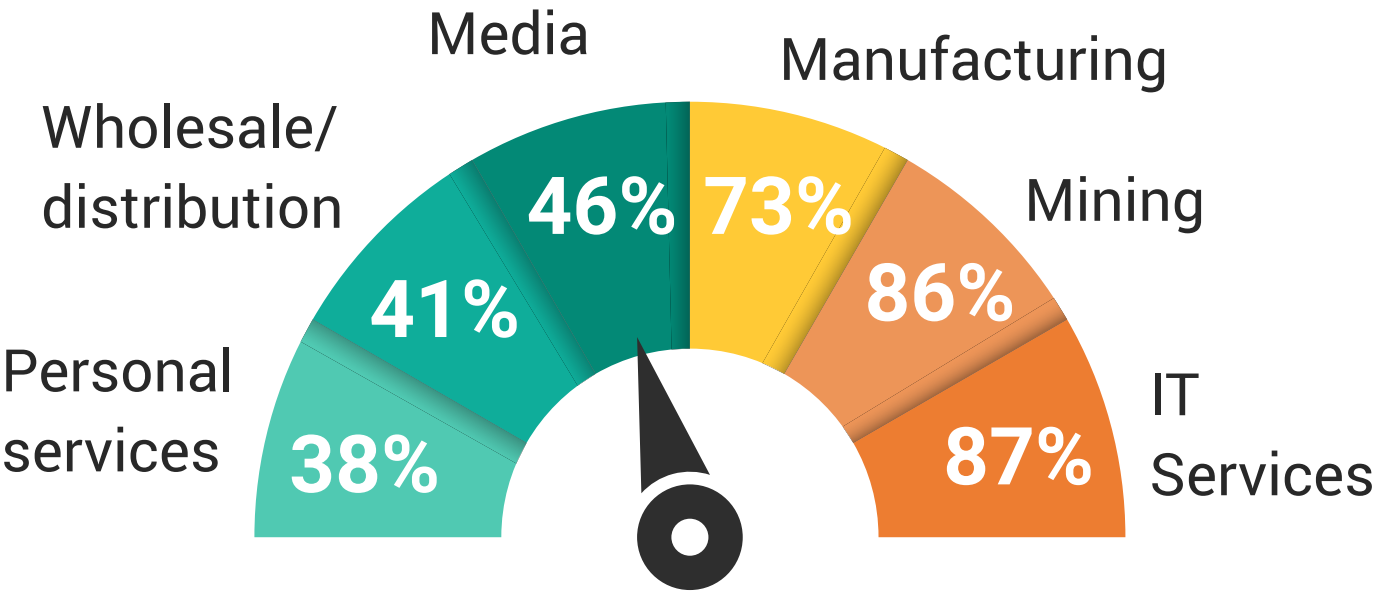
of businesses with 100-2,500 employees



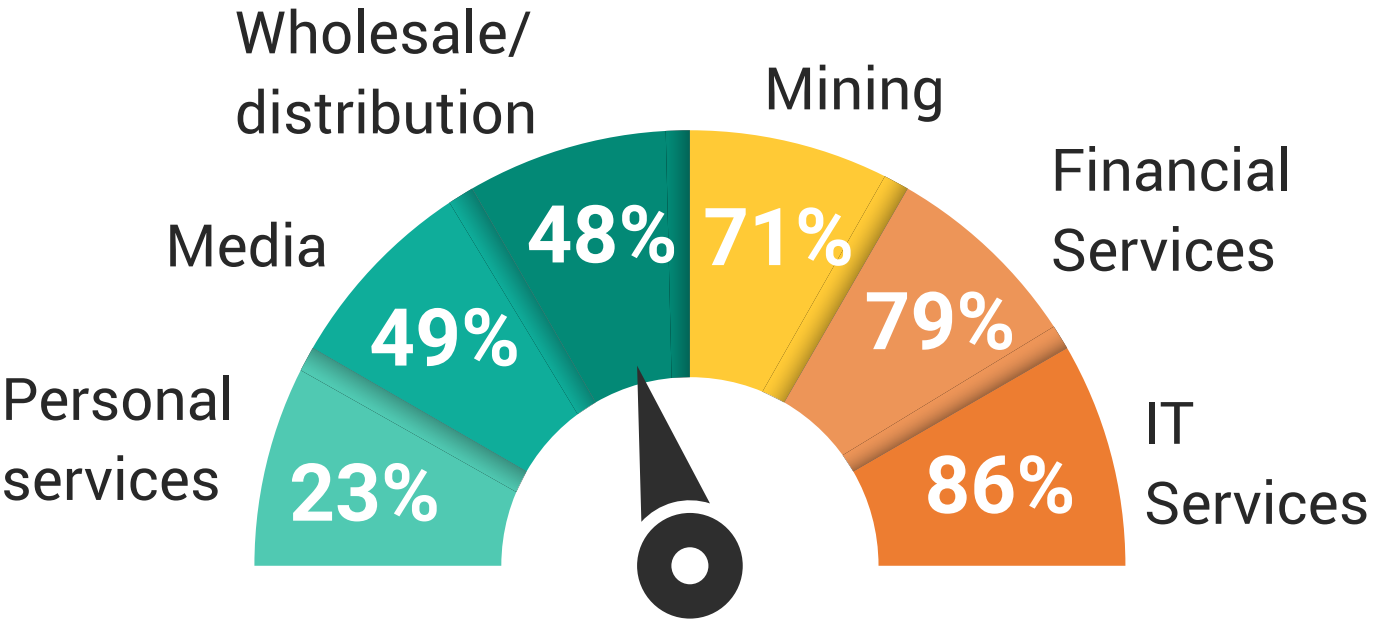
of businesses with 20-99 employees



of businesses with 1-19 employees



Percent agreeing that they are changing business strategy

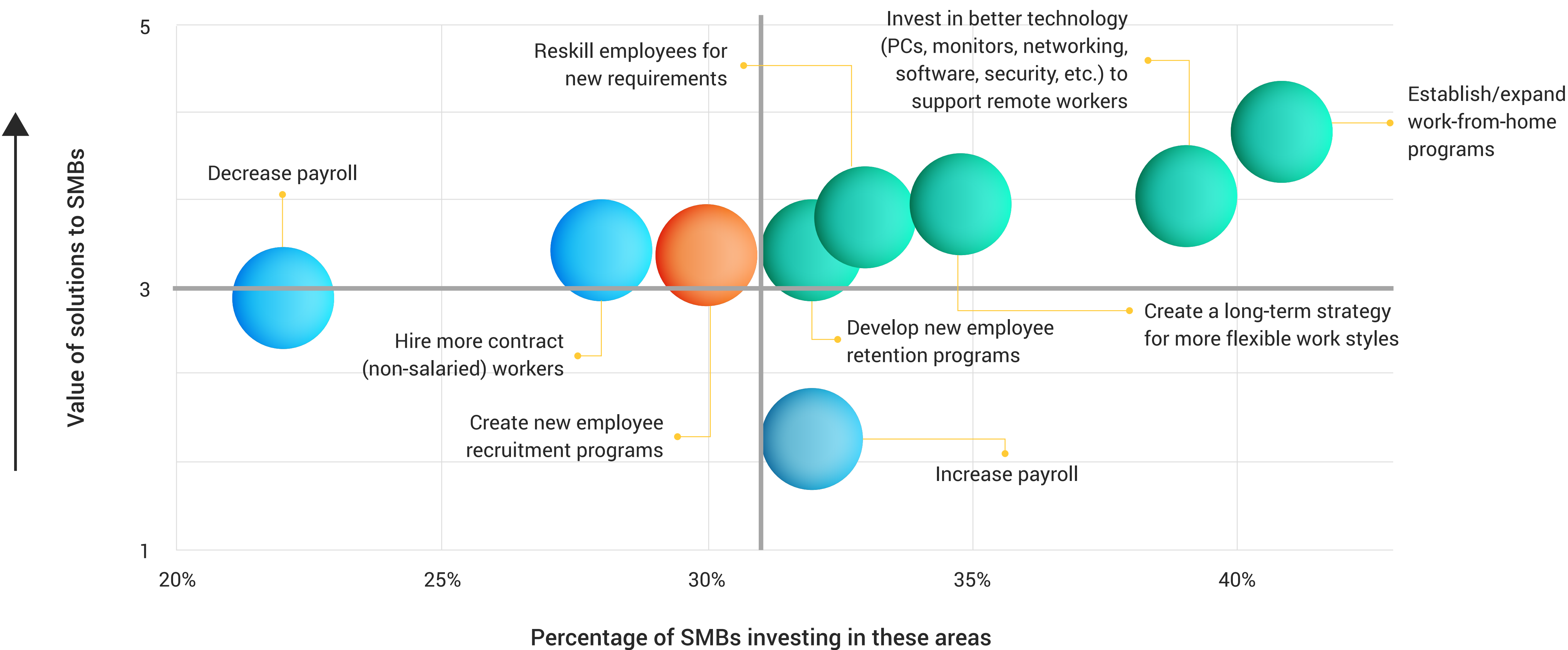


Percent agreeing that they are changing technology strategy



# Workforce Changes Have Proven Valuable—and Will Continue in 2021

The definition of the physical workplace, workplace culture and workstyles have all undergone significant change in the past year—and SMBs are adapting to these new realities. The most common changes that SMBs have made in this area are to establish and/or expand remote work programs, invest in technology to support remote workers, and create long-term strategies to support more flexible workstyles. SMBs also rate these adjustments as delivering the highest value—and plan to continue to pursue efforts in these areas.

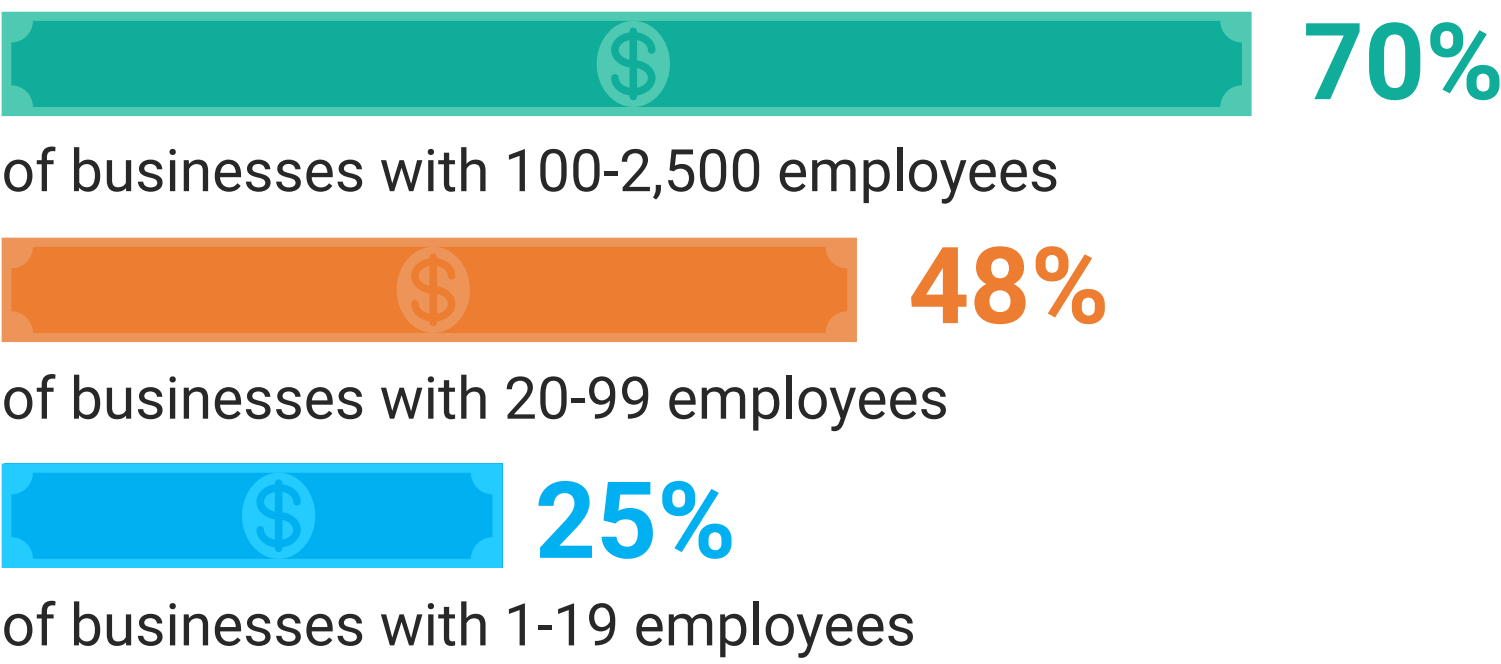
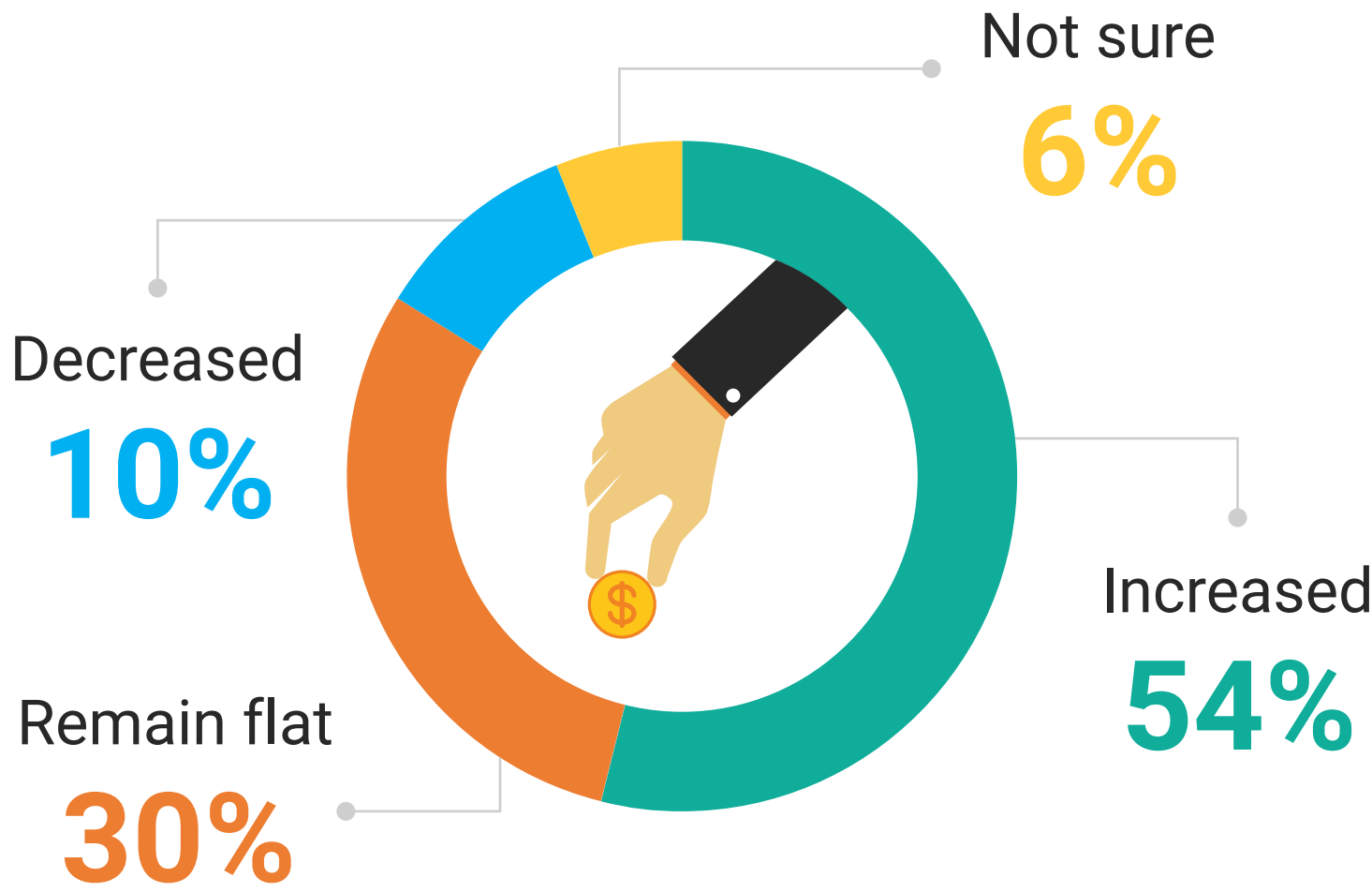




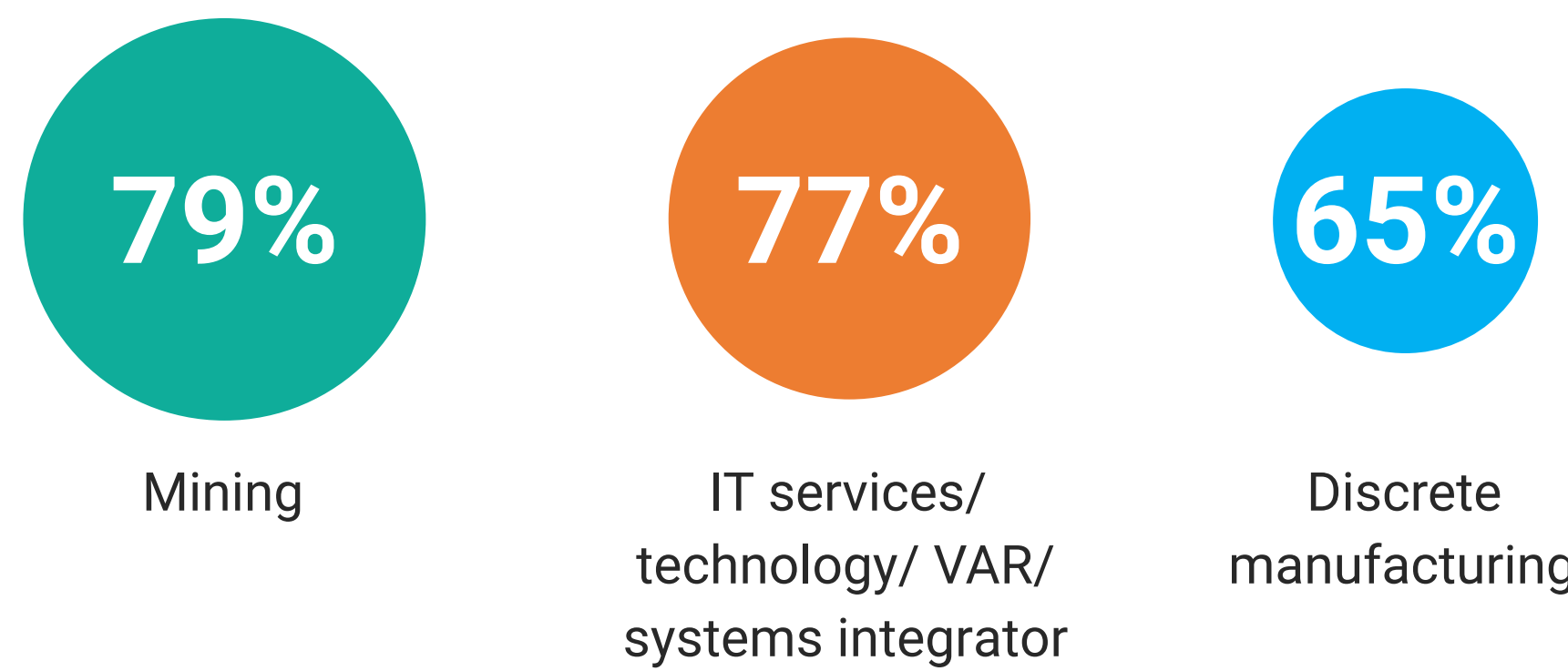
# Technology Spending Correlates Closely with Company Size

Overall, 54% of SMBs intend to increase tech spending. But while 70% of businesses with 100-2,500 employees say they'll spend more, just 31% of businesses with 1-19 employees plan to do so. Tech spending plans also vary significantly by industry: IT services, mining and discrete manufacturing are most likely to boost spending, while personal services, retail and media are least likely to do so.

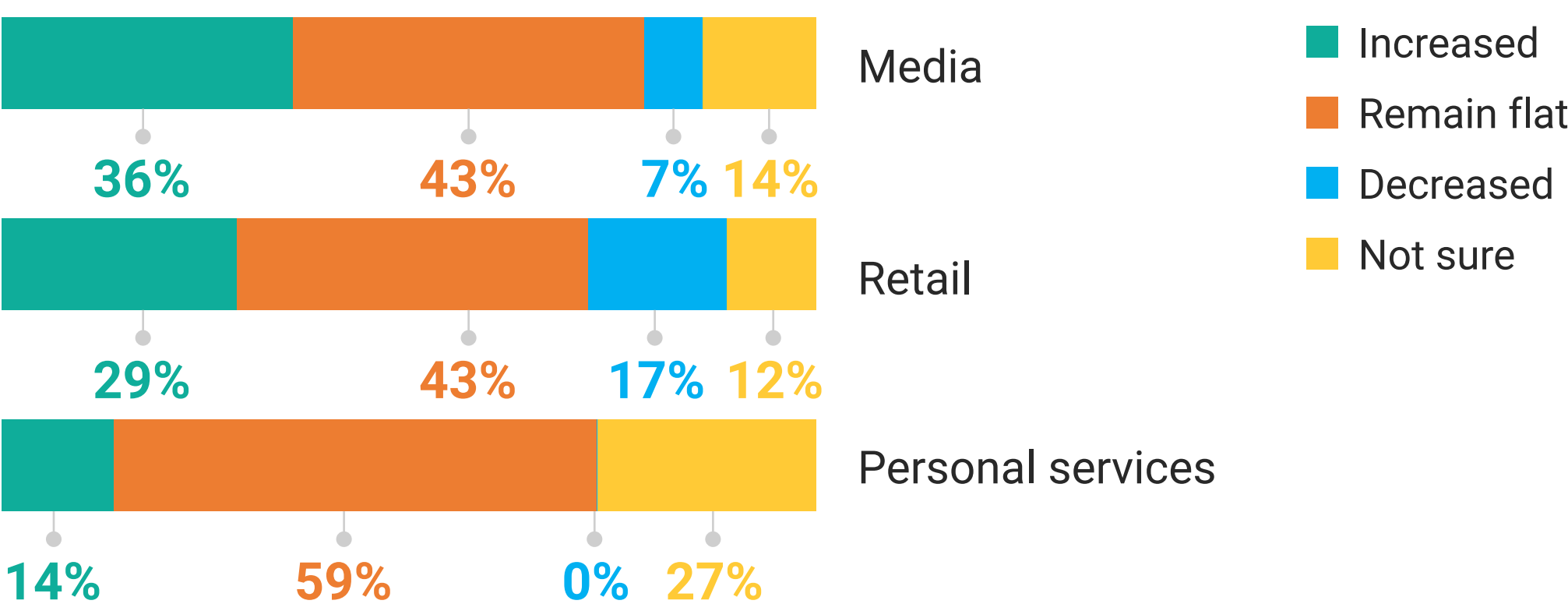
## 2020 vs. 2021 technology spending



## Industries most likely to increase tech spending



## Industries least likely to increase tech spending





# Top Drivers and Challenges to Invest in and Implement Digital Solutions

## Drivers to invest in digital solutions



What are the top three drivers for your company to invest in digital technology solutions?

## Challenges to implement digital solutions



What are the top three challenges your company faces implementing digital technology solutions?

The top three drivers for SMBs to invest in new technology solutions center on people—improving employee productivity, keeping up with changing customer demands, and improving external collaboration.

Overall, SMBs cite concerns about security, figuring out what will work best, and integration difficulties as the main obstacles to investing. However, budgetary constraints feature more prominently among very small businesses. Companies with 1-9 employees rank reducing costs as a top driver—and lack of funds is a key challenge.



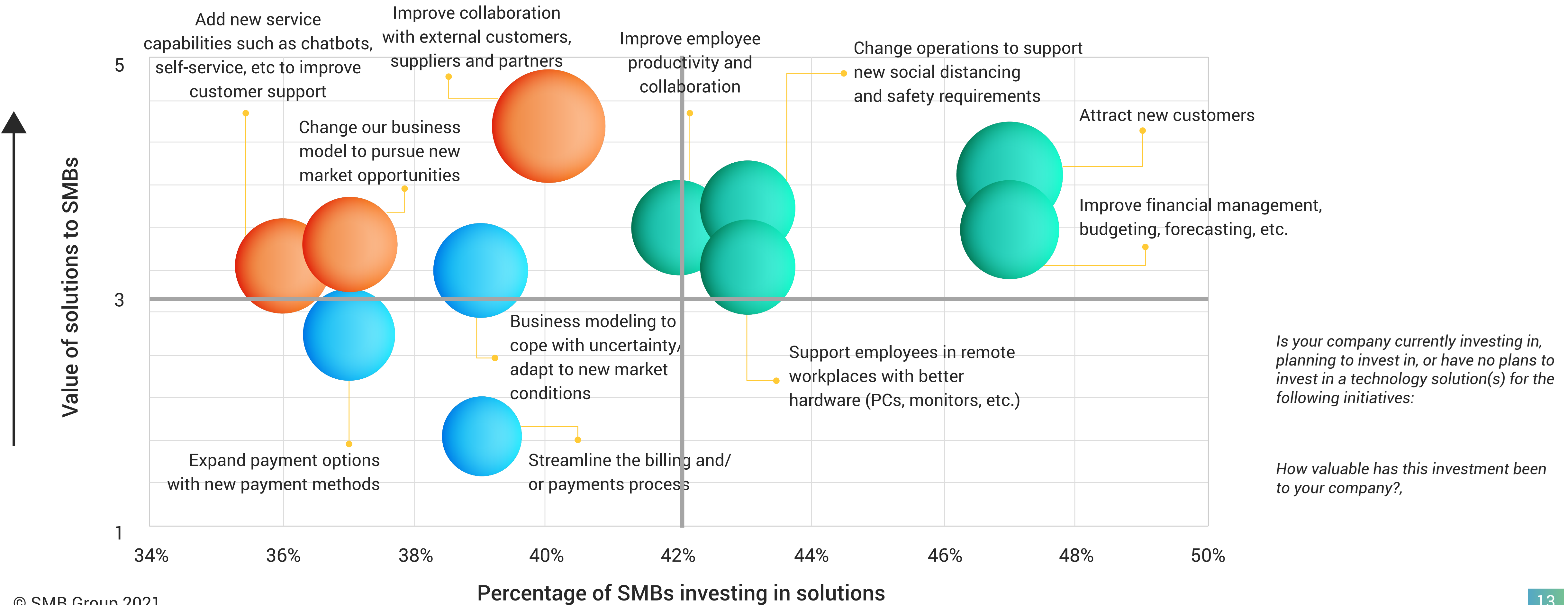
# SMB Technology Investments and Their Value

Many SMBs are turning to technology solutions to help them to make the business changes necessary to respond to new market and business realities.

SMBs are most likely to have invested in technology solutions to support initiatives to help them to attract new customers, improve financial management, and change operations.

SMBs also rate these investments highly in providing business value.

However, the area SMBs rank as providing the best return-on-investment is improving collaboration with external customers, suppliers and partners.



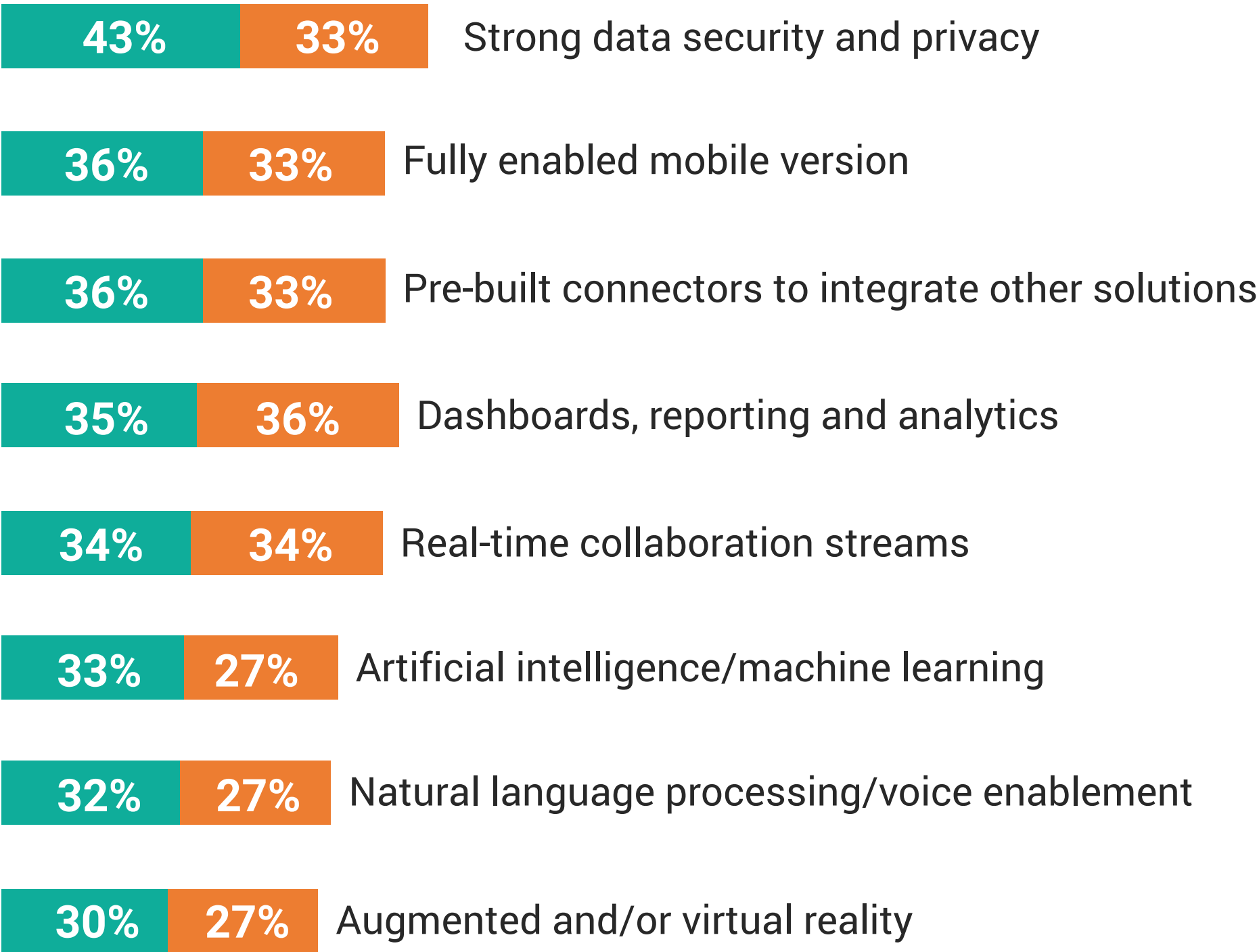


# SMBs Want New Solution Capabilities—Both Now and In the Future

SMBs generally don't have the time, money or expertise to find, select and add new capabilities onto their core applications.

A preponderance of SMBs say that it is extremely/very important that vendors provide all of these capabilities as part of their solutions.

## Importance of embedded solution capabilities when selecting new technology solutions

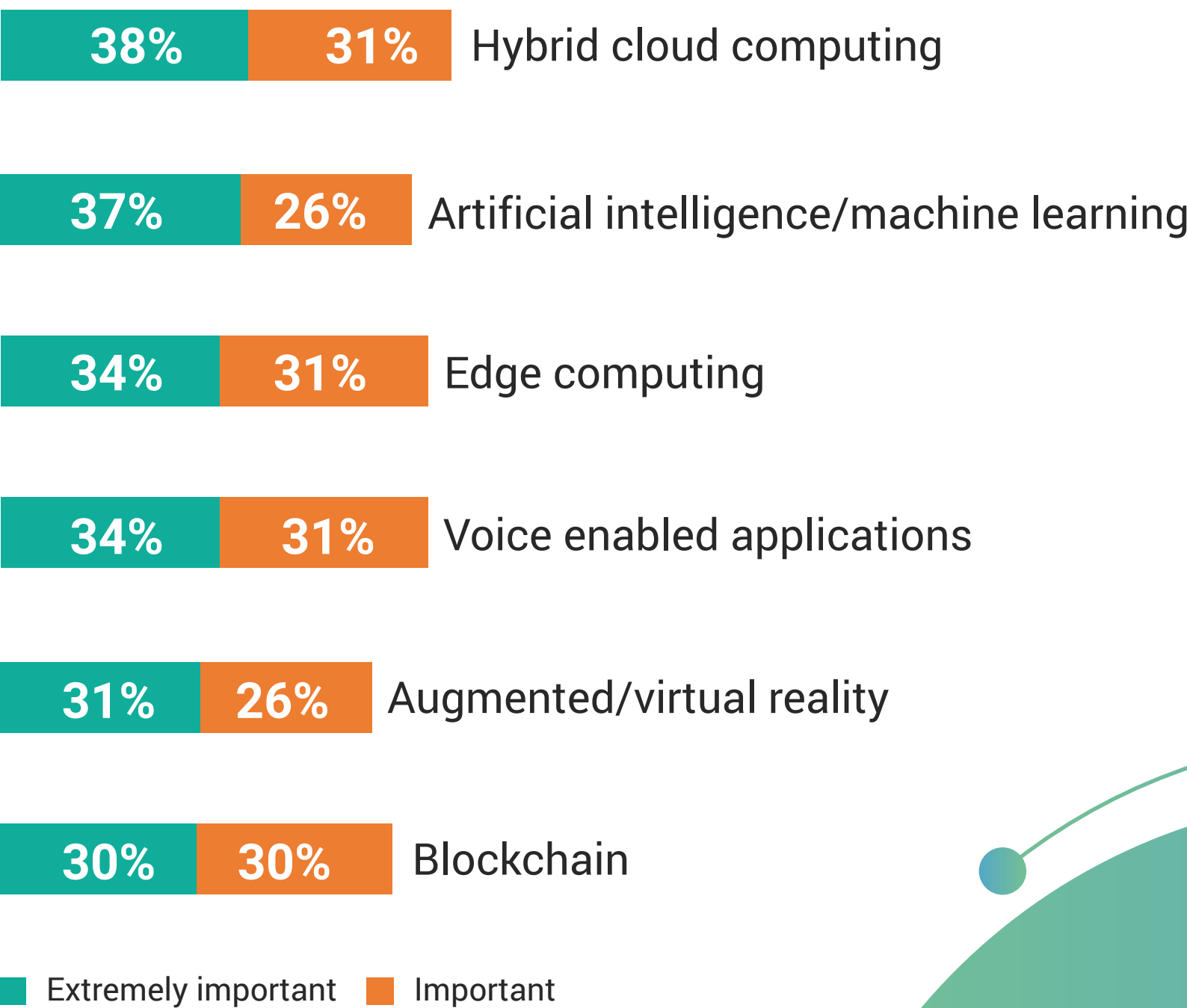


Extremely important Important

When evaluating new solutions for your business, how important is it that vendors provide the following capabilities as part of their solutions?

Looking ahead, SMBs also recognize the importance of being able to access new technologies to help grow their businesses. A majority of SMBs see these newer technologies as critical to helping them to flourish in the future.

## Importance of new technologies for business growth



Extremely important Important

Looking ahead, how important do you believe the following new technology solutions will be for business resiliency and growth?





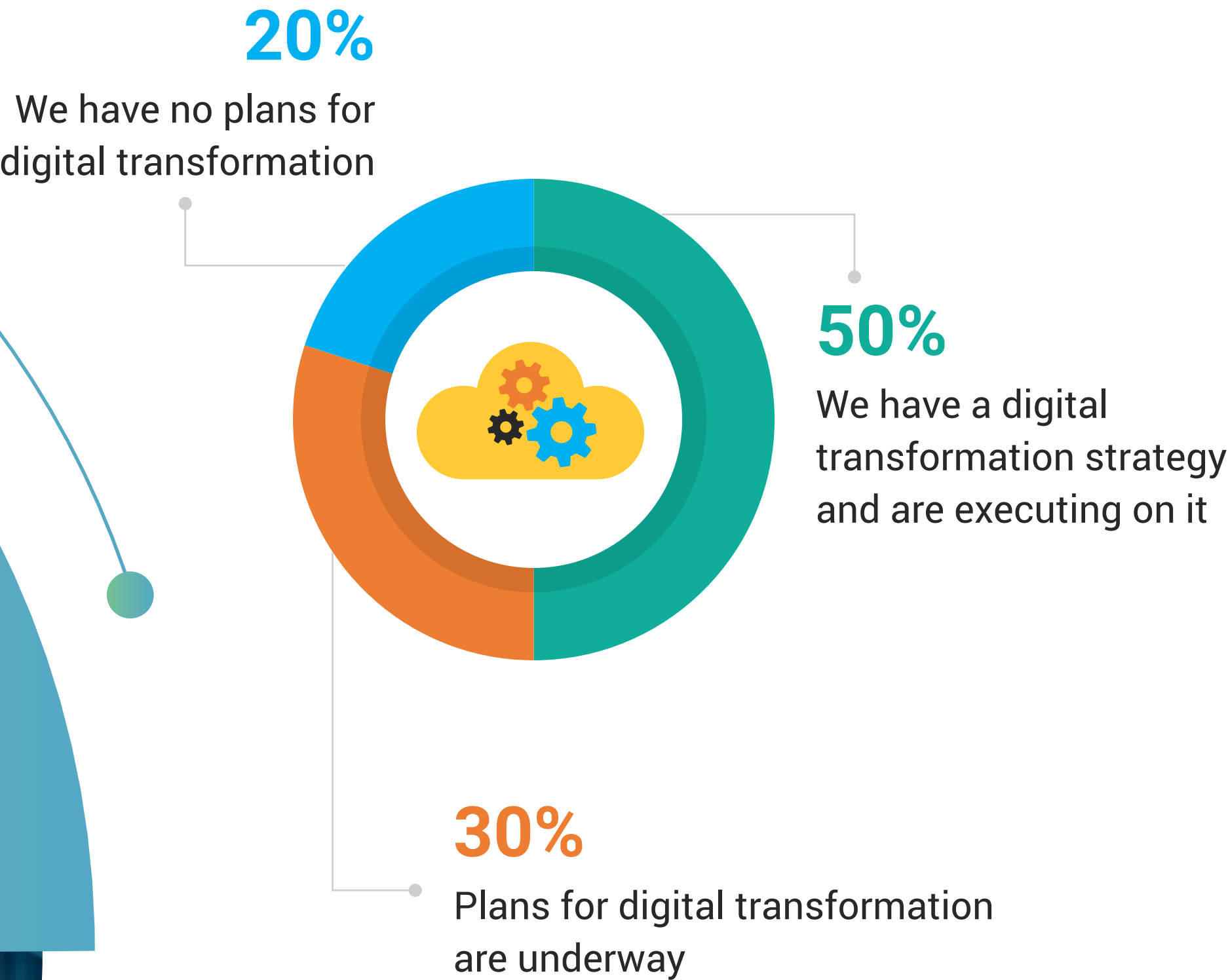
# SMB Movement Along the Digital Transformation Curve

50% of SMBs have established a digital transformation strategy and are executing on it. Once again, however, the likelihood that SMBs have started down this path corresponds with company size. SMBs with 100-2,500 employees are 2.25 times more likely to have started executing on digital transformation than those with fewer than 20 employees.

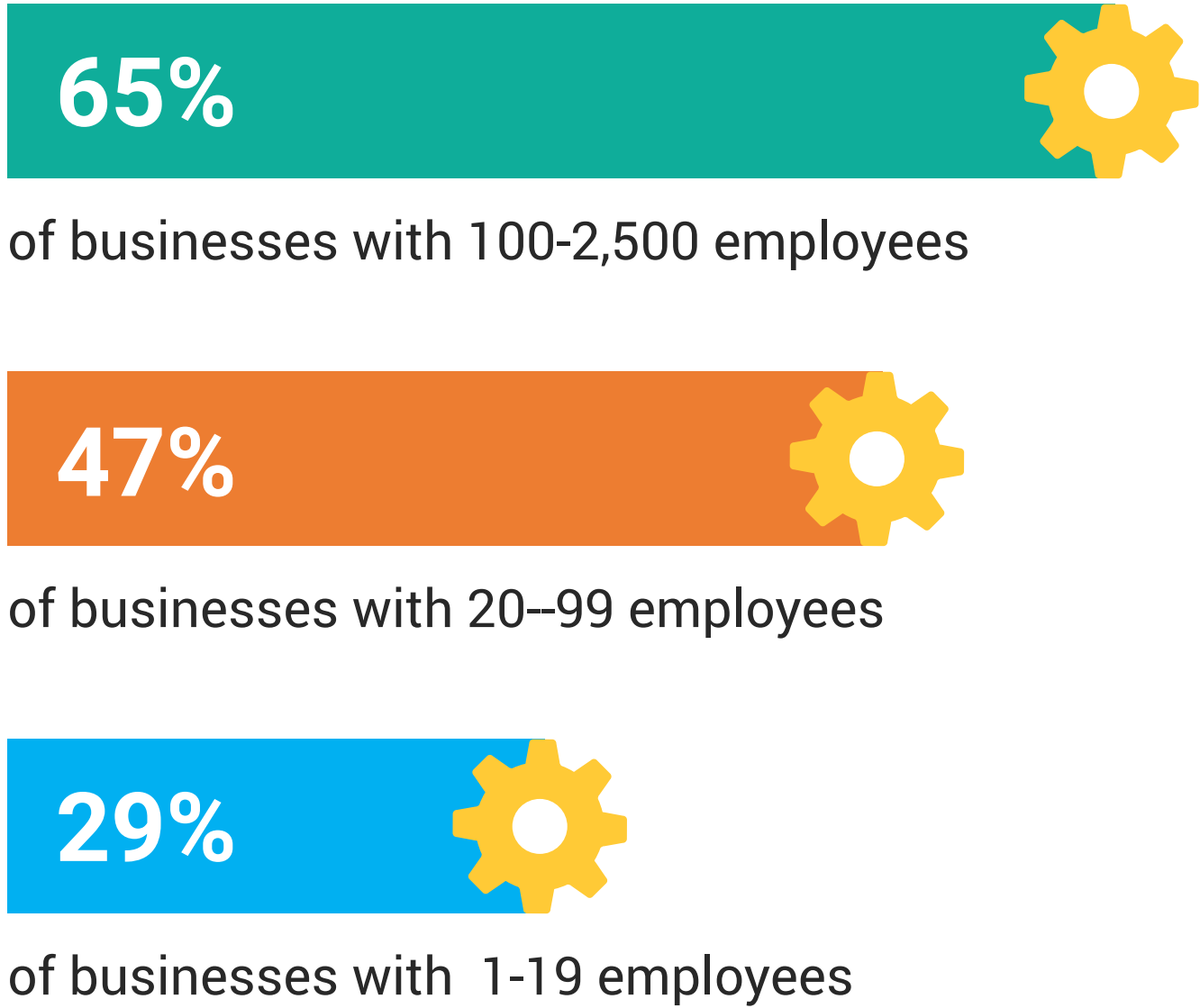
This is troubling for smaller SMBs—because, as shown on the following pages, businesses that have begun the digital transformation journey are faring better than those that are putting it off.



## All SMBs



## Digital transformation status





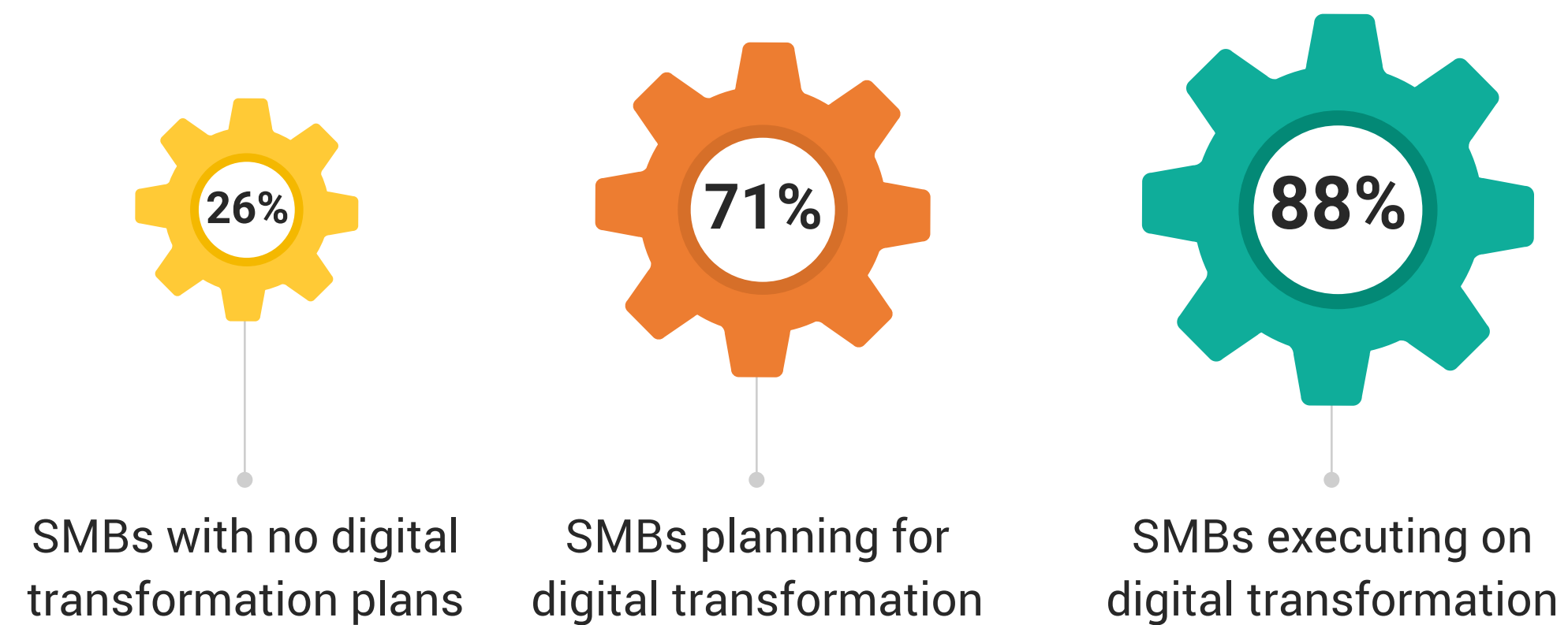
# The Cloud Enables Digital Transformation and Business Agility

The overwhelming majority of SMBs that have started on their digital transformation process are taking a cloud first approach when it comes to selecting new applications than those that are holding off.

SMBs engaged in digital transformation are also more likely to be making changes to business strategy than other SMBs.

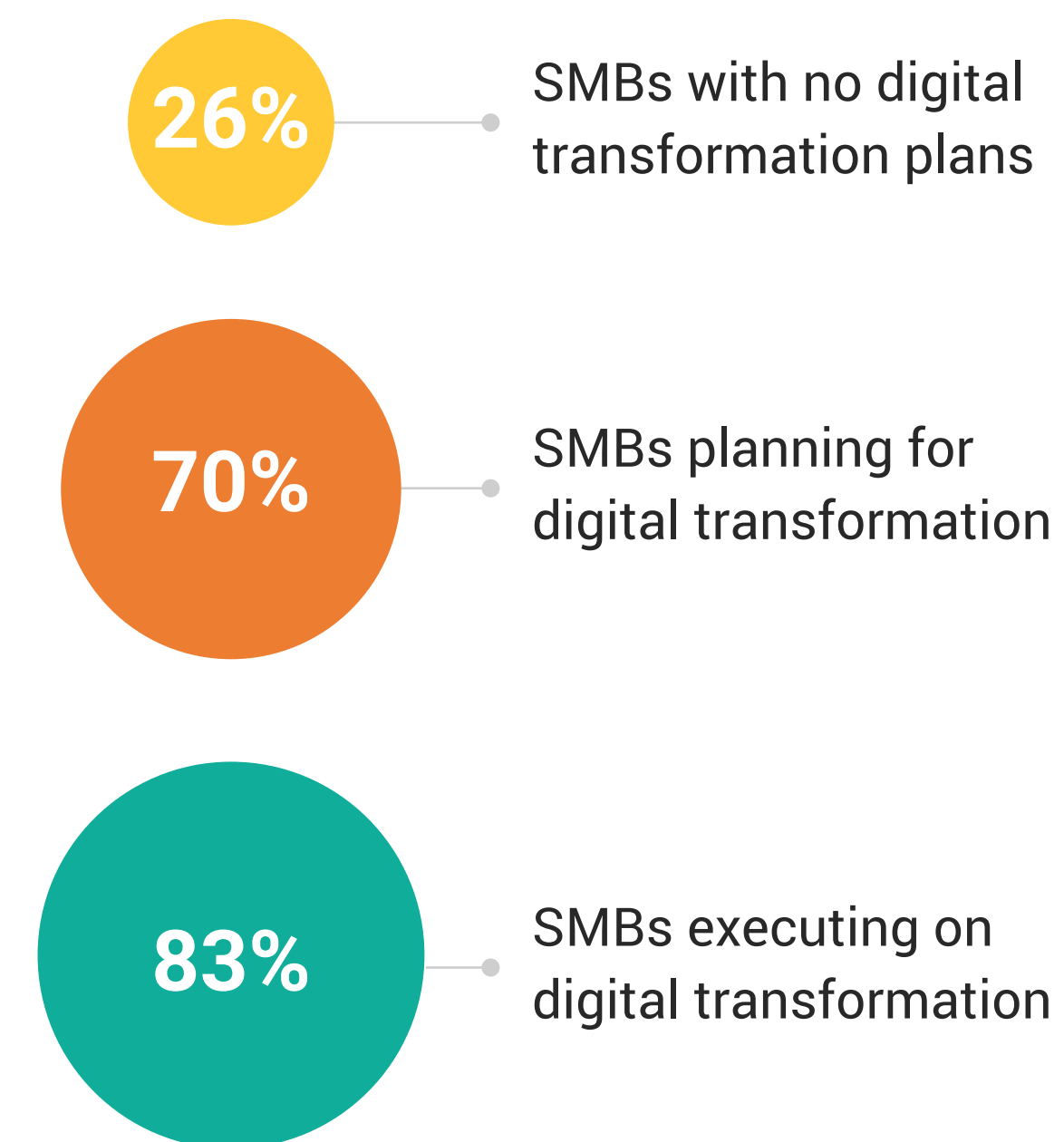
Cloud solutions are typically easier, faster and more cost-effective to deploy and get productive with than on-premises solutions. These SMBs are using the cloud as a key facilitator to pivot and capitalize on new opportunities today—and put new technologies to work in the future.

## Extremely likely/likely to select cloud/SaaS solutions



*How likely is your business to select a cloud/SaaS solution the next time you need to buy a new application?*

## Making changes to business strategy



*Do you agree or disagree with the statement: We are making significant changes to our business strategy in the wake of COVID-19.*



# SMBs Executing on Digital Transformation Out Perform Peers

There's a strong correlation between digital transformation and business results. SMBs with a digital transformation in place and initiatives underway were three times more likely to have enjoyed an uptick in revenues from 2019 to 2020 than those with no plans.

They are also 2.5 times more likely to expect revenues to rise in 2021 than SMBs that are planning for digital transformation, but have yet to start executing on it.

However, just considering how the business needs to change and crafting a strategy to start the journey correlates with better financial expectations. SMBs that have plans in place are more likely to forecast revenue increases than those that have no plans in the works.

## Revenues increased in 2020 vs. 2019



We have a digital transformation strategy and initiatives are underway



We are planning for digital transformation and will begin executing within the next 12 months



We have no active or planned initiatives for digital transformation

## Expectations for increased revenues in 2021 vs. 2020



We have a digital transformation strategy and initiatives are underway in our company



We are planning for digital transformation and will begin executing within the next 12 months



We have no active or planned initiatives for digital transformation at this time



# Takeaways



Business is rebounding for many SMBs—and most lean towards optimism for 2021



Smaller SMBs—especially those in the 1-19 employee size band—face a tougher road to recovery, as do those in highly impacted industries that require a physical customer experience



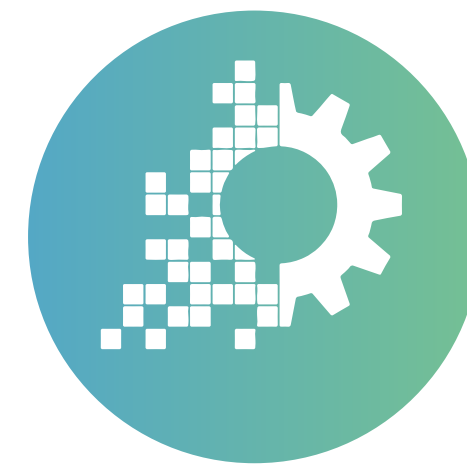
Smaller businesses in hard hit industries that haven't taken advantage of PPP loans and other financing options should consider doing so, to help build back their businesses



Customer expectations will not revert to pre-pandemic status in 2021, nor will they stay stuck in pandemic mode—conditions will continue to change and SMBs will continue to adjust



SMBs need to tune into changing customer, employee and competitive conditions and adapt business and technology strategies for resiliency and growth



SMBs should pursue a cloud first strategy to more easily enable digital transformation



Creating a digital transformation strategy and executing on it is critical to create a resilient business that can weather downturns and capitalize on upturns

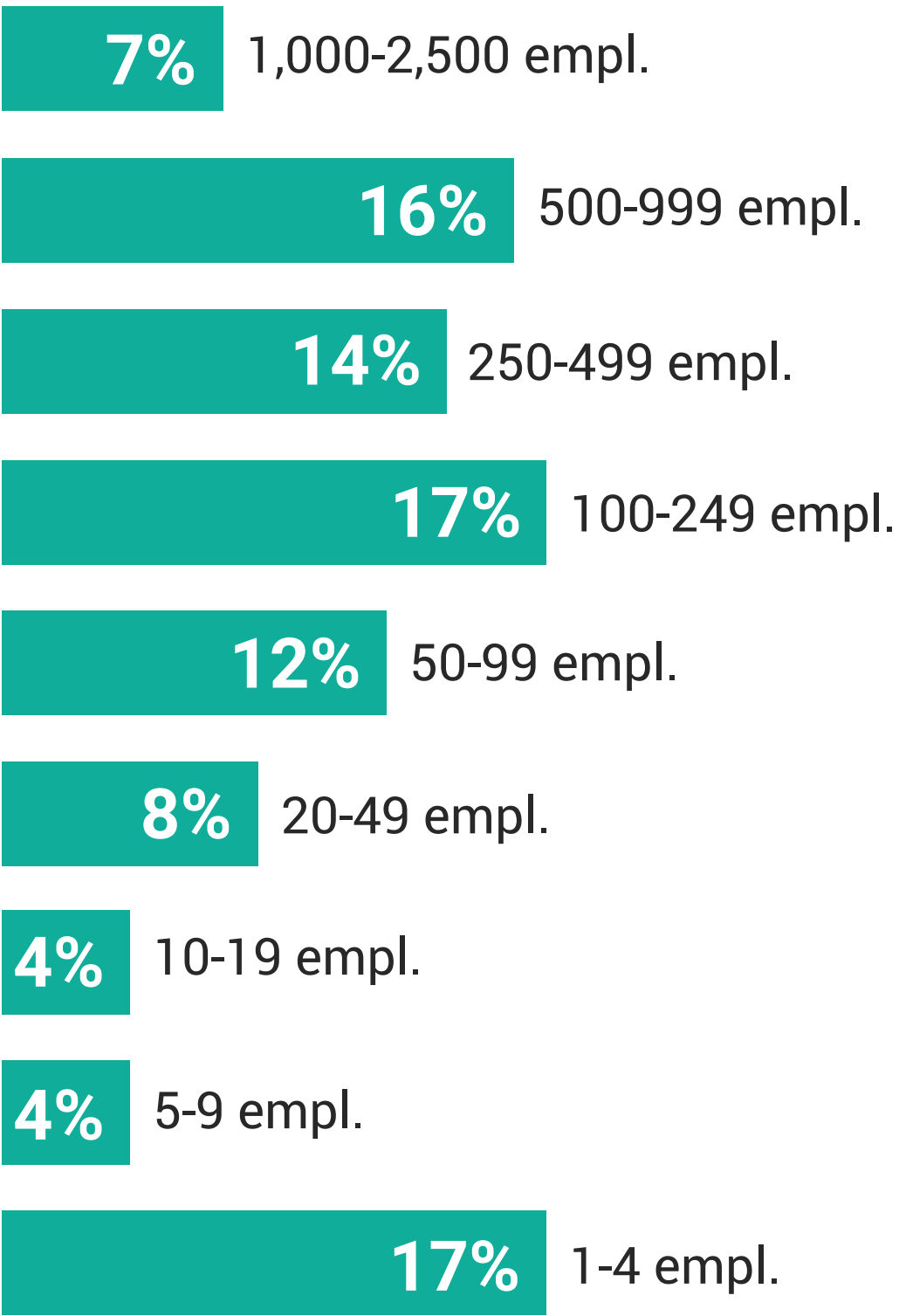


# About the study

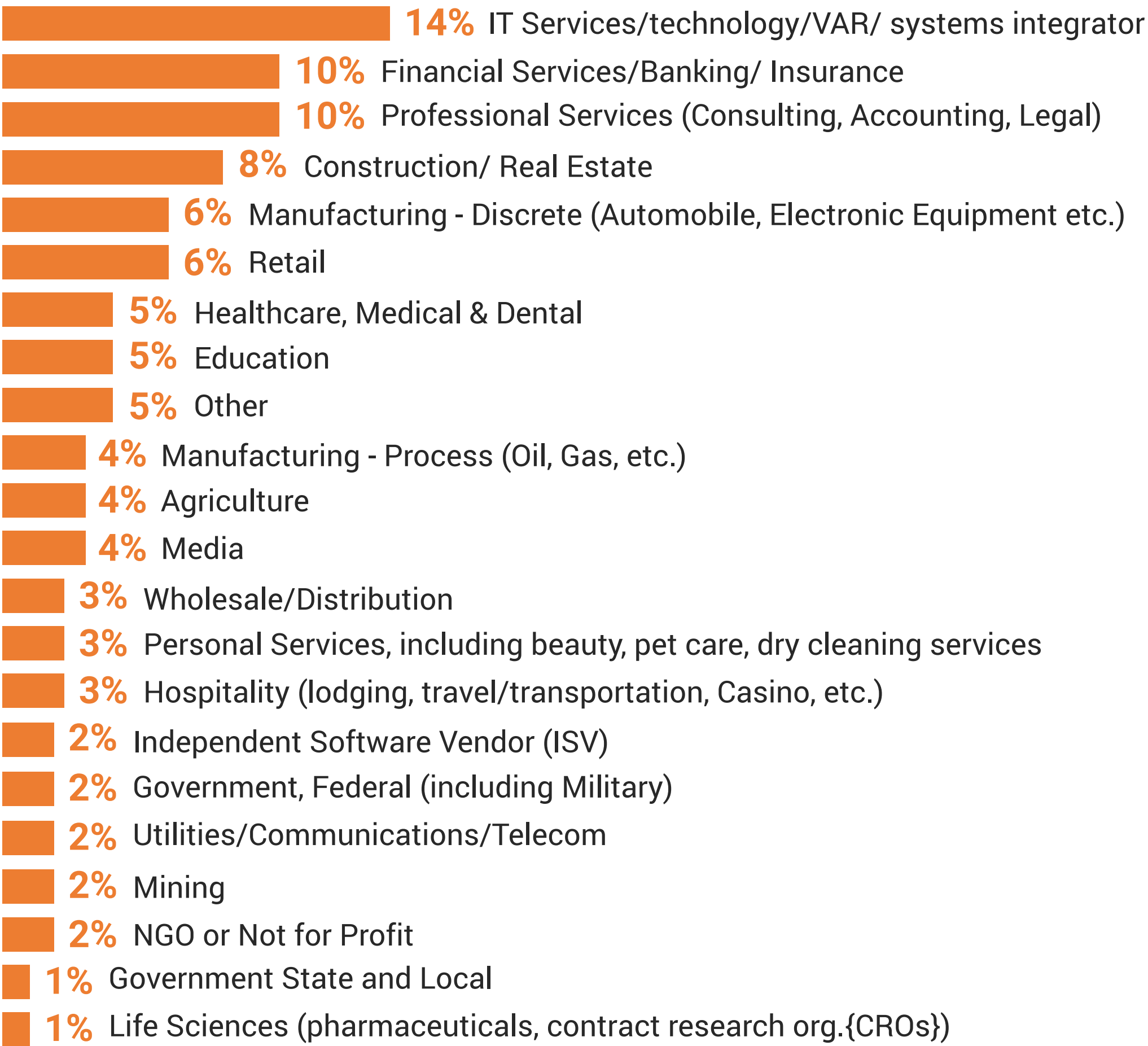
Unless otherwise noted, all data in this eBook is sourced from SMB Group’s **2021 SMB Technology Directions for a Changing World Survey Study**.

Data was collected via a web-based survey from a random sample of 761 completed survey responses in February 2021.

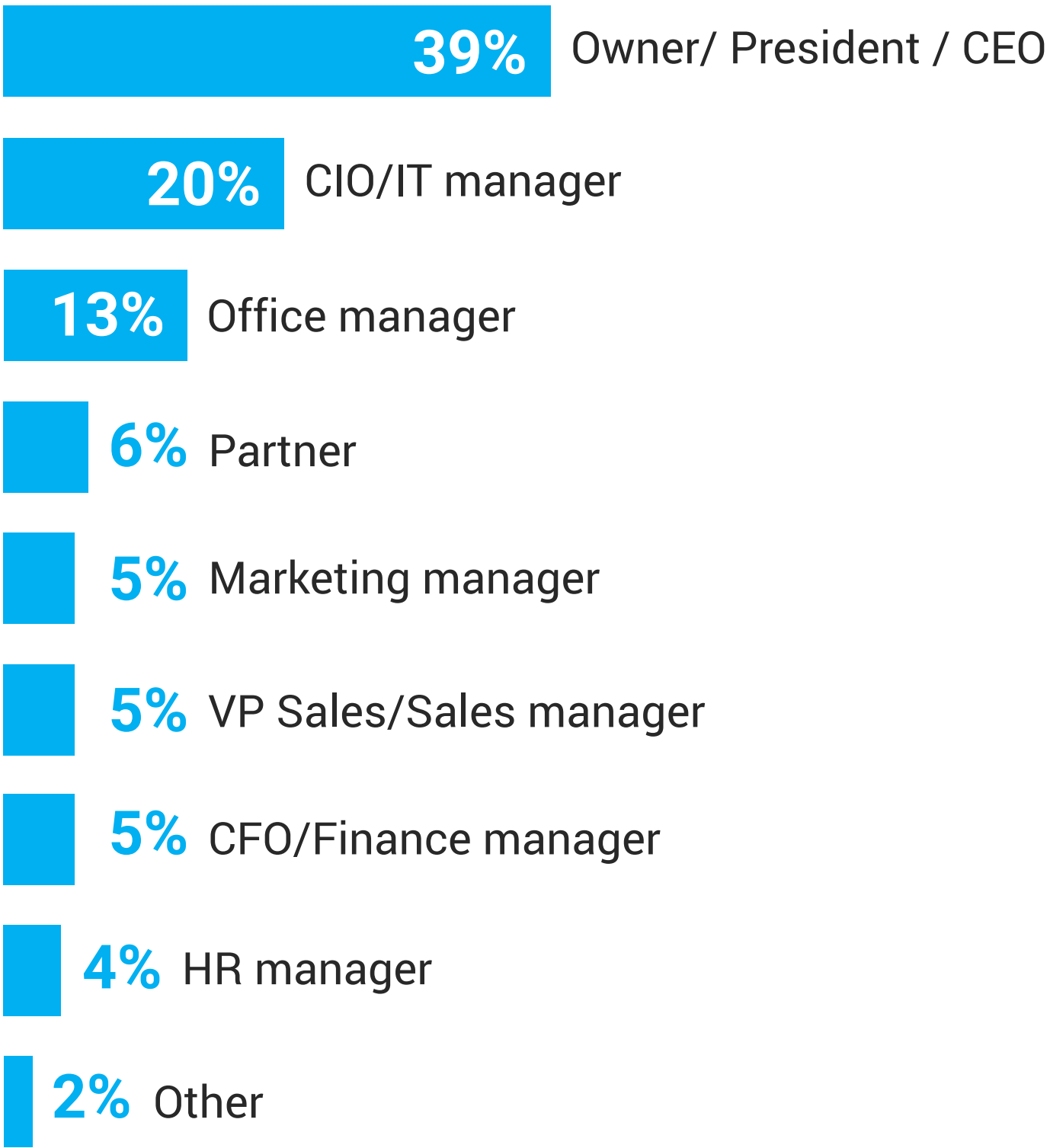
## Business size distribution



## Industry distribution



## Respondent role





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SMB Group is a research, analysis and consulting firm focused on technology adoption and trends in the small and medium business (SMB) market. Founded in 2009, SMB Group helps clients to understand and segment the SMB market, identify and act on trends and opportunities, develop more compelling messaging, and more effectively serve SMB customers.

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