2016
Connected Small Business Report
Insights into Small Businesses and Their Use of Technology
Introduction

To better understand the role technology plays in U.S. small businesses and how those small businesses connect with their customers, Salesforce Research conducted its “2016 Connected Small Business Report.” More than 300 small business owners participated in the nationwide survey commissioned online by Harris Poll on behalf of Salesforce, Nov. 17-28, 2016. The research found that, while not having enough time is one of the top business-related issues keeping small business owners up at night, the majority ironically are not taking advantage of modern technologies to help them work smarter and more productively, such as CRM, analytics and artificial intelligence (AI). In fact, most small business owners still rely on manual, outdated processes, such as email and spreadsheets, to store and track their customer information. Ultimately, small business owners who embrace the benefits of modern technologies stand the best chance to succeed in the future.
I. Small Businesses and Technology

The majority of small businesses (83%) do not have an IT staff. So it is no surprise that 72% of small business owners are responsible for making their company’s technology buying decisions.

Do you have an IT staff?

- Yes: 17%
- No: 83%

Who in your organization typically makes the technology buying decisions? Please select all that apply.

- Me: 72%
- A co-owner / business partner: 28%
- COO / head of business operations: 4%
- CTO / CIO / head of IT: 4%
- Outside vendor / partner: 3%
- CFO / head of finance: 2%
- Other: 1%
- None: 3%
I. Small Businesses and Technology

When considering which technologies to purchase, most owners consider price (74%), followed by convenience (43%) and compatibility with their current infrastructures (37%). The majority of their technology spend – which on average accounts for 15% of their annual budgets – goes toward hardware (46%) and financial software (33%), such as accounting, bookkeeping and bill payment technologies.

Which of the following, if any, are the most important factors in your business when making technology buying decisions?

- Price: 74%
- Convenience: 43%
- Compatible with current infrastructure: 37%
- A vendor I can trust: 32%
- Scales with my business: 28%
- Time to implement: 17%
- Peer reviews: 17%
- Other: 2%
- Nothing: 7%

Approximately, what percent of your annual budget do you typically spend on technology?

- 0%: 1%
- 1-24%: 63%
- 25-49%: 10%
- 50-74%: 3%
- 75-100%: 2%
- Not sure: 21%
- Average / Mean (without 0): 15%
Where is the majority of your technology spend going? Please select all that apply.

- Hardware (e.g., services, laptops, etc.) 46%
- Financial software (e.g., accounting, bookkeeping, bill payment) 33%
- Productivity software (e.g., Microsoft Office, etc.) 26%
- Internet hosting / ISP 22%
- Security systems (e.g., firewall, intrusion detection) 21%
- Point of sale / point of purchase software 20%
- Mobility / mobile solutions 16%
- Telecommunications / VoIP 15%
- Customer relationship management (CRM) software 10%
- Technology services (e.g., consultants / partners) 9%
- Enterprise resource planning (ERP) software 3%
- Other 9%
- Not sure 8%

There appears to be a gap when it comes to how small business owners manage their relationships with customers, including tracking their information and providing effective service.
I. Small Businesses and Technology

When it comes to building apps – an area of importance in reaching mobile consumers – more than half of small businesses (55%) have never built a custom app for their businesses.

“More than half of small businesses (55%) have never built a custom app for their businesses.”

How many business apps or technology systems (e.g., QuickBooks, Slack, Microsoft Office, CRM) do you use to run your business?

- 1: 20%
- 2: 21%
- 3: 18%
- 4: 7%
- 5 or more: 16%
- I do not have any apps or systems in place: 18%

How many custom apps have been built for your business?

- 0: 55%
- 1: 13%
- 2: 7%
- 3 or more: 8%
- Not sure: 17%
- Average / Mean (without 0): 3%
- Average / Mean (with 0): 1%
Most small business owners that track their customer information still rely on outdated tools and processes, such as email (44%) and spreadsheets (41%), to do so.

### How do you track/store your customers’ information? Please select all that apply.*

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email tools (e.g., Outlook, Apple, Gmail contacts)</td>
<td>44%</td>
</tr>
<tr>
<td>Spreadsheets (e.g., Excel, Google Sheets)</td>
<td>41%</td>
</tr>
<tr>
<td>Written customer ledger</td>
<td>34%</td>
</tr>
<tr>
<td>Basic database (e.g., Access, Quickbase)</td>
<td>29%</td>
</tr>
<tr>
<td>Customer relationship management (CRM) app or system (on your computer)</td>
<td>20%</td>
</tr>
<tr>
<td>Other paper-based system</td>
<td>15%</td>
</tr>
<tr>
<td>Customer relationship management (CRM) app or system (cloud-based)</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
</tbody>
</table>

* Base: Have customers and track their information
For managing sales opportunities, email (39%) and spreadsheets (24%) top the list for owners’ go-to technologies. However, there is still a sizeable percentage (21%) of small businesses that don’t use any technology at all to sell to their customers.

What system(s) or method(s) do you use to sell (e.g., track leads, opportunities, pipeline, etc.) to your customers? Please select all that apply.

- Email tools (e.g., Outlook, Apple, Gmail contacts) 39%
- Spreadsheets (e.g., Excel, Google Sheets) 24%
- Written customer ledger 22%
- Basic database (e.g., Access, Quickbase) 20%
- Customer relationship management (CRM) app or system (on your computer) 15%
- Other paper-based system 12%
- Customer relationship management (CRM) app or system (cloud-based) 9%
- Other 8%
- I do not sell to my customers using technology 21%
- Not sure 2%
II. How Small Businesses Manage Customer Relationships

For customer service, more than half of small business owners (51%) said they make direct phone calls to customers, followed by direct emails (47%) and social media (32%). Interestingly, a large percentage of small business owners (51%) have turned to social media, such as ads on Facebook and YouTube, to market to customers. Many small businesses also market to their customers through email (37%) and print advertising (34%).

Which system(s) or method(s) do you use to market to your customers? Please select all that apply.

- Social media marketing (e.g., Facebook ads, YouTube ads) 51%
- Email marketing 37%
- Print advertising 34%
- Direct mail 23%
- Digital advertising 21%
- Search engine optimization (e.g., Google Adwords, Bing) 20%
- 1-to-1 marketing journeys 15%
- Customer relationship management (CRM) app or system (cloud-based) 9%
- Customer relationship management (CRM) app or system (on your computer) 8%
- Marketing automation 7%
- Other 11%
- I do not market to my customers 5%
- I do not market to my customers using technology 10%
- Not sure 2%
II. How Small Businesses Manage Customer Relationships

What method(s) or system(s) do you use to service your customers?*

<table>
<thead>
<tr>
<th>Method/System</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct calls to customers</td>
<td>51%</td>
</tr>
<tr>
<td>Direct emails to customer (e.g., Outlook, Google mail)</td>
<td>47%</td>
</tr>
<tr>
<td>Social media monitoring</td>
<td>32%</td>
</tr>
<tr>
<td>Customer service department / call center</td>
<td>13%</td>
</tr>
<tr>
<td>Customer relationship management (CRM) app or system (on your computer)</td>
<td>11%</td>
</tr>
<tr>
<td>Customer relationship management (CRM) app or system (cloud-based)</td>
<td>9%</td>
</tr>
<tr>
<td>Cloud-based service desk</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
<tr>
<td>I do not service my customers</td>
<td>2%</td>
</tr>
<tr>
<td>I do not service my customers using technology</td>
<td>8%</td>
</tr>
<tr>
<td>I do not service my customers using technology</td>
<td>3%</td>
</tr>
</tbody>
</table>

How much do you agree or disagree with the following statement: "I could run my entire business on my mobile device."

<table>
<thead>
<tr>
<th>Agreement Level</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Strongly / Somewhat agree</td>
<td>42%</td>
</tr>
<tr>
<td>Strongly / Somewhat disagree</td>
<td>58%</td>
</tr>
</tbody>
</table>

Are your employees in the field (e.g., salespeople, field service technicians) enabled with mobile technologies (e.g., smartphones, tablets) that give them access to real-time customer data?*

<table>
<thead>
<tr>
<th>Answer</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>58%</td>
</tr>
<tr>
<td>No</td>
<td>38%</td>
</tr>
<tr>
<td>Not sure</td>
<td>4%</td>
</tr>
</tbody>
</table>

*Base: Have employees in the field

“6% of small business owners use a cloud-based service desk to service their customers.”
III. Small Business Adoption of Cloud, Analytics and AI

While the majority of small business owners (62%) say they trust the cloud, fewer are actually using cloud-based technology services to their full potential. When it comes to business process automation, less than half (49%) of small business owners are taking advantage of these time-saving solutions.

How much trust do you have in cloud-based technology services?

- A great deal of trust / Some trust: 62%
- Very little trust / No trust at all: 38%

Approximately, what percent of your technology is in the cloud (e.g., SaaS, IaaS, PaaS)?

- 0%: 35%
- 1-24%: 22%
- 25-49%: 6%
- 50-74%: 6%
- 75-100%: 4%
- Not sure: 26%
- Average / Mean (without 0): 27%
- Average / Mean (with 0): 14%

Are you using technology to automate business processes?

- Yes: 49%
- No: 42%
- Not sure: 9%
III. Small Business Adoption of Cloud, Analytics and AI

Of those that are using business process automation, automated billing and finance are the most common (69%), followed by customer service (52%) and marketing (43%). In addition, only 21% of small business owners are using business analytics or business intelligence software to measure their businesses.

You mentioned that you use technology to automate business processes. In which of the following functions have you done this? Please select all that apply.

- Billing / finance: 69%
- Customer service: 52%
- Marketing: 43%
- Operations: 38%
- Production: 28%
- Other: 3%
- Not sure: < 1%

Do you use business analytics or business intelligence software to measure your business?

- Yes: 21%
- No: 72%
- Not sure: 8%
When it comes to artificial intelligence (AI), 61% of small business owners said their business is not ready for the cutting-edge technology, citing it is too complex for what they need (51%).

How do you typically get reports / KPIs? Please select all that apply.

- I run my own reports: 72%
- I rely on my IT staff to run reports: 23%
- I rely on a data scientist / quantitative expert to run reports: 18%
- I rely on my heads of each line of business to run their own reports: 17%
- I don’t get reports: 2%
- Not sure: 3%

Do you believe your business is ready for artificial intelligence (AI) technology (e.g., machine learning, deep learning, natural language processing)?

- Yes, but we haven’t done any exploration yet: 13%
- Yes, we are already using AI: 6%
- Yes, we are currently exploring using AI: 6%
- Yes, we’ve explored using AI in the past but not currently: 3%
- No: 61%
- Not sure: 13%
III. Small Business Adoption of Cloud, Analytics and AI

For which of the following reasons do you believe your business is not ready for artificial intelligence technology? Please select all that apply.*

- It is too complex for what we need. 51%
- I do not know enough about how it can help my business. 32%
- It is too expensive. 31%
- It will take away jobs. 11%
- I am worried about computers being self-aware or turning on their owners. 6%
- Other. 7%
- N/A - I have never thought about this. 20%

"51% of small business owners believe their business is not ready for artificial intelligence technology because it is too complex for their needs."

*Base: Does not believe business is ready or AI technology
III. Small Business Adoption of Cloud, Analytics and AI

Still thinking about artificial intelligence technology, which of the following, if any, would you be interested in for your business?

- Automated email send-time for marketing (automated marketing emails that are sent at the time when they will be likely read the most): 33%
- Automatic recommendations for customers: 30%
- Predictive audiences for marketing (i.e., predictions on which audiences / segments to target with your marketing that will have the highest ROI): 19%
- Automated campaign insights (i.e., marketing insights automatically generated to guide marketing spend, audience focus): 17%
- Predictive forecasting for sales (i.e., predictions for pipeline before results come in): 16%
- Predictive lead scoring for sales (i.e., predictions on the most important sales leads): 15%
- Automated service chatbots (i.e., helpdesk-related responses from bots): 11%
- Other: 4%
- Not sure: 15%

How likely would you be to replace a portion of your staff in various functions (e.g., sales, service, marketing) with robots if you had the option?

- Very / Somewhat likely: 20%
- Not very / Not at all likely: 80%
IV. Small Businesses and Today’s Economy

Not having enough time in the day (35%) and the impact of the economy (34%) are among the top business-related issues that small business owners face, followed by having limited resources (31%) and having to pay taxes (31%).

Which of the following business-related issues, if any, keeps you up at night?

- Not having enough time in the day: 35%
- The impact of the economy: 34%
- Having limited resources available: 31%
- Having to pay taxes: 31%
- Getting funding: 24%
- Finding the right talent: 19%
- Managing people: 13%
- Implementing the right technology systems: 10%
- Other: 6%
- Nothing keeps me up at night: 17%
However, nearly 3 in 5 small business owners (58%) said they would still be likely to start a business in today’s economic climate, with nearly 1 in 5 (18%) saying they would be very likely to do so. In addition, 75% of respondents believe their city is a good place to start a business.
V. Methodology

This survey was conducted online within the United States by Harris Poll on behalf of Salesforce, Nov. 17-28, 2016, among 304 small business owners in the U.S. with less than 100 employees and less than $1 billion in annual revenue. Data were weighted by number of employees to bring them in line with their actual proportions. 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, leslie.grant@salesforce.com.