Which Technology Investment is Right for You?
Finding a path toward growth through technology

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Wariness of tech

Understanding when and how to adopt new technology can be intimidating for small-business owners. Often, they wind up taking a conservative approach, which can hinder growth.

According to a survey of small-business owners by Bredin, a Kabbage research partner, only one-third viewed tech adoption as essential to their success, and two-thirds considered themselves “mainstream” or “late adopters.”

Expense is often cited as a factor: A survey revealed that 41% of small-business owners were reluctant to adopt new tech due to the price tag.¹ One survey found that companies who take an aggressive approach tend to be focused on expansion. Fifty-eight percent of companies who considered themselves in a “hypergrowth” phase were aggressive about adopting new tech, and 45% of “fast growth” companies had the same attitude.

“Fear of technology is a real thing we hear about pretty often. There are ways you can bring in technology that might lower quality, but there are also many ways you can bring in technology that increases it.”

Louis Maskin, senior strategist, The Culinary Edge restaurant consultants, San Francisco

¹Source: Business.com

Only 28% of businesses say they have a “great mobile-friendly website”
Understanding growth opportunities

Small businesses adopt new tech for a variety of reasons, but the majority are focused on either improving their companies’ capabilities or improving security.

Just under 50% of small-business owners in the Bredin survey said they made tech purchases to improve functionality, and similar numbers pointed to improving performance and processes and improving reliability. Another 48% said they wanted to improve data security, while only 39% cited growth opportunities.

Yet it’s clear the growth opportunities are there if tech is adopted aggressively: According to a Deloitte survey, digitally advanced small businesses experienced revenue growth that was four times as high as the previous year, and were three times as likely to be creating jobs.1

“If we stay at the level we are now, then maybe we don’t need that additional software package. But it’s all about growth.”

Greg Mills, owner, M3 Metals, Phoenix

Digitally advanced small-businesses earn two times as much revenue per employee2

TOP REASONS FOR PURCHASING NEW TECHNOLOGY

1Source: Deloitte
2Source: Deloitte
When it comes to buying hardware, small businesses tend to focus first on the basics. They’re most likely to purchase cell phones and PCs by the end of 2019, according to Bredin.

Small-business owners tend to make decisions more quickly when purchasing printers/copiers/fax machines and cellphones. When it comes to more complicated systems like online servers and storage, decisions are more protracted: Only 15% decide within a week, and nearly a quarter take more than a year to choose.

While some of that hesitation may be price-driven, it also reflects the steep learning curve that intimidates many small-business owners.

But that hesitation can hold back growth—advanced small businesses grew roughly 33% faster than their basic counterparts.

“I was buying used computers, used printers, used monitors. But now those printers are breaking down and the computers had to be replaced.”

Steve Gazda, owner, Gazda Insurance Agency, East McKeesport, PA

30% of baby boomers make PC purchase decisions within a week, as opposed to 14% of millennials
4 Software purchase outlooks

As a whole, small business owners tend to be focused on automation software, including marketing and customer-relationship management systems, with the majority planning to utilize cloud-based versions of this technology for the convenience of remote access.

Yet the overall adoption rate is still relatively low: No software categories gained a 50% usage rate in 2017, and less than a third of companies were utilizing CRM systems.

Business owners often cite fears about cost, as well as concerns about training time, integration with current software, and security issues when explaining why they don’t use new software. (In fact, security software was a primary purchase goal before 2019 for 15% of businesses.) These qualms can hinder growth, though: According to a 2016 SAP survey, companies that said they were “well under way” to applying technology—including CRM and analytics software—saw revenues rise by 10% or more from the previous year.¹

“Being able to pull up my cell phone and tap into security cameras, or break down food costs and place orders in an inventory management system, is so valuable to me. The downside is that it can become a minor handicap as opposed to doing everything hands on.”

Lamar Moore, chef and entrepreneur, Chicago

47% of growth-focused small businesses planned to increase tech spending in the next year

SOFTWARE BUSINESS OWNERS PLAN TO BUY BEFORE THE END OF 2019

<table>
<thead>
<tr>
<th>Software</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Marketing automation</td>
<td>20%</td>
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<tr>
<td>Social media management</td>
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<td>CRM</td>
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<td>Security software</td>
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<td>Website analytics</td>
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<tr>
<td>Other analytics</td>
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<td>HR/Payroll</td>
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<td>Accounting</td>
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<td>Inventory management</td>
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¹Source: SAP
When it comes to investing in tech, small businesses are typically held back by both costs and their concerns about seamless adoption. Nearly two-thirds of small businesses said they’re seeking “clear, competitive pricing” when evaluating vendors, while 57% look for “experience/expertise in my industry.”

Well-known companies like Apple, Microsoft, Cisco and Salesforce lead the way when it comes to brands that small-business owners would recommend to friends and colleagues.

When evaluating what your company might need, experts recommend a certain amount of skepticism—especially when it comes to long-term contracts or other commitments—but not so much that you wind up opting out of making a purchase altogether. They also suggest rolling out new technology slowly so that employees can get up to speed, and relying on data, rather than instinct, to evaluate its success.

“...I used an e-mail marketing company for a while, but it felt too impersonal, so I started writing them myself. I was doing so much better in terms of opens and click rates.”

Kevin Hennessey, owner, Brabo Payroll, Plymouth, MA

38% of small business cited increased sales and and revenue as a benefit of digital adoption