SECOND ANNUAL

Small & Medium Business Trends Report

Research insights from nearly 500 business owners and leaders

Introduction

Welcome to the second annual
"Small & Medium Business Trends Report."

Small and medium-sized businesses (SMBs) drive today's innovation and economic growth. They have unique needs and challenges, which change and evolve as their businesses grow. To better understand and address those challenges, Salesforce Research compiled the second annual "Small & Medium Business Trends Report." We look at what faster-growing companies are doing differently, and uncover some of their secrets for success.

In analyzing responses from nearly 500 SMB owners and leaders,* we found some interesting differences between growing businesses (defined as those with a revenue increase of 1% or more over the past two years) and their stagnant/declining counterparts (defined as those with a revenue increase of less than 1% or a decline in revenue over the past two years). Comparisons are also made between small businesses (defined as those with 2–49 employees) and medium-sized businesses (defined as those with 50–199 employees).

Our research shows that although SMBs rely on technology to fuel their growth, it isn't always easy for them to purchase, implement, or scale it. SMB leaders want to grow smoothly, but they wear many hats and don't always have the time to address long-term needs.

They report many challenges in finding, winning, and keeping customers, especially as their businesses grow. While tracking customer information is essential, many still rely on email or spreadsheets. When we look at SMBs in the category of "growing businesses," there are more than a few common characteristics; they're more likely to prioritize CRM in their budgets, to use helpdesk software, and to focus on providing consistent and personalized customer experiences.

We also discovered that while many SMBs are automating processes, on the whole they are spending too much time inputting data manually. Growing businesses are more likely to be using or investigating AI, and connecting the apps that power their businesses.

We hope you find this research useful as you endeavor to grow your own business.
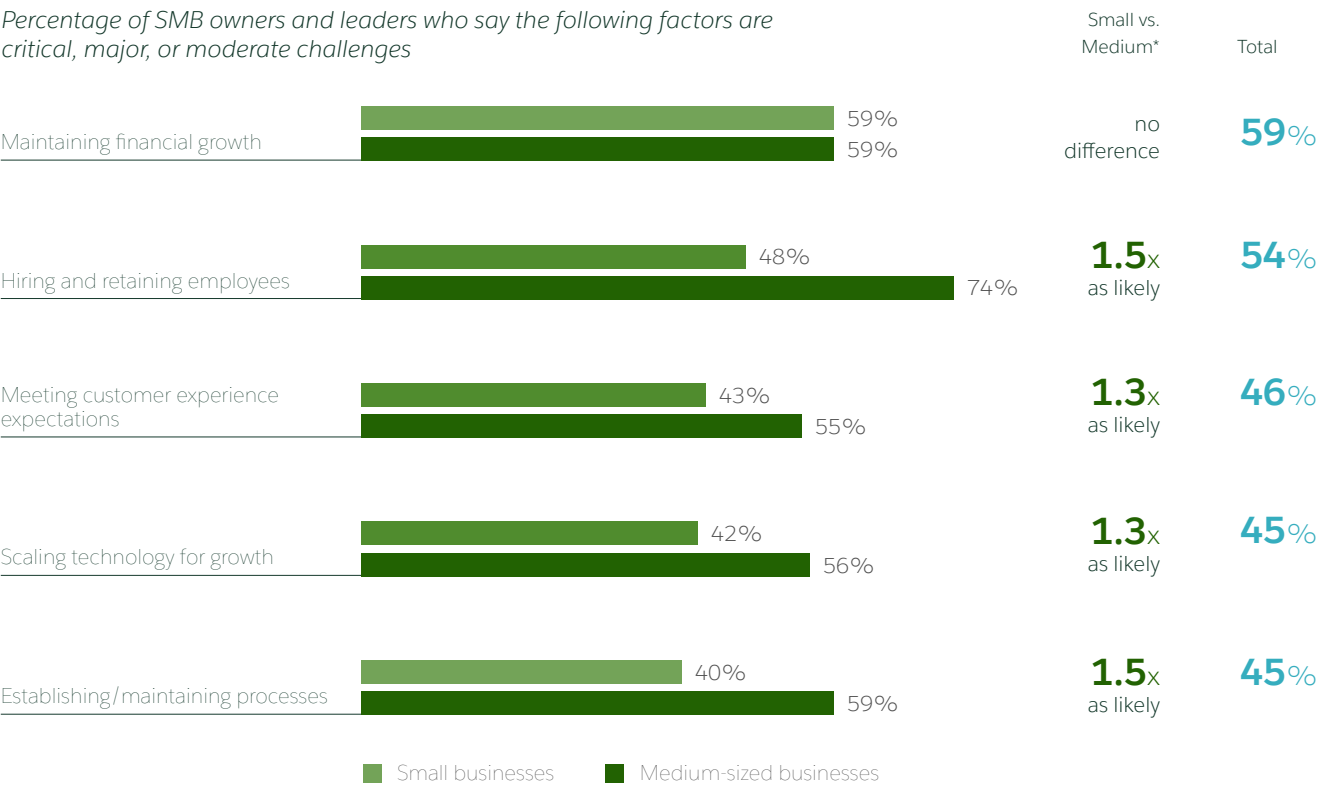
Sincerely,
Marie Rosecrans
SVP, SMB Marketing

---
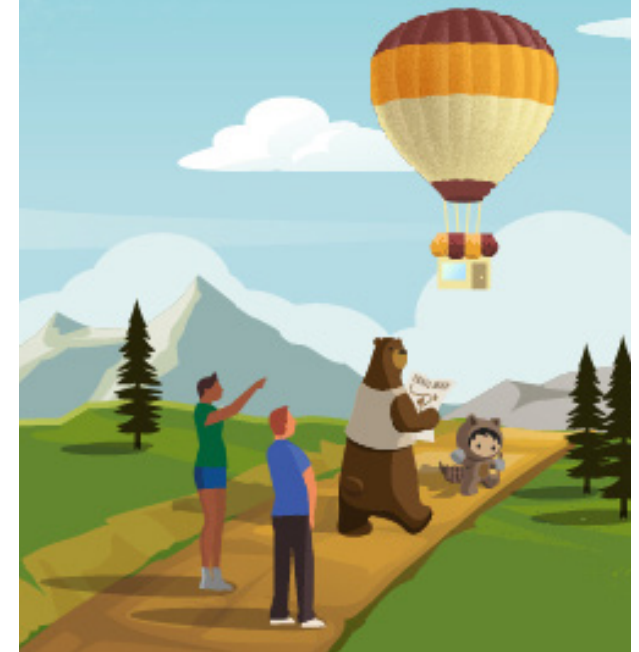
* SMBs represented in this survey include respondents with 2–199 employees. See "Methodology" for more information on how this survey was conducted.

SMBs may aspire to grow into something more. But as with many things for small and medium-sized businesses, growth is often easier said than done. Meeting customer experience expectations, scaling technology, and establishing and maintaining processes are areas of concern for SMBs as they plan for growth.

Medium-sized businesses are **1.5x as likely** as small businesses to say establishing/maintaining processes (59% vs. 40%) is a critical, major, or moderate challenge to their business' ability to grow over the next couple of years.*

To what extent do you believe the following factors will pose a challenge to your business' **ability to grow over the next couple of years**?

Percentage of SMB owners and leaders who say the following factors are critical, major, or moderate challenges

	Small businesses	Medium-sized businesses	Small vs. Medium*	Total
Maintaining financial growth	59%	59%	no difference	**59**%
Hiring and retaining employees	48%	74%	1.5x as likely	**54**%
Meeting customer experience expectations	43%	55%	1.3x as likely	**46**%
Scaling technology for growth	42%	56%	1.3x as likely	**45**%
Establishing/maintaining processes	40%	59%	1.5x as likely	**45**%

■ Small businesses ■ Medium-sized businesses

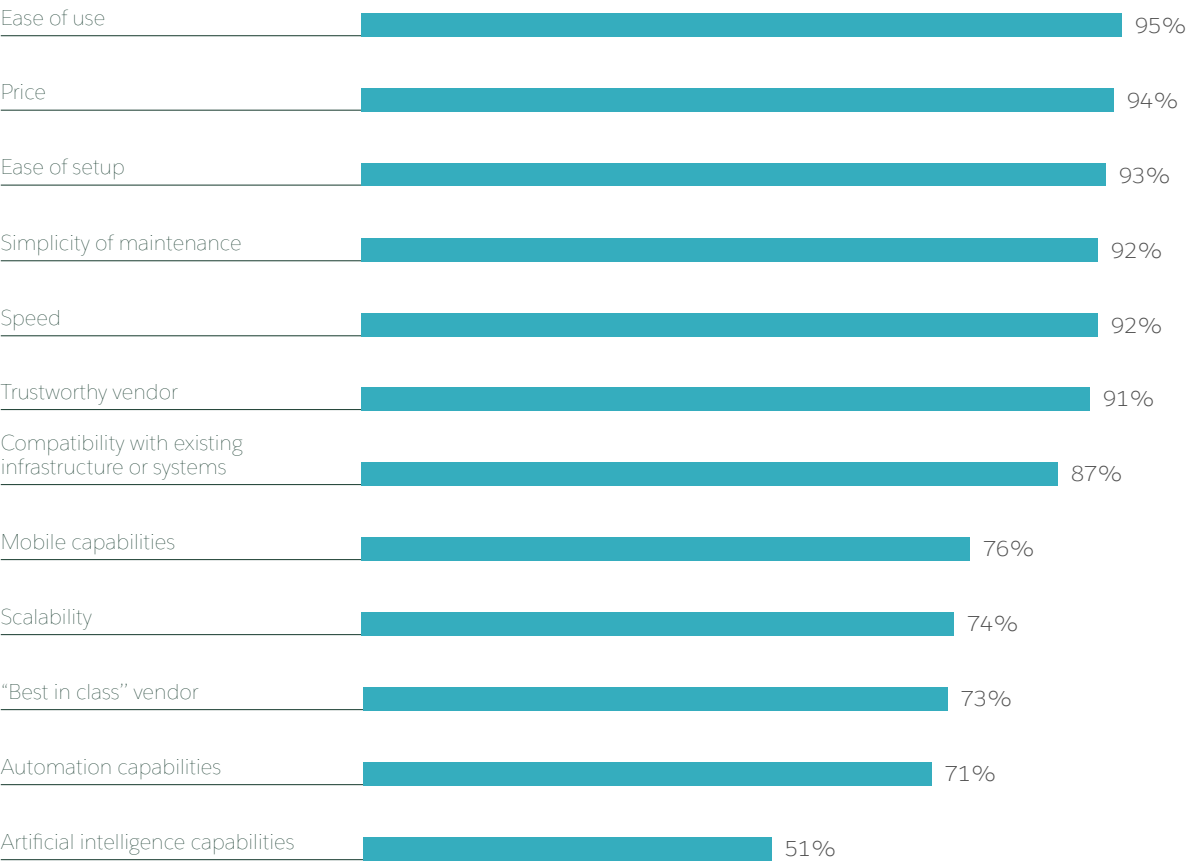* Difference between small and medium-sized businesses was calculated using the following: *% medium / % small*

Simplicity is important to SMBs as they plan for the future. Beyond price, the most important evaluation criteria for new tech are ease of use, ease of setup, and simplicity of maintenance. Nearly three-quarters of SMB owners and leaders (74%) say that scalability is extremely, very, or somewhat important when they're evaluating new technology for their company. More SMBs choose to implement solutions that will meet their long-term needs (58%) than to quickly meet their company's immediate needs (33%).

62% of growing businesses choose solutions to address their long-term needs.

How important are the following factors when you're **evaluating new technology** for your company?

Percentage of SMB owners and leaders who say the following factors are extremely, very, or somewhat important

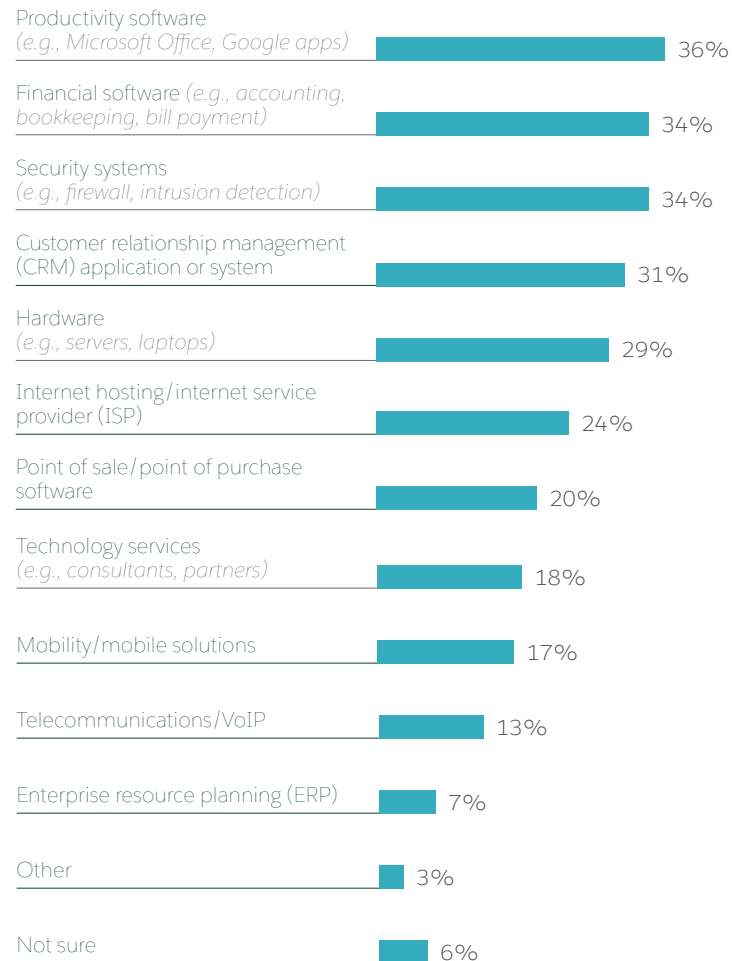| Factor	Percentage
Ease of use	95%
Price	94%
Ease of setup	93%
Simplicity of maintenance	92%
Speed	92%
Trustworthy vendor	91%
Compatibility with existing infrastructure or systems	87%
Mobile capabilities	76%
Scalability	74%
"Best in class" vendor	73%
Automation capabilities	71%
Artificial intelligence capabilities	51%

For many SMBs, investing more budget into one area may mean taking budget away from another. When it comes to prioritization of tech spend, the top of the list includes productivity software, financial software, security systems, and CRM systems. Medium-sized businesses are 1.5x as likely as small businesses to prioritize CRM in their tech budget (42% vs. 27%).*

Among growing SMBs, the top-reported technology budget priority is CRM. Growing SMBs (36%) are **2.2x as likely** to prioritize CRM than stagnant/declining SMBs (16%).**
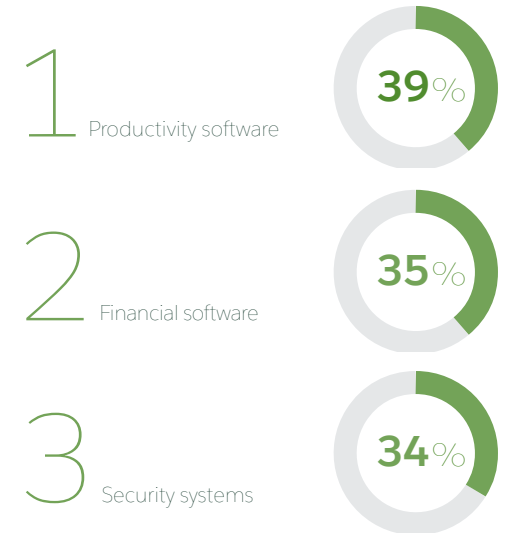
* Difference between small and medium-sized businesses was calculated using the following: *% medium / % small*

** Difference between growing and stagnant/declining SMB businesses was calculated using the following: *% growing / % stagnant/declining*

What are the **top three tech budget priorities** for your company? Please select up to three responses.

Priority	%
Productivity software (e.g., Microsoft Office, Google apps)	36%
Financial software (e.g., accounting, bookkeeping, bill payment)	34%
Security systems (e.g., firewall, intrusion detection)	34%
Customer relationship management (CRM) application or system	31%
Hardware (e.g., servers, laptops)	29%
Internet hosting/internet service provider (ISP)	24%
Point of sale/point of purchase software	20%
Technology services (e.g., consultants, partners)	18%
Mobility/mobile solutions	17%
Telecommunications/VoIP	13%
Enterprise resource planning (ERP)	7%
Other	3%
Not sure	6%

Top three tech budget priorities: small businesses

1 Productivity software — **39%**

2 Financial software — **35%**

3 Security systems — **34%**

Top three tech budget priorities: medium-sized businesses

1 Customer relationship management (CRM) application or system — **42%**

2 Security systems — **32%**

3 Technology services — **32%**
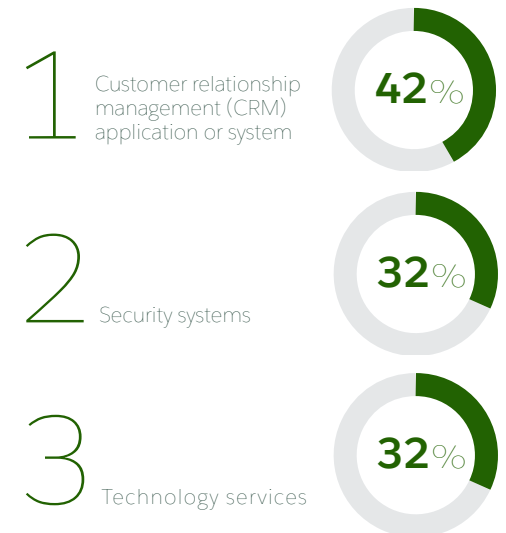
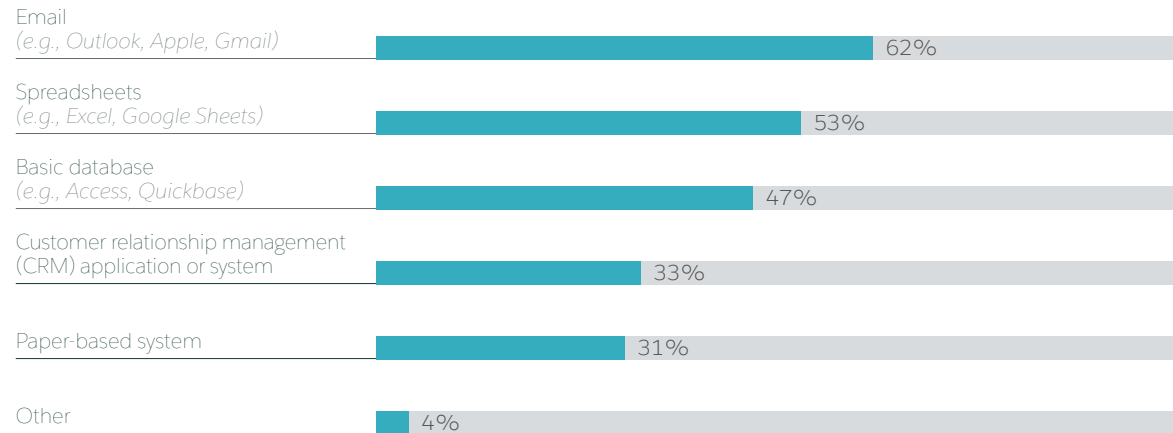Most companies would agree that understanding your customer is key to success – from tracking early touchpoints with a new lead to initiating loyalty programs. Many SMBs still rely on email (62%) or spreadsheets (53%) to do so. While 95% of SMBs are tracking customer information in some way, only one-third (33%) are using a customer relationship management (CRM) application or system.

Growing companies are more likely to use CRM (38%) than their stagnant or declining counterparts (18%). Companies are also more likely to use CRM as they increase in size; 55% of medium-sized businesses use a CRM system compared to just 26% of small businesses.

Medium-sized businesses are **2.1x as likely** as small ones to use a CRM application or system to track customer information.*

* Difference between small and medium-sized businesses was calculated using the following:
  % medium / % small

Which of the following do you currently use to **track customer information**?

Email (e.g., Outlook, Apple, Gmail)	62%
Spreadsheets (e.g., Excel, Google Sheets)	53%
Basic database (e.g., Access, Quickbase)	47%
Customer relationship management (CRM) application or system	33%
Paper-based system	31%
Other	4%

Percentage of SMBs that say they've **used CRM for more than two years**:

Total	29%
Small businesses	28%
Medium-sized businesses	35%
Growing SMBs	33%
Stagnant/declining SMBs	20%
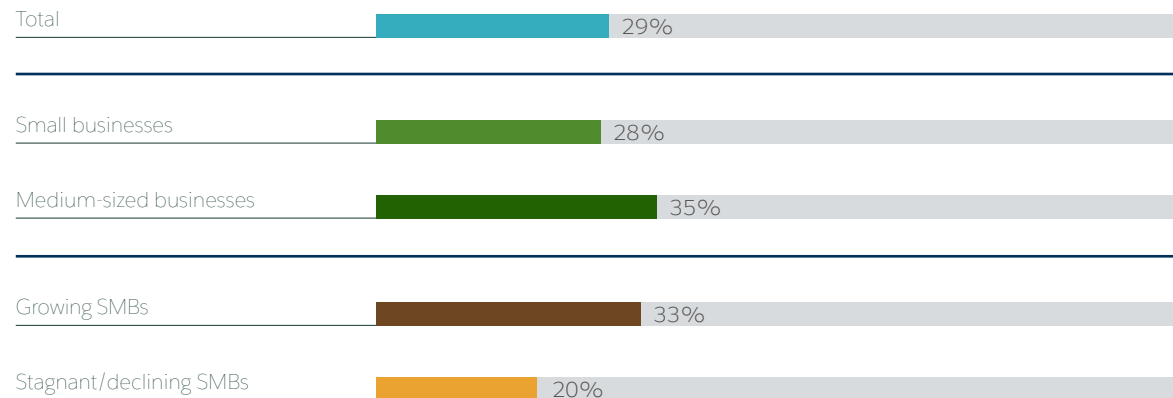
SMBs report many challenges in finding, winning, and keeping customers, especially as their businesses grow.

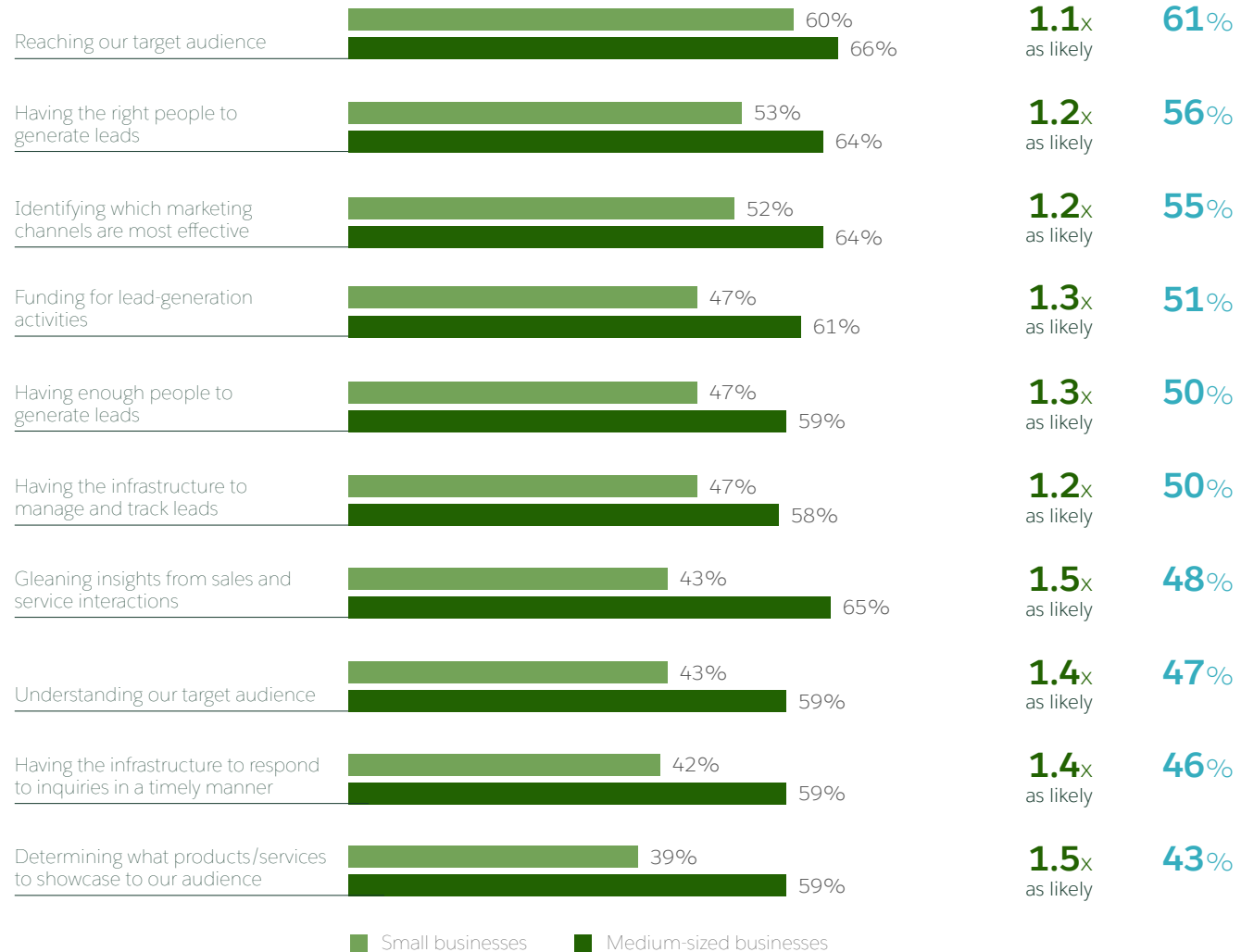When it comes to finding new leads, the majority of SMBs report a challenge reaching their target audiences (61%). Half of SMBs (50%) report the same for lack of infrastructure to track and manage leads.

As a business grows, it appears that marketing challenges also grow; it often becomes more difficult to reach the target audience and to identify which marketing channels are most effective. Under these circumstances, lacking the infrastructure to respond to inquiries in a timely manner becomes a pain point, increasing from 42% of small businesses to 59% of medium-sized businesses. Similarly, the struggles in gleaning insights from sales and service interactions increase from 43% of small businesses to 65% of medium-sized businesses.

* Difference between small and medium-sized businesses was calculated using the following: *% medium / % small*

To what extent do the following factors challenge your company's ability to **find new leads**?

Percentage of SMB owners and leaders who say the following factors are critical, major, or moderate challenges

	Small vs. Medium*	Total
Reaching our target audience — Small: 60%, Medium: 66%	**1.1**x as likely	**61**%
Having the right people to generate leads — Small: 53%, Medium: 64%	**1.2**x as likely	**56**%
Identifying which marketing channels are most effective — Small: 52%, Medium: 64%	**1.2**x as likely	**55**%
Funding for lead-generation activities — Small: 47%, Medium: 61%	**1.3**x as likely	**51**%
Having enough people to generate leads — Small: 47%, Medium: 59%	**1.3**x as likely	**50**%
Having the infrastructure to manage and track leads — Small: 47%, Medium: 58%	**1.2**x as likely	**50**%
Gleaning insights from sales and service interactions — Small: 43%, Medium: 65%	**1.5**x as likely	**48**%
Understanding our target audience — Small: 43%, Medium: 59%	**1.4**x as likely	**47**%
Having the infrastructure to respond to inquiries in a timely manner — Small: 42%, Medium: 59%	**1.4**x as likely	**46**%
Determining what products/services to showcase to our audience — Small: 39%, Medium: 59%	**1.5**x as likely	**43**%

Small businesses ■ Medium-sized businesses

What stops entrepreneurs from turning conversations into accounts? SMBs struggle with ensuring their leads are properly qualified. Beyond that, there just aren't enough hours in the day; many report that a lack of time to complete critical tasks and too much time on manual work contribute to their struggles closing deals.

Throughout the sales process, SMBs face customer expectations to deliver consistent, personalized experiences across every interaction and to ensure sales reps treat them as valued customers, making the process all the more time consuming.

To what extent do the following factors challenge your company's ability to **win deals**?

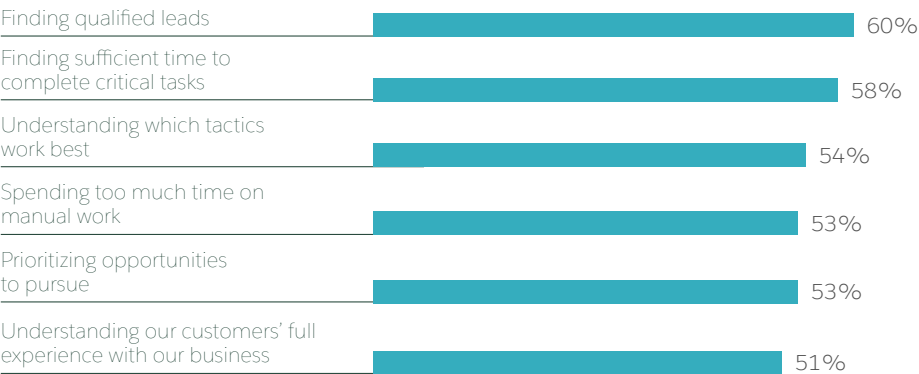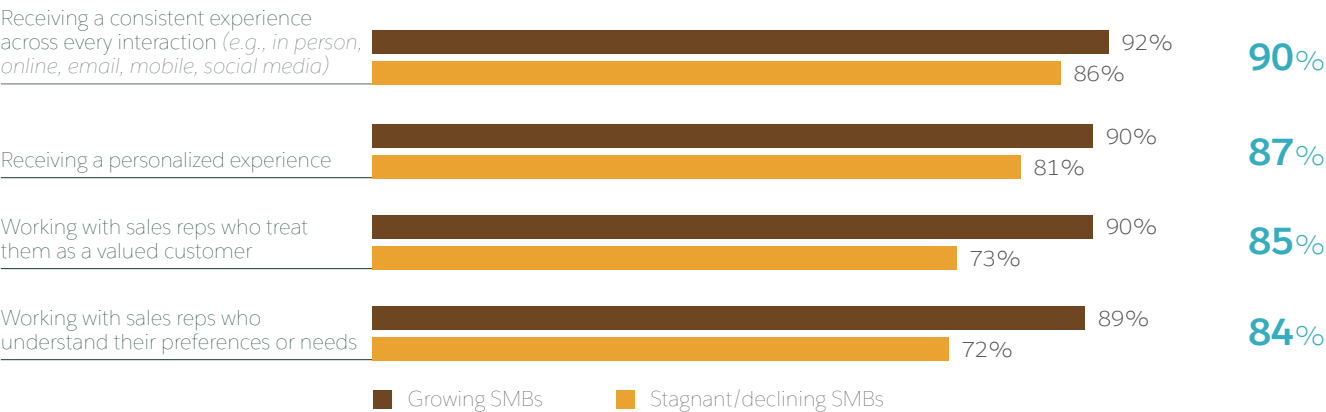*Percentage of SMB owners and leaders who say the following factors are critical, major, or moderate challenges*

Factor	%
Finding qualified leads	60%
Finding sufficient time to complete critical tasks	58%
Understanding which tactics work best	54%
Spending too much time on manual work	53%
Prioritizing opportunities to pursue	53%
Understanding our customers' full experience with our business	51%

How important do you believe each of the following is to your customers?

Percentage of SMB owners and leaders who say the following factors are extremely, very, or somewhat important
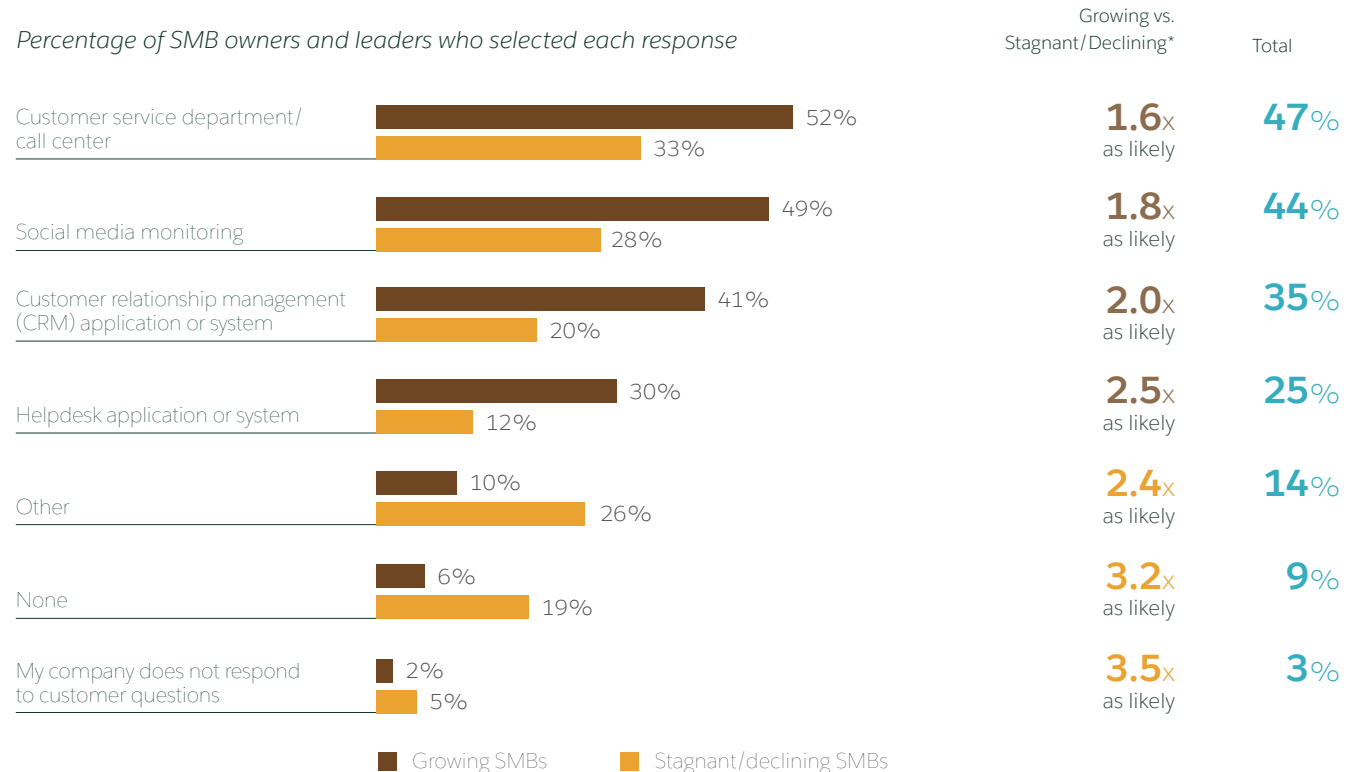
Total

Factor	Growing SMBs	Stagnant/declining SMBs	Total
Receiving a consistent experience across every interaction (*e.g., in person, online, email, mobile, social media*)	92%	86%	**90**%
Receiving a personalized experience	90%	81%	**87**%
Working with sales reps who treat them as a valued customer	90%	73%	**85**%
Working with sales reps who understand their preferences or needs	89%	72%	**84**%

■ Growing SMBs ■ Stagnant/declining SMBs

Even after they win new customers, SMBs are challenged to retain them. To answer customer questions, almost half of SMBs (47%) have a customer support department or call center (even if it's just one person). SMBs also use a variety of technologies to help support customers after making the sale. Overall, only a quarter of SMBs (25%) use a helpdesk application or system to answer customer questions.

Growing SMBs (52%) are **1.6x as likely** as stagnant/ declining SMBs (33%) to have a customer service department or call center.*

Which of the following technologies, if any, does your company use to **answer customer questions**?

Percentage of SMB owners and leaders who selected each response

	Growing vs. Stagnant/Declining*	Total
Customer service department/ call center — 52% / 33%	**1.6**x as likely	**47**%
Social media monitoring — 49% / 28%	**1.8**x as likely	**44**%
Customer relationship management (CRM) application or system — 41% / 20%	**2.0**x as likely	**35**%
Helpdesk application or system — 30% / 12%	**2.5**x as likely	**25**%
Other — 10% / 26%	**2.4**x as likely	**14**%
None — 6% / 19%	**3.2**x as likely	**9**%
My company does not respond to customer questions — 2% / 5%	**3.5**x as likely	**3**%

■ Growing SMBs　■ Stagnant/declining SMBs

* Difference between growing and stagnant/ declining SMB businesses was calculated using the following:
  % growing / % stagnant/declining or
  % stagnant/declining / % growing

As the saying goes, it's more valuable to keep a customer than find a new one. In their efforts to support current customers, SMBs say their top challenge is controlling the cost of service. Nearly half of SMBs (49%) say that understanding their customers' experiences and interactions with their business poses a critical, major, or moderate challenge.

79% of SMBs believe it's extremely, very, or somewhat important to their customers to work with support agents who know their service histories.

To what extent are the following factors a **challenge to supporting current customers**?

Percentage of SMB owners and leaders who say the following factors are critical, major, or moderate challenges

	Small vs. Medium*	Total
Controlling the cost of delivering service — 52% / 62%	**1.2**x as likely	**54**%
Understanding our customers' experiences and interactions with our business *(i.e., marketing messages, sales interactions)* — 46% / 60%	**1.3**x as likely	**49**%
Offering timely responses to customers — 43% / 60%	**1.4**x as likely	**47**%
Offering personalized support — 40% / 57%	**1.4**x as likely	**44**%
Giving agents the tools and solutions they need to support customers — 38% / 61%	**1.6**x as likely	**43**%
Providing omni-channel support — 35% / 55%	**1.6**x as likely	**40**%

■ Small businesses   ■ Medium-sized businesses

---
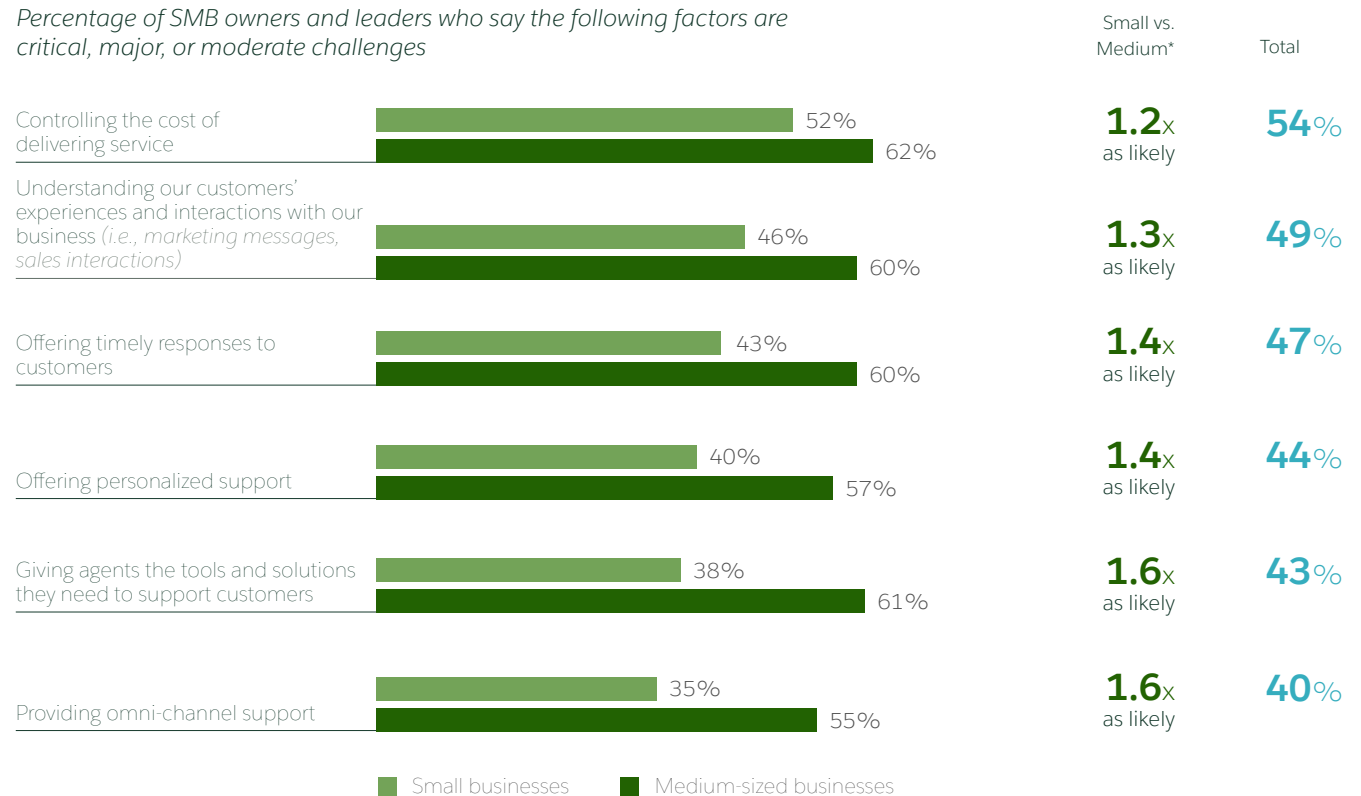
* Difference between small and medium-sized businesses was calculated using the following: *% medium / % small*

More than half of SMBs (55%) say that insufficient time places a major, substantial, or moderate constraint on their business activities. And it's no wonder why that's the case, considering that two-thirds of SMB owners and leaders (66%) are personally responsible for three or more of the following areas of their business: operations, finance, sales, marketing, human resources, customer service, product development, or IT.
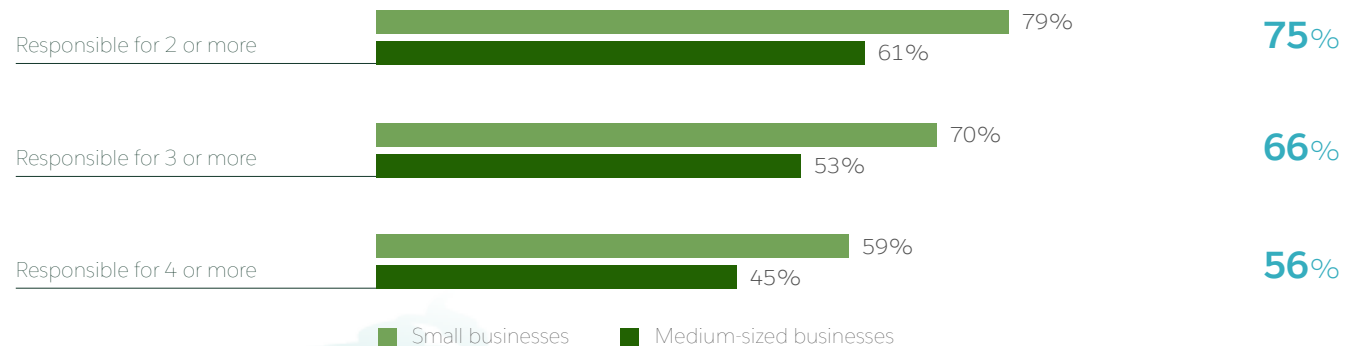
To what extent do the following factors **constrain your current business activities**?

Percentage of SMB owners and leaders who say the following are major, substantial, or moderate constraints

Factor	%
Hiring the right talent	56%
Insufficient time	55%
Money/access to capital	49%
Retaining/motivating employees	46%
Implementing technology	43%
Finding the right technology to meet our needs	41%
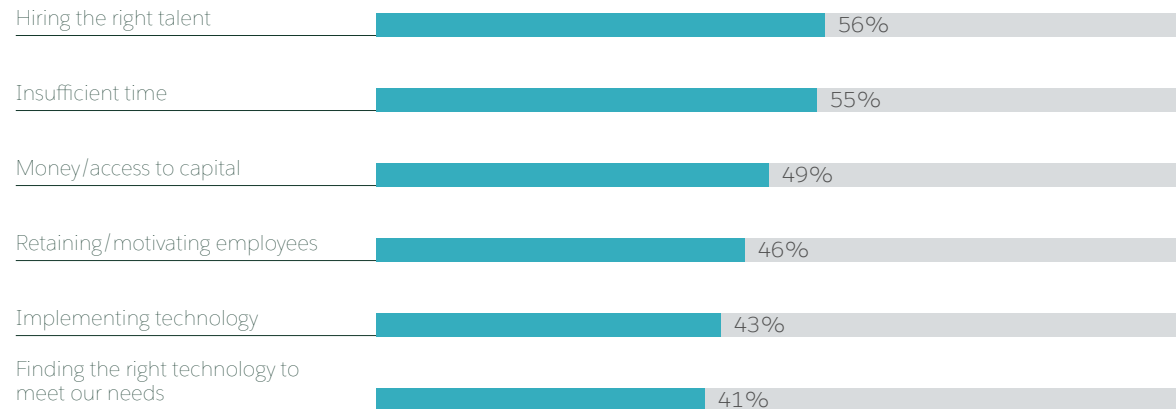
When asked how many **business areas they were personally responsible** for *(operations, finance, sales, marketing, human resources, customer service, product development, or IT)*, SMB owners and leaders reported the following:
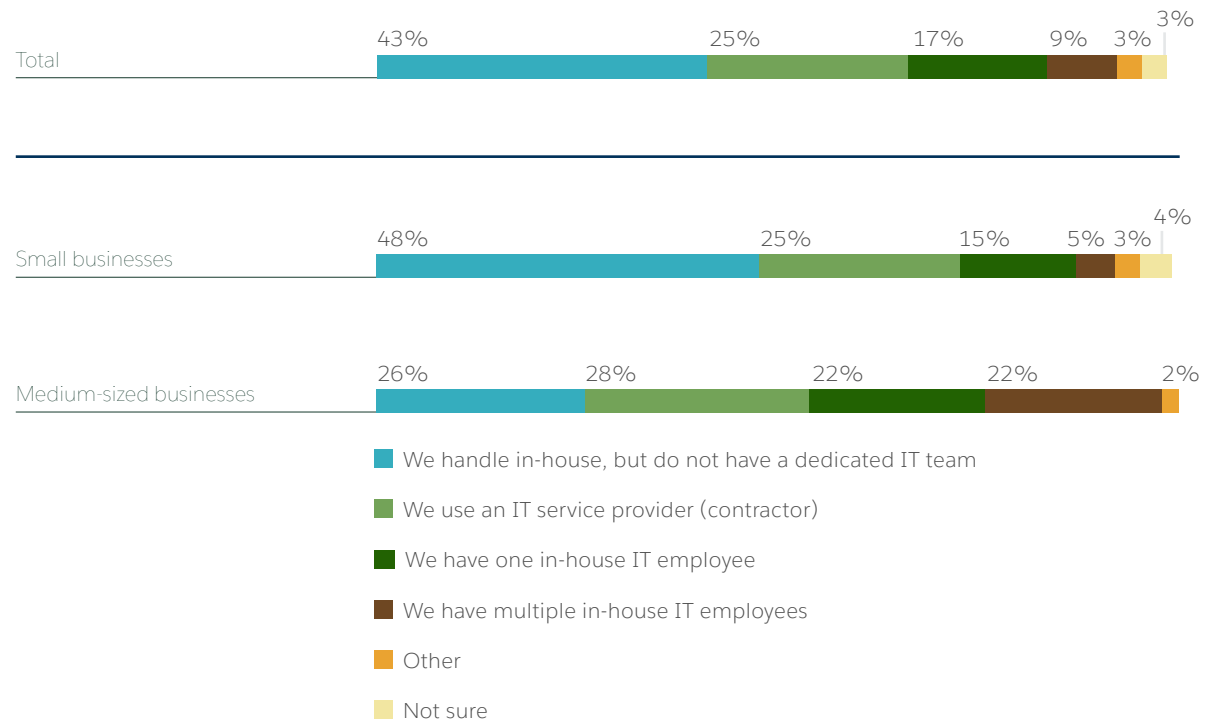
	Small businesses	Medium-sized businesses	Total
Responsible for 2 or more	79%	61%	**75%**
Responsible for 3 or more	70%	53%	**66%**
Responsible for 4 or more	59%	45%	**56%**

■ Small businesses   ■ Medium-sized businesses

Often, SMB leaders are key drivers for multiple critical business areas, including operations, finance, sales, marketing, human resources, customer service, product development, or IT. The majority of SMBs (68%) lack dedicated IT staff in-house to manage purchasing decisions or implementation. In fact, only 26% of SMBs have one or more in-house IT employees.

Small businesses are nearly twice **(1.9x) as likely** as medium-sized businesses to say they handle their IT needs in-house, but do not have a dedicated IT team (48% vs. 26%).*

Which of the following best describes how your company **handles its information technology (IT) needs?**

Total	43%	25%	17%	9%	3%	3%
Small businesses	48%	25%	15%	5%	3%	4%
Medium-sized businesses	26%	28%	22%	22%		2%

- ■ We handle in-house, but do not have a dedicated IT team
- ■ We use an IT service provider (contractor)
- ■ We have one in-house IT employee
- ■ We have multiple in-house IT employees
- ■ Other
- ■ Not sure

* Difference between small and medium-sized businesses was calculated using the following:
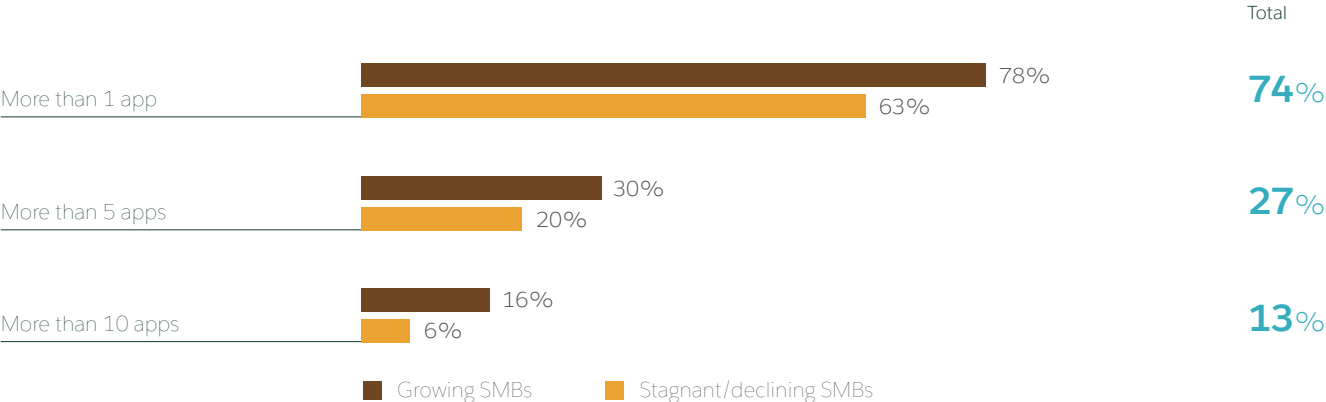 *% small / % medium*

In small and medium-sized businesses, it's not unusual for leaders to wear many hats. SMBs rely on applications to power their various business functions; 74% of SMBs use more than one app and 27% use more than five. Growing SMBs are more likely than their stagnant/declining counterparts to use a greater number of business applications.

Even though technology is an important driver of growth, many SMBs aren't in a position to devote large budgets to it. In fact, only 22% spend more than one-quarter of their annual budgets on tech. Medium-sized businesses dig deeper, with 39% spending more than one-quarter of their annual budgets on technology.
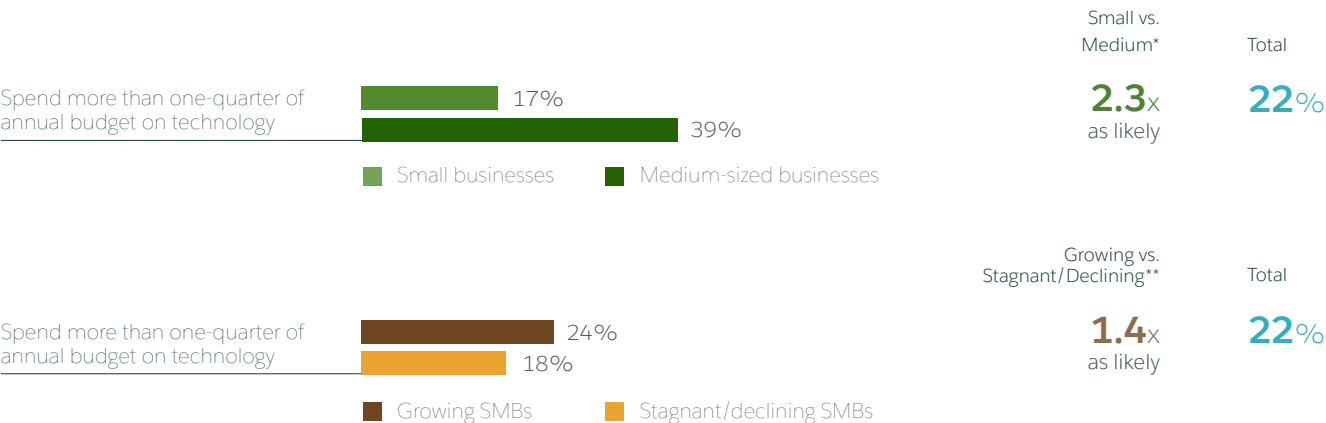
Medium-sized businesses are **2.3x as likely** as small businesses to spend more than one-quarter of their annual budgets on technology.*

---

* Difference between small and medium-sized businesses was calculated using the following: *% medium / % small*

** Difference between growing and stagnant/ declining SMB businesses was calculated using the following: *% growing / % stagnant/declining*

How many **business applications** do you use to run your business?

	Total
More than 1 app — Growing SMBs 78%, Stagnant/declining SMBs 63%	**74**%
More than 5 apps — Growing SMBs 30%, Stagnant/declining SMBs 20%	**27**%
More than 10 apps — Growing SMBs 16%, Stagnant/declining SMBs 6%	**13**%

■ Growing SMBs   ■ Stagnant/declining SMBs

Approximately what percentage of your **annual budget do you spend on technology**?

	Small vs. Medium*	Total
Spend more than one-quarter of annual budget on technology — Small businesses 17%, Medium-sized businesses 39%	**2.3**x as likely	**22**%

■ Small businesses   ■ Medium-sized businesses

	Growing vs. Stagnant/Declining**	Total
Spend more than one-quarter of annual budget on technology — Growing SMBs 24%, Stagnant/declining SMBs 18%	**1.4**x as likely	**22**%

■ Growing SMBs   ■ Stagnant/declining SMBs

Change – even when it's positive – can bring a learning curve. SMBs report a wide range of challenges in adopting new tech, ranging from budget constraints and customization difficulties to lack of time to train employees.

To what extent are the following factors a challenge to your company's **adoption of new technologies**?

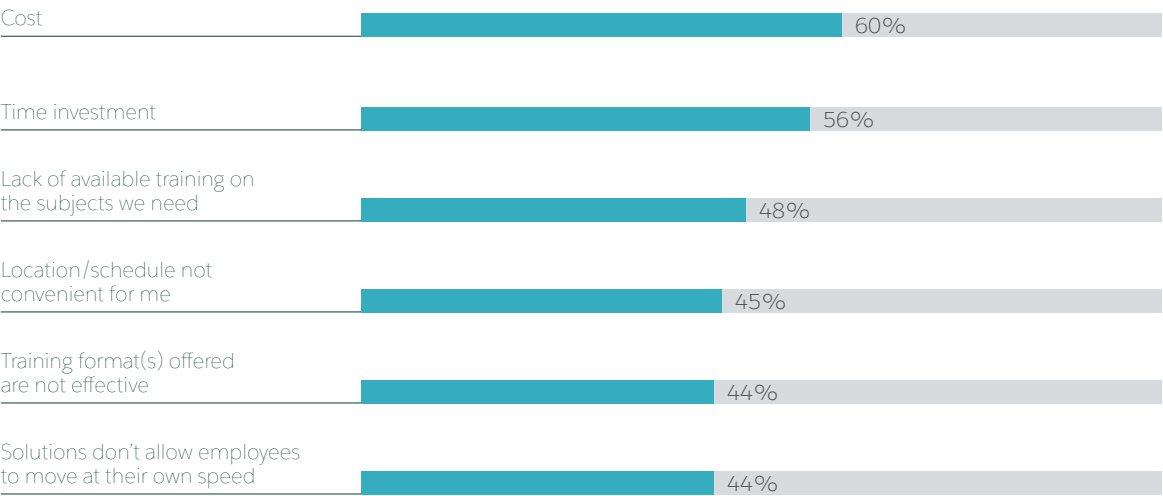*Percentage of SMB owners and leaders who say the following are critical, major, or moderate challenges*

Budget constraints	53%
Not enough usage to justify expense	49%
Difficulty in customizing new technology to meet our business needs	48%
Inflexible technology that doesn't adapt as the business grows	44%
Difficulty implementing and rolling out new technologies	44%
Lack of time to train employees	43%
Inadequate performance of new technology *(e.g., speed, reliability, features)*	40%
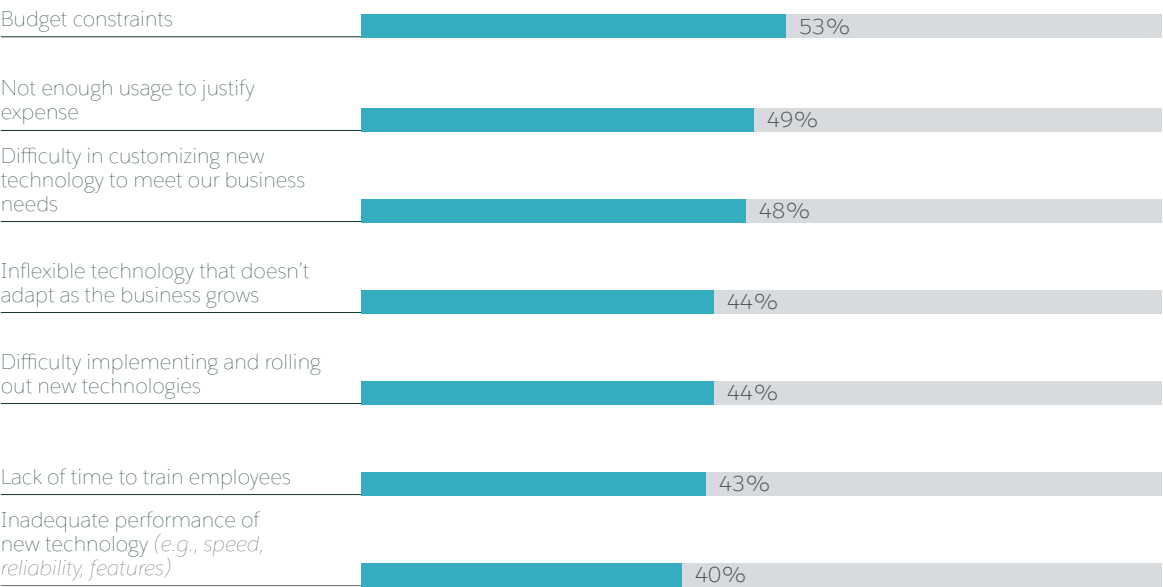
While 62% of SMBs feel they would benefit from training that continually improves their operations, some businesses are hampered in their ability to acquire the new skills that they need. Critical challenges include the cost, time needed, the lack of available training on the subjects they need, and inconvenient scheduling.

Medium-sized businesses (56%) are 1.4x as likely as small businesses (40%) to say ineffective training formats pose a critical, major, or moderate challenge to adopting and implementing training programs.*

To what extent, if any, do the following pose a challenge to your company's **adoption or implementation of training programs**?

Percentage of SMB owners and leaders who say the following are critical, major, or moderate challenges

Cost	60%
Time investment	56%
Lack of available training on the subjects we need	48%
Location/schedule not convenient for me	45%
Training format(s) offered are not effective	44%
Solutions don't allow employees to move at their own speed	44%

* Difference between small and medium-sized
   businesses was calculated using the following:
   % medium / % small

Meeting customer demands for a connected experience requires a high level of connectivity within a business of any size.

Eighty-two percent of SMBs say it's extremely, very, or somewhat important to have their business data connected in one place (i.e., in a single platform or database) right now, at their current business size. However, only 64% say their data is connected.

Growing SMB businesses (90%) are **1.2x as likely** to see the value in connecting their business data as their business grows than stagnant/ declining SMBs (74%).*

* Difference between growing and stagnant/ declining SMB businesses was calculated using the following: % growing / % stagnant/declining

How important is it to connect your business data in one place *(i.e., in a single platform or database)*?

Now, at our current business size	20%	30%	32%	8%	10%
In the future, as our business grows	27%	36%	23%	6%	8%

- Extremely important
- Very important
- Somewhat important
- Not very important
- Not at all important
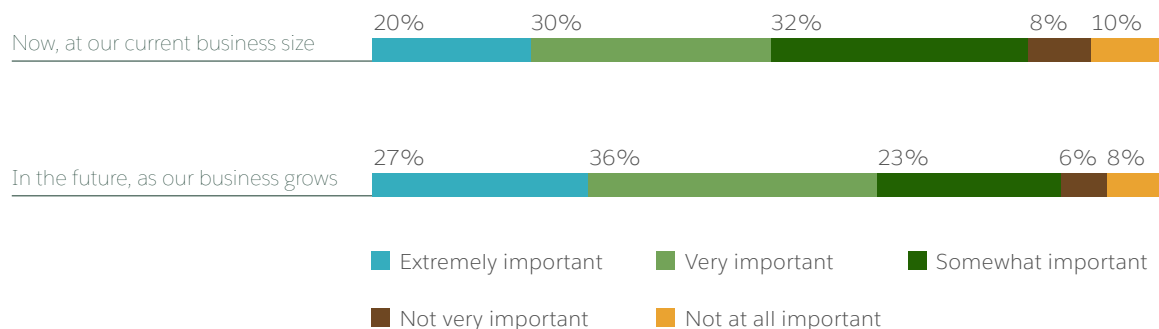
Percentage of SMBs that say their business data is connected *(e.g., marketing, sales, and support)*

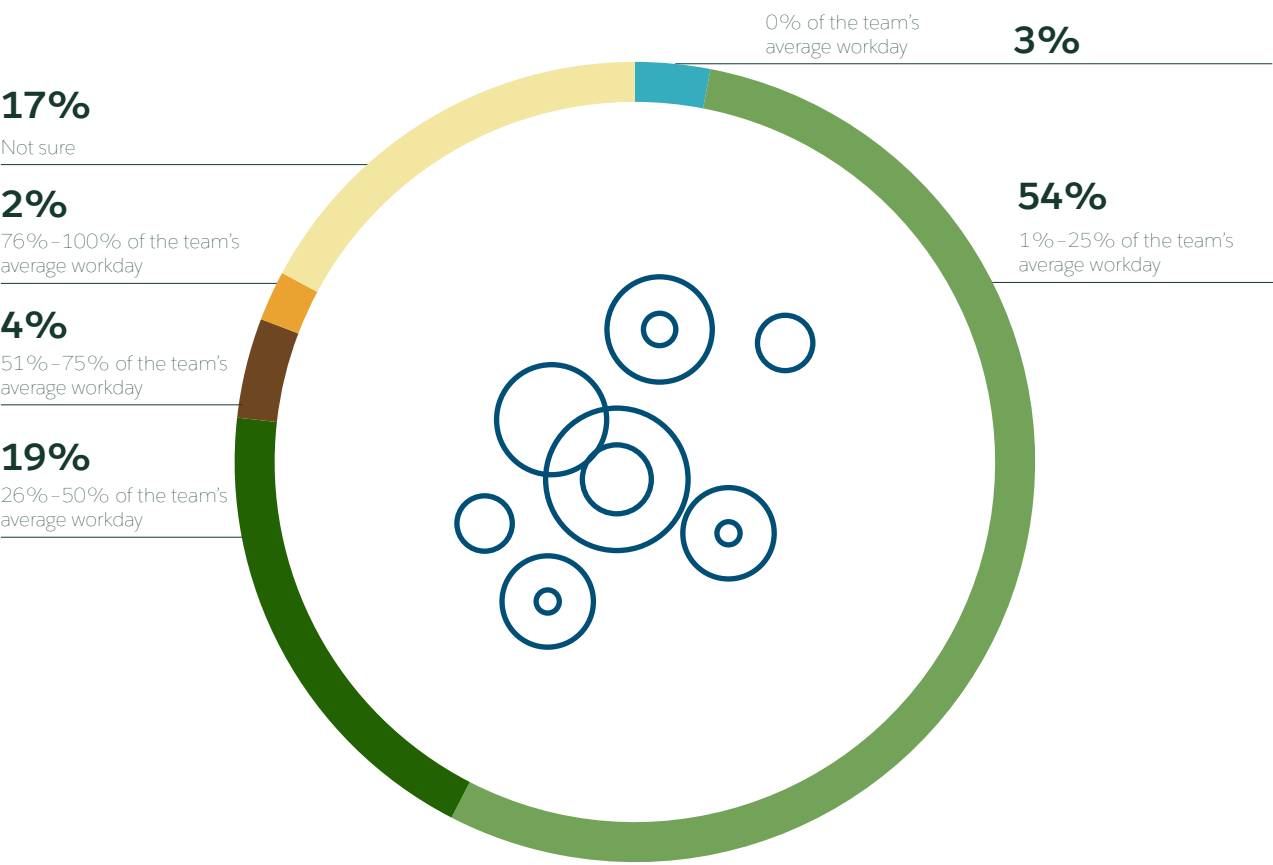|			
Our business data is connected	64%	29%	7%

- Yes
- No
- Not sure

Unifying data is a challenge for SMB leaders, as many already spend too much time in this effort. On average, SMB teams spend 23% of their average workdays manually inputting data. As seen in the chart on page 8, time spent on manual work hinders a company's ability to close business.

Although many SMBs are burdened by manual processes, 62% are using technology to automate some business processes. When shopping for new technologies for their companies, 71% of SMB leaders say automation capabilities are an extremely, very, or somewhat important consideration.

Growing SMBs are **1.6x as likely** as their stagnant/ declining counterparts to say they're using technology to automate business processes.*

* Difference between growing SMBs and stagnant/declining SMBs was calculated using the following:
% growing / % stagnant/declining

Approximately what percentage of your team's average workday is spent **inputting manual data**?

3%
0% of the team's average workday

17%
Not sure

2%
76%–100% of the team's average workday

4%
51%–75% of the team's average workday

19%
26%–50% of the team's average workday

54%
1%–25% of the team's average workday

Percentage of SMBs that use technology to **automate business processes**

	Growing vs. Stagnant/Declining*	Total
We are using technology to automate business processes — 69% / 42%	**1.6x** as likely	**62%**

■ Growing SMBs   ■ Stagnant/declining SMBs
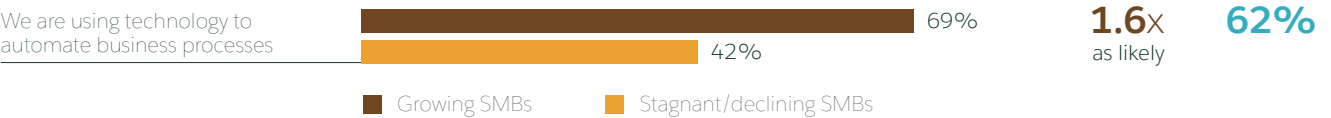
A small number of SMBs are stepping beyond automation to explore artificial intelligence (AI) capabilities. Just 11% of SMBs currently use AI. Although many aren't yet using AI, 51% of SMBs say it's an extremely, very, or somewhat important factor when choosing new tech. However, the primary reasons SMBs say they aren't ready for AI are that it's too complex for what they need (41%) or they don't understand how it can help their business (35%).

Growing SMBs are **2.3x as likely** as stagnant/declining SMBs to say they're already using or ready to use AI technology (48% vs. 21%).*

Do you believe your business is **ready for artificial intelligence (AI) technology**?
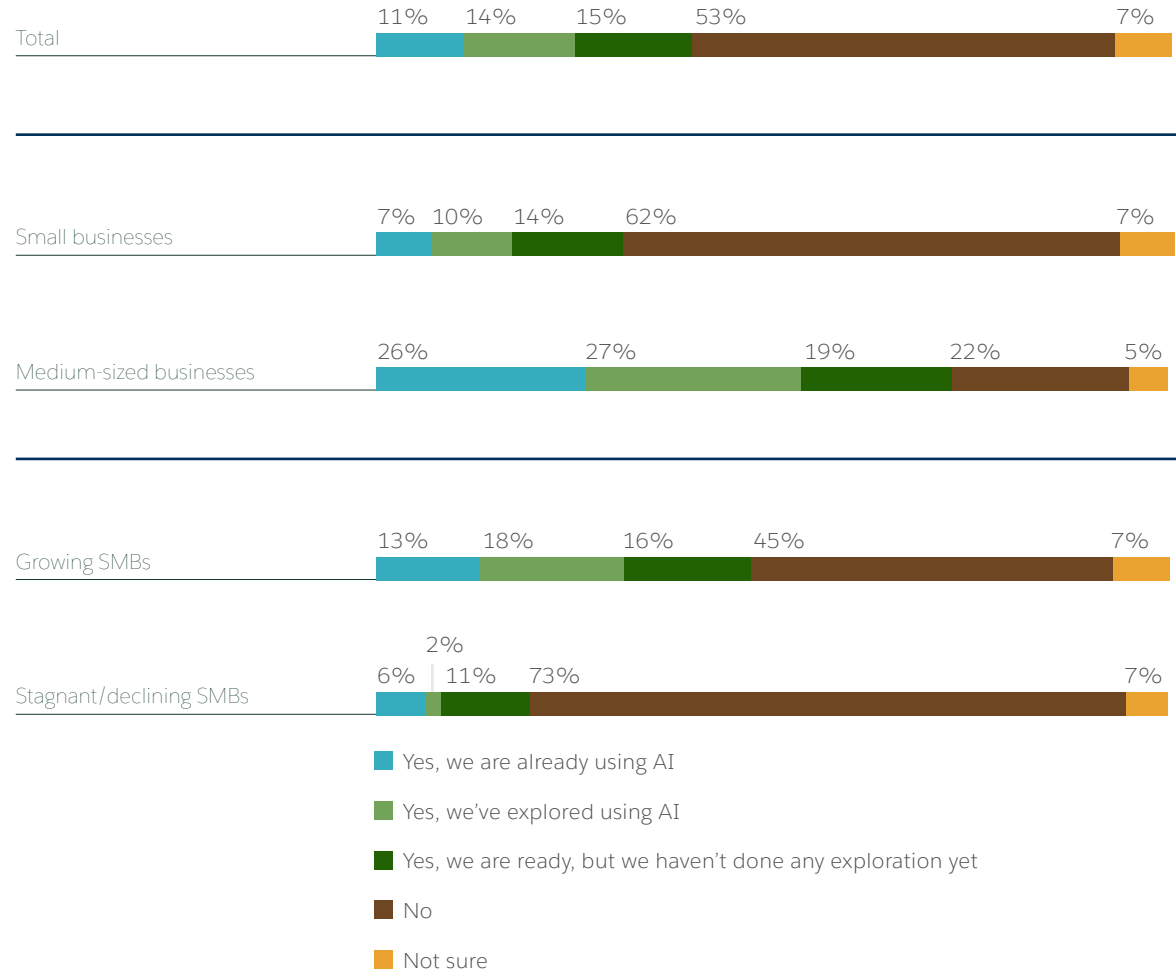
Total	11%	14%	15%	53%	7%
Small businesses	7%	10%	14%	62%	7%
Medium-sized businesses	26%	27%	19%	22%	5%
Growing SMBs	13%	18%	16%	45%	7%
Stagnant/declining SMBs	6%	2%	11%	73%	7%

- ■ Yes, we are already using AI
- ■ Yes, we've explored using AI
- ■ Yes, we are ready, but we haven't done any exploration yet
- ■ No
- ■ Not sure

* Difference between growing SMBs and stagnant/declining SMBs was calculated using the following:
  % growing / % stagnant/declining

Zooming into *how* SMBs view AI, many companies have plans to tap into smarter functionalities that deliver more personalized customer experiences. For instance, SMBs plan to use AI for automating customer recommendations, improving predictive forecasting for sales, and creating predictive audiences for marketing.

SMBs anticipate **226% growth** over the next three years in predictive audiences for marketing.

Which of the following **AI functionalities** does your company currently use or plan to use in the next three years?*

Anticipated Growth Over the Next Three Years**

Automated email send-time for marketing *(e.g., automated marketing emails that are sent at the time when they are most likely to be read)*

34%　51%　**+152**%

Automated recommendations for customers

33%　48%　**+146**%

Automated responses for basic customer support questions

31%　50%　**+162**%

Automated campaign insights *(e.g., marketing insights automatically generated to guide marketing spend, audience focus)*

30%　49%　**+167**%

Predictive forecasting for sales *(e.g., predictions on the most important sales leads or whether your team will hit its goals)*

29%　52%　**+179**%

Predictive audiences for marketing *(e.g., predictions on which audiences/segments to target with your marketing that will have the highest ROI)*

23%　53%　**+226**%

■ Currently use　　■ Plan to use

* Base = Ready for AI (n=187) – SMB owners and leaders who responded "Yes, we are already using AI, Yes, we've explored using AI, Yes, we are ready, but we haven't done any exploration yet" on page 18.
** Anticipated growth over the next three years was calculated using the following: *% plan to use / % currently use*

Methodology

This survey was conducted online within the United States by Harris Poll on behalf of Salesforce, September 1–13, 2017, among 490 small and medium size business owners and leaders in the U.S., 18 years of age or older, with 2–199 employees. Data points were weighted by number of employees to bring them in line with their actual proportions in the population. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, please contact leslie.grant@salesforce.com.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Poll avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Due to rounding, not all percentage totals in this report equal 100%. Comparison calculations were derived from percentages taken out to two decimal places.

salesforce research