

Top Three Small Business Technology Trends For 2017

Perspectives Report



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March 2017

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Top Takeaways

Technology is increasingly intertwined with business success. Small businesses that want to grow should take advantage of these three top technology trends:

1. The Rise of Smart Apps

- Small businesses cite “getting better insights from data” as a top challenge, but most use spreadsheets for business analytics.
- Smart apps that use artificial intelligence (AI) and machine learning smart apps promise to help small businesses get insights and automate processes with less heavy lifting—and without data scientists.

2. Focused, Tailored CRM Solutions Take Hold Within Small Businesses

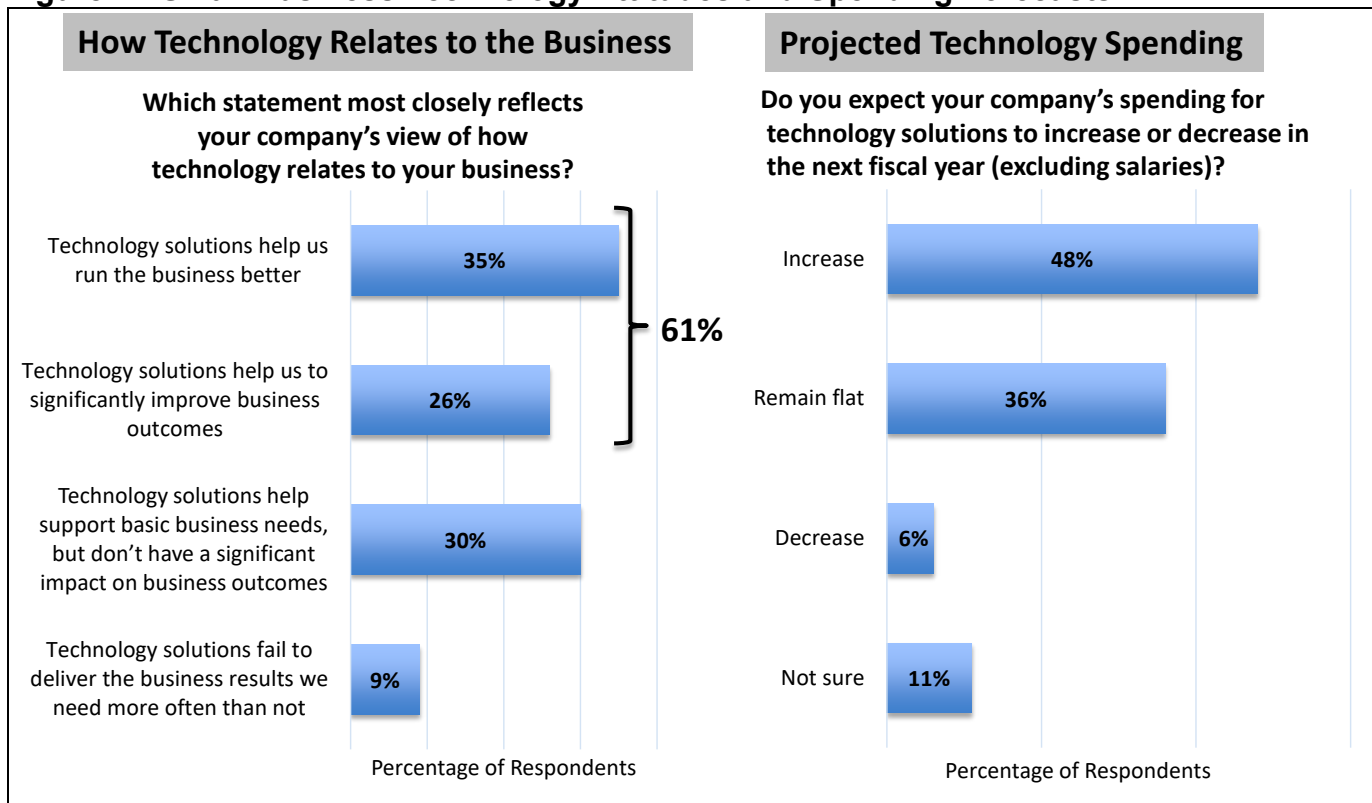
- The digital economy shifts the balance of power to buyers—requiring sellers to improve the customer experience.
- Integrated customer relationship management (CRM) solutions that are tailored to small business requirements make it easier for small businesses to tap into trends, satisfy rising customer expectations and grow.

3. Small Businesses Get Connected with New Collaboration Tools

- Shifting workforce demographics—including the growth of the gig economy, the generational shift and the increase in remote workers—are changing workplace dynamics.
- Small businesses can take advantage of mobile solutions and newer collaboration applications, such as stream-based collaboration, to streamline collaboration and improve productivity.

As the pace of technological innovation accelerates, businesses need to put the right solutions to work to keep up with their competitors—and their customers. Most small business decision makers understand that technology is key to success: 61% of small businesses with 1 to 200 employees say that technology solutions can help them significantly improve business outcomes and/or run the business better, and almost half plan to increase their technology investments (Figure 1).

Figure 1: Small Business Technology Attitudes and Spending Forecasts

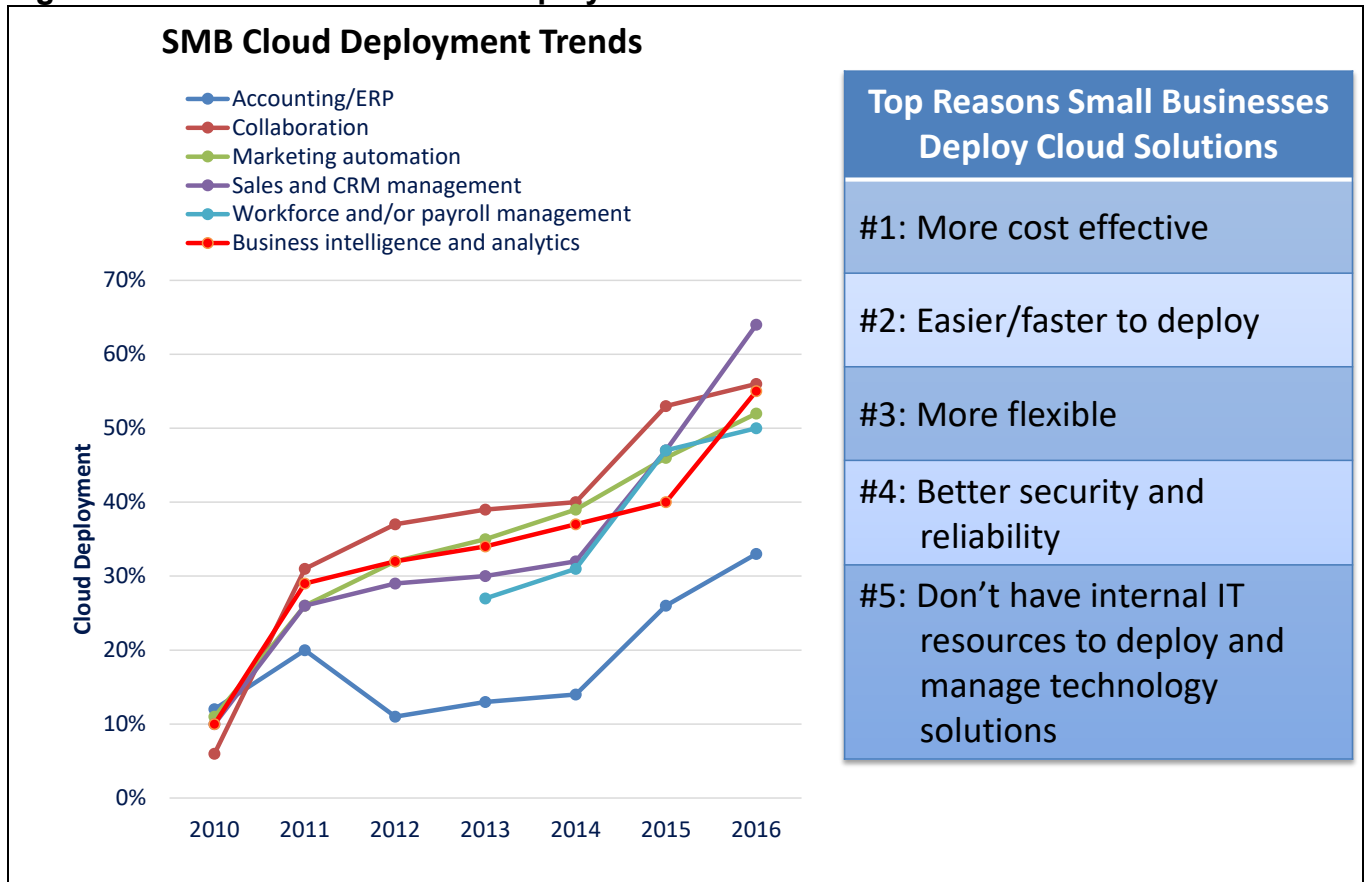


Source: SMB Group 2017 U.S. SMB Routes to Market Study; 1- to 200-employee businesses

The good news is that 2017 has the potential to usher in unprecedented changes in the ways in which small businesses use technology. Although most of these companies don't have the internal resources required to capitalize on innovation, the cloud has become the backbone for helping them reap big benefits from technology. Small businesses are increasingly choosing to put new workloads in the cloud and relying on cloud providers to supply, manage and maintain IT infrastructure and applications for them—driven by the flexibility, cost, speed and ease-of-use benefits offered by the cloud model (Figure 2).

Consequently, the adoption of cloud-based business solutions continues to rise steadily across all solution categories, and the cloud is becoming the preferred deployment choice for small businesses.

Figure 2: Small Business Cloud Deployment Trends and Drivers



Source: SMB Group 2017 U.S. SMB Routes to Market Study; 1- to 200-employee businesses

The cloud is poised to enable small businesses to take advantage of the next wave of technological innovation. This research brief looks at three of the top technology trends and the opportunities they offer to help small businesses grow.

Trend #1: The Rise of Smart Apps

Snail mail to email, DVDs to streaming, paper charts to electronic medical records, information creation, storage, communication and consumption are being digitized into the universal language of ones and zeros. As we digitize more information, businesses need better ways to crunch, analyze and feed data into decision-making and other activities.

Therefore, it's not surprising that AI and machine learning have risen to the top of the technology hype curve. These technologies make computer programs "smart" by enabling them to learn, predict patterns, spot anomalies, and recommend and implement new processes or activities.

If you use a search engine, you're already using a smart app. Google's search engine, for example, improves its understanding each time you conduct a search by seeing how you respond to the results. If you click on the top result and stay on that page, Google assumes you got what

you wanted. But if you click to the next page of results or enter a new search string, Google “learns” that it can deliver a better result in the future. Likewise, smart cars use AI and machine learning to adjust settings, such as temperature or seat position to driver preferences; provide advice about road conditions; report and fix vehicle problems; and drive themselves.

These technologies also power chatbots, which “converse” with users via a fast, friendly interface. For example, Pizza Hut’s chatbots let customers place orders via Facebook Messenger and Twitter. Customers can ask the bot for information about promotional deals or about dietary information, business hours and delivery areas and then connect their Messenger and Pizza Hut accounts so the chatbot can access their order history to easily reorder their favorite menu items.

Smart apps for consumers are garnering most of the media attention, but vendors are building AI platforms and developer ecosystems to provide businesses with smart apps that learn and offer business guidance. Smart apps require lots of data to optimize learning, so vendors with cloud platforms and large user bases are often leading the charge. Some examples include the following:

- [Salesforce Einstein](#) embeds AI capabilities into Salesforce CRM to automatically discover and provide insights, make recommendations, answer questions and automate tasks, and serve customers better.
- Slack’s basic AI chatbot, Slackbot, can fetch weather reports, serve up a file and interface with other applications.
- Textio helps companies write better job listings by analyzing job descriptions to make them more attractive to candidates.
- Xero plans to apply Amazon Web Services (AWS) machine learning and artificial intelligence services to help small businesses offload chores such as coding invoices for payment.

Smart apps give small businesses new ways to get insight and automate processes with less heavy lifting. Consider that small businesses cite “gaining better insights from our data” as one of their top three technology challenges, yet only 45% of small businesses say they use analytics solutions—and among those that do, spreadsheets are the most frequently used solution (Figure 3).

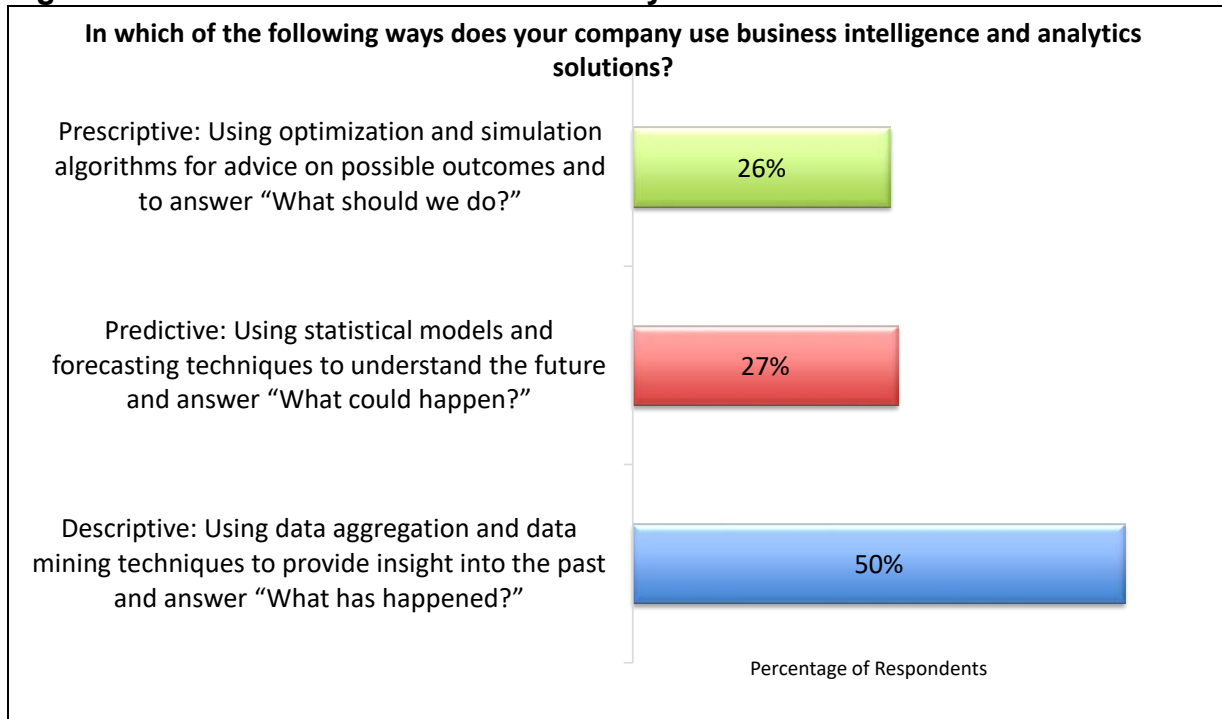
However, spreadsheets have limited capabilities for real-time data updates, tracking, collaboration and security. Consequently, they open the door for people to make mistakes that may go undetected forever and potentially make decisions based on the wrong information. Furthermore, among small businesses that use analytics, most only have the ability to look at historical data to help answer questions about what’s happened in the past (Figure 4). Only 27% and 26% of small businesses, respectively, use analytics to help them predict trends and get insights and advice about what actions they must take to prepare for the future.

Figure 3: Small Business Use and Plans for Business Intelligence/Analytics Solutions



Source: SMB Group 2017 U.S. SMB Routes to Market Study; 1- to 200-employee businesses

Figure 4: How Small Businesses Use Analytics



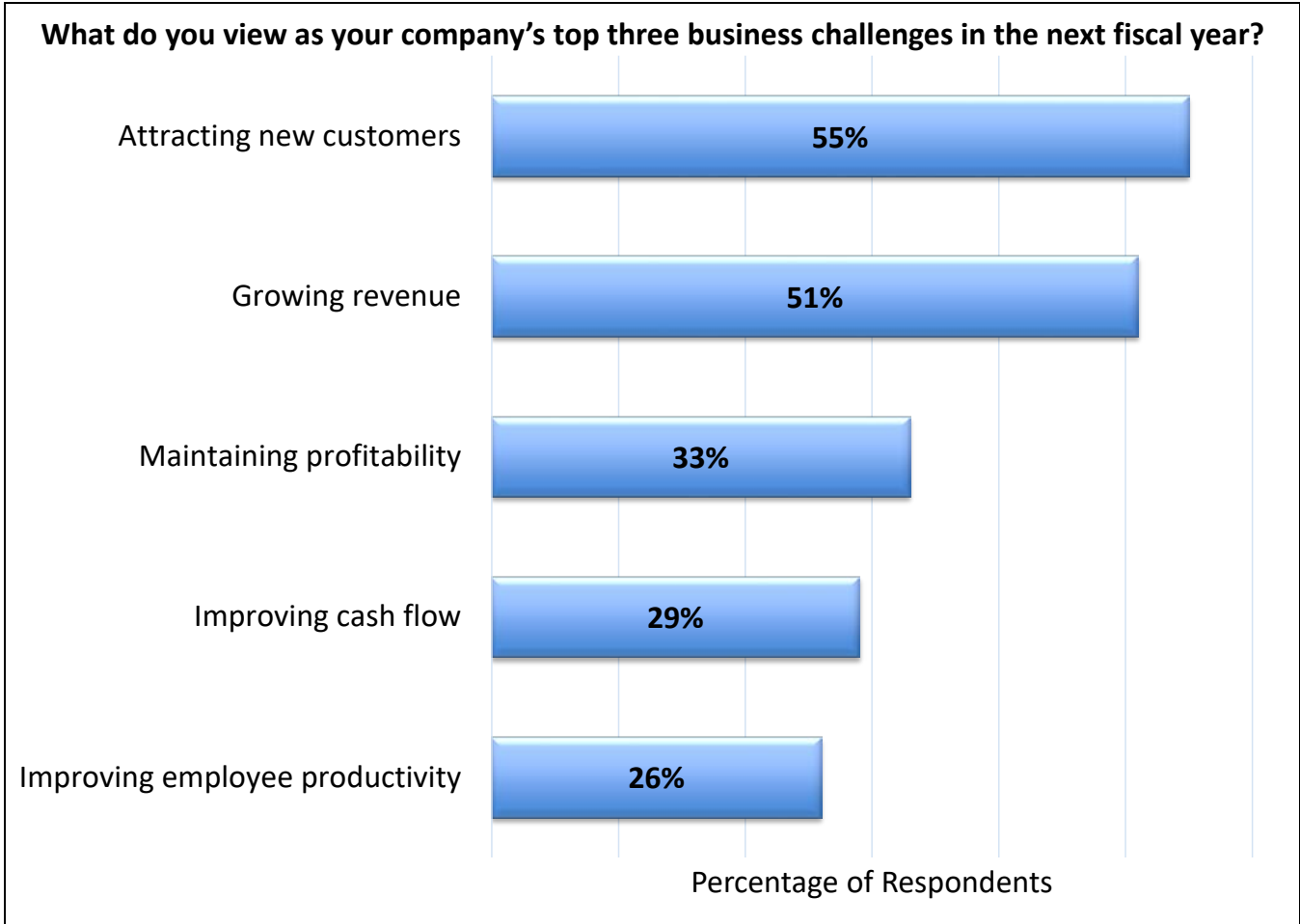
Source: SMB Group 2017 U.S. SMB Routes to Market Study; 1- to 200-employee businesses

Most small businesses tolerate the limitations of spreadsheets and low-end tools because they can't attract or afford to hire data scientists or consultants who can use more sophisticated analytics tools. But smart apps put analytical power into the hands of business users, giving them an easier way to gain the insights necessary to understand and adapt to changing conditions and requirements.

Trend #2: Focused, Tailored CRM Solutions Take Hold Within Small Businesses

Growing revenue and attracting new customers are always top priorities for small businesses (Figure 5). But with today's digital, social and mobile technologies, the way businesses and customers interact is changing in a big way—making it harder for many small businesses to keep up with customer expectations.

Figure 5: Small Businesses' Top 5 Business Challenges



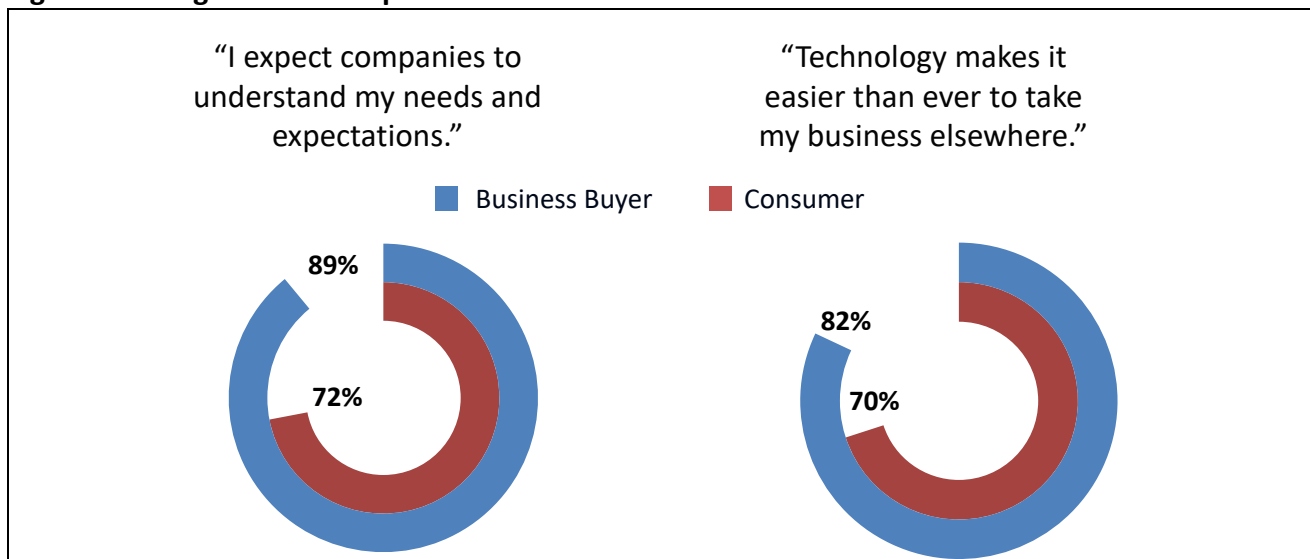
Source: SMB Group 2017 U.S. SMB Routes to Market Study; 1- to 200-employee businesses

Today's digital economy is shifting power to buyers, making it easier for them to become sophisticated and knowledgeable about their choices. For instance, consider the following:

- The internet makes it easy for buyers to do more research on their own before connecting with vendors.
- Social media gives buyers access to ratings and reviews from thousands of other people who have tried a product or service.
- Mobile devices put the internet in peoples' pockets, providing anytime, anywhere access to information, buying channels and reviews.

Today's buyers expect that vendors will meet their rising expectations—from products and services, to marketing and sales, to customer service. In fact, almost 90% of business buyers and almost three-quarters of consumers expect companies to understand their needs—and they will take their business elsewhere if these needs and expectations aren't met (Figure 6).

Figure 6: Rising Customer Expectations



Source: "State of the Connected Customer," Salesforce Research, October 2016

Consequently, the customer experience is becoming the ultimate differentiator—both to retain existing customers and to attract new ones. Customers want to feel that vendors understand their needs and that their business is more than just an exchange of money for goods and services. They expect vendors to make it easy to evaluate, purchase and get support when they want it.

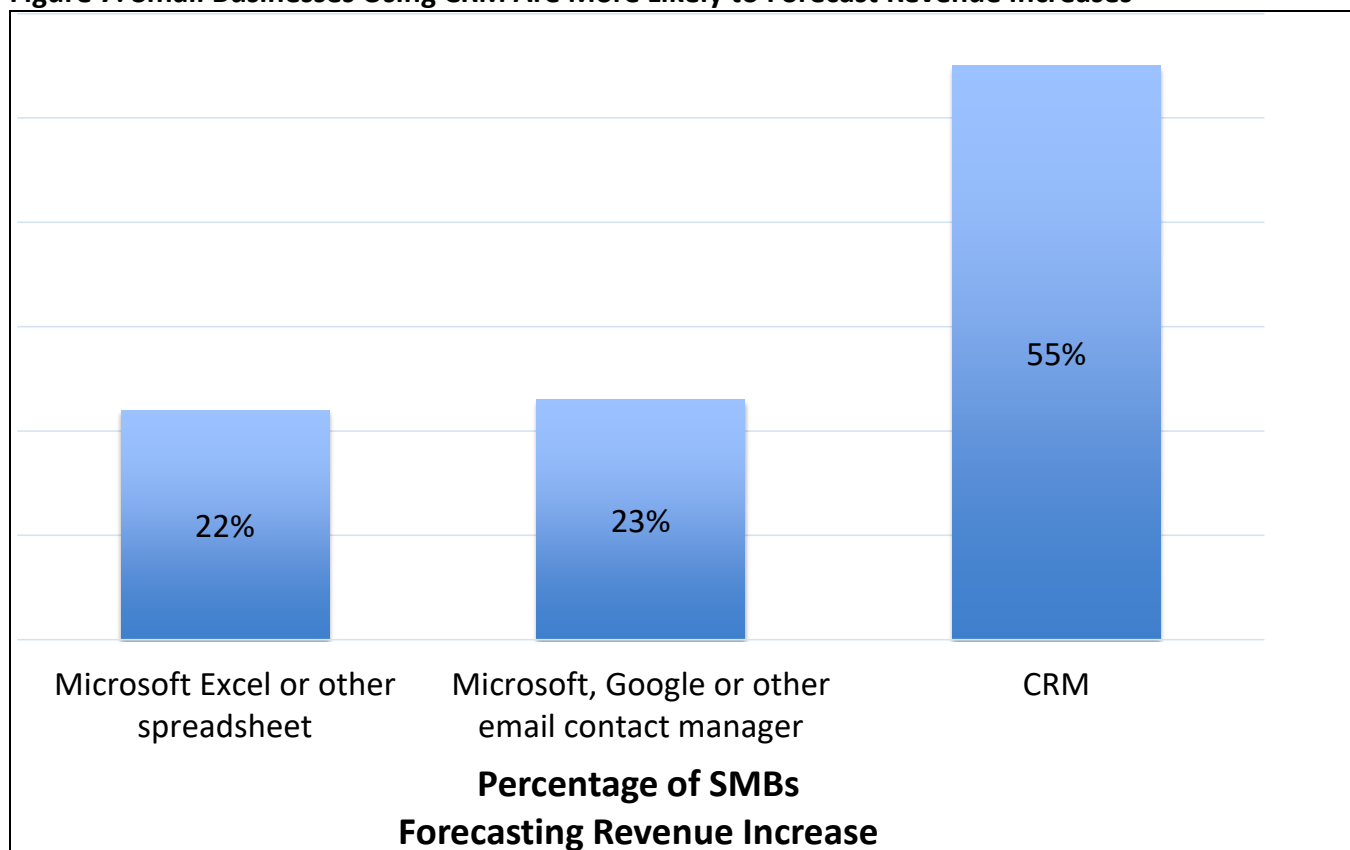
Integrated, cloud-based CRM systems can help small businesses deepen their understanding of customers and prospects and provide a better user experience. With a solid CRM system in place, information and interactions across sales, marketing and service are integrated, providing a complete view of each customer, customer trends and the business. CRM can also automate routine, tedious and repetitive tasks so employees can spend more time focusing on prospects and customers.

But too often, small businesses must choose between a solution that has a lot of functionality that they don't need and one that doesn't offer enough capabilities that they do need. Therefore, many still cobble together spreadsheets, contact managers, email and other disconnected apps to manage customer activities.

However, the CRM app landscape is changing, reflecting more of the diversity that characterizes the small business market. For instance, Salesforce has focused on delivering innovative solutions for growing businesses. In addition to its flagship Sales Cloud solution, the company has introduced [SalesforceIQ](#) to provide small businesses with a lighter-weight sales management tool. It integrates with Salesforce's Desk.com and Pardot, along with HubSpot and MailChimp, to facilitate a 360-degree view of customers.

This fresh take on CRM should make it easier for more businesses to reap the rewards. SMB Group research shows that small businesses using CRM are more likely to anticipate revenue growth than their counterparts that are using basic contact managers and spreadsheets (Figure 7).

Figure 7: Small Businesses Using CRM Are More Likely to Forecast Revenue Increases



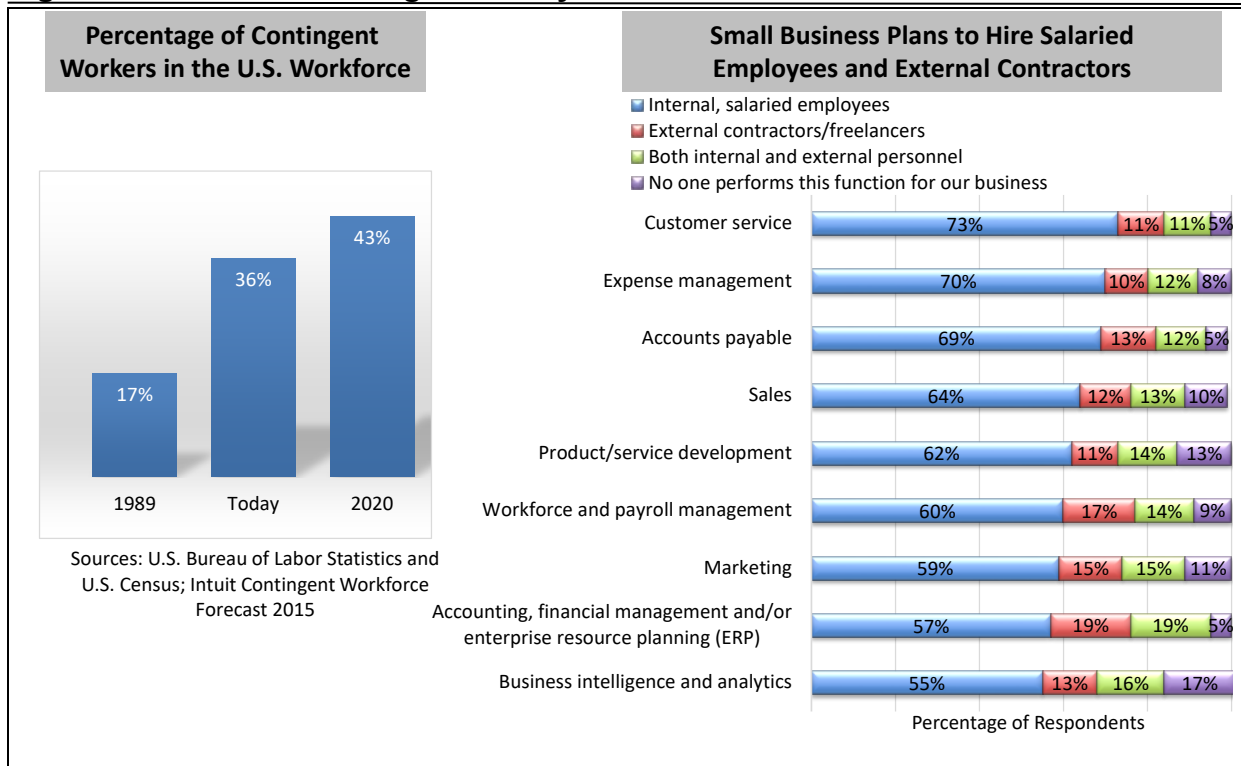
Source: SMB Group 2017 U.S. SMB Routes to Market Study; 1- to 200-employee businesses

Trend #3: Small businesses Get Connected with New Collaboration Tools

How we look at and define the workplace is changing dramatically, for some key reasons. First, demographic changes are altering the composition of the workforce and workplace dynamics. Some of the key shifts include the following:

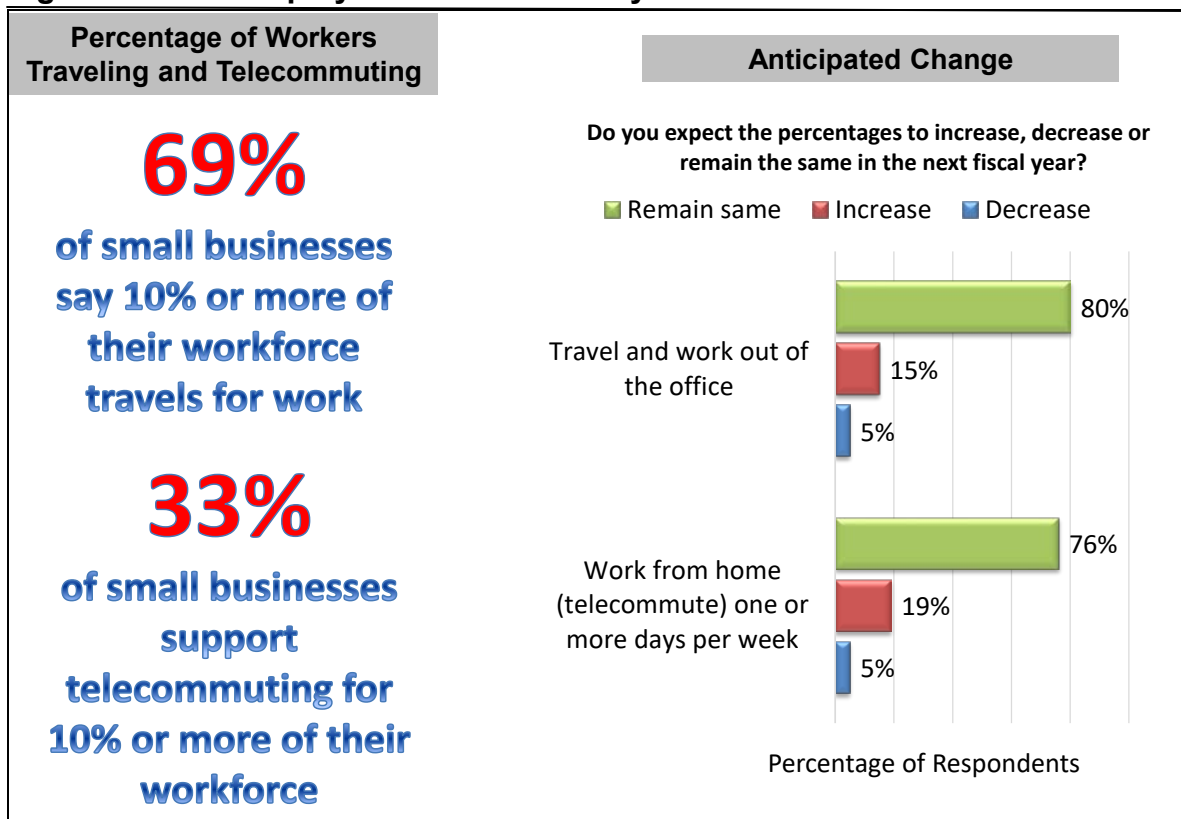
- The generational shift: Millennials, defined as those ages 18 to 34 in 2015, now number 75.4 million, surpassing the 74.9 million baby boomers (ages 51 to 69), according to the U.S. Census Bureau. As baby boomers retire, many will be replaced by millennials, who have different attitudes about work than previous generations. For instance, a recent Gallup report says that for millennials, pay is important, but purpose is more important to this group than previous generations, who often put the paycheck first. Millennials also are more likely to value development over job satisfaction. Instead of annual reviews, they want ongoing conversations and real-time, continuous feedback.
- The growth of the gig economy: More than one-third of American workers are now freelancers, contractors or contingent workers. Experts predict that this number will rise to 43% by 2020. Gig workers not only drive Ubers, but include self-employed as well as temp workers, contractors, on-call workers and part-time employees across industries—from construction to pet care, from accounting to healthcare, and from creative design to programming. As shown in Figure 8, contractors and freelancers represent a large and growing part of the small business workforce.
- More employees working remotely: 69% of small businesses say 10% or more of their workforce travels for work, and 15% expect this to increase in the next year. In addition, more employees are working from home: 33% of small businesses now support telecommuting for 10% or more of their employees, and 19% expect the percentage of telecommuters in their businesses to increase in the next year (Figure 9).

Figure 8: Growth of the Gig Economy



Source: SMB Group 2017 SMB Routes to Market Study

Figure 9: More Employees Work Remotely

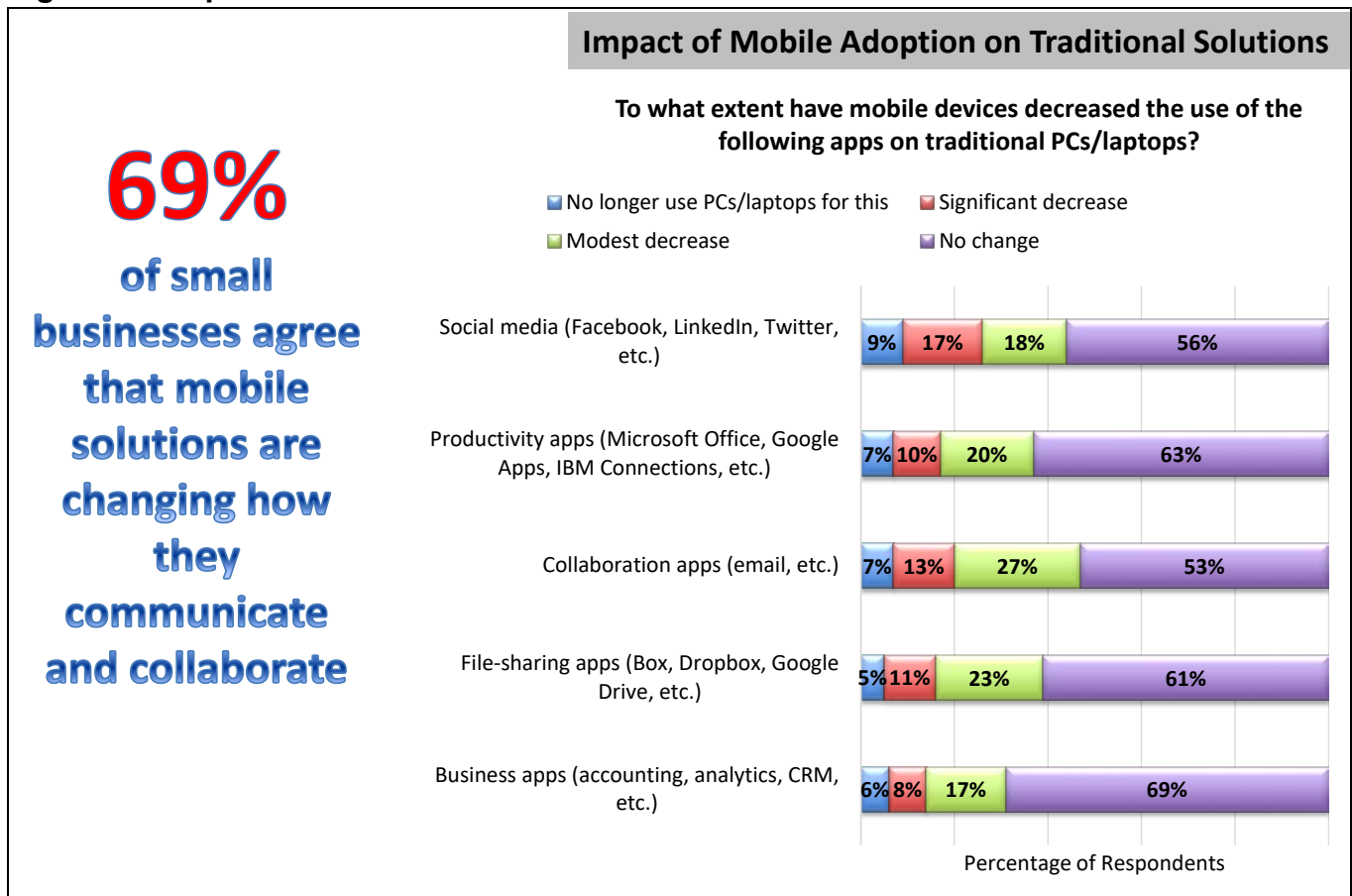


Source: SMB Group 2016 U.S. SMB Collaboration, Communication and Mobility Study; 1- to 200-employee businesses

These trends underscore the need for more effective, flexible ways to collaborate and get work done—whether workers are at home or in the office, and whether they are salaried employees or contractors, millennials or baby boomers. Although traditional tools such as email, file sharing and web conferencing aren't going away, stream-based messaging and collaboration tools, cloud file sharing, conferencing, smartphones, tablets and laptops can help employees and contractors collaborate to get work done more quickly and easily.

For instance, 69% of small businesses say that mobile solutions are changing how they communicate and collaborate. People are doing more work on mobile devices, especially when it comes to collaboration and social media. As an example, for collaboration apps, 40% say that they've decreased their use of traditional PCs and laptops—and 7% say they no longer use PCs at all for collaboration! This swing is due in part to the convenience and portability of mobile devices over traditional desktops and even many laptops, and to workers' increasing preferences for mobile interfaces (Figure 10).

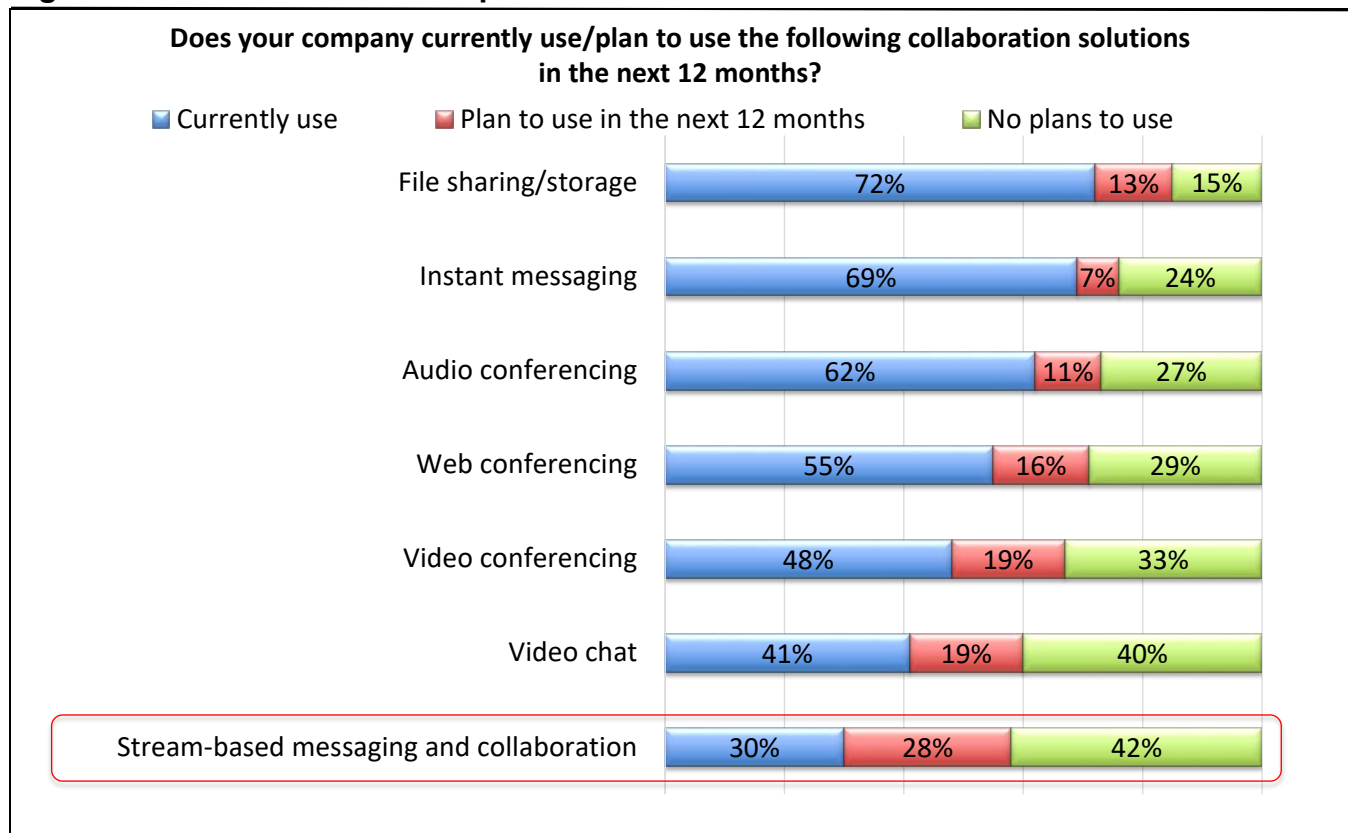
Figure 10: Impact of Mobile Solutions



Source: SMB Group 2016 U.S. SMB Collaboration, Communication and Mobility Study; 1- to 200-employee businesses

Small businesses are embracing newer solutions that help them better organize, automate and streamline the process of information sharing. For instance, 30% of small businesses have already adopted stream-based collaboration services, such as Chatter and Slack, and 28% plan to start using them in the next 12 months (Figure 11).

Figure 11: Small Business Adoption



Source: SMB Group 2016 U.S. SMB Collaboration, Communication and Mobility Study; 1- to 200-employee businesses

By providing a unified view and access to information across servers, clouds, apps, devices and locations, these solutions can help bring order to information chaos. The influx of millennials into the workforce combined with more flexible expectations about how work gets done are driving the adoption of new collaboration solutions. These trends—and the fact that newer collaboration solutions are designed to work with, instead of to replace, traditional collaboration tools—will continue to drive adoption. In fact, among small businesses that are using stream-based collaboration, 37% plan to increase their use in the coming year. Industry leaders such as Salesforce—via Chatter, its recent acquisition of Quip and in partnership with Slack—will also spur adoption.

Companies that use these solutions to automate and streamline collaboration can not only improve productivity, but also give their employees more flexibility in terms of how, when and where they want to work. As baby boomers retire, these businesses will also be more in tune with and better able to attract and retain millennials as they enter their prime working years.

Summary and Perspective

Business growth is a constant goal for small businesses, but the rules of the game are changing. As technology is an increasingly important part of the business fabric, decision makers must periodically reassess whether existing technology solutions are helping the business keep pace with change and thrive, or if they're creating a drag that's holding the business back.

Today's small businesses have many choices and must keep in mind many considerations when determining which types of solutions will be most likely to help their businesses thrive and grow. However, the solutions discussed in this paper offer small businesses new, more accessible ways to more easily leapfrog from older, ineffective technologies to more powerful ones that can support long-term business viability.

Driven by the cloud as well as new technologies such as AI and machine learning, these innovative solutions have the potential to provide small businesses with dramatic improvements in managing their two most vital assets—customers and employees. Small businesses that focus on these areas and commit to making the changes necessary to adapt and thrive in the future are likely to reap big dividends from their investments.

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