

SMB Group's

2023

Top 10 SMB

Technology Trends

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2023 Top SMB Technology Trends

As we entered 2022, many SMBs were increasingly optimistic that as COVID-19 threats receded, they could focus on growing their businesses.

But as we began 2023, the ground shifted yet again. Pandemic side effects such as inflation and supply chain shortages have persisted, and concerns about an impending recession and the war in Ukraine have created additional worries. As a result, many SMBs have revised their growth expectations for 2023 in a downward direction.

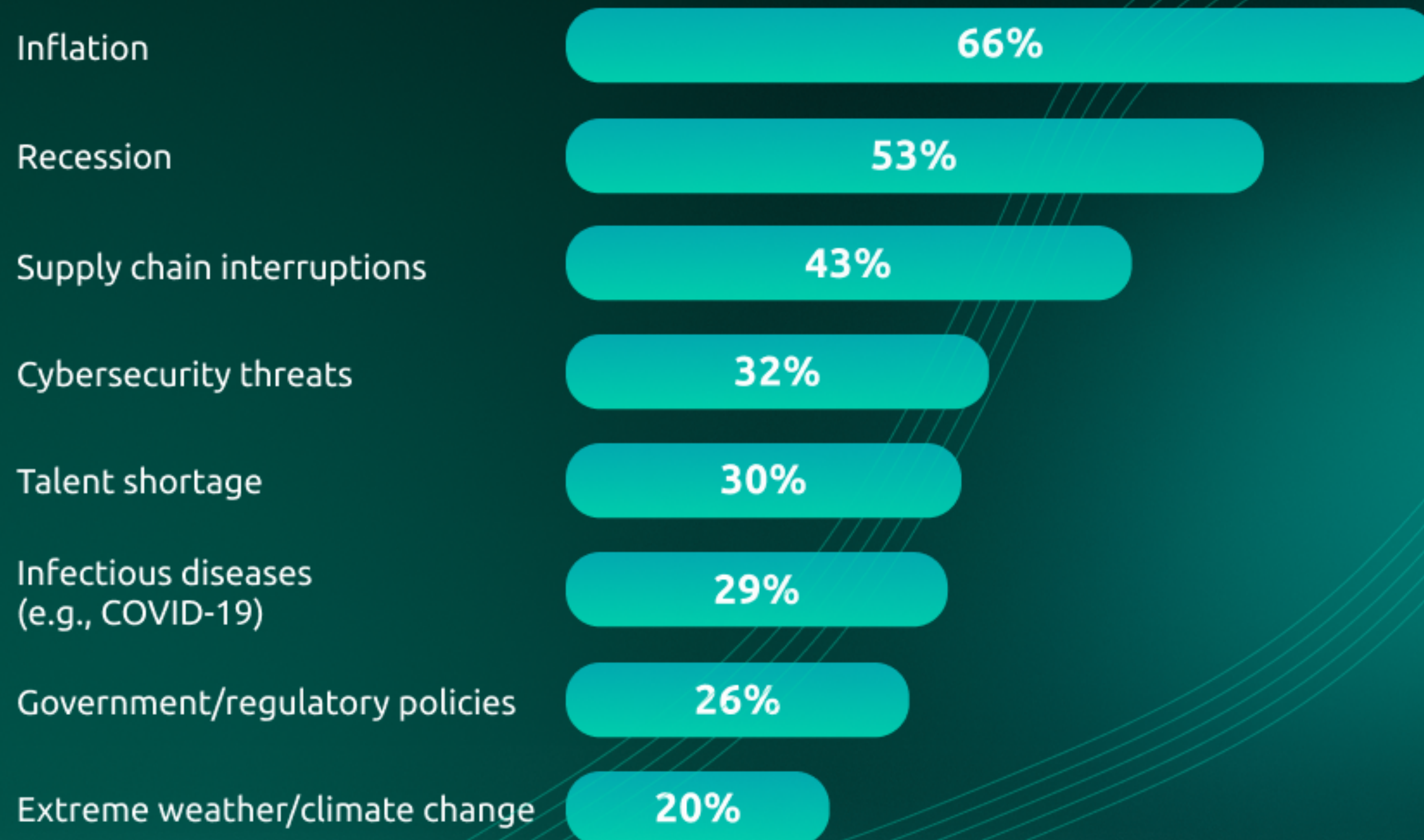
SMBs have little or no control over how these macro trends will play out in 2023. But, as many learned during the COVID-19 pandemic, the right technology strategy and solutions can help them to overcome challenges and be ready to take advantage of new opportunities as they present themselves.

Economic pressures will make SMBs more selective about technology investments, but the vast majority of SMBs agree that the right technology solutions can help them to improve financial performance. Against a backdrop of continuing uncertainty and shifting challenges, SMBs will be laser focused on using technology to help their businesses prepare for and adapt to change, so they can innovate and grow.



1. SMB Optimism Dips Amid Economic Concerns

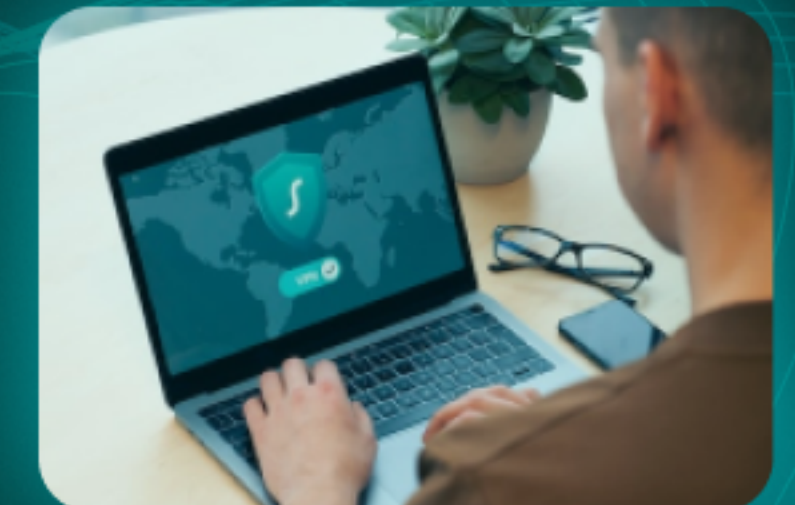
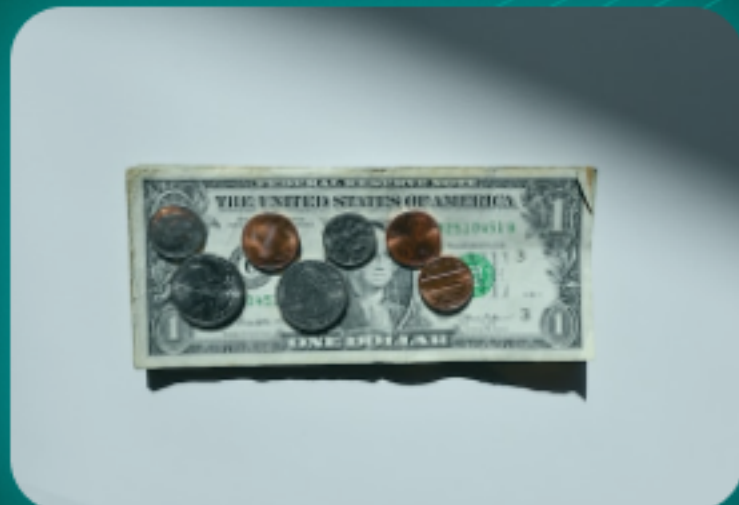
Percentage of SMBs concerned that macro trends will have a negative impact on their businesses in 2023



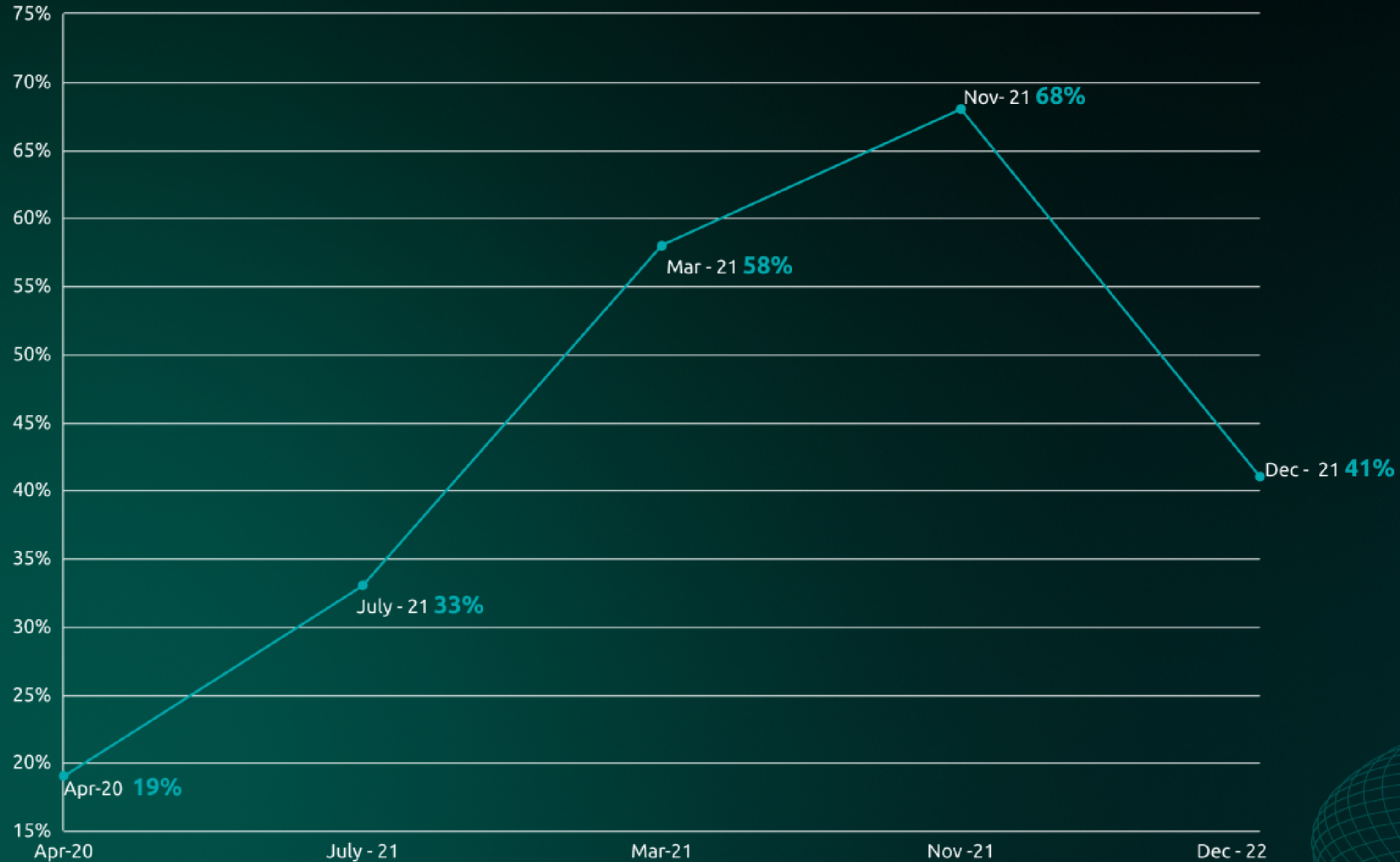
Heading into 2023, concerns about inflation and recession dominate for SMBs, considerably overshadowing other worries about events beyond their control. These sentiments hold true for SMBs regardless of employee size or industry.

As a result, SMB optimism about 2023 revenue performance has dipped for the first time since the COVID-19 pandemic struck in March 2020.

Heading into 2023, just 41% of SMBs forecast that revenues would rise, while 45% expected revenues to remain flat, 10% predicted they would decline and 4% said they didn't know.



Comparison of SMBs expecting revenue increases from April 2020 – December 2022



Larger businesses were more likely to predict a revenue uptick than smaller ones:

- 48% of businesses with 100–2,500 employees said they expect revenues to rise.
- 32% of businesses with 1–99 employees said they expect revenues to increase.

Revenue expectations also vary widely by industry:

- Financial services, IT services, construction and real estate are most likely to predict revenues to grow.
- Personal services, not-for-profits and hospitality businesses are least likely to expect revenues to rise.

2. SMBs View Technology as a Hedge Against Uncertain Times—But are Choosier About Tech Investments

79%

of SMBs agree that the right technology solutions can help their businesses improve financial performance in uncertain times

Impact of inflation and recession on 2023 IT spending

Significant increase in technology spending

17%

Moderate increase in technology spending

19%

No impact

33%

Moderate reduction in technology spending

17%

Significant reduction in technology spending

9%

Don't know

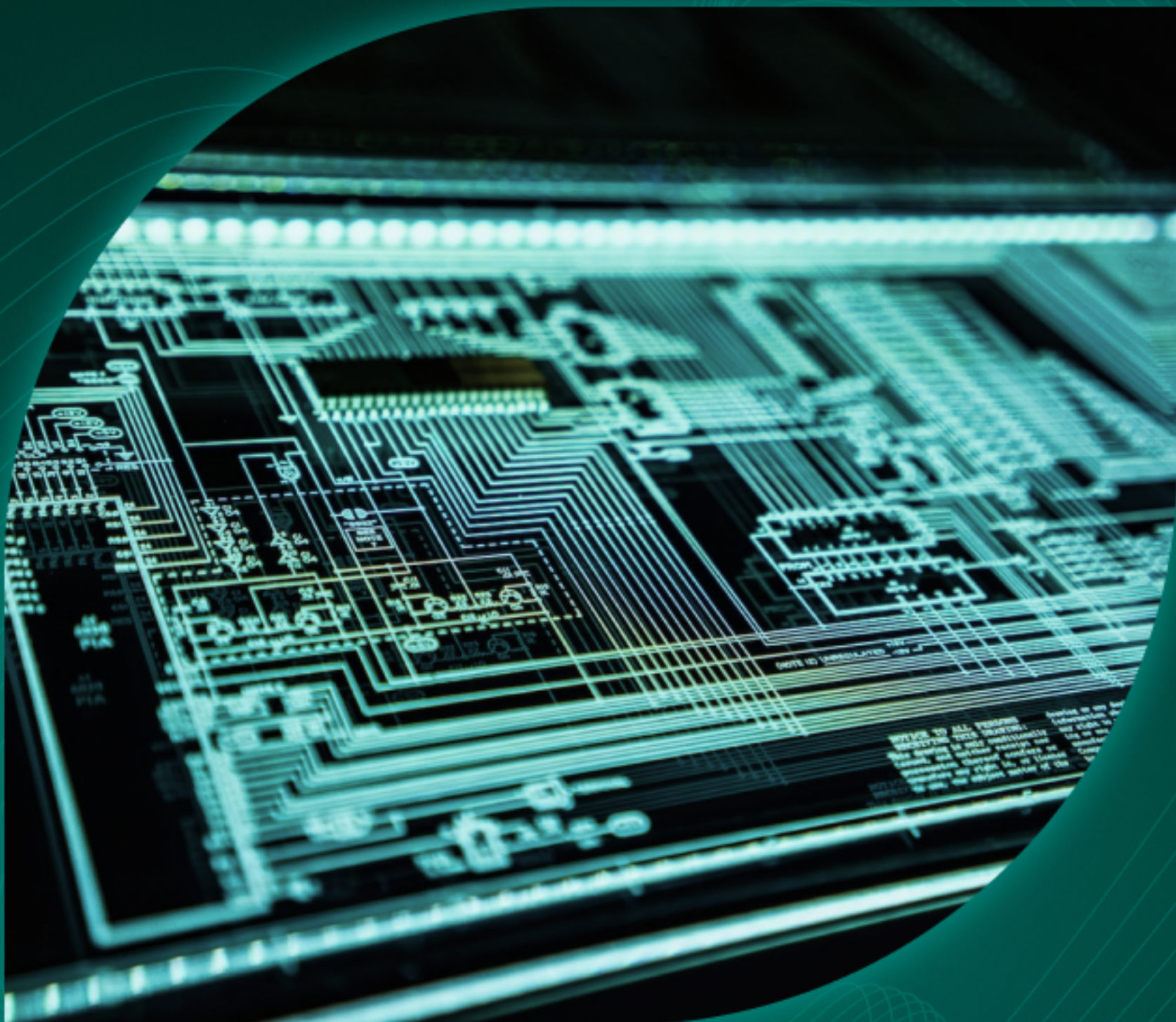
6%

The vast majority of SMBs agree that the right technology solutions can help their businesses navigate through turbulent times. SMB enthusiasm for technology has grown partly as a result of the COVID-19 pandemic, when those that put technology to work to digitize key aspects of their businesses out-performed peers that lagged in digital transformation efforts. Since then, SMBs have continued to see the positive benefits that technology can provide—from automating business processes to save time and money to reaching new markets and customers.

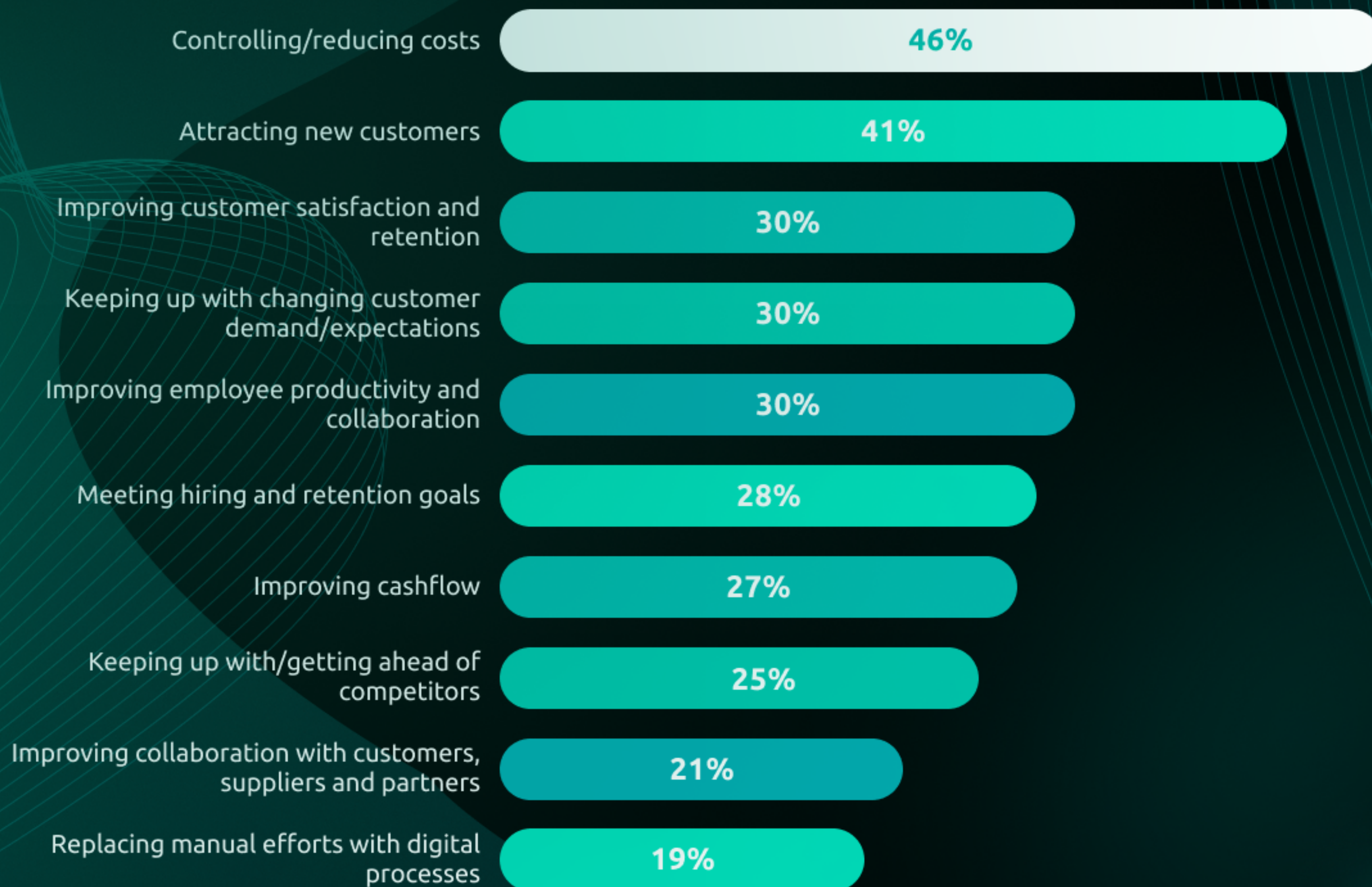
However, economic concerns and a shortage of IT staff and expertise will make it harder for SMBs to invest in solutions that could help them save time and money or innovate and grow.



Top operational challenges for 2023



SMBs will be choosier about their technology investments in 2023, focusing on solving their top challenges and holding off on less urgent areas. They will need to be convinced that potential solutions will provide substantive efficiency gains and the insights they need to improve decision-making and business results.

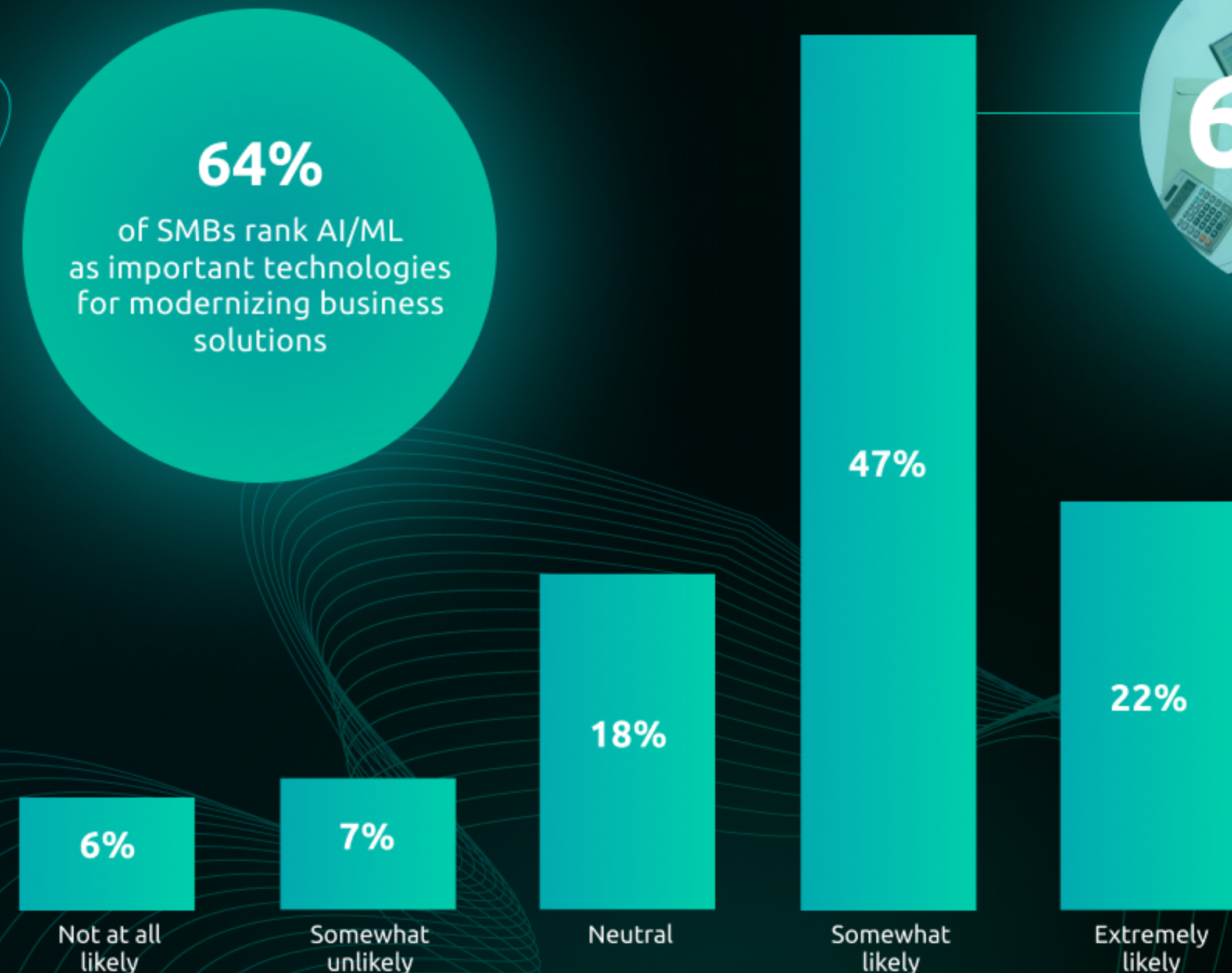


3. SMBs Accelerate Time to Value With Cloud Computing, Industry-Specific Functionality and AI/ML

69% of SMBs are likely to buy a cloud solution the next time they purchase a new software solution

As purse strings tighten, SMBs will increasingly favor cloud solutions and industry-specific business software with embedded artificial intelligence/machine learning technologies that accelerate time to solution value and provide faster payback on their investments.

Modern, cloud-based business solutions put SMBs on a clear path to streamline operations and be better prepared to navigate potential disruptions. By embedding new technologies, such as artificial intelligence, machine learning, and low code/no code capabilities into their solutions, cloud vendors also offer SMBs an easier on-ramp to the benefits that these technologies provide.

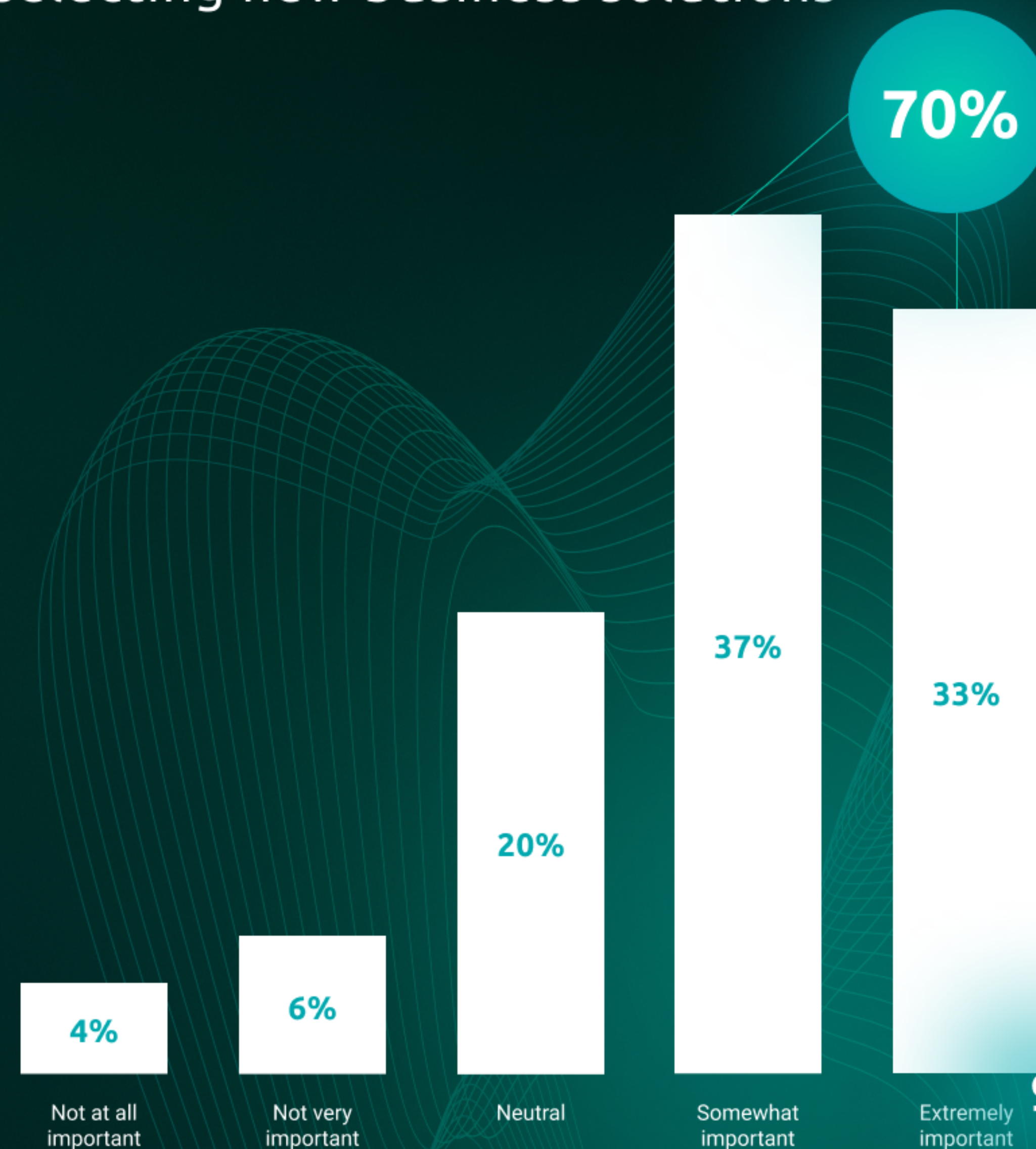


Solutions with deep industry-specific functionality are likely to satisfy more of a company's needs right out of the gate than generic solutions.

These criteria will join two other factors that are always top of mind for SMBs—ease of deployment and use, and affordability. Given uncertain economic conditions, these two perennial criteria will assume even greater importance when SMBs make buying decisions. SMBs will favor vendors that provide a great onboarding experience and clear and transparent pricing models.



70% of SMBs agree that industry-specific functionality is important when selecting new business solutions



4. SMBs Continue to Adapt to Changing Customer Preferences

Many SMBs have been adding and expanding sales channels to improve customer acquisition and retention and keep up with changing customer preferences and expectations. Our research indicates that the average SMB sells through 2.6 channels.

Managing the increased complexity that operating in an omnichannel environment necessitates isn't easy—but is increasingly important to attract and retain customers.

Despite tight budgets, many SMBs will upgrade and integrate the software they use to manage and support processes throughout the customer lifecycle—and to get the flexibility they need to shift gears as customer preferences change.

Top priorities for 2023 include customer retention, brand awareness, creating a more personalized customer experience, improving reporting/analytics and creating and expanding online sales channels. Leading application investment areas that SMBs plan to invest in to further these goals in 2023 include:



Top sales, marketing and service software investments planned for 2023

1

**MARKETING
AUTOMATION
(23%)**

2

ANALYTICS (23%)

3

**SOCIAL MEDIA
MARKETING AND
CUSTOMER
SERVICE (TIE 22%)**

Channels SMBs sell through

Social media sites

39%

Personal selling via our own sales reps

34%

Our own retail outlets/offices

32%

Our own ecommerce site

31%

Third-party ecommerce sites

25%

Wholesale distributors

19%

Sales outsourcers

17%

Value-added resellers that add features/
services to our products

15%

Sales agents

15%

White label resellers who rebrand
our products

12%

Third-party sales call centers

12%

Automated kiosks

5%

Top sales, marketing, and customer service priorities for 2023

Improve customer retention and loyalty

48%

Improve brand awareness/engagement

36%

Create a more personalized customer
experience

32%

Improve reporting/analytics

29%

Create/expand online sales channels/
capabilities

26%

Create/expand social media sales/
marketing channels

26%

Improve configure, quote and pricing
functions

24%

Create new partnerships with resellers,
distributors, etc.

22%

Expand/improve offices/retail locations
to serve customers

18%

Enter a new geographical market

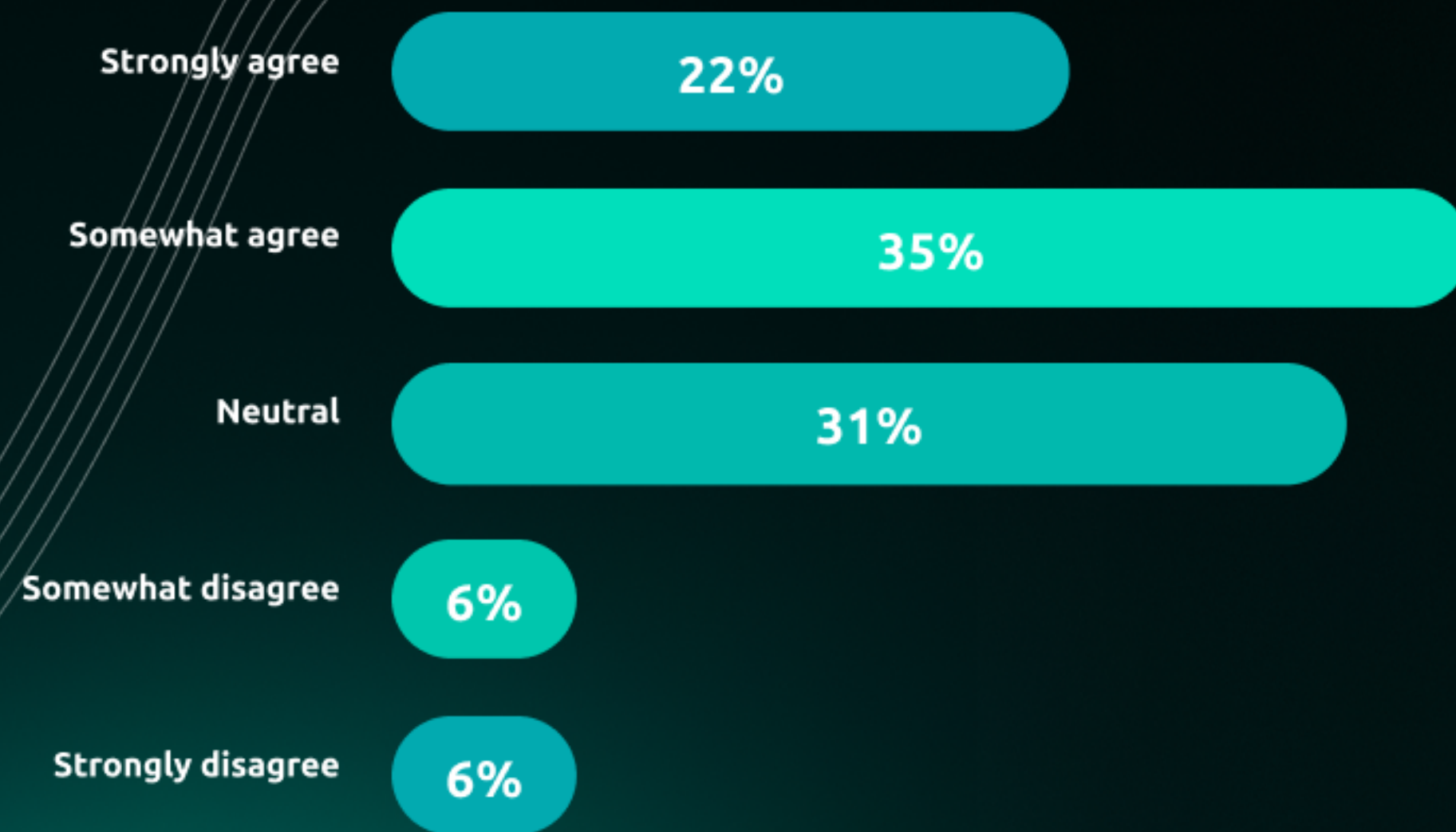
17%

Enter a new industry/vertical market

14%

5. SMBs Begin to Focus on Sustainability

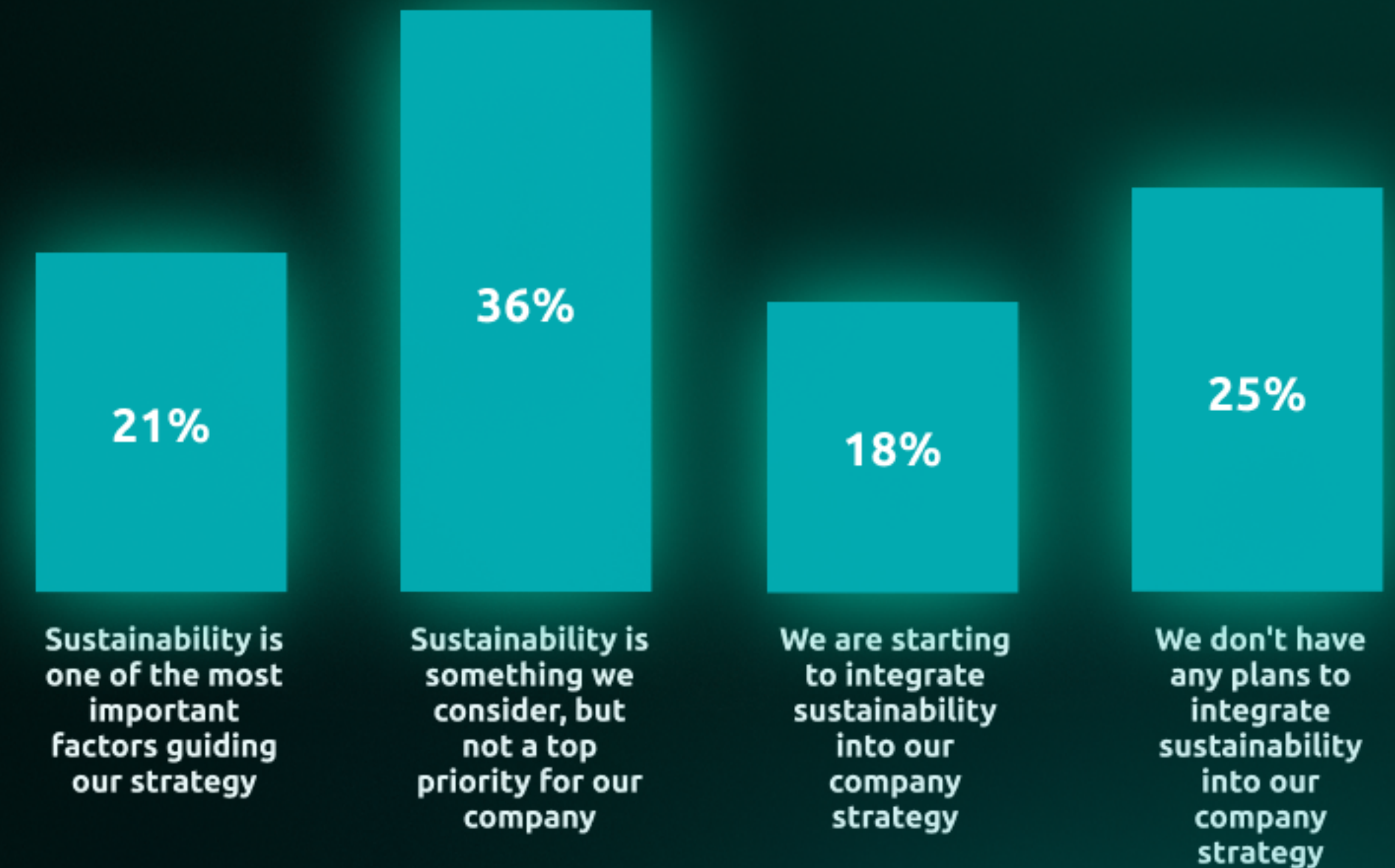
Extent to which SMBs agree or disagree: “A strong ESG strategy can help our business improve financial performance”



67%

of SMBs currently use spreadsheets and personal productivity tools to manage sustainability initiatives

The role of ESG in SMB corporate strategy



24%

of SMBs plan to deploy solutions built specifically to manage sustainability initiatives

When it comes to embracing sustainability, SMBs tend to lag their large enterprise counterparts. However, more than half of SMBs agree that a strong sustainability strategy can help them improve business results, and many are starting to take more proactive steps in this area. Larger SMBs are more likely to be making this a priority than smaller ones:

- 29% of businesses with 100 – 2,500 employees strongly agree that sustainability is one of the most important factors guiding strategy, compared to 11% of businesses with fewer than 100 employees.

Two-thirds of SMBs currently rely on spreadsheets and other generic software to manage their sustainability initiatives. However, about one-quarter plan to deploy sustainability-specific solutions to manage their current and planned sustainability initiatives and improve measurable impacts.

Top 5 current sustainability programs	Top 5 planned sustainability programs
Internal recycling program; 51%	Purchasing more recyclable goods; 26%
Reducing water/energy consumption; 48%	Choosing partners/suppliers that support sustainable business practices; 25%
Purchasing more recyclable goods; 44%	Advocating for more inclusive public policies; 25%
Supporting employee equality, diversity and fair wages; 42%	Buying carbon credits; 24%
Supporting human rights and justice practices; 36%	Reducing water/energy consumption; 23%

6. As Workplace Locations Settle, SMBs Fill Gaps to Improve Collaboration and Productivity

Work both
remotely and
from a
company
location - **20%**

Work remote
only - **26%**



Work in a
company location
only - **54%**

Over the past couple of years, hybrid and remote work have worked well for many SMBs, especially for those that embraced new technologies to help employees collaborate more effectively regardless of where they work from.

SMB Group research indicates that tools such as web and video conference, online document creation, online file sharing and shared calendars are now staples for the majority of SMBs.

Collaboration priorities for 2023

Make meetings more productive and efficient

50%

Improve project management

46%

Improving external collaboration with customers, partners, suppliers, etc.

45%

Make file sharing more secure

41%

Integrate our communication and collaboration tools

37%

Make file sharing easier

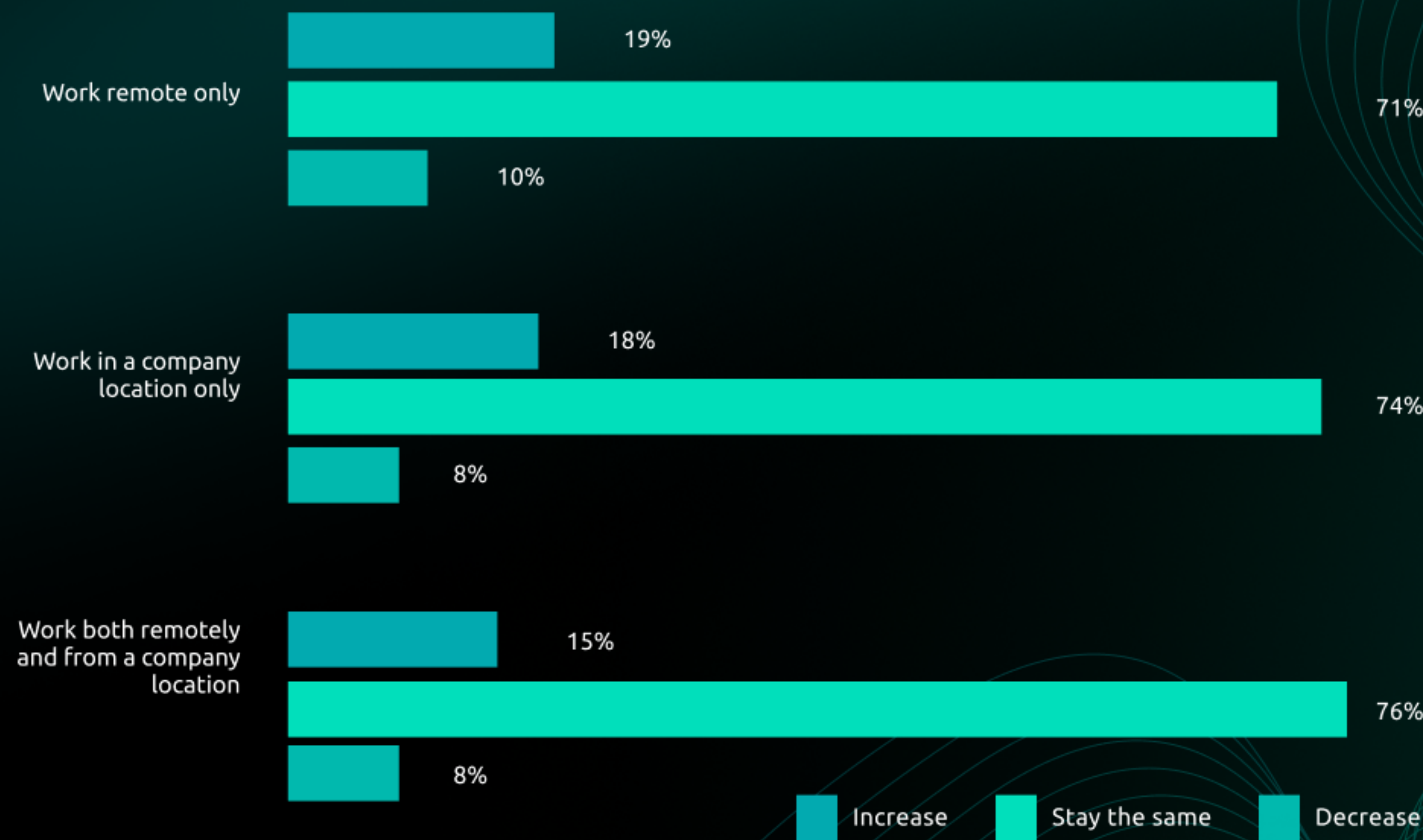
36%

Add new ways/channels to communicate/ collaborate

34%



Expected changes in workplace locations in 2023



With most SMBs seeming to have settled into a fairly stable mix of remote, onsite and hybrid work locations—and many collaboration tools already in place—they’ll be looking for solutions to fill gaps and provide new ways to streamline how work gets done. Key priorities include making meetings more productive, improving project management, and improving external collaboration.

SMB adoption of virtual and augmented reality is still nascent. But interest will pick up as these solutions mature and provide more tangible examples of how they can improve collaboration, productivity, and corporate culture.

Top collaboration software investments planned for 2023

- 1

ONLINE PROJECT MANAGEMENT (20%)
- 2

VOIP (18%)
- 3

REAL-TIME CHAT/ MESSAGING (18%)

7. SMB Retention and Reskilling Investments Grow As Hiring Plans Slow

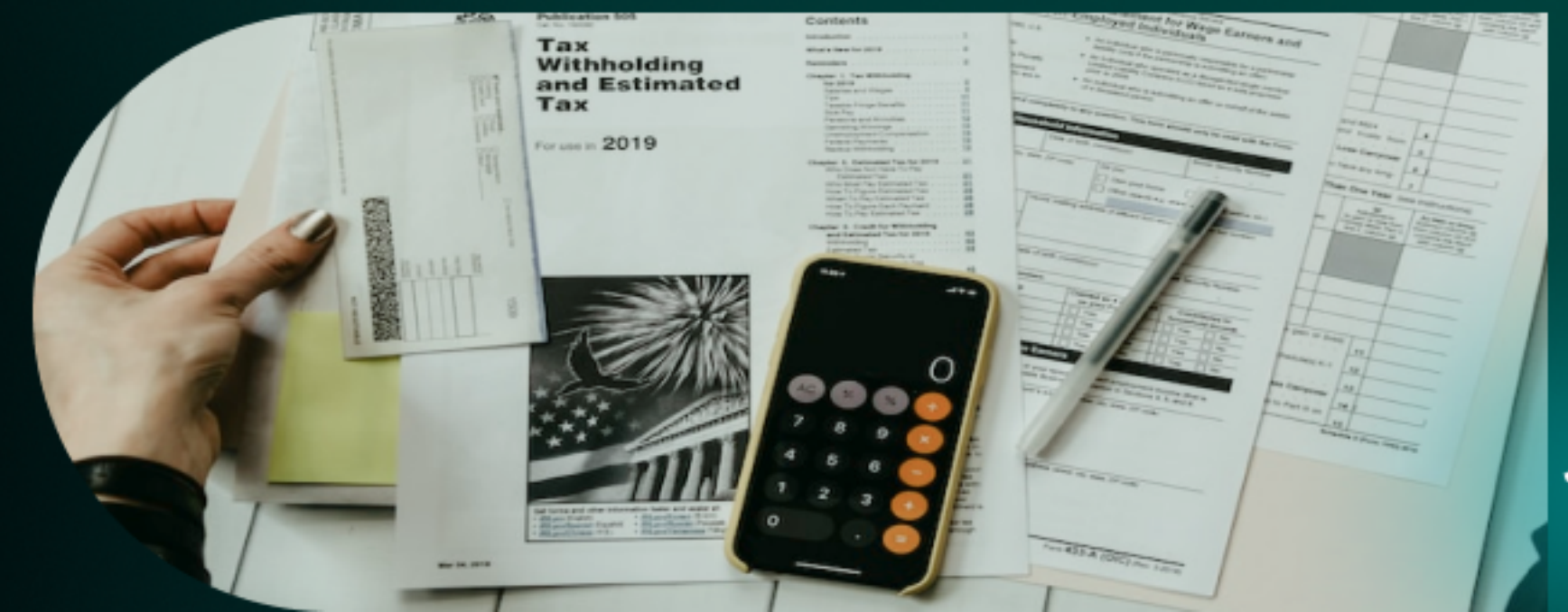
Top SMB workforce management/
human resources priorities for
2023



Amidst inflation and recession worries, only about one-third of SMBs plan to hire additional employees in 2023. Larger businesses are more likely to have hiring plans than smaller ones:

- 44% of businesses with 100–2,500 employees said they expect to hire more employees.
- 20% of businesses with 1–99 employees said they expect to expand the workforce.

30% of SMBs plan to hire additional employees in 2023



But the talent shortage remains with us, making employee retention and reskilling investments top priorities for SMBs. They will seek to improve employee experience and retention by creating more opportunities for career advancement, developing better onboarding and performance review processes, establishing more flexible work policies that support work-life balance, and providing better benefits.



1

**TALENT
MANAGEMENT
(22%)**

2

**ONBOARDING AND
OFFBOARDING
(22%)**

3

**OPEN
ENROLLMENT AND
BENEFITS (21%)**

Top workforce management/HR
software investments planned
for 2023

8. Financial Management Automation Helps SMBs Weather 2023 Uncertainties

SMBs that plan to invest more in financial management software services are more confident and optimistic about their ability to adapt to unexpected and changing business conditions than those planning flat or decreased spending.

During the COVID-19 pandemic, many SMBs were forced to automate and digitize manual financial processes—and reaped many benefits. From payment processing to financial planning, cloud solutions helped employees to get their jobs more efficiently and accurately, from any location. As important, many of these solutions helped to consolidate financial information, providing easier access to insights to help identify new opportunities, avoid risks, and make better business decisions.

But, facing strong economic headwinds, 58% of SMBs plan to decrease or flatten spending on financial management software. This may be short-sighted, as financial automation solutions can help them to both improve processing efficiencies and gain the flexibility required to implement new business models and grow.

As a result, the business performance gap will widen between SMBs that continue to invest in automating and integrating more of their financial processes and peers that stick with cumbersome spreadsheets and manual methods.

1.4X

Confidence

SMBs that are increasing spending on financial management software are **1.4X more confident** about their ability to adapt to changing business conditions than SMBs planning to decrease or flatten spending

2.3X

Optimism

SMBs that are increasing spending on financial management software are **2.3X more likely** to expect revenue growth than SMBs planning to decrease or flatten spending

Top financial management software investments planned for 2023

1

**CONTRACT
RENEWALS (33%)**

2

**SUBSCRIPTION
MANAGEMENT AND
EXPENSE
MANAGEMENT (TIE
30%)**

3

**ROLES-BASED
REPORTS AND
DASHBOARDS (29%)**

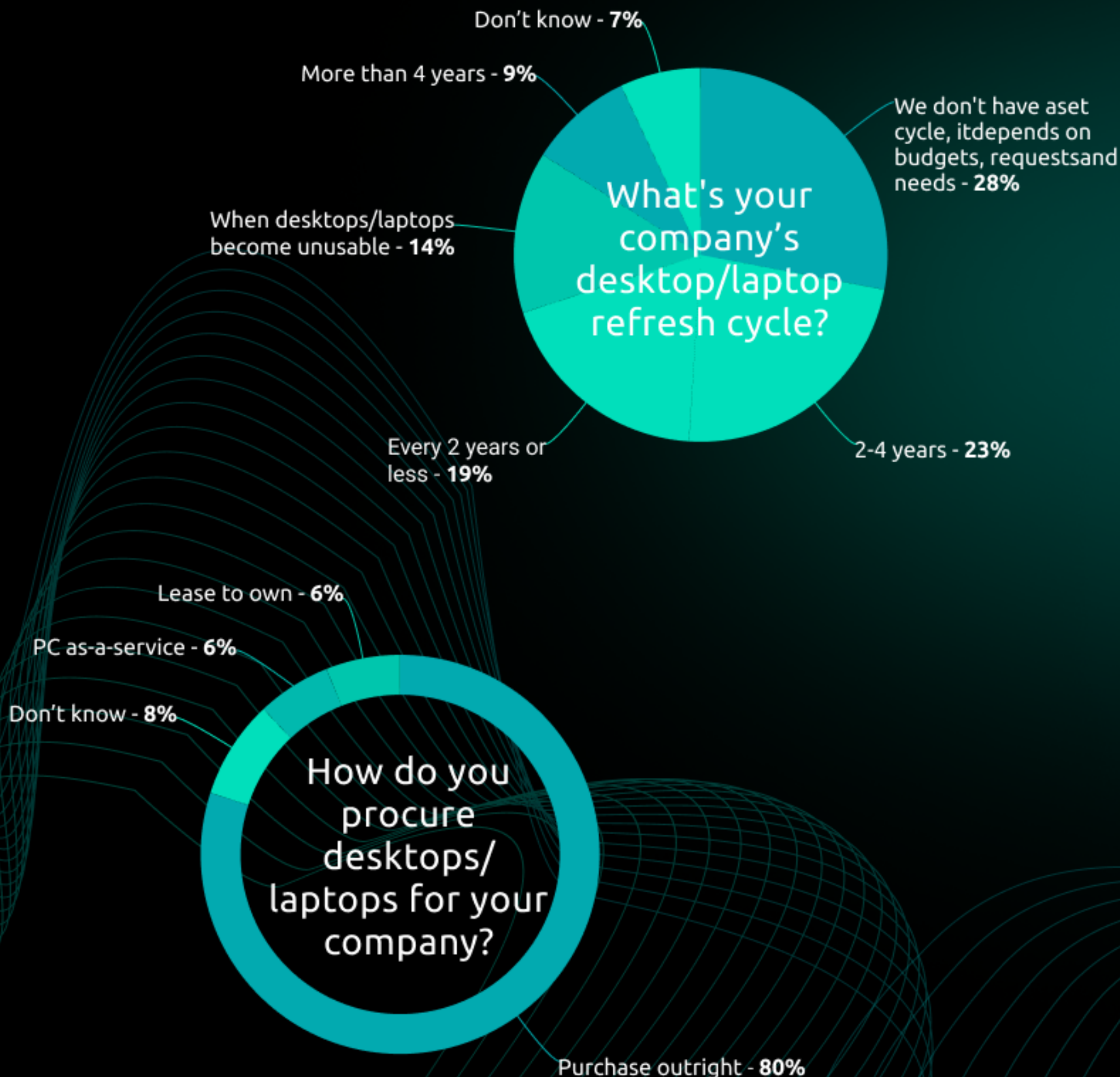
9. Despite Economic Pressures, Many SMBs are Planning to Purchase New Desktops/Laptops Outside of the Regular Refresh Cycle

Overall, 25% of SMBs have a 2–4-year refresh cycle for desktops and laptops. However, this varies greatly by company size:

- 42% of SMBs with fewer than 20 employees don't have a set refresh cycle; instead, they buy based on budgets, requests and needs.
- About one-quarter of SMBs with more than 100 employees refresh every two years or less.

42% of all SMBs plan to buy additional desktops/laptops outside of the regular refresh cycle in 2023, reflecting that many are still gearing up to fully equip employees to work anywhere, in or out of the office.

80% of SMBs purchase these devices outright; only 6% buy via a PC-as-a-service model, indicating the industry still has a lot of work to do to educate SMBs about the benefits of this model. Larger companies are only slightly more likely to use the as-a-service model than smaller SMBs.



42%

of all SMBs plan to purchase additional desktops/laptops outside of their regular refresh cycle

10. SMBs Have a False Sense of Security About Security

41%

of SMBs say securing company and customer data is one of their top three technology challenges

43%

of cyber attacks target small businesses¹

63%

of SMBs plan no change or decrease spending on security solutions in 2023

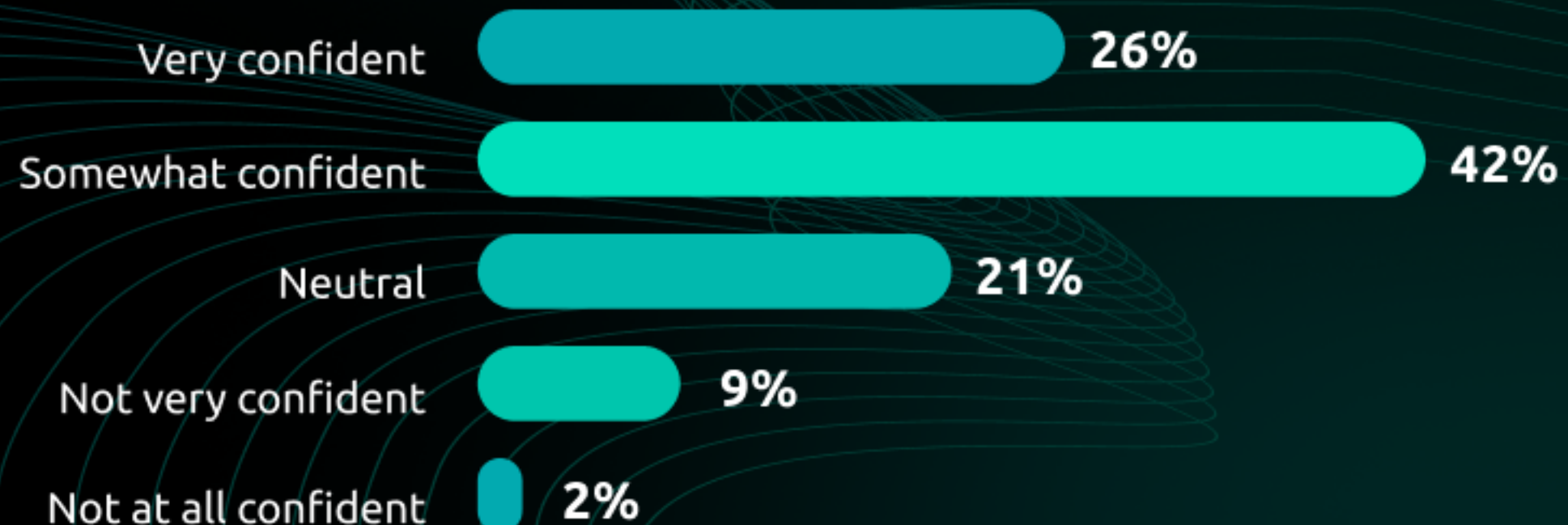
As cybersecurity threats continue to grow in size and complexity, it's no wonder that securing company and customer data is a top concern for many SMBs. Company data now "lives" in more places—from on-premises systems to the cloud to mobile devices—increasing the risk of data loss and leakage, whether from accidental or malicious causes.

Interestingly, most SMBs are at least fairly confident that they could adequately combat a cyber attack. But this is a false sense of security in many cases, due in part to the fact that attacks on big companies get most of the media attention, and in part because many SMBs think that ubiquitous security solutions such as firewalls and anti-virus software will protect them

This means that SMBs need to augment preventive security with managed extended detection and response (XDR) solutions that continuously monitor endpoints, cloud environments, IoT devices, servers, remote workers, and virtual machines. These solutions can detect and block anomalies, identify and fix vulnerabilities, and frustrate cyber attackers before they can do serious damage.

However, most SMBs plan to hold spending flat or decrease spending for security solutions in 2023, making them increasingly vulnerable to ever-more sophisticated attacks.

Confidence in ability to respond to a cyber attack



Information Sources

All data is sourced from the following SMB Group survey studies, unless otherwise noted:

- SMB Business and Technology Priorities for 2023, December 2022; 743 respondents
- What's Ahead For SMBs in Financial Management, July 2022; 751 respondents

Survey respondents include seven employee size bands split between businesses with 1–2,500 employees. For brevity, we refer to the entire 1–2,500 group as SMBs.

Other sources:

1 Verizon 2021 Data Breach Investigations Report

About SMB Group

Founded in 2010, SMB Group is a technology industry research, analysis, and consulting firm, focusing exclusively on the small and medium business (SMB) market.

We help our clients:

- Identify trends and opportunities
- Understand and segment the SMB market
- Evaluate and act upon
- opportunities, threats and disruptive trends
- Develop more compelling messaging and content
- Position solutions for growth and competitive advantage

For More Information

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