

IT vendors and operators need to identify the SMB 'super spenders' to drive revenue growth

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The COVID-19 pandemic has had a significant impact on the small and medium-sized business (SMB) market. It has forced businesses to not only rethink their models, but also to change their IT investment priorities. Our research shows that there is a distinct dichotomy: many SMBs are planning to invest more in technology, while others are delaying or cancelling IT projects. The mindsets, vertical industries and needs of high-spending SMBs have changed as a result of the pandemic, so vendors and operators must work out how to identify those that are planning to spend more in this unprecedented time. We refer to these companies as 'super spenders'.

Vendors and operators must identify pockets of opportunity in the new working environment

Approximately 70% of the respondents of our [survey](#) of over 400 SMBs across the USA have implemented or expanded their work-from-home measures due to COVID-19. This shift has created significant opportunities for vendors and operators because many SMBs are managing this increasingly distributed workforce by adopting new technologies and digital tools. Some have had to reprioritise their IT investments as a result. Indeed, 36% of SMBs surveyed plan to increase their IT budgets in four or more categories as a result of the pandemic.

SMBs' IT investments are spread across a range of areas, with a particular focus on cloud services and cyber security. Many SMBs have had to change how they do business. For example, restaurants and retailers have had to shift to home delivery and contactless ordering. Vendors need to be able to identify who the super spenders are in the new working environment, and develop a marketing plan to address this segment.

US SMBs can be split into four unique market segments

Our COVID-19-related research shows that US SMBs can be split into four unique market segments, each characterised by specific vertical industries, spending patterns, mindsets and IT priorities. We describe SMBs in each of the segments as super spenders, ahead of the curve, constrained strugglers or disengaged (Figure 1).

Figure 1: Segmentation of US SMBs, according to our COVID-19-related research

Segment	 Super spenders	 Ahead of the curve	 Constrained strugglers	 Disengaged
Percentage of sample and SB/MB split	 30% Mainly MBs	 45% Mix of SB/MBs	 16% Mostly SBs	 9% Mainly SBs
Industries	 Fairly well-protected	 Fairly well-protected	 Mostly high-risk	 Mostly high-risk
Pre-COVID-19 spending	 Twice the average	 Average	 Below average	 Below average
Spending once COVID-19 restrictions are lifted	 Higher than previously	 No change	 No change	 Lower than previously
Mindset	 Resiliency	 Business continuity	 Survival reallocation	 Reduction
Key IT spending priorities	<ul style="list-style-type: none"> • Touchless entry systems • Cloud software and infrastructure • Mobile apps • Remote IT support/management 	<ul style="list-style-type: none"> • Cloud software and infrastructure • Mobile apps • Remote IT support/management 	<ul style="list-style-type: none"> • Remote IT support/management • Replace desktops with laptops and tablets 	<ul style="list-style-type: none"> • Reduce/reallocate budgets

Source: Analysys Mason, 2020

The super spenders make up roughly one third of our sample. These businesses tend to be found in well-protected industries such as professional services. Their pre-COVID-19 IT expenditures were approximately twice the average, and their plans for spending once all COVID-19-related restrictions have been relaxed continue to be above average. Additionally, our segmentation shows that the super spender mindset is founded on agility and innovation, but the immediate strategic urgency has shifted towards enabling a hybrid workforce via the cloud.

The ahead of the curve segment consists of a mix of small businesses (SBs, 1–99 employees) and medium-sized businesses (MBs, 100–999 employees). The IT spend of these businesses is in line with the average of the whole sample. They are currently more focused on business continuity (for example, day-to-day operations) than the super spenders are. The super spenders and the ahead of the curve SMBs are the two priority segments for vendors.

The other two segments (constrained strugglers and disengaged SMBs) are mostly formed of SBs and, unlike the super spenders and the ahead of the curve SMBs, they tend to be more insular and focus on cost cutting and survival. Spending in most cases has been severely reduced by the COVID-19 pandemic. These businesses tend to be found in high-risk industries such as retail, construction and manufacturing.

Analysys Mason can help to identify the super spenders

The pandemic has had a significant effect on the SMB landscape. However, there are pockets of opportunity for vendors and operators. The super spenders and the ahead of the curve SMBs have specific IT needs and mindsets and it is important for vendors and operators to identify who they are.

Analysys Mason successfully assists clients in identifying high-value targets (such as super spenders) by deploying its SMB segmentation know-how. This approach offers strategic planners, marketers and sales executives the insights needed to pinpoint rich sales opportunities among companies that are often overlooked when considering just business size and vertical industry taxonomy.

We understand the complexities of the SMB ecosystem and how the pandemic is transforming this landscape. To book a consultation, please contact Bob Takacs (bob.takacs@analysysmason.com).