



Analysys Mason's SMB Barometer 2022



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Introduction and executive summary

Introduction

Analysys Mason's *SMB Barometer* looks at how small and medium-sized businesses (SMBs) are feeling about their IT-related requirements, business and market conditions.

The Barometer score (slide 4) is a summary of scores in three main categories and will help vendors to assess and design their marketing strategies in a changing global business environment.

The three categories are as follows.

- **IT spending:** looks at SMBs' current and near-term IT budget and IT management sophistication.
- **Business performance:** provides insights on SMBs' revenue expectations, and plans for hiring and expansion.
- **Macroeconomic environment:** tracks SMBs' views on future opportunities and the economic outlook.

Executive summary

Inflation, geopolitical uncertainties, economic factors and COVID-19 are influencing SMBs' purchasing power, willingness to spend, attitude and buying behaviours.

The Barometer categorises the SMBs' business environment according to four strategic operational mindset scenarios, each of which have implications for vendors.

Contraction (score 0 to 49).

- Vendors to hedge their risk, **optimise** their business cost, and identify more resilient segments.

Strategic re-alignment (score 50 to 64).

- Vendors to **protect** their market share and focus on client retention

Business as usual (score 65 to 79).

- Vendors to focus on **expanding** their business and identify new opportunities.

Peak consumption (score 80 to 100).

- Vendors to **invest** in new products and features, explore new concepts and fund innovations.

Methodology

Details and objectives

 This report contains findings based on a survey of **371** SMB IT decision-makers. The survey was conducted during 28 June to 26 July 2022 in the USA.

 The key objective is to assess how SMBs have shifted their behaviour and attitudes relating to IT investments, such as willingness to buy IT, their financial strength and their feelings about the macroeconomic environment.

 The survey responses serve as the key inputs to the overall SMB Barometer model.



Survey sample: SMBs in the USA

Number of employees ¹	Percentage of participants	Vertical ²	Percentage of participants
1-4	12%	AMTUC ³	14%
5-9	11%	Manufacturing	15%
10-19	12%	Wholesale	15%
20-49	12%	Retail	14%
50-99	12%	FIRE ⁴	14%
100-249	14%	Professional business services	14%
250-499	14%	Other services	14%
500-999	13%		

¹ Question: "Including yourself, how many non-furloughed, full-time employees, are actively working at your company as of today?"; n = 371.

² Question: "What is your company's primary business activity? Please review the list below and select the answer that is most descriptive of your company."; n = 371. ³ AMTUC = agriculture, mining, transportation, utilities and construction. ⁴ FIRE = finance, insurance and real estate.

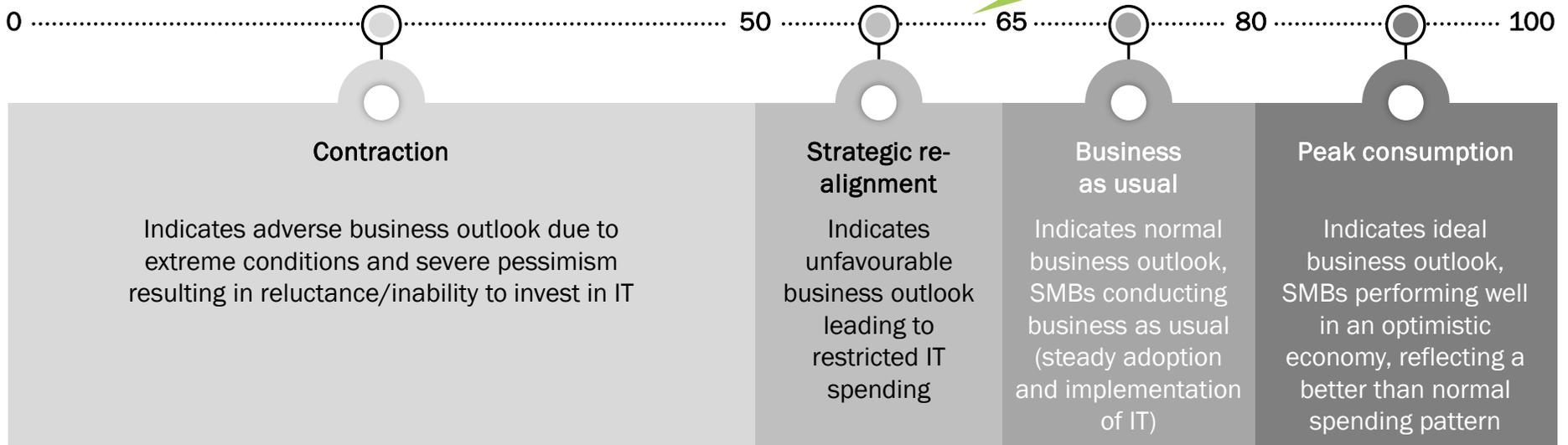
The SMB Barometer reveals that SMBs are between the 'strategic realignment' and 'business as usual' mindsets

SMBs are at a crossroads; many feel positive about their company's prospects and will increase their **IT spending**, but they feel less optimistic about the **macroeconomic environment** and their IT budget growth rate is slowing down.

For now, most SMBs feel good about their **business performance** despite the economic downturn; they expect their 2022 revenue to be higher than 2021 and have plans to expand their businesses.

It is evident that the perceptions highlight some incongruous trends and are pushing SMBs to a tipping point. Volatile environment brings changes.

How SMBs continue to react to macroeconomic factors and how they deploy technologies to innovate will determine the next Barometer score in 2023.



Source: Analysys Mason

IT spending: SMB IT budgets will increase, but the growth rate is below the typical average and the average share of revenue allocated for IT low



Our research shows that SMBs are spending 4.6% of their revenue on IT in 2022. We believe the industry standard is around 4%–8% and varies depending on the size of the business and the vertical they operate in. In the current business environment, spending on IT has become less important, leading to IT spend as a percentage of revenue being at the lower end of the standard.

IT spending will continue to increase but the growth rate will slow down in the near term because SMBs are cautious about spending as the economy heads into a recession.

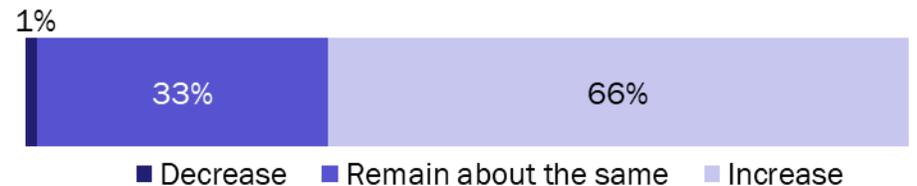
Around 66% of SMBs expect their IT budget to increase at an average rate of 5.2%, but this increase is lower than we would expect (typically 6–7%).

Figure 1: Average percentage of revenue allocated for IT budget in 2022¹



Source: Analysys Mason

Figure 2: Expected IT budget change in the next 12 months²



Source: Analysys Mason

\$ ↑↑↑ 5.2%
Average IT budget growth

¹ Question: “What proportion of your company’s annual revenue was allocated for your overall IT budget for 2022?”; n = 371.

² Question: “Over the next 12 months, how do you anticipate your company’s IT budget will change?”; n = 371.

Business performance: despite the economic downturn, many SMBs will continue to expand their businesses and expect revenue to increase

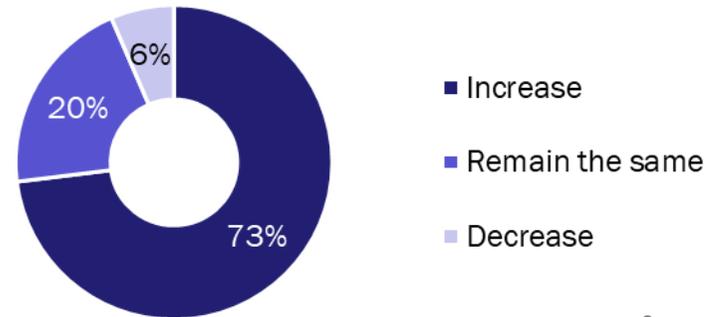


SMBs are expecting good business performance and are planning to expand their businesses by increasing their customer bases and market share of revenue despite the economic slowdown.

Around 73% of SMBs expect revenue to increase in 2022 and 80% are planning to hire new full-time employees. The labour market has been, and will continue to be, difficult; SMBs are facing challenges in finding qualified candidates and paying them competitive wages.

In addition, almost half of the businesses plan to add new business location(s) in the next 6 months.

Figure 3: Expectation for revenue in 2022, compared to 2021¹



Source: Analysys Mason

Figure 4: Expansion plans²



Source: Analysys Mason

¹ Question: "How does your company's expected 2022 revenue compared to 2021?"; n = 371.

² Question: "Which of the following expansion plans does your company have in the next six months?"; n = 371.

Macroeconomic environment: SMBs are positive about their own prospects but are split in their perceptions of the wider economy

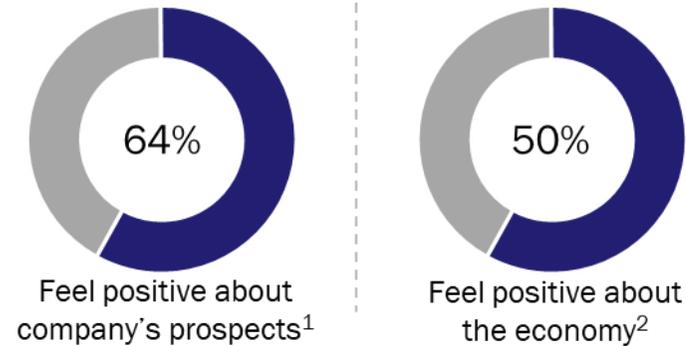


Inflation is rising in the USA and around the world. It reached a 40-year high of ~9% in the USA. SMBs are being hit hard with supply-chain issues and rising prices.

Around 64% of SMB respondents indicated that they feel positive about their company's prospects, but only 50% of the respondents are optimistic about the macroeconomic environment.

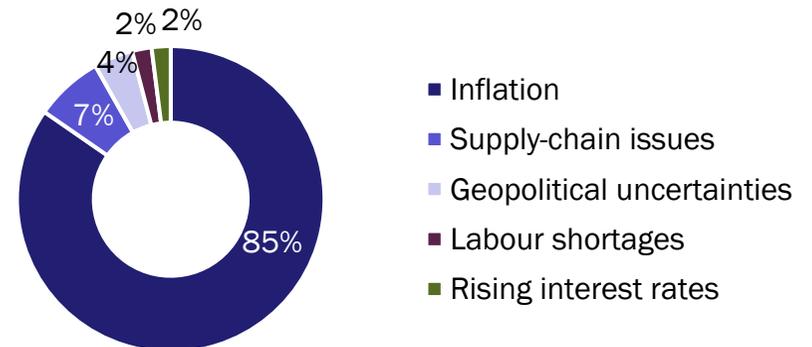
Of the SMBs that feel pessimistic about the economy, the main concerns are inflation followed by supply-chain issues.

Figure 5: Economic perceptions



Source: Analysys Mason

Figure 6: Most concerning factors about the economy³



Source: Analysys Mason

¹ Question: "How do you feel about your company's prospects over the next 6 months compared to the previous 6 months?"; n = 371.

² Question: "How do you feel about the economy in the next 6 months?"; n = 371.

³ Question: "Which one of these factors contributed most to the pessimistic view of the economy for the next 6 months?"; n = 97.

Conclusion



1. IT spending

- SMBs are at a tipping point and are feeling uncertain about the near future
- SMBs will continue to invest in IT but at a slower rate than previously



2. Business performance

- Many SMBs are continuing to expand their businesses, despite the economic downturn
- SMBs expect revenue to increase



3. Macroeconomic environment

- SMBs feel positive about their companies' prospects
- However, they are split on their outlook for the macroeconomic environment

About the authors [1]



Bob Takacs (Research Director) is the head of Analysys Mason's New York office. He brings over 20 years of experience in the areas of global market intelligence, corporate communications and SMB go-to-market consulting and research. He helps organisations to optimise their business performance by untangling the analytic complexities of big data, and improves sales and marketing effectiveness through precision-guided, customer-segmented acquisition programmes. Bob has built brands and organisations, successfully launched products and services and assembled and managed high-performance consulting and sales teams. He is a trusted advisor to leading IT, telecommunications, financial services and FMCG brands. He holds an MBA from Fairleigh Dickinson and a BA (Economics) from Upsala College.



Joseph Bertran (Senior Analyst) manages Analysys Mason's global market sizing products and tools in the New York office. He leads a team of analysts and consultants in refining market research methodologies to develop market opportunity sizing and forecasts by region, business segment and channel. He specialises in analysing primary data, along with go-to-market insights across various IT solutions and their impact on digital transformation. While at AMI-Partners (acquired by Analysys Mason), Joseph identified and expanded the tracking of new market segments and product categories to include in the firm's market sizing and forecasting tools. He developed models to identify usage patterns and trends for global automation software, managed services and digital marketing across various industries.



Karthik Pannala (Senior Analyst) Karthik joined AMI-Partners in 2016 and now works in Analysys Mason's SMB Technology Forecaster team. He specialises in product development, data analysis and analytics. He has worked extensively on the Asian SMB landscape and has delivered multiple market sizing projects. Karthik has also led consulting assignments for MNC's across Asia. Before pursuing his MBA, Karthik worked at Crayon Data, a big-data-based analytics start-up, where he managed product development and client delivery. Prior to that, he was a business analyst at Beroe Consulting India. Karthik holds an MBA from Hult International Business School. He also received a Master of Science degree in Economics and a Bachelor of Engineering degree in Electronics and Instrumentation from BITS Pilani, India.

About the authors [2]



Li Lin (Senior Analyst) manages Analysys Mason's Data Analytics team in the New York and Kolkata offices. Li has over 15 years of experience in data-driven analytics. While at AMI-Partners (acquired by Analysys Mason), Li has developed and refined custom small and medium-sized business (SMB) IT adoption, behavioral and attitudinal market segmentations. Li has extensive experience of creating predictive algorithms to formulate prospect profiling and target lead generation for leading IT-industry client campaigns. She's responsible for global research services and co-ordinates the SMB, enterprise, and channel partner primary and custom research studies and databases. Li holds a BBA in Marketing from Baruch College of City University of New York and a Graduate Certificate in Data Mining from Oklahoma State University.

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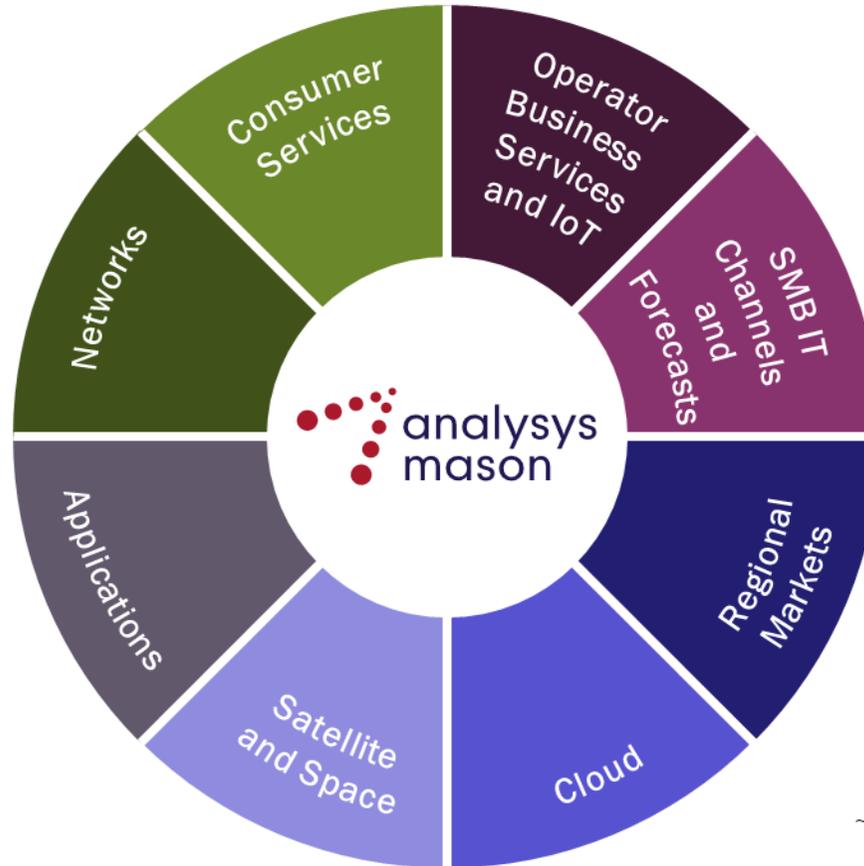
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 - Regional results and worldwide totals
 - Operator historical data

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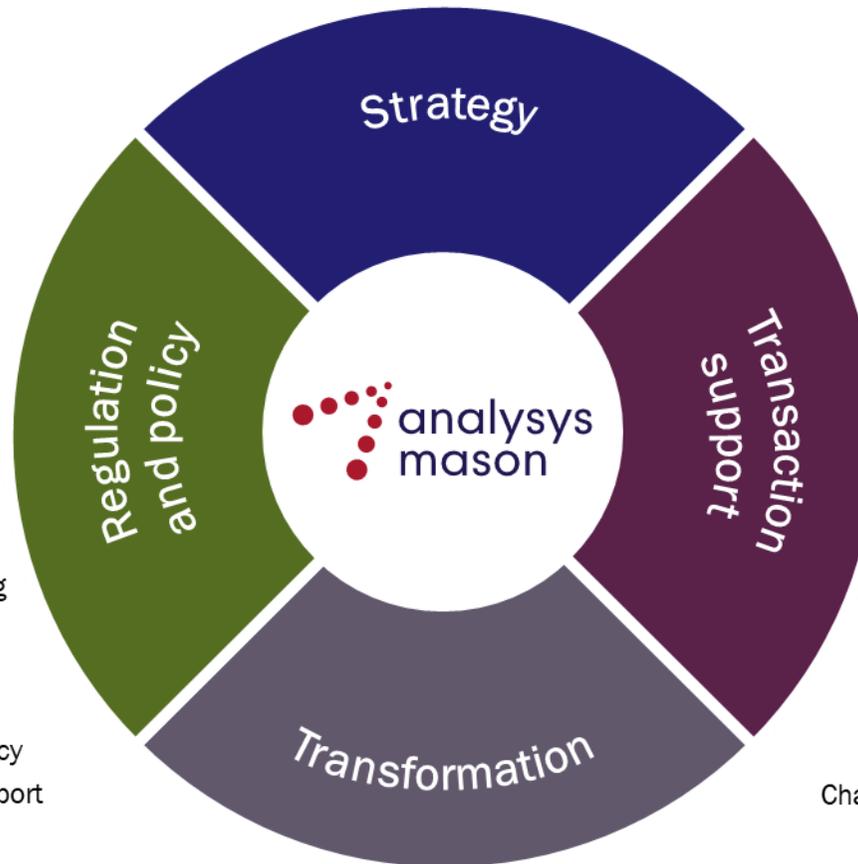
Strategy

- Corporate growth strategy
- Business unit strategy
- Infrastructure strategy



Regulation and policy

- Network and platform
- Public sector broadband intervention
- Accelerating digital transformation of society
- Price controls and cost modelling
- Regulatory accounting
- Regulatory benchmarking and analysis
- Spectrum management and policy
- Expert witness and litigation support
- Postal regulation and policy



Transaction support



- Commercial due diligence and market review
- Technical due diligence
- Post-merger integration
- Periodical business monitoring and loan technical advisory
- Opportunity scouting and pre-deal support



Transformation

- Business transformation
- Digitalisation
- Operational excellence
- Data, BI, steering and insights
- Change and programme management
- Sustainability

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