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The SMB Technology Buying Journey:

Part One

Authored by



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Table of Contents

Introduction.....	03
A Majority of SMBs Believe 2024 Revenues Will Rise When Compared to 2023	04
Larger SMBs Are Much More Likely to Increase Tech Spending Than Smaller Ones	05
Macro Trends and Their Influence on Technology Investments	06
SMBs View Technology as Essential to Their Businesses	07
Top Operational Challenges Vary Significantly by Employee Size.....	08
Challenges Impeding Technology Adoption	09
AI Is Accelerating Technology Adoption for a Majority of SMBs	10
IT Support Resources Drop Dramatically for Smaller Businesses.....	11
SMBs Spend Two-Thirds of Their IT Budgets Maintaining Existing Systems.....	12
How SMBs Budget for Technology.....	13
Cost-Effectiveness Is Universally Important to SMBs When Selecting Tech Solutions.....	14
SMBs Want Vendors to Do a Better Job of Explaining How Their Solutions Improve Specific Business/Technology Goals	15
Methods SMBs Use to Assess the Success of New Technology Solutions	16
Metrics SMBs Use to Measure How Well a New Technology Solution Works	17
Factors Influencing SMB Contract Renewal/Termination Decisions with Technology Vendors	18
About the Study	20

Introduction

This eBook, **The SMB Technology Buying Journey: Part One**, provides a detailed look at the technology purchasing attitudes, behaviors, and preferences of small and medium businesses (SMBs).

The eBook is based on SMB Group's **2024 SMB Technology Buying Journey Survey**. Fielded in June, 2024, the survey polled 738 technology purchasing decision makers in U.S. small and medium businesses (SMBs) to learn about the SMB technology buying journey and key purchasing criteria and preferences.



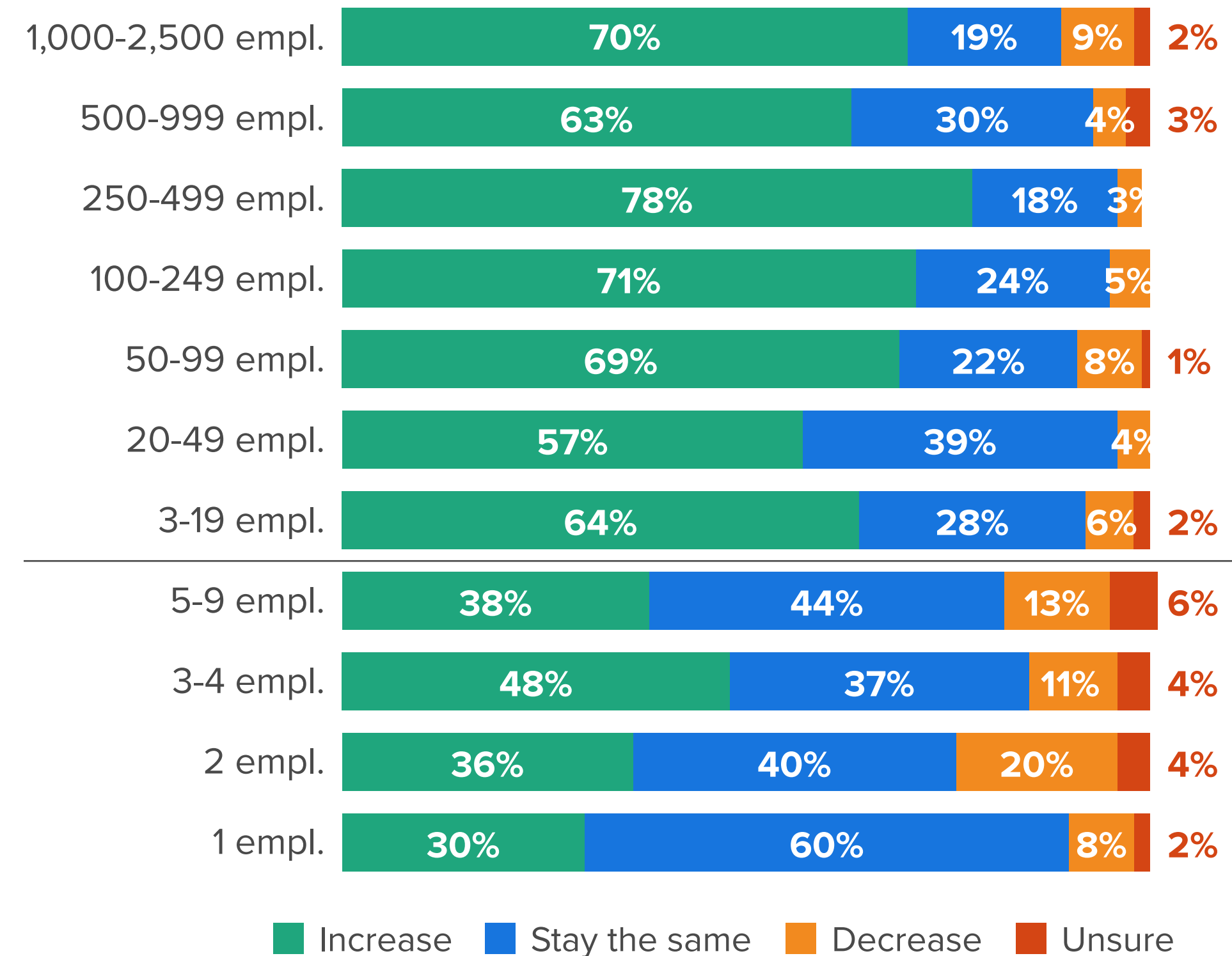
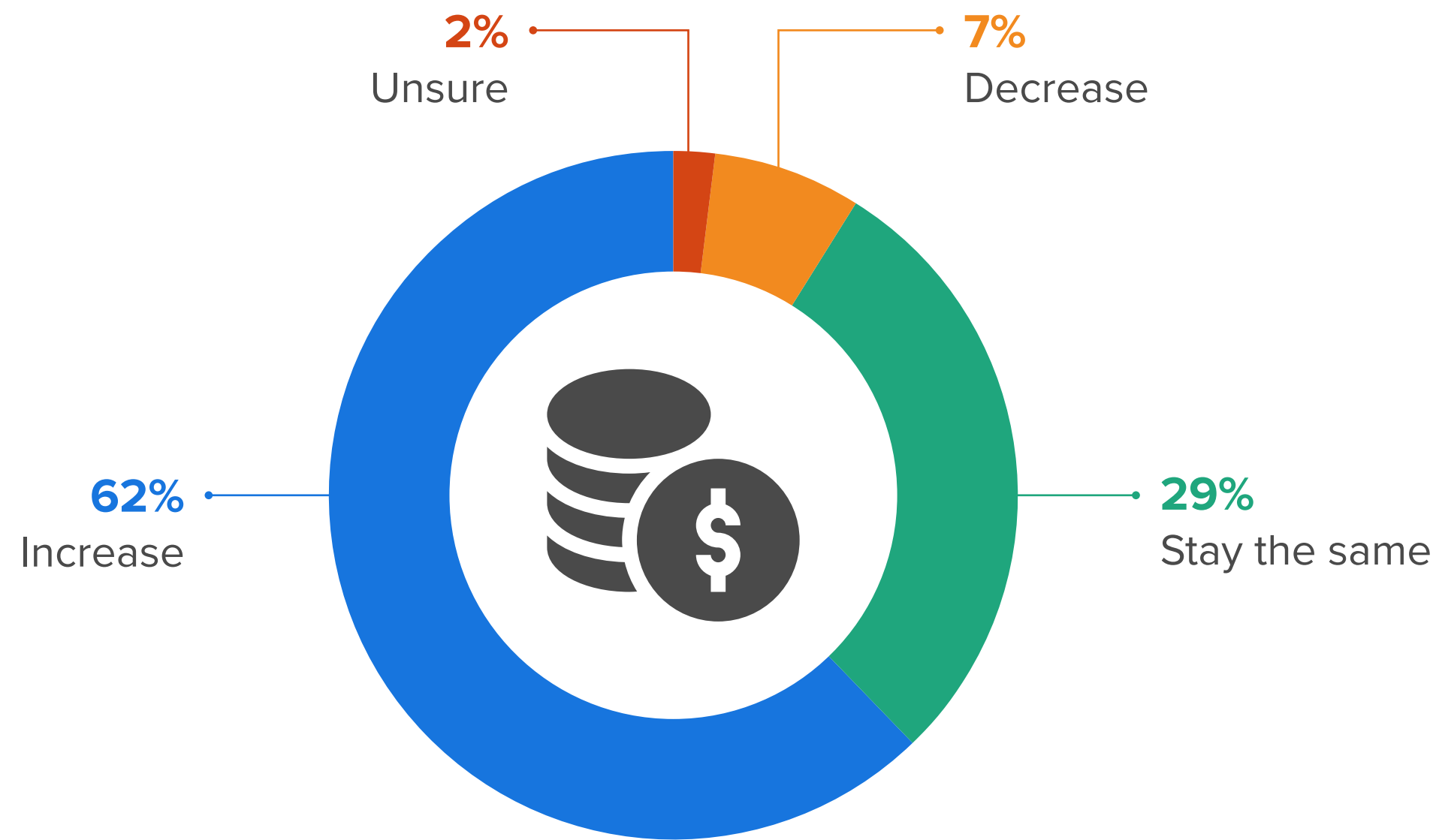
In **The SMB Technology Buying Journey: Part One**, we share survey highlights about SMB business and technology attitudes, practices, and plans that affect technology investments including:

- ✓ SMB revenue outlook
- ✓ Top macro and operational challenges
- ✓ Views on technology benefits and challenges
- ✓ Technology spending plans, budgeting cycles, and financing methods
- ✓ The impact of macro-economic factors, AI, and other factors in SMB technology decisions
- ✓ Importance of different factors in considering a technology provider
- ✓ Why solutions get on SMB “short lists”
- ✓ How SMBs gauge the performance of technology solutions
- ✓ How SMBs make contract renewal and termination decisions

Our companion eBook, **The SMB Technology Buying Journey: Part Two**, examines the route that SMBs take on the technology buying journey, including information and guidance sources, purchase channels, and post-purchase communication preferences.

A Majority of SMBs Believe 2024 Revenues Will Rise When Compared to 2023

SMB revenue expectations for 2024 vs. 2023



70% expect revenues to rise

37% expect revenues to rise

SMBs don't buy technology in a vacuum. They purchase technology—or refrain from purchasing it—based on their overall business strategy and outlook. The good news is that SMBs are generally positive about growth: 62% of SMBs project 2024 revenues will increase over 2023. Businesses need technology to grow, and as they increase revenues, they have more money to invest in technology to help scale their operations.

But size matters: Most SMBs with 10-2,500 employees expect revenues to increase, while those with fewer than 10 employees expect to fare about the same as in 2023. Smaller companies with more conservative expectations will focus on cost-effective solutions that can help them grow without substantial upfront investment.

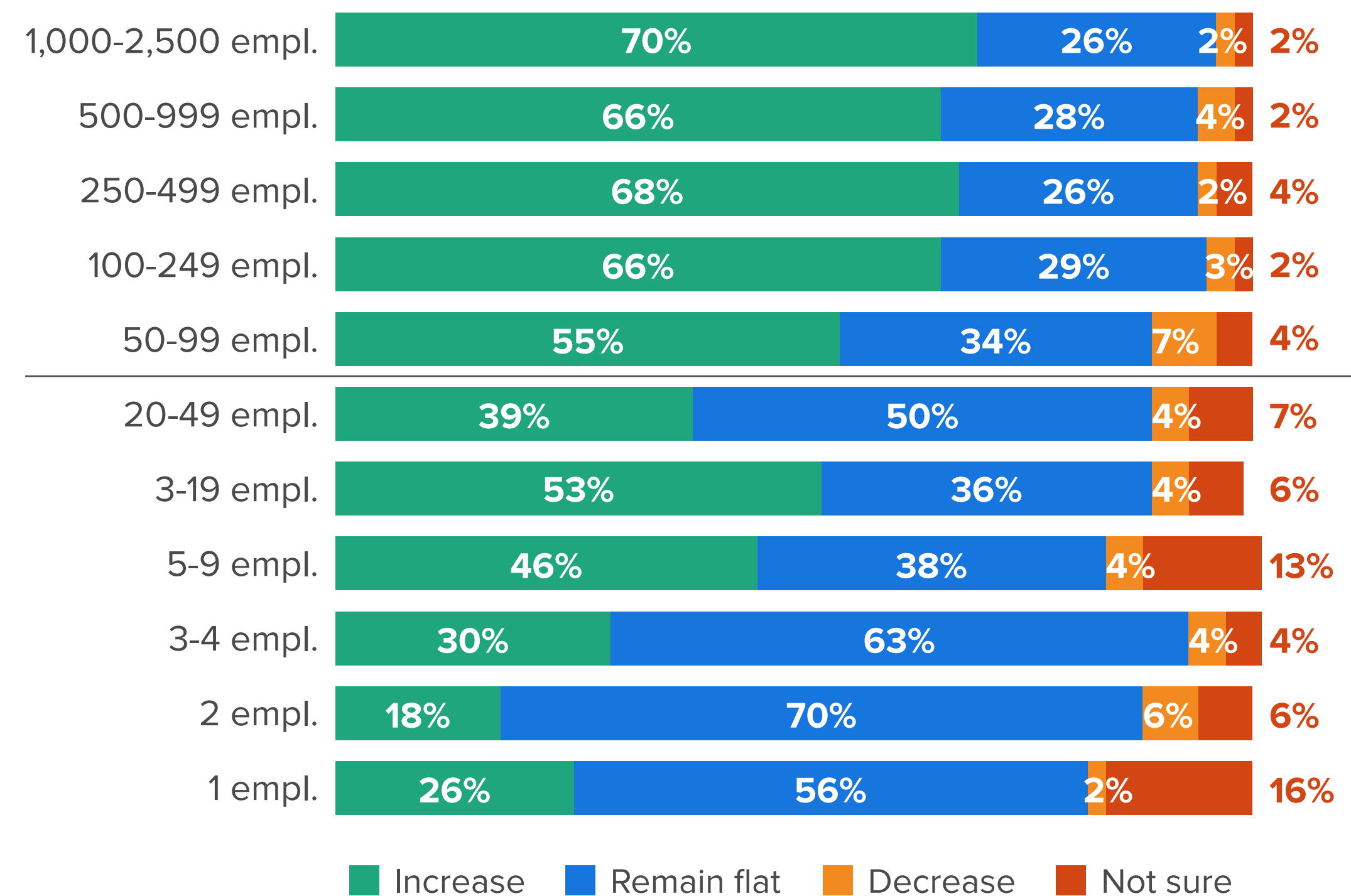
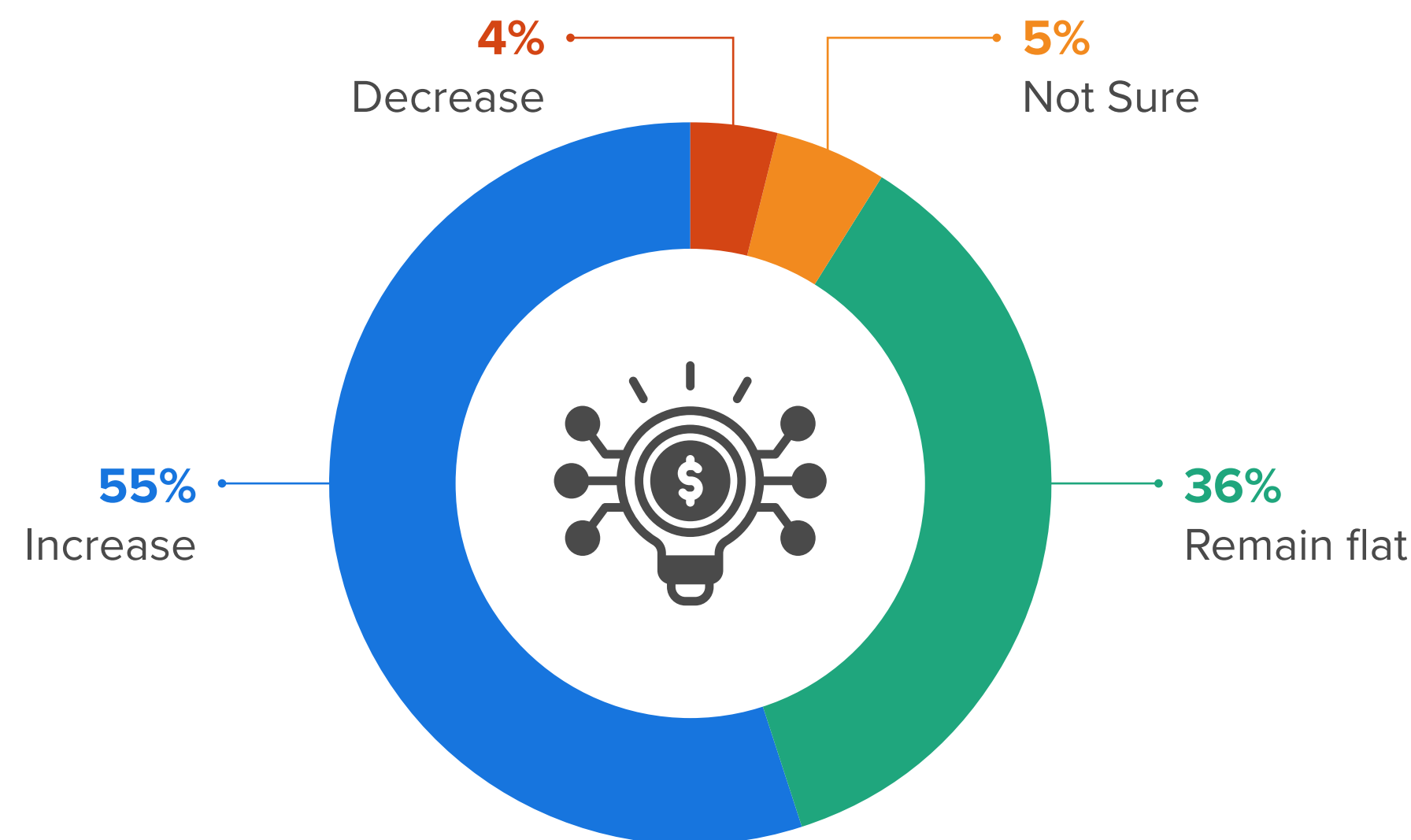
Larger SMBs Are Much More Likely to Increase Tech Spending Than Smaller Ones

Just over half of SMBs say they plan to increase tech spending in the next fiscal year, while about one-third expect spending to remain flat. Only 4% say it will decrease. However, SMBs with fewer than 50 employees forecast tech spending to remain flat.

With inflation driving up costs across the board, many SMBs are facing tighter budgets. This is leading to more cautious spending and careful evaluation of every dollar spent on technology. There's a heightened emphasis on getting the best value for money. Cost-conscious SMBs will negotiate harder with vendors, seek discounts, and/or opt for more affordable alternatives.

For smaller SMBs, cost-effectiveness and value for money will be top of mind. Their larger peers will focus on solutions that can help them continue to drive business expansion and efficiency improvements.

SMB expectations for tech spending in 2024 vs. 2023



65% expect to increase tech spending

35% expect to increase tech spending

Macro Trends and Their Influence on Technology Investments

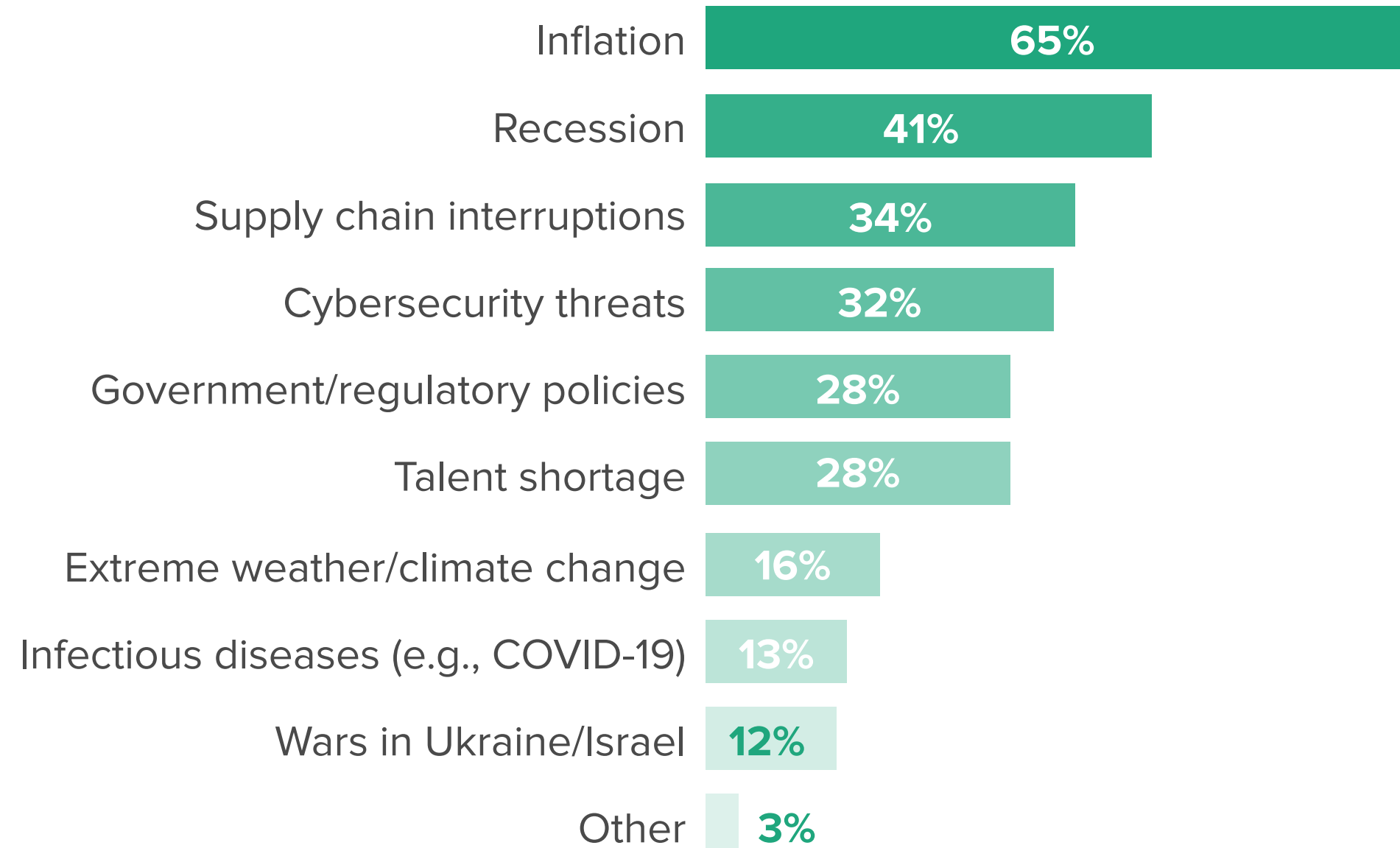
SMBs rank inflation (65%) and recession worries (41%), followed by supply chain interruptions (34%), and cybersecurity threats (32%) as the macro trends they are most concerned about negatively affecting their businesses. This ranking is fairly consistent across employee size bands and industries and is aligned with ratings in surveys we've conducted over the past 2 years.

As important, a majority of SMBs—56%—say macro-economic factors have a very decisive or significant influence on tech investment timing and decisions.

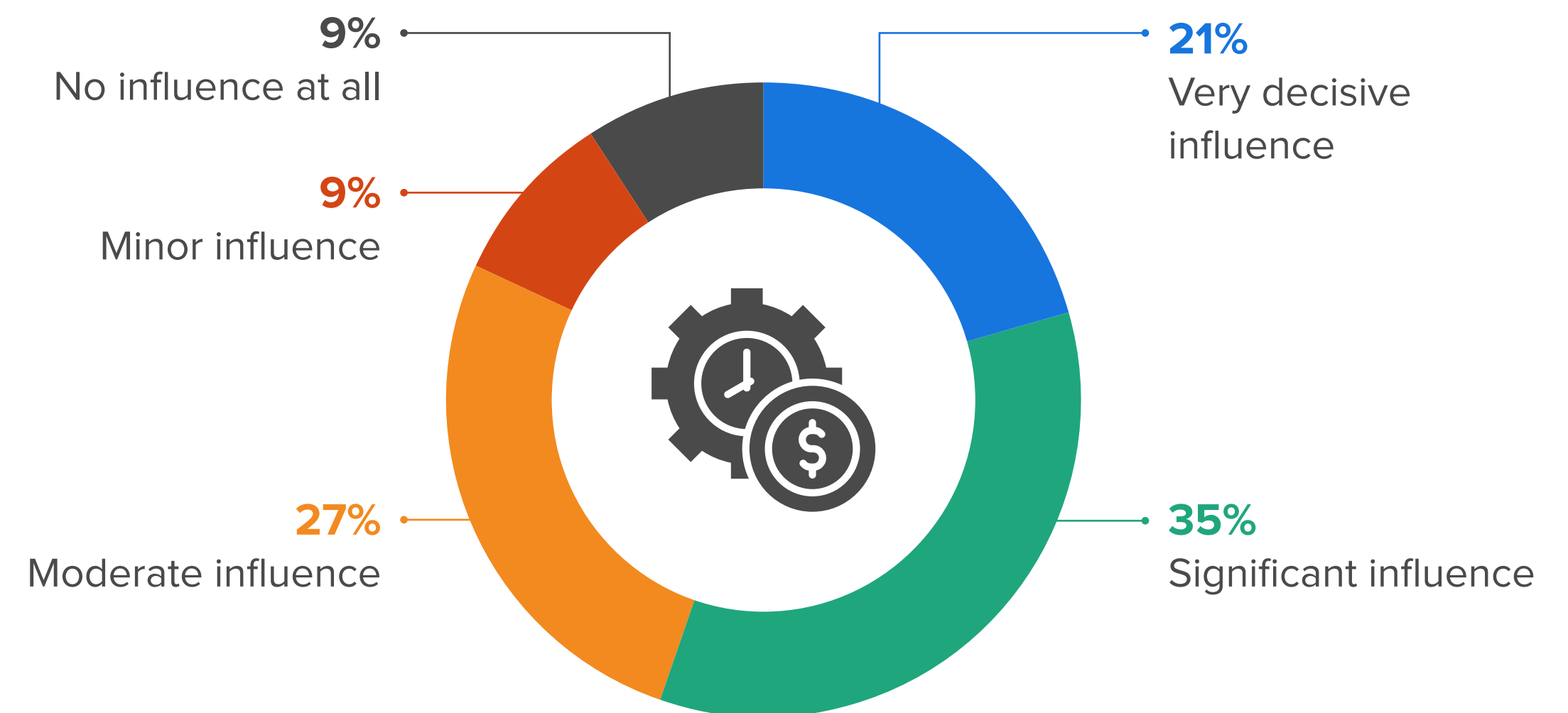
SMBs will look beyond features and functions and demand more compelling evidence about how their solutions help mitigate the impact of relevant risks. With financial pressures mounting, SMBs will focus on investments that promise a quick and measurable impact on productivity, efficiency, and/or cost savings.

Cybersecurity concerns are also weighing on SMBs. The increasing frequency and sophistication of cyberattacks, stricter data privacy and security regulations, and greater dependence on technology will continue to put pressure on SMBs to balance the need for robust security with financial constraints and limited security expertise.

Top 3 macro trends SMBs are most worried about*

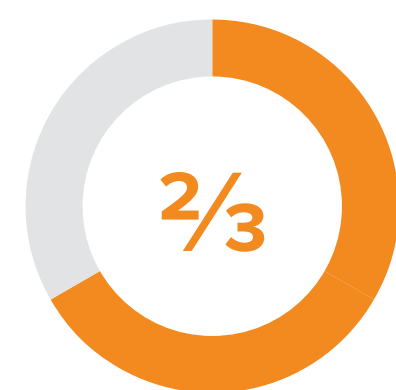


Role of macro-economic factors play in technology investment timing and decisions

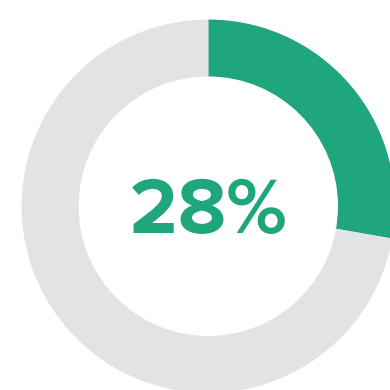


SMBs View Technology as Essential to Their Businesses

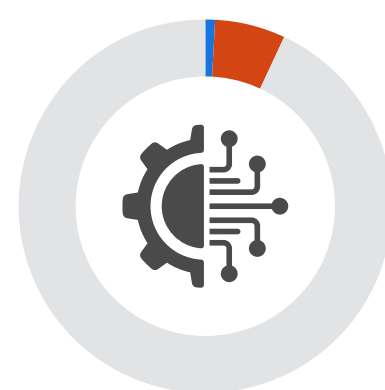
The days of casting SMBs as technology laggards are over.



Two-thirds of SMBs say tech is very important to their business strategy.



28% say it is somewhat important to their business strategy.



Only 1% say it is unimportant, and just 6% are neutral.

The larger the SMB, the more likely they are to rate technology as very important.

SMBs see technology as offering many benefits. Productivity gains, improved collaboration, cost savings, better relationships with customers, partners, and suppliers, and time savings are closely clustered at the top of the list. There are only minor variations in these ratings by employee size.

With the consensus about the overall value of technology established, SMBs are searching for more specific information tangible and quantifiable improvements that solutions can deliver to their organizations.

Top 3 benefits technology provides SMBs*



*Respondents could select up to 3 responses

Top Operational Challenges Vary Significantly by Employee Size

SMBs cite attracting new customers (39%), controlling/reducing costs (38%), and keeping up with changing customer demands as their top three operational challenges.

The most pressing concern varies based on employee size:



SMBs with fewer than 50 employees rank attracting new customers as their primary challenge, often followed by cost control and cash flow improvement concerns. Given limited financial resources, they must focus on marketing to attract new customers and efficient cash management to keep their businesses going.



For companies with 100–999 employees, balancing growth with productivity is critical, as evidenced by their top challenges to control costs, improve employee productivity, and keep up with changing customer demands.



Organizations with 1,000–2,500 employees rank controlling or reducing costs, followed by improving employee productivity and collaboration as key concerns. This will influence them to prioritize solutions to optimize supply chains, improve employee engagement, and keep a closer pulse on evolving customer requirements.

Operational challenges SMBs face*

		Employee Size	#1 Operational Challenge
Attracting new customers	39%		
Controlling/reducing costs	38%	1,000-2,500	Controlling/reducing costs (43%)
Keeping up with changing customer demand/expectations	32%	500-999	Employee Productivity (38%)
Improving customer satisfaction and retention	28%	250-499	Customer Satisfaction and Retention (37%)
Improving cashflow	28%	100-249	Controlling/reducing Costs (36%)
Improving employee productivity and collaboration	27%	50-99	Controlling/reducing Costs (37%)
Meeting hiring and retention goals	25%	20-49	Attracting New Customers (50%)
Getting/staying ahead of competitors	24%	10-19	Attracting New Customers (49%)
Improving collaboration with customers, suppliers and partners	21%	5-9	Controlling/Reducing Costs (63%)
Ensuring compliance with government regulations	20%	3-4	Attracting New Customers, Improving Cashflow (44%) (tie)
		2	Attracting New Customers (74%)
		1	Attracting New Customers (54%)

*Respondents could select up to 3 responses

Challenges Impeding Technology Adoption

Regardless of employee size, SMBs rank data privacy and security as their dominant technology challenge. This is followed by difficulty figuring out which solutions will work best, integration issues, and lack of budget.

Though the ranking order varies, these challenges are paramount concerns across SMB size bands, reflecting similar sentiments in SMB Group studies over the last few years.

This underscores the stubbornness of these problems and the need for vendors to improve education and support throughout the buying journey and beyond to help SMBs overcome them. SMBs need vendors to take the time to understand their specific requirements and provide better consultative services to help them to:



Make more informed decisions.



Choose the most effective solutions for their businesses and improve outcomes.



Gain peace of mind about security capabilities, safeguards, compliance, and data protection.

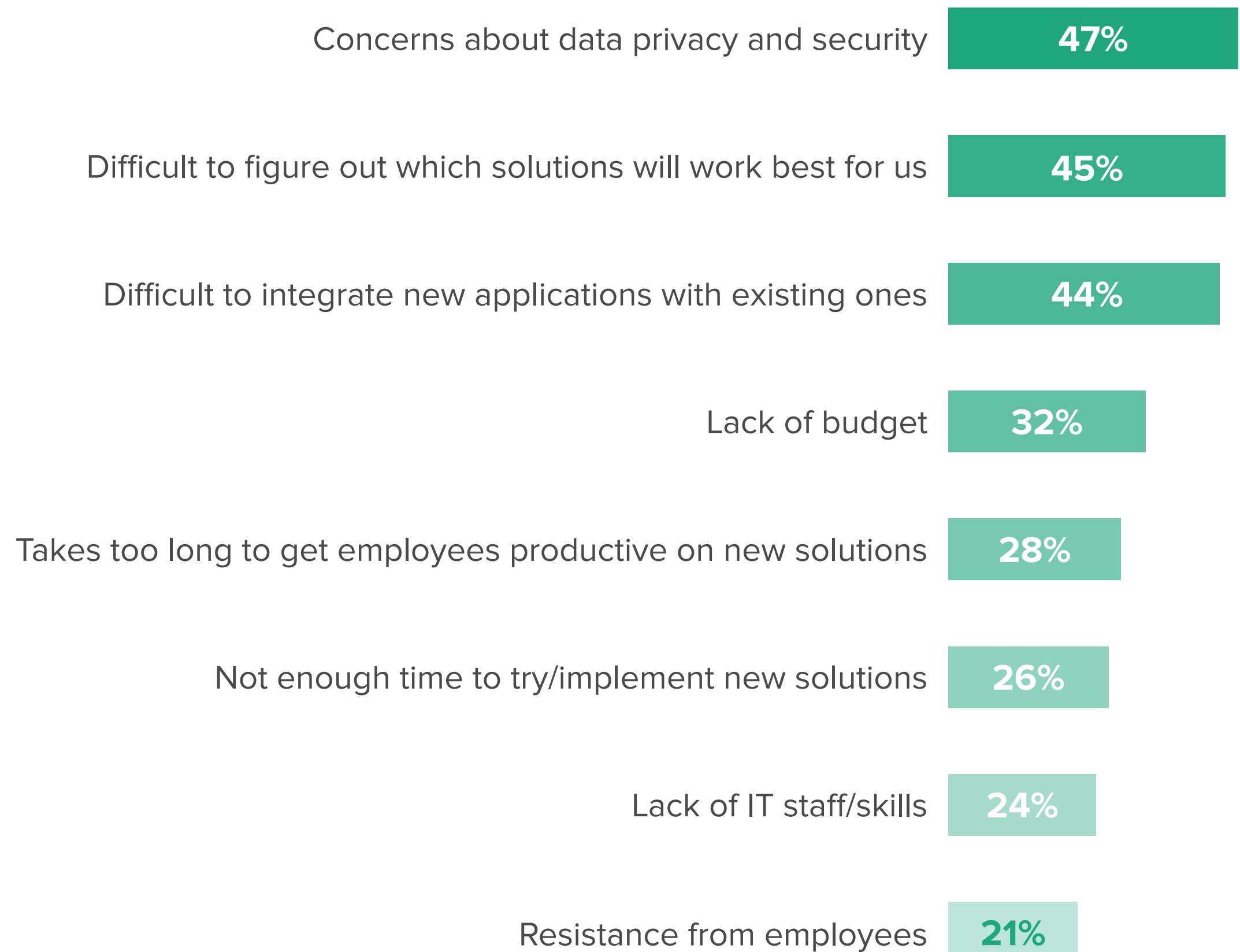


More easily integrate new solutions with existing applications and infrastructure.



Better manage costs, with more flexible pricing models/pay-as-you-go pricing options.

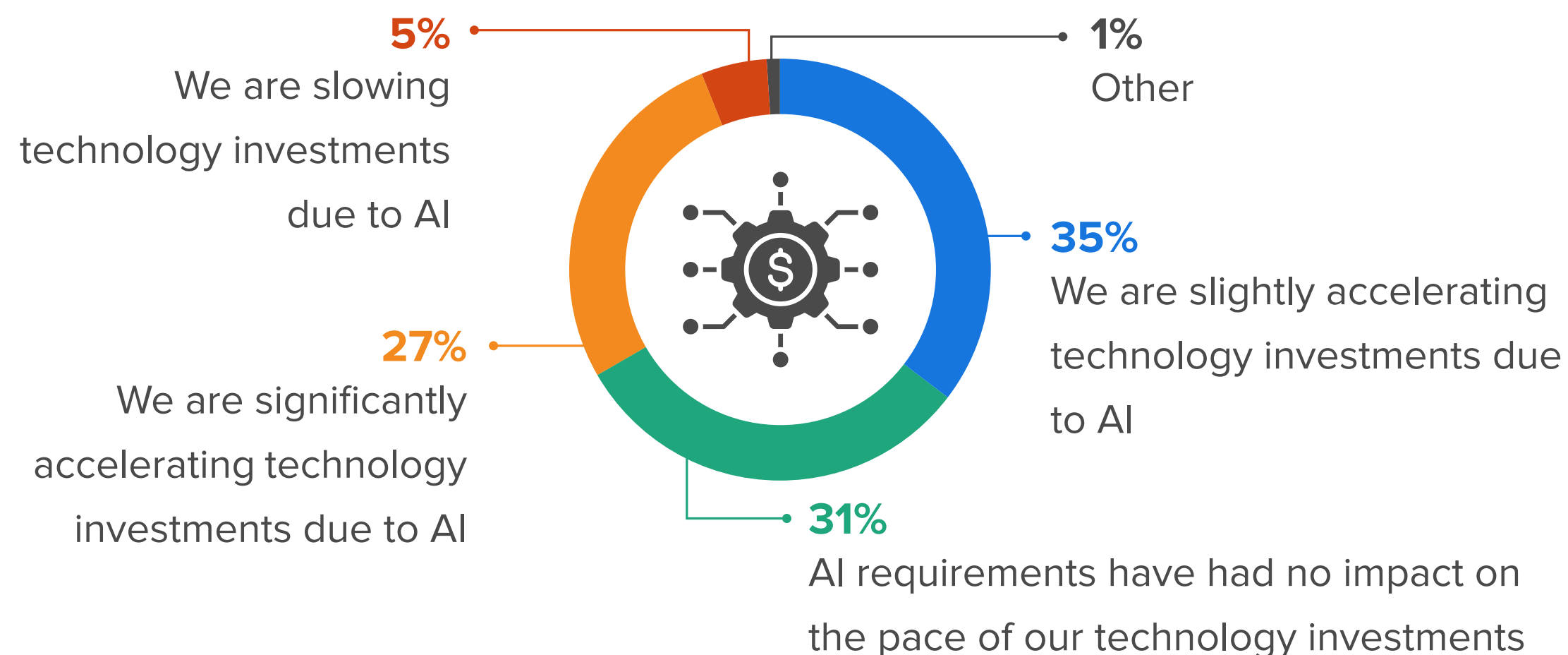
Technology challenges SMBs face when considering new technology solutions



**Respondents could select up to 3 responses*

AI Is Accelerating Technology Adoption for a Majority of SMBs

How requirements to use artificial intelligence (AI) are influencing the pace of technology investments

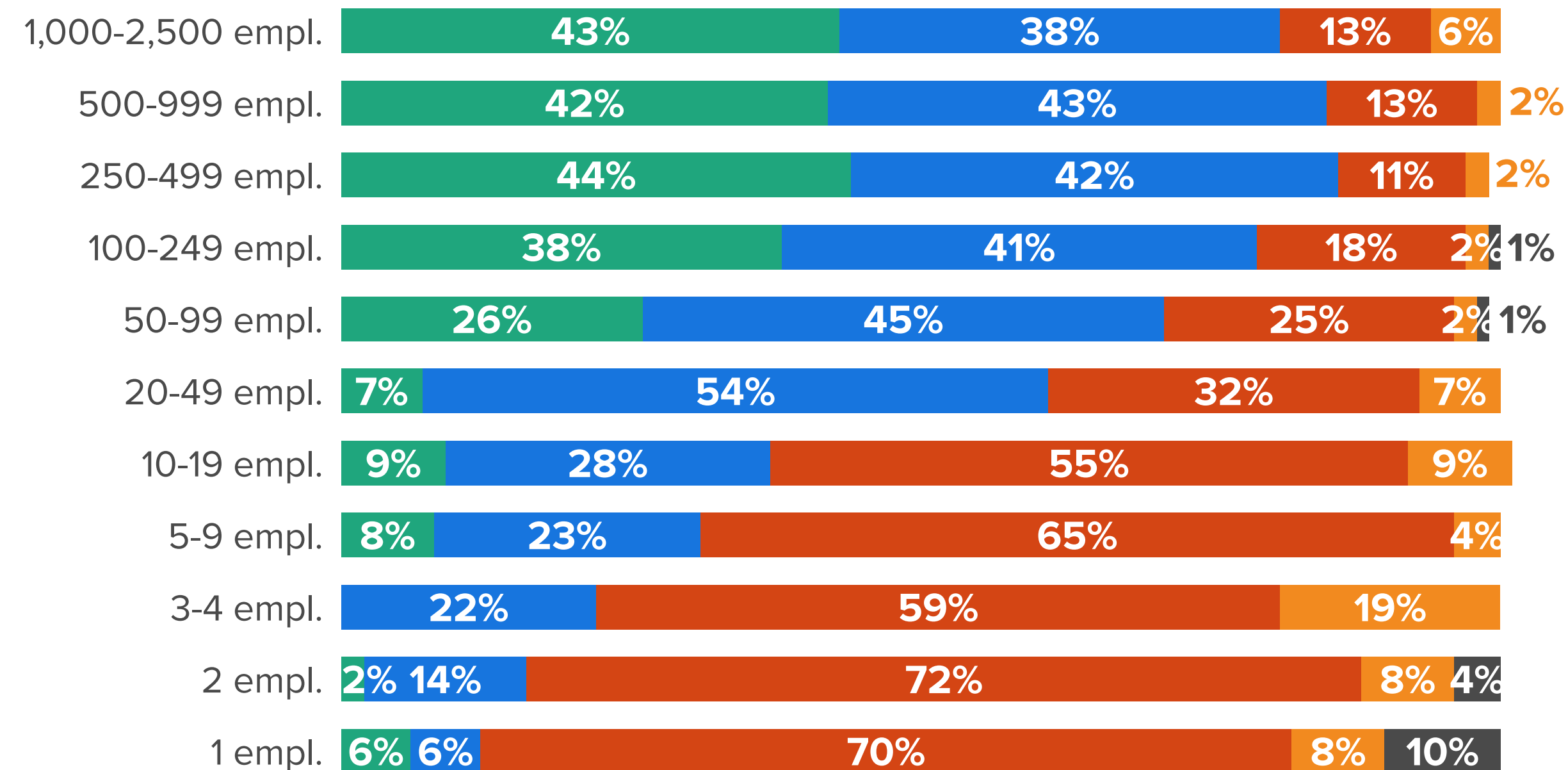


AI is a significant driver of technology investments for many SMBs:

- ✓ 27% of respondents indicated they are “significantly accelerating technology investments” due to AI requirements.
- ✓ 35% are “slightly accelerating” their investments.

However, 31% of SMBs report that AI requirements have had “no impact” on their technology investments. Just 5% are slowing down investments because of AI.

The impact correlates strongly with employee size. The majority of businesses with 20 employees or more are boosting tech investments due to AI. These SMBs are already convinced that AI will help their businesses and are ready to learn more about how AI can help drive innovation and growth.



- We are significantly accelerating technology investments due to AI
- We are slightly accelerating technology investments due to AI
- AI requirements have had no impact on the pace of our technology investments
- We are slowing the pace technology investments due to AI
- Other

In contrast, SMBs with fewer than 20 employees are most likely to say AI requirements have had no impact on the pace of technology adoption. Vendors need to demystify AI for these SMBs. They need jargon-free education about AI, pragmatic examples of how AI can help businesses like theirs solve operational challenges, and guidance on best practices for adopting AI-enabled solutions and using AI functionality.

IT Support Resources Drop Dramatically for Smaller Businesses

The cloud has negated the need for SMBs to physically install software. But IT expertise is often still required—and certainly desirable—to optimize configuration, integration, maintenance and support.

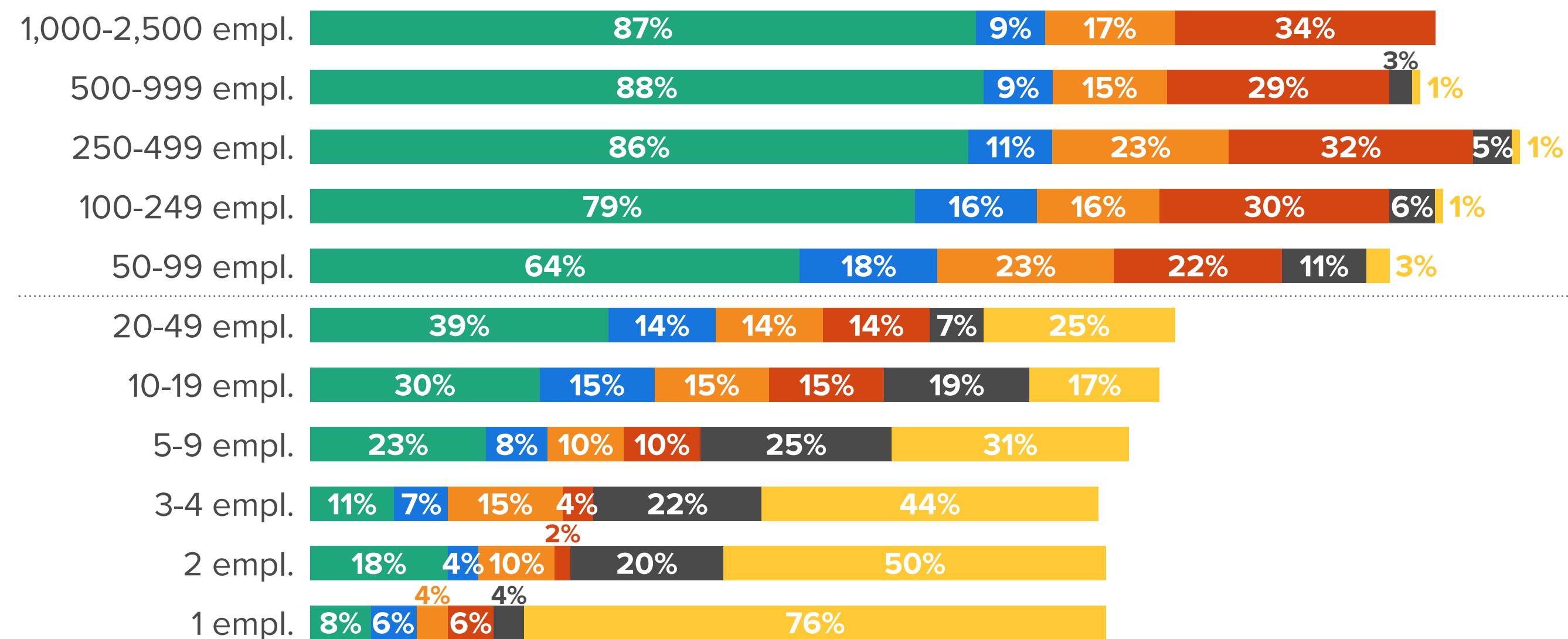
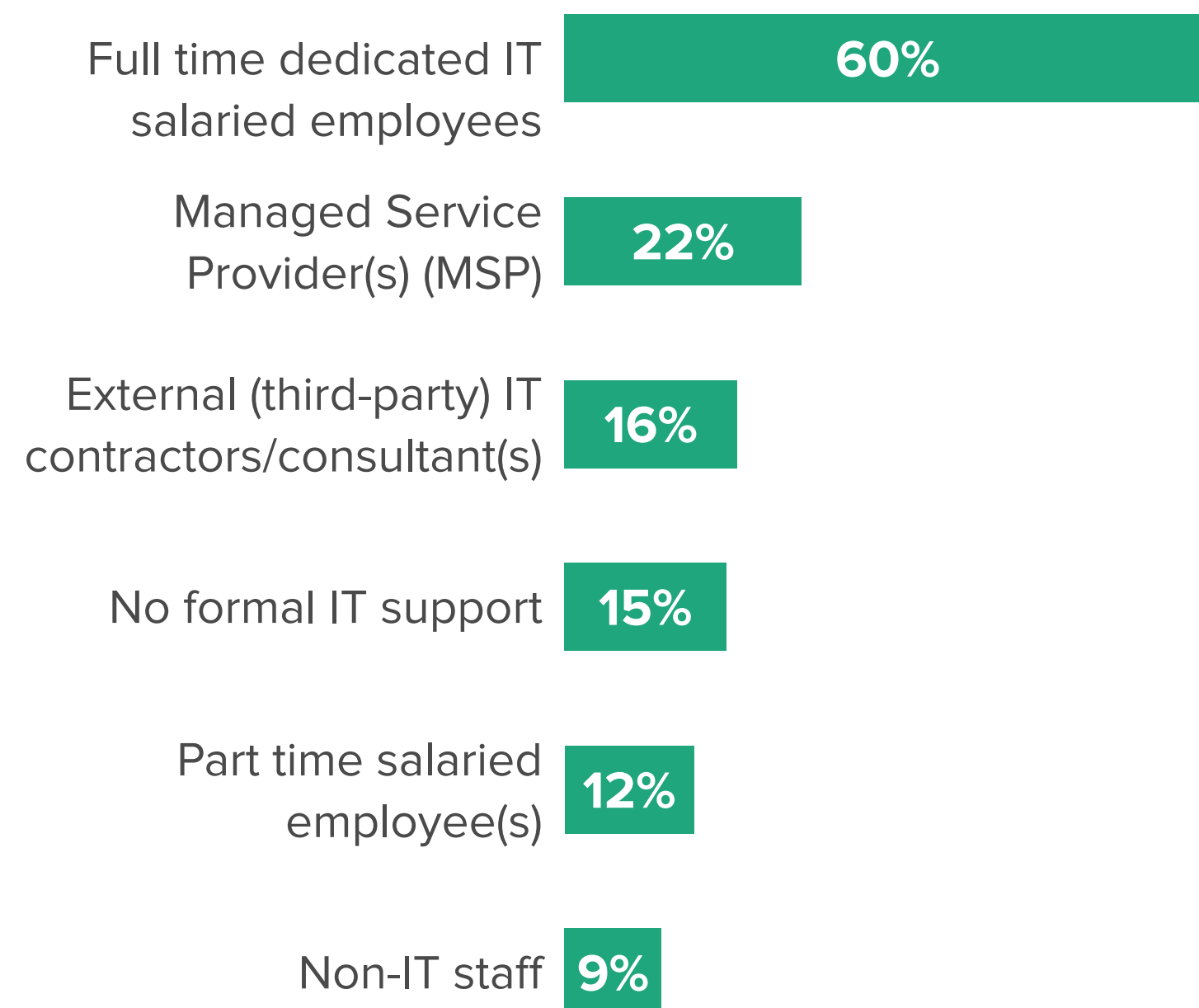
Overall, 60% of SMBs have full-time, salaried IT staff, 22% use MSPs and 16% use external consultants to support their IT needs; 5% have no formal support; 12% use PT salaried employees, and 9% use non-IT staff.

But there’s a huge gulf between the IT haves and have-nots. While 81% of SMBs with 50+ employees have full-time IT staff, in businesses with less than 50 employees, just 21% have full-time IT staff, and 42% have no formal IT support.

SMBs need consulting, implementation, and support services tailored to varying levels of IT resources in their companies.

Solutions that vendors tout as simple may not be as easy for many smaller SMBs to wrap their heads around as vendors think. These SMBs need solutions designed and tested to ensure that they are truly easy to install, configure, and get productive with.

Responsibility for supporting, managing, and implementing technology solutions



81% have full-time IT staff

42% have no formal IT support

- Full time dedicated IT salaried employees
- Part time salaried employee(s)
- External (third-party) IT contractors/consultant(s)
- Managed Service Provider(s)
- Non-IT staff
- No formal IT support

*Respondents could select as many responses as apply

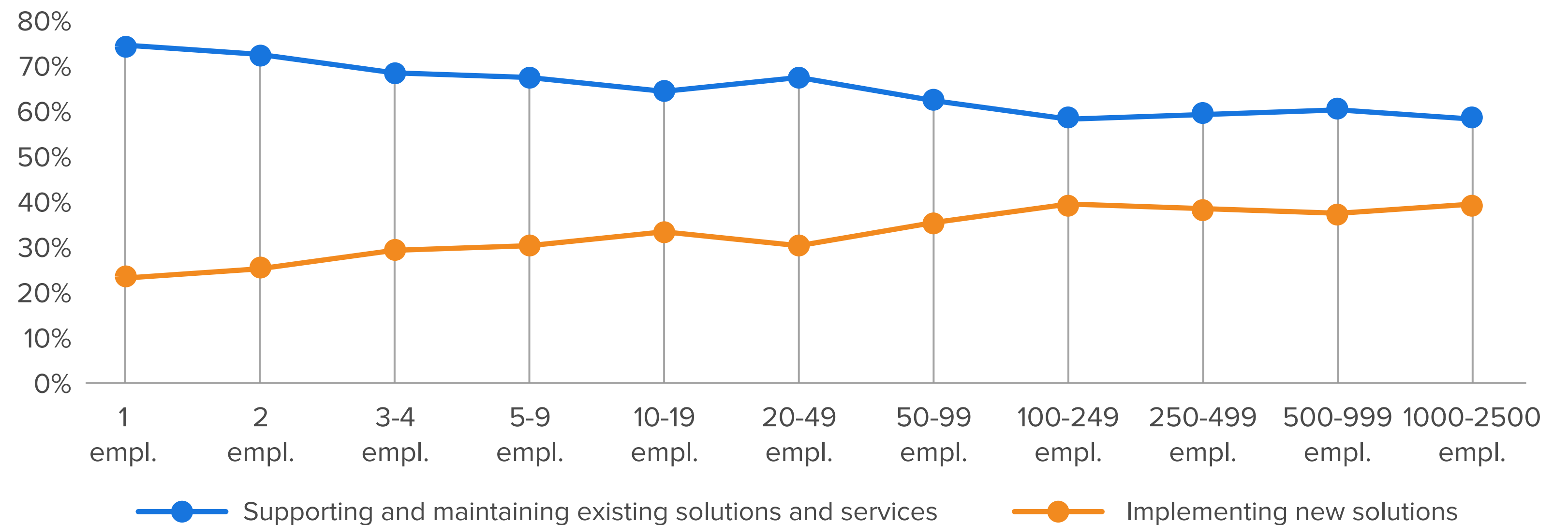
SMBs Spend Two-Thirds of Their IT Budgets Maintaining Existing Systems

Another factor that hinders SMBs from buying new solutions is that they spend the lion's share of their IT budgets on supporting existing solutions, leaving just one-third to invest in new ones.

The situation is worse for smaller SMBs, who spend more than larger counterparts to maintain existing systems. The smallest SMBs—those with 1-2 employees-- spend just one-quarter of their budgets on new solutions

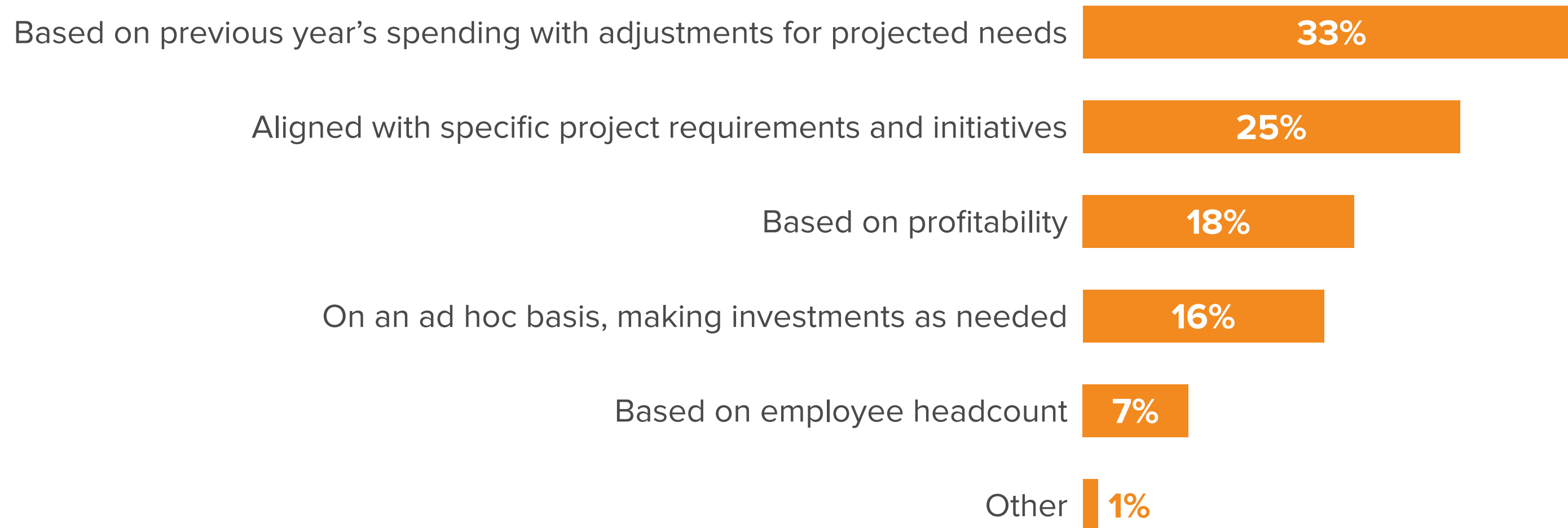
These budget limitations are driving SMB demand for solutions that can integrate easily with and enhance existing systems, provide clear-cut evidence of return on investment (ROI), and scale easily to accommodate growth.

Percentage of SMB annual spending technology allocated to support existing solutions vs. implementing new solutions



How SMBs Budget for Technology

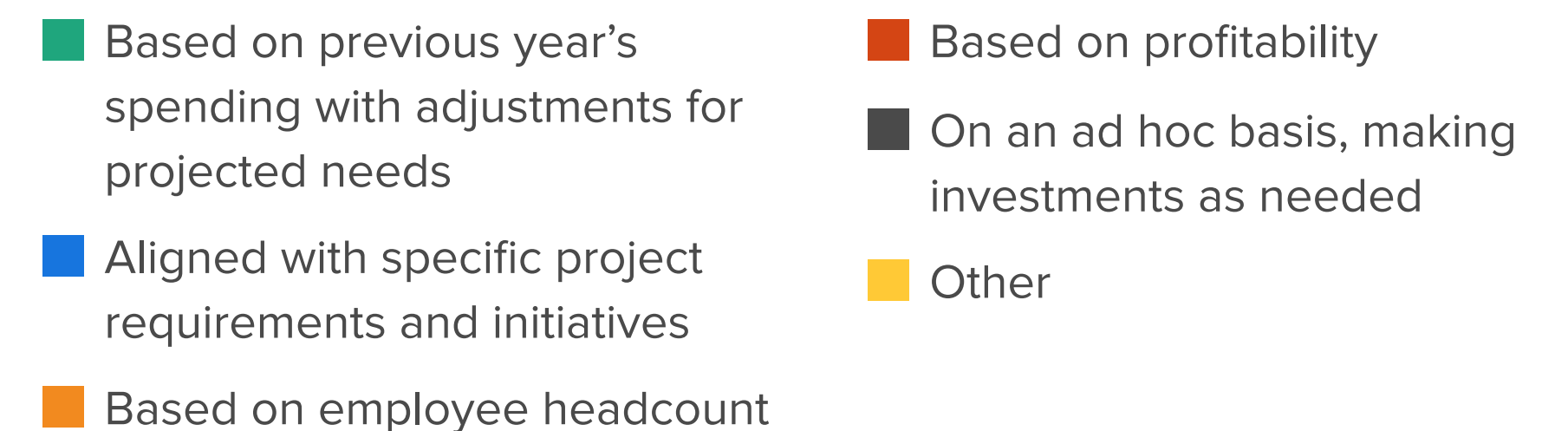
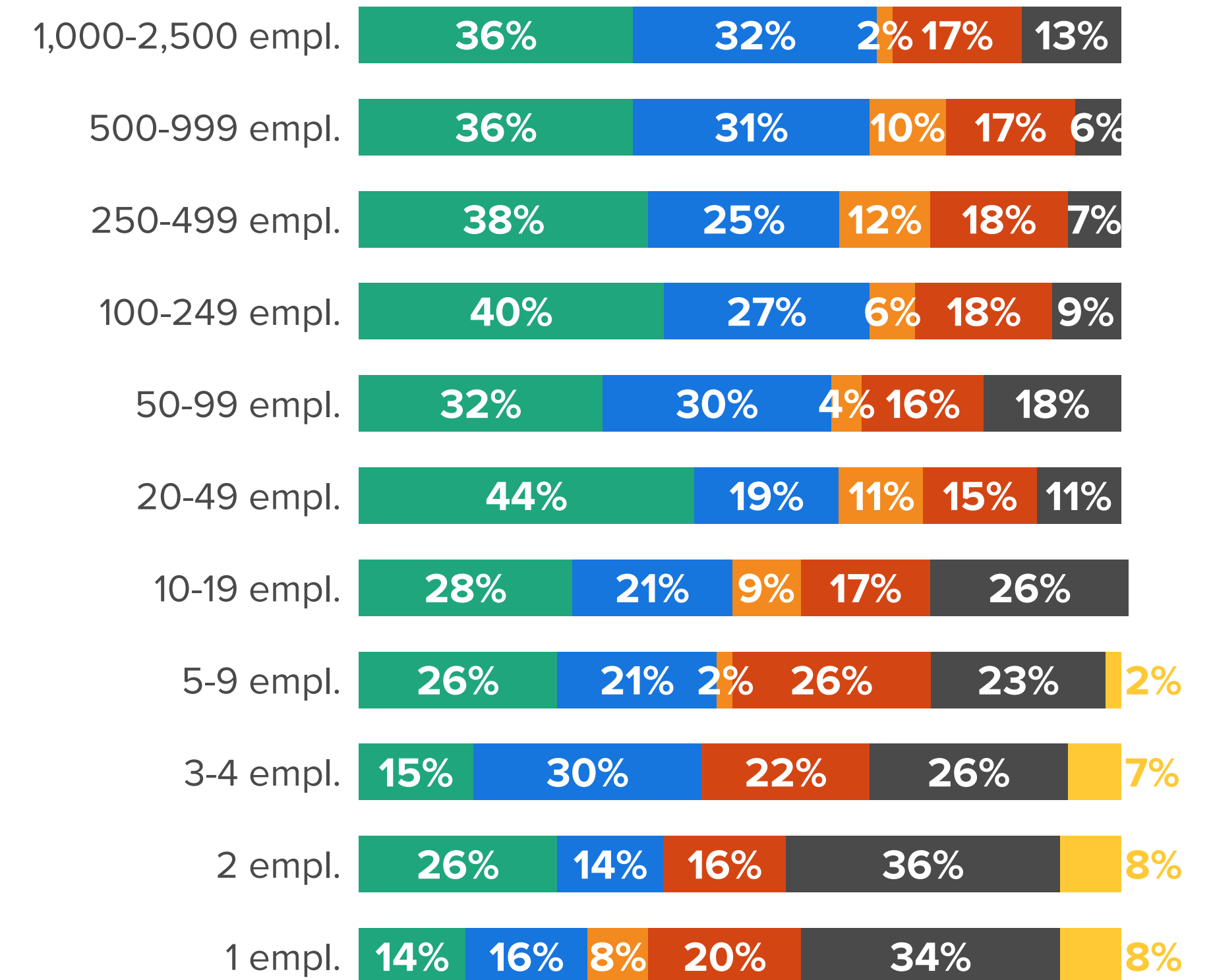
How SMBs determine annual technology budgets



One-third of SMBs determine budgets based on prior spending with adjustments, followed by alignment with specific requirements (25%), profitability (18%), ad hoc basis (16%), and employee headcount (7%). SMBs with fewer than 100 employees are much more likely to budget ad hoc than larger ones.

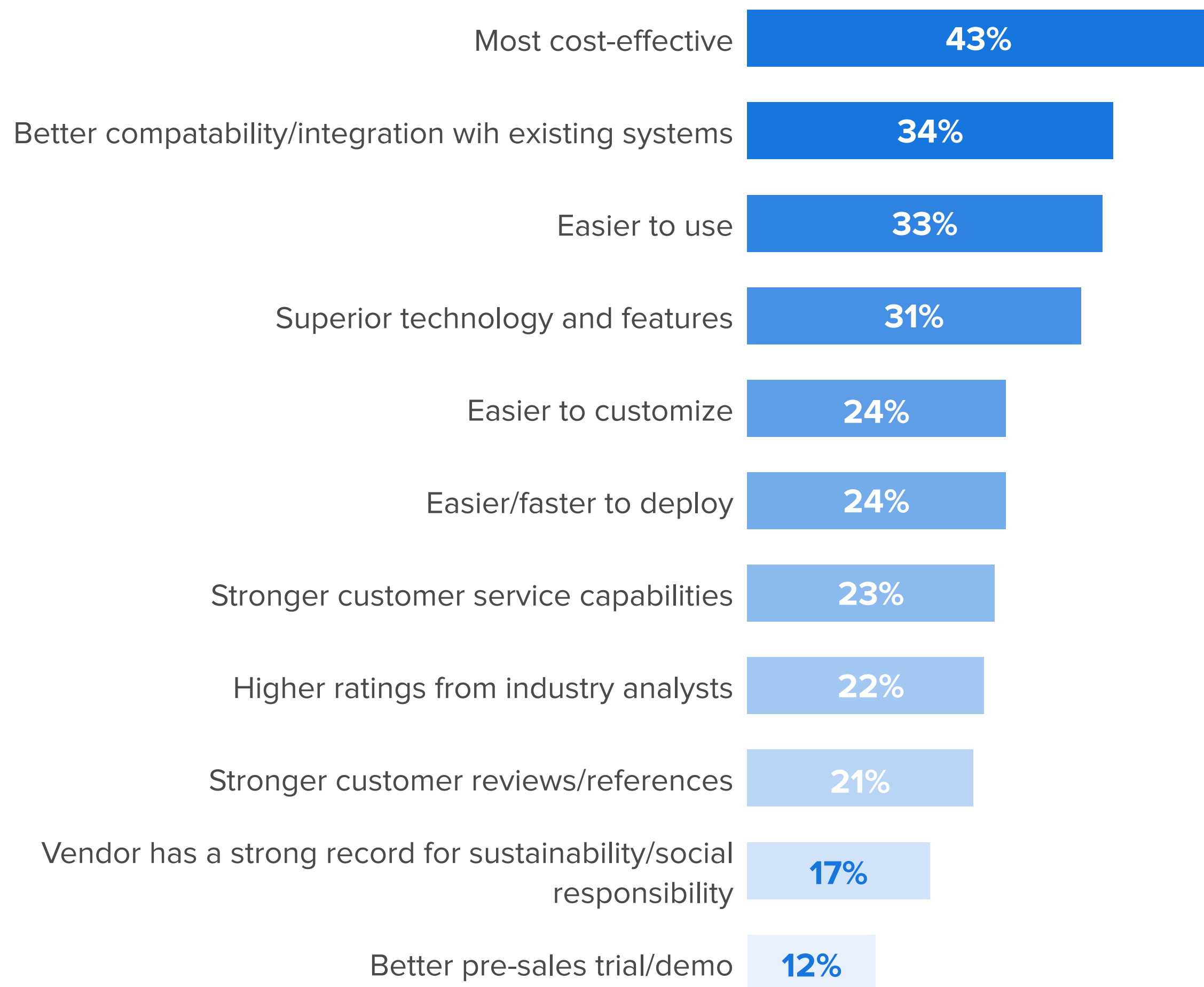
SMBs that budget based on the previous year's spending can benefit from tools or services that help analyze past spending and predict future needs, such as dashboards, spending trend reports, and budget planning tools that factor in potential adjustments for growth or market changes.

Those who use profitability metrics are likely to favor flexible pricing models, such as pay-as-you-go, subscription-based, or profit-sharing. SMBs that make technology investments on an ad hoc basis are also more likely to require flexible, on-demand offerings. These could include "plug-and-play" solutions, short-term licenses, or easy-to-integrate technology products that don't require long-term commitments or significant upfront costs.



Cost-Effectiveness Is Universally Important to SMBs When Selecting Tech Solutions

Reasons a specific solution typically gets on a “short list” over competing solutions*






*Respondents could select up to 3 responses

The top reasons SMBs cite for putting specific solutions on their short lists are most cost-effective (43%), better compatibility/integration with existing systems (34%), easier to use (33%), and superior technology and features (31%).

Cost efficiency is a universally important factor across organizations, and it is particularly vital for more resource-constrained companies with fewer than 100 employees. Ease of use and compatibility with existing systems also consistently appear across size bands.

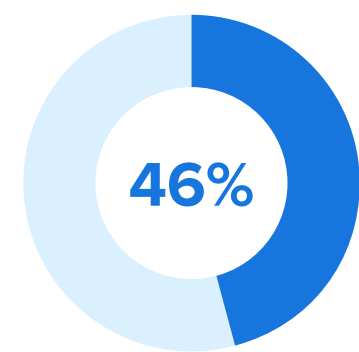
Some other key differences by employee size include:

-  Companies with 500-2,500 employees are most likely to rank superior technology and features as the #1 reason.
-  SMBs with 100-499 employees put better compatibility/integration at the top of the list.
-  Organizations with less than 100 employees prioritize easier-to-use and more cost-effective as the most important factors.

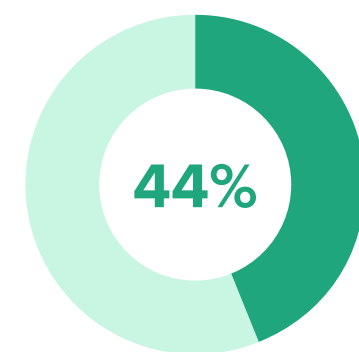
This highlights how important it is for vendors to tailor marketing, sales, and product strategies based on these requirements, with evidence and examples to support their case and differentiate them from competitors.

SMBs Want Vendors to Do a Better Job of Explaining How Their Solutions Improve Specific Business/Technology Goals

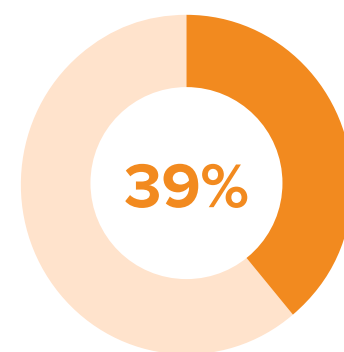
The top way that SMBs say vendors can improve the purchasing experience is to explain better how their solutions help improve specific business/technology goals (56%)—which is not surprising given that figuring out which solutions will work best for their business is one of their top technology challenges. Following that, SMBs want vendors to:



Provide more transparent pricing information on their site



Take more time to understand requirements



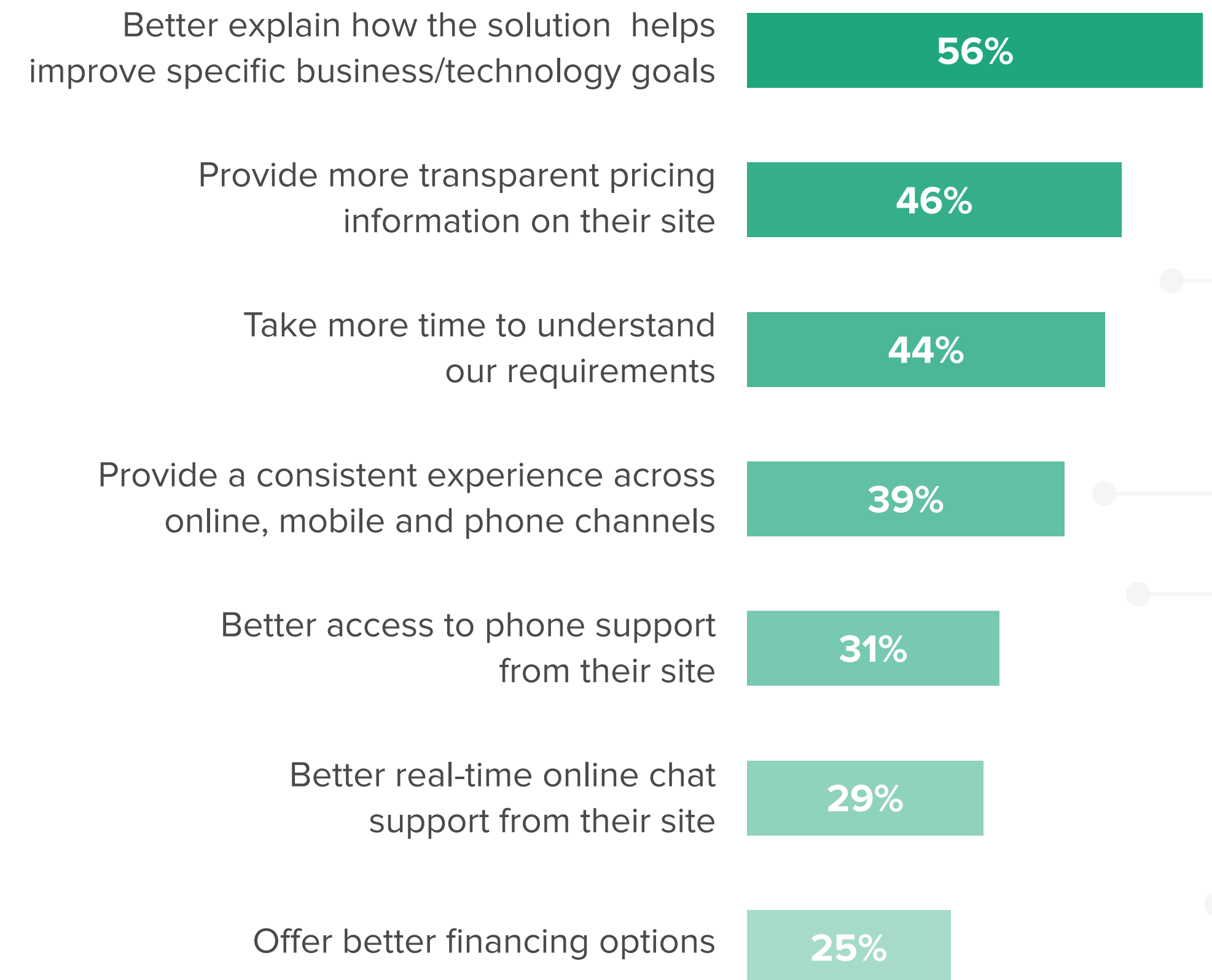
Provide a more consistent experience across online, mobile, and phone channels

These rankings are fairly consistent across employee size bands. However, SMBs with fewer than 10 employees put providing more transparent pricing at the top of their wish lists.

This underscores that vendors need to more thoroughly explain the specifics of how their solutions help customers achieve their goals—which starts by understanding them.

SMBs also want more comprehensive and transparent pricing upfront, so they don't have to waste valuable trying to determine if pricing aligns with their budgets. In the same vein, SMBs want vendors to deliver consistent experience across channels (online, mobile, and phone) so they can get the information and help they need consistently and efficiently.

Ways vendors can improve the SMB purchasing experience*



*Respondents could select up to 3 responses

Methods SMBs Use to Assess the Success of New Technology Solutions

Most SMBs evaluate new technology based on both formal and informal approaches. Methods often depend on company size and resources, reflecting the need for flexibility in assessment strategies.

The top three methods SMBs use to assess the success of new technology solutions are:



Formal measurement programs
49%

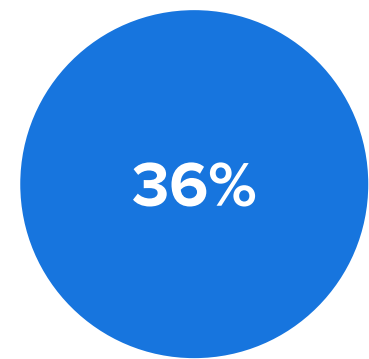


Review meetings
40%

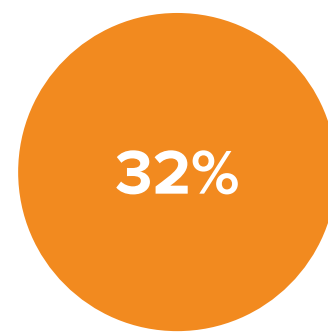


Internal audits
37%

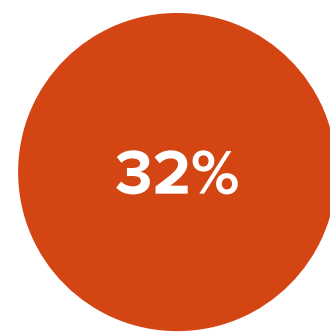
These are closely followed by



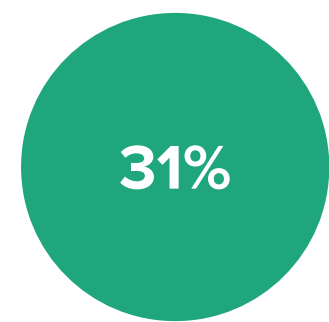
Informal user
feedback



User adoption/
utilization



Structured user
feedback programs



Benchmarking against
industry standards

SMBs with fewer than 20 employees prioritize informal user feedback while those with 20 or more employees prefer formal measurement programs.

Integrating measurement and review processes directly into implementation strategies can help ensure that technology solutions are well-aligned with business goals and increase the likelihood of getting the desired results.

Methods SMBs use to assess the impact of a new technology solution*

Employee Size	#1 Method
1,000-2,500	Formal measurement programs using analytics tools (74%)
500-999	Formal measurement programs using analytics tools (56%)
250-499	Formal measurement programs using analytics tools (62%)
100-249	Formal measurement programs using analytics tools (60%)
50-99	Formal measurement programs using analytics tools (52%)
20-49	Formal measurement programs using analytics tools (54%)
10-19	Informal user feedback (49%)
5-9	Informal user feedback (56%)
3-4	Informal user feedback (59%)
2	Informal user feedback (52%)
1	Internal audits, user adoption and utilization rates (34%) (tie)

Metrics SMBs Use to Measure How Well a New Technology Solution Works

SMBs employ multiple metrics to gauge how well a new solution works.

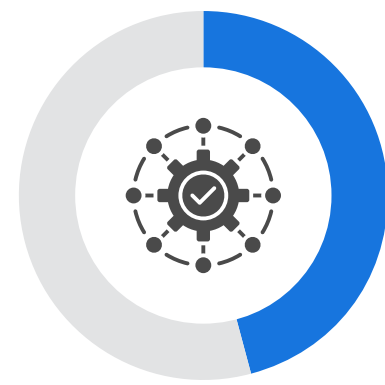
The three most important metrics are:



Achievement of specific project goals
51%



Increase in productivity
49%



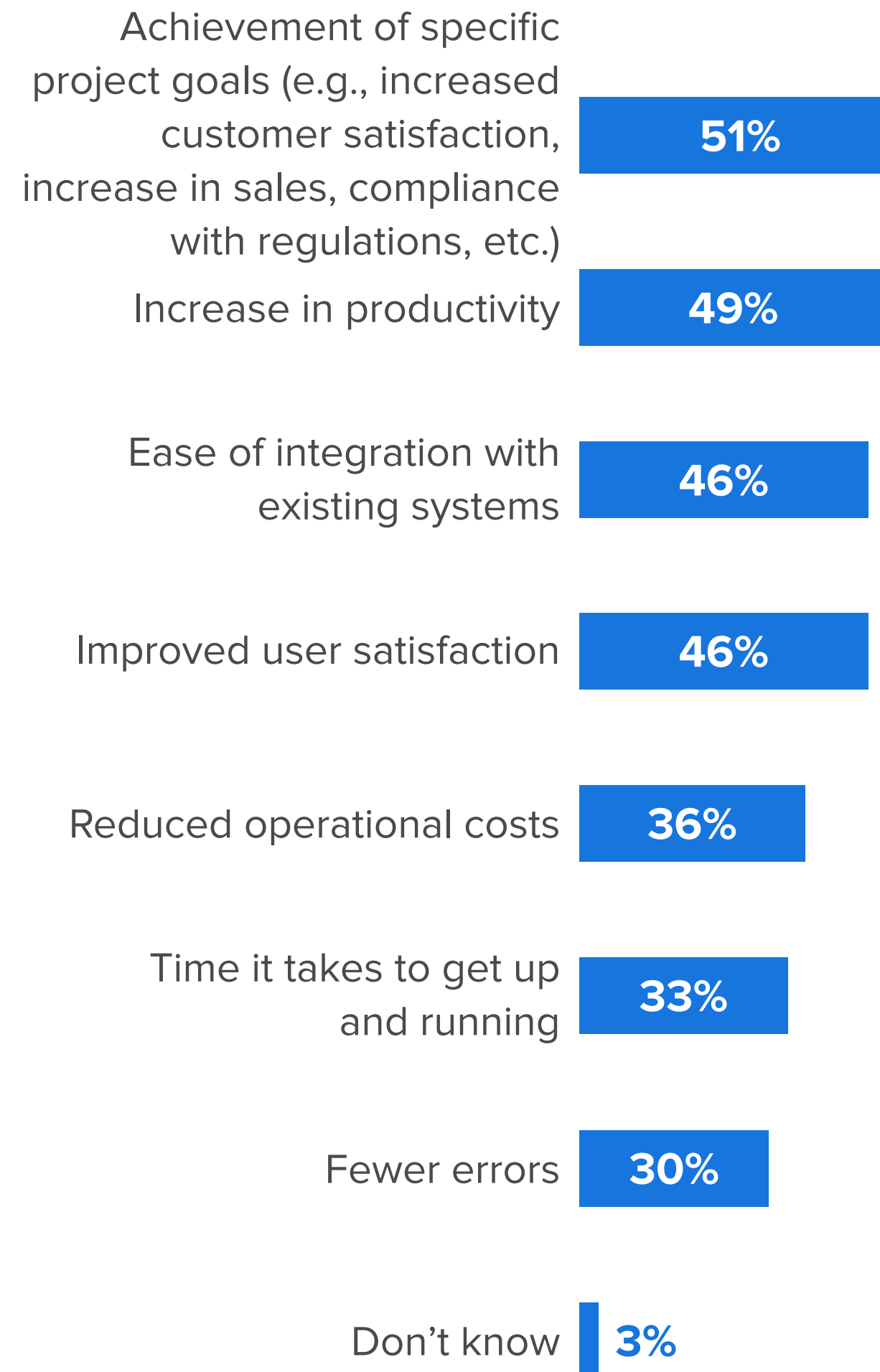
Ease of integration with existing systems and improved user satisfaction
tied at 46%

Larger SMBs tend to focus more on achieving specific project goals, integrating smoothly with existing systems, and ensuring user satisfaction. Smaller businesses lean towards metrics like productivity improvement, reducing operational costs, and minimizing errors.

This variability suggests that as businesses scale, the complexity and importance of integration and user satisfaction increase. In contrast, smaller businesses are more concerned with immediate, tangible benefits such as cost reduction and productivity gains.

This diversity in metrics highlights the need for flexible assessment tools that can cater to the varying needs of businesses based on their size and operational focus.

Metrics SMBs use to measure how well a new technology solution is working*



*Respondents could select all responses that apply

Employee Size	#1 Metric
1,000-2,500	Achievement of specific project goals (66%)
500-999	Achievement of specific project goals (59%)
250-499	Achievement of specific project goals (69%)
100-249	Achievement of specific project goals (56%)
50-99	Increase in productivity (60%)
20-49	Achievement of specific project goals (50%)
10-19	Improve user satisfaction (53%)
5-9	Increase in productivity (60%)
3-4	Reduced operational costs (59%)
2	Improved user satisfaction (52%)
1	Fewer errors (50%)

Factors Influencing SMB Contract Renewal/Termination Decisions with Technology Vendors

The primary considerations influencing SMBs' renewal or termination decisions with technology vendors include:



Customer support
52%



Solution effectiveness
52%



Budget considerations
48%

However, SMBs also rate other criteria, such as the vendor's ability to meet contractual obligations and responsiveness to feedback as key considerations.

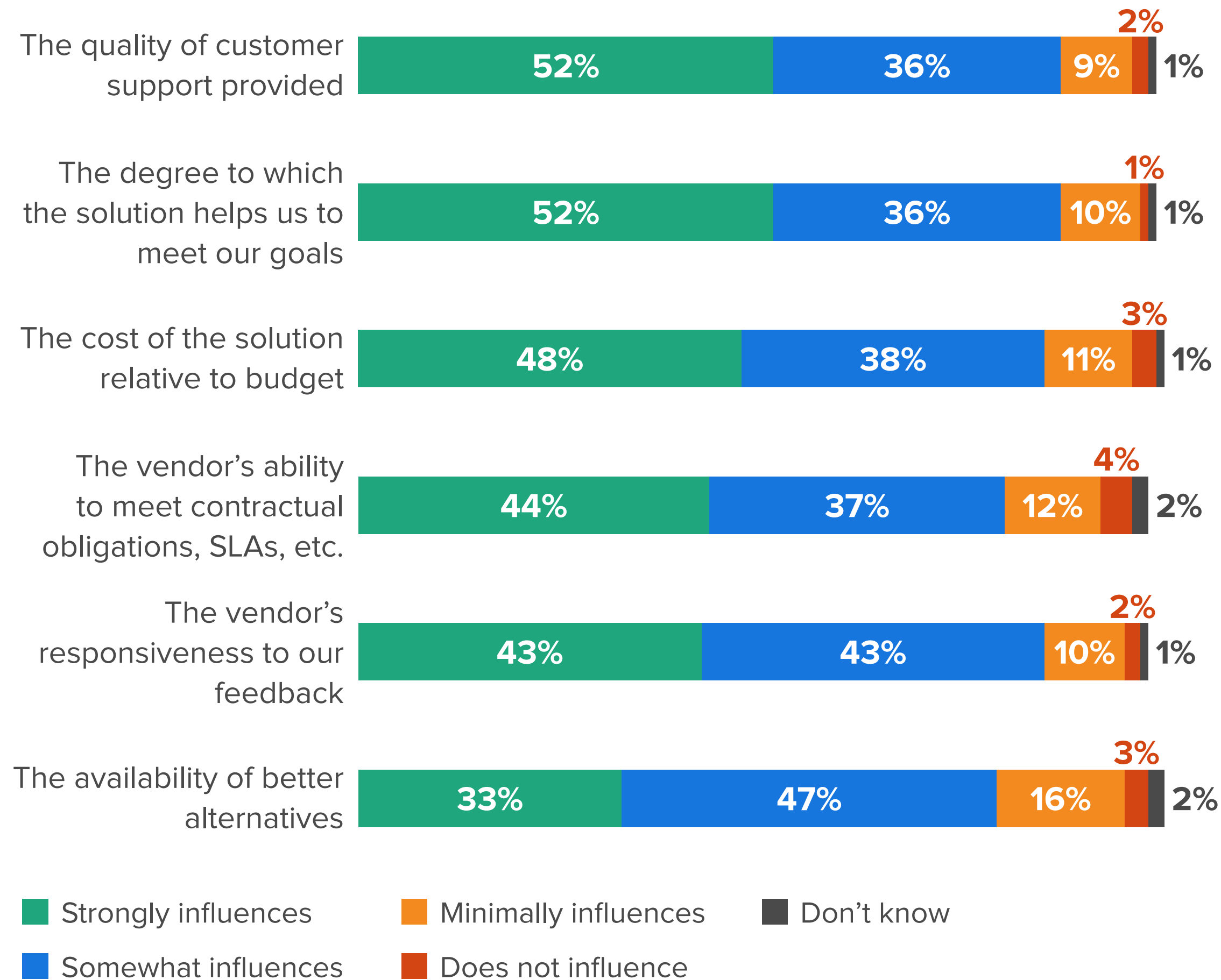
Larger organizations view adherence to security standards as crucial to achieving business goals.

In contrast, smaller entities are more focused on the direct impact of solutions on their objectives and the quality of support they receive.



Factors Influencing SMB Contract Renewal/Termination Decisions with Technology Vendors (continued)

The extent to which different factors influence SMB decisions to renew or terminate a contract with a technology vendor

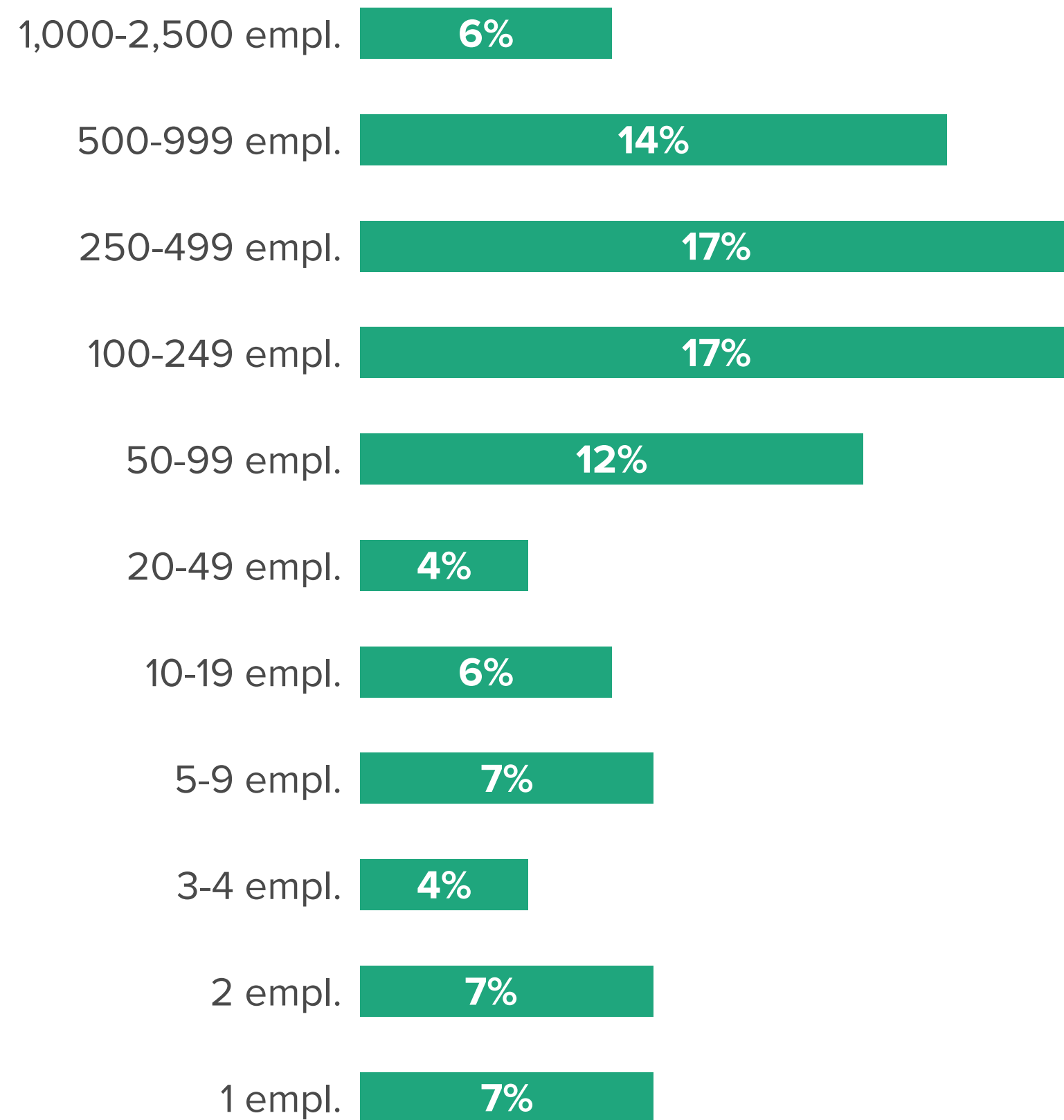


Employee Size	#1 Influence
1,000-2,500	The degree to which the solution helps us meet our goals, vendor's adherence to security standards (57%) (tie)
500-999	Vendor's adherence to security standards (63%)
250-499	Quality of customer support provided (58%)
100-249	Quality of customer support provided (54%)
50-99	Quality of customer support provided (48%)
20-49	Quality of customer support provided (48%)
10-19	Quality of customer support provided (62%)
5-9	The degree to which the solution helps us meet our goals (58%)
3-4	The degree to which the solution helps us meet our goals (67%)
2	The degree to which the solutions helps us meet our goals, cost of the solution relative to budget, quality of customer support (52%) (tie)
1	The degree to which the solution helps us meet our goals (50%)

About the Study

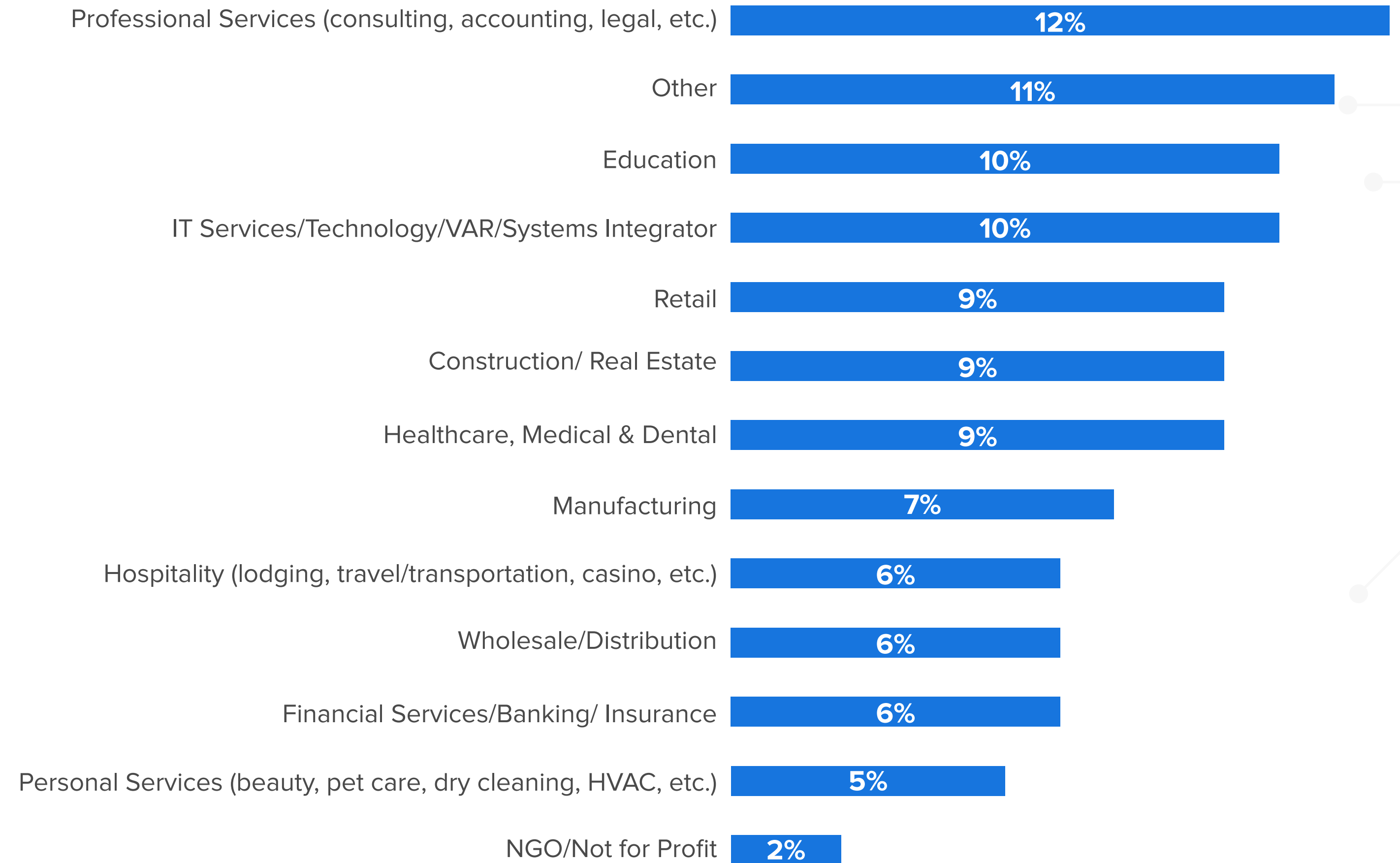
Unless otherwise noted, all data in this eBook is sourced from SMB Group’s survey. Data was collected in July 2024 via a web-based survey from a random sample of 738 survey respondents.

Employee Size Distribution



**For brevity, we will refer to the entire 1 to 2,500 group as SMB throughout this report.*

Industry Distribution





SMB Group is a research, analysis, and consulting firm focused on technology adoption and trends among small and medium (1-999 employee size) and mid-market (1,000-2,500 employee size) businesses. 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.

Thank you to our survey sponsors!

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If you are interested in the full survey results, including detailed segmentation by employee size and industry, please contact Lisa Lincoln (lisa.lincoln70@smb-gr.com) for a table of contents and pricing information.

