

## November 2005 Survey “Selling to Small Businesses”

### *New Survey Reveals Key Insights About Selling to the Small Business Market*

#### **Letter from the Publisher:**

Welcome to the first Small Business Trends Survey of the small business market.

When I first started to track trends in the small business market, I was surprised at how little research about **selling to** the small business market is available to small businesses.

You can find considerable data from government agencies and trade associations describing the size of the small business market and certain general characteristics. While helpful, most of that research only goes so far in helping vendors craft their sales and marketing plans.

Of course, the big-name research firms also conduct analyses of what it takes to sell to the small business market. However, their reports are intended for large vendors and sell for thousands of dollars each. Unfortunately, most small businesses I know cannot afford those reports. They need data that is free or low cost.

This is the first in a series of planned surveys and research reports. Each new survey will delve ever deeper into the nuts and bolts of what it takes to successfully market to small businesses. The emphasis will be on practical, useable information. And since the vast majority of those vendors that sell to small businesses are small businesses themselves, such data will do double duty. It will provide important insights into small businesses as sellers and as buyers — both.

This document contains the results of the first survey, conducted from October 29 to November 13, 2005.

**Anita Campbell**

**Publisher, Small Business Trends**

## Summary of Results

**Some of the information in this survey will not be a surprise to readers. It will simply confirm what they already knew or believed:**

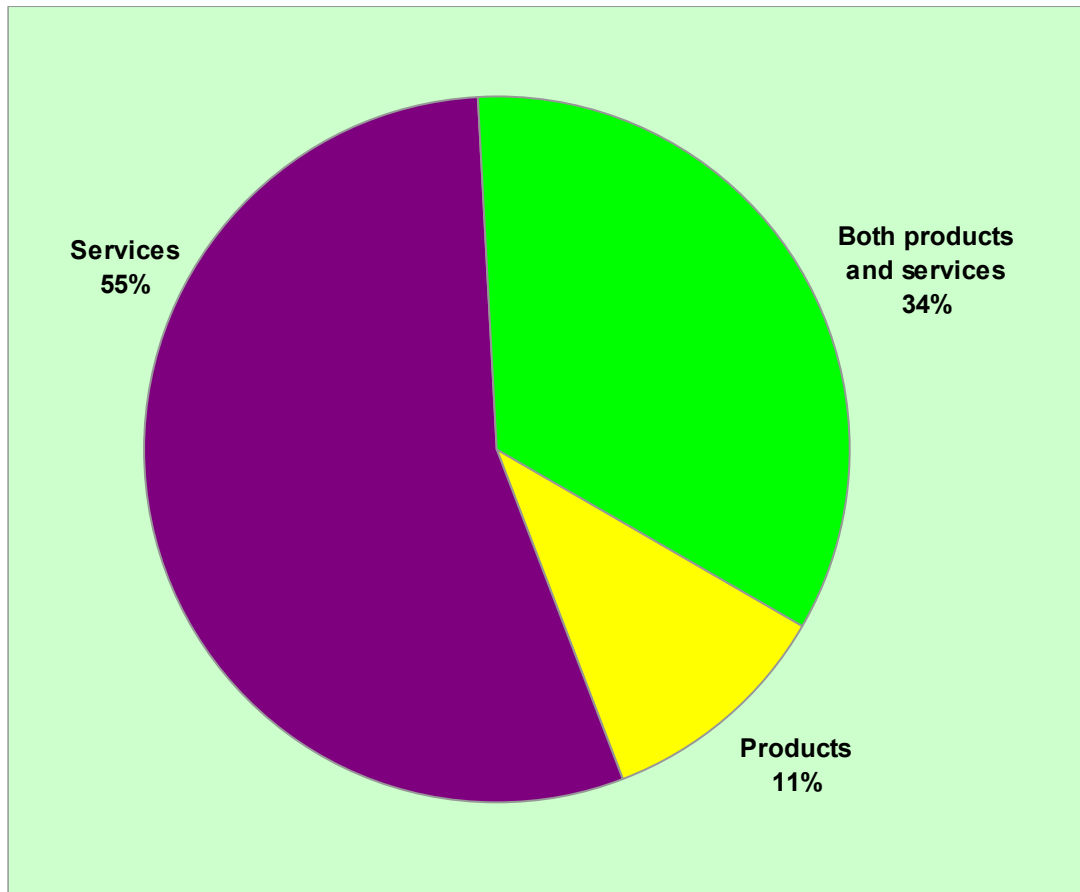
- Small business is built on relationships. 83% of sellers report getting customers through referrals — the single largest method.
- Small businesses are price sensitive. The most frequent buying objections they raise relate to budget and price.
- Being found in the search engines — organic search results — is the key way that vendors are found online by small businesses. 73% say they attract small business customers through search engines.

**On the other hand, the survey highlights subtle points and nuances about the small business market that often are not well understood:**

- The sheer numbers of small businesses are plentiful, making the market attractive. However, vendors may be overlooking the largest segment of that market: the sole proprietor business with no employees. Better segmentation and understanding of the small business market is needed.
- Learning how to successfully sell services — versus products — is a key need for the small business market. Sellers need to understand how to better package up and price services. They also need guidance in conveying the benefits of services to buyers.
- The small business market is filled with many small businesses marketing to other small businesses. Just because they are themselves small business people does not mean that they have cracked the mysteries of how to sell successfully to other small businesses. There appears to be a huge need for useful research and guidance.
- It is often said that vendors sell through channel partners to reach the small business market. That may be true for larger vendors, or for vendors of technology products. However, the multitudes of small businesses that sell to other small businesses are selling directly more so than through channels.
- The importance of the Web in sales to small businesses is suggested. But more information from future surveys is needed to pin down the specifics.

The breakdown of each of the survey questions follows.

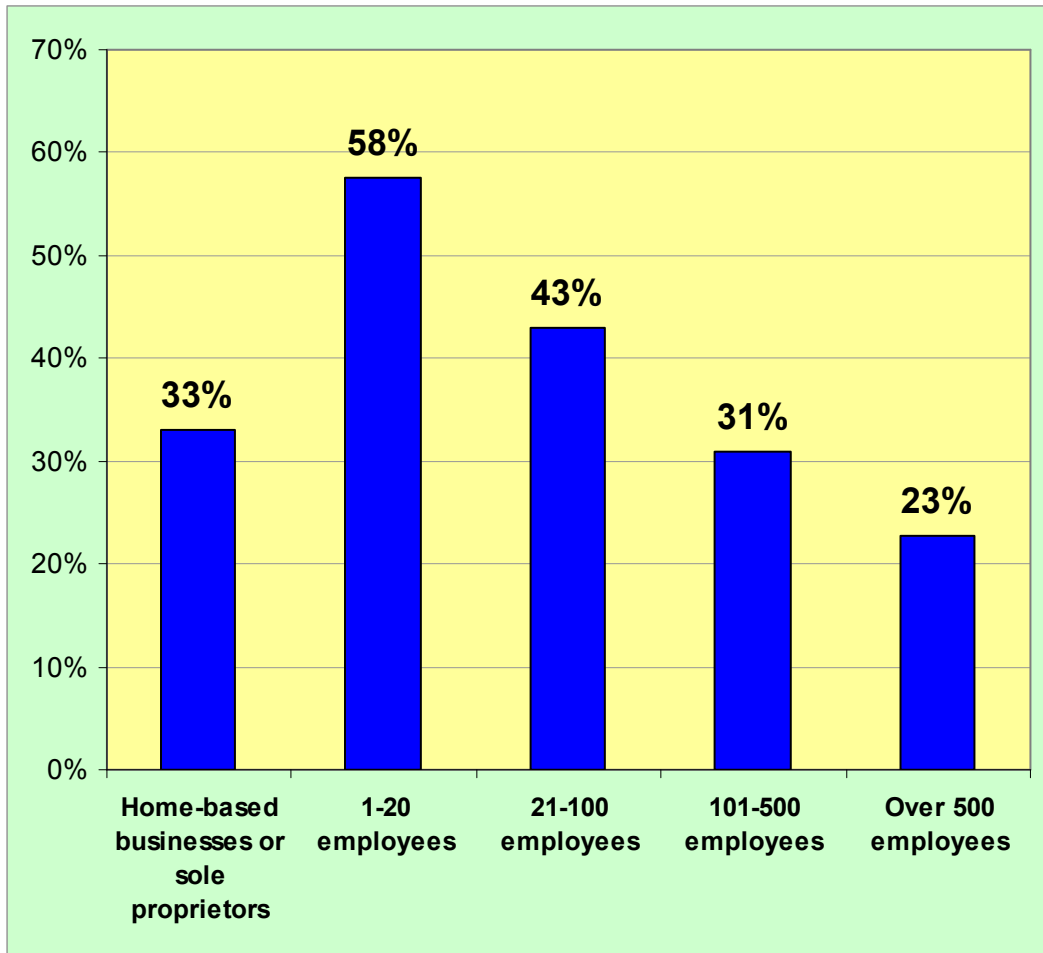
## 1. What are vendors selling to small businesses?



**CONCLUSION:** When it comes to selling to small businesses, it truly is a service economy. A majority of vendors — 55% — are selling services instead of products. When you add in the number that are selling services along with products, the percentage rises to a huge 89%.

**IMPLICATIONS:** Selling services can be more challenging than selling products, because services may be harder to “package up” for sale. Some sellers find it difficult to describe services in a way that conveys the full scope of the benefits delivered. Also, business models for services need to be carefully chosen if the seller wants to develop recurring revenue streams and a business that scales for growth. Typical hourly rate pricing can be a limiting way to sell services.

## 2. What size of small businesses do vendors target?

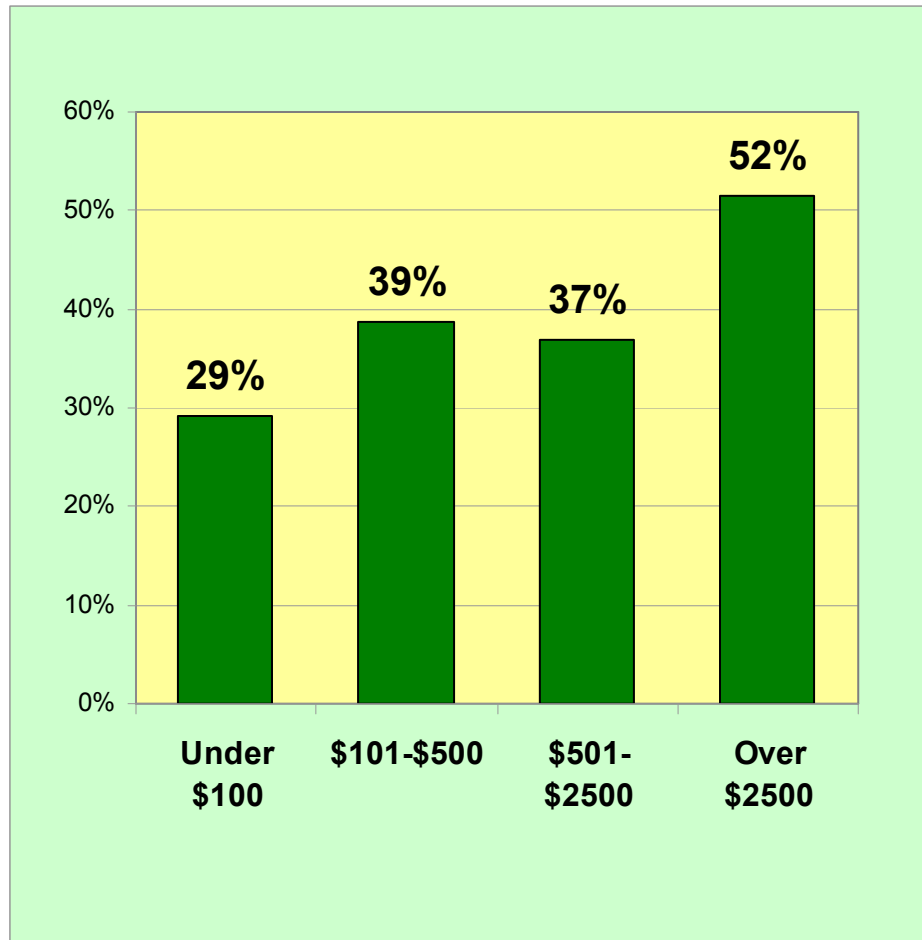


**CONCLUSION:** Small is beautiful. A clear majority - 58% - of sellers go after customers in the 1 to 20 employee size. Only 23% of sellers that sell to small businesses also sell to large businesses, i.e., those with over 500 employees.

**IMPLICATIONS:** There may be a missed opportunity here, in the smallest category. Home-based businesses and sole proprietorships with no employees make up the vast majority of small businesses in the United States and some other parts of the world (according to government figures). Yet only 33% of vendors sell to them. Those smallest of businesses appear to be underserved.

(Multiple responses were permitted; total is more than 100%)

### 3. What is the price range of products and services sold to small businesses?

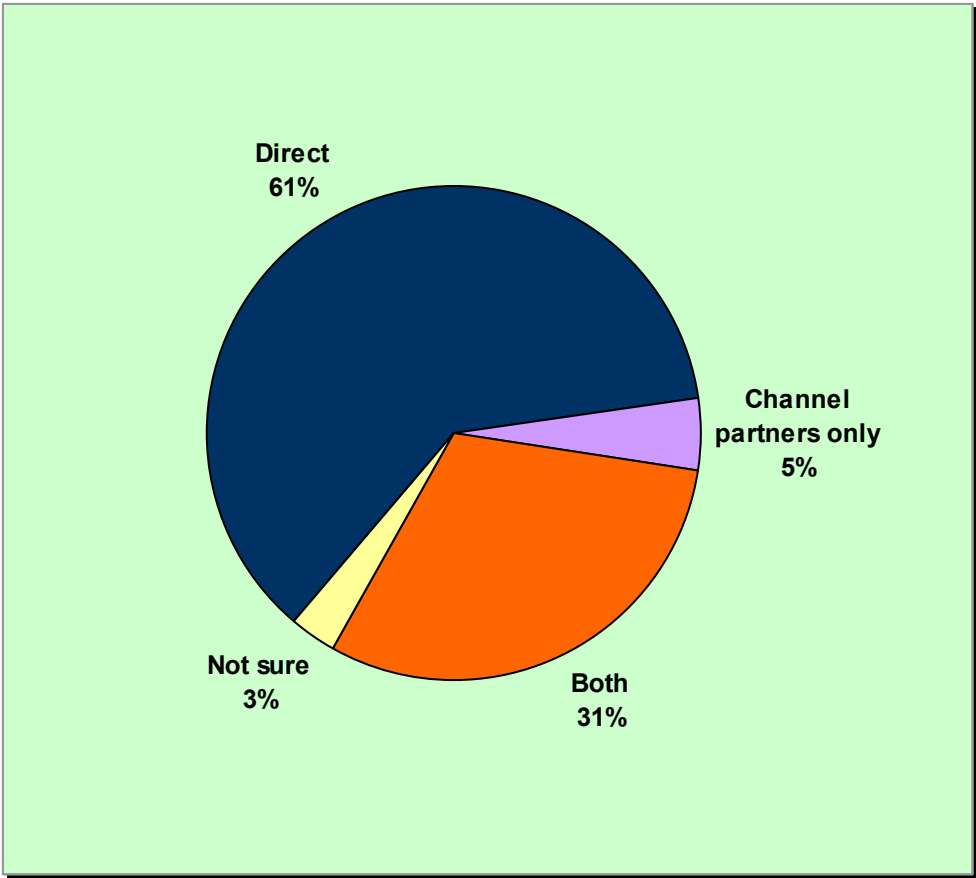


**CONCLUSION:** The majority — 52% — of vendors pursue big ticket sales over \$2500. That’s not surprising. After all, everyone wants to maximize their return on the selling effort to make it worthwhile.

**IMPLICATIONS:** It is a little surprising, however, that fewer sellers target their prices at the next level down, between \$500 and \$2500. Small businesses tend to be price sensitive, as we will see later in question 9. A lower price point *should* make for an easier sale, and if done intelligently still yield a good return. This response may indicate an opportunity for sellers to carve up existing offerings into smaller (and thus smaller-priced) components.

(Multiple responses were permitted; total is more than 100%)

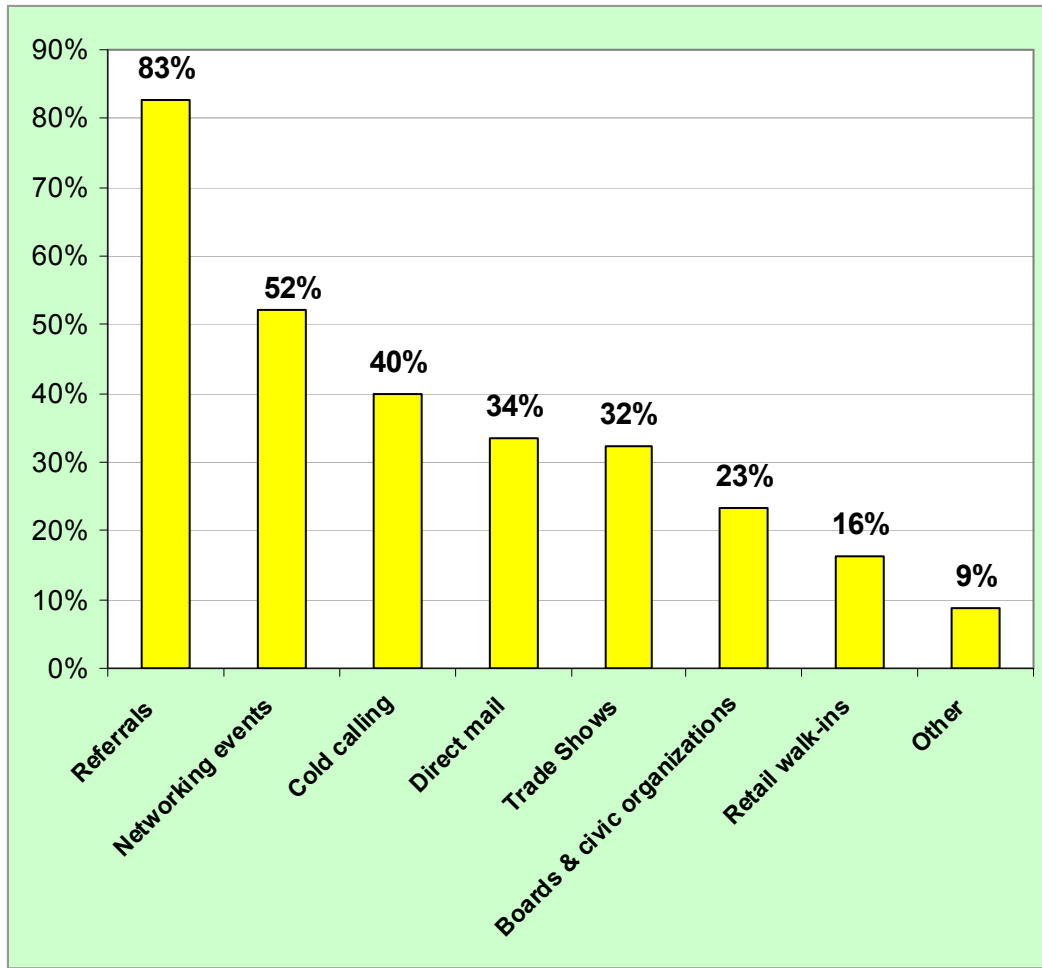
### 4. Do vendors sell directly to small businesses or through channel partners?



**CONCLUSION:** The clear majority of sellers — 61% — sell to small businesses directly, and not through channel partners such as distributors or resellers. That is consistent with the earlier response on question 1, indicating that a majority are selling services, rather than products. Services do not lend themselves as easily to channel sales as do products.

**IMPLICATIONS:** The overwhelming majority of the vendors surveyed are themselves small businesses (as we will see in question 10). Therefore, the need for small business owners and staff to have good selling skills stands out. All these small businesses selling directly to other small businesses had better be good at sales. All too often, though, they are not. It sounds like an opportunity for any firm selling sales training, sales consulting, or sales and marketing tools such as CRM — i.e., teach small businesses how to close more sales or provide them with the tools for that purpose.

### 5. How are sellers finding small business customers offline?

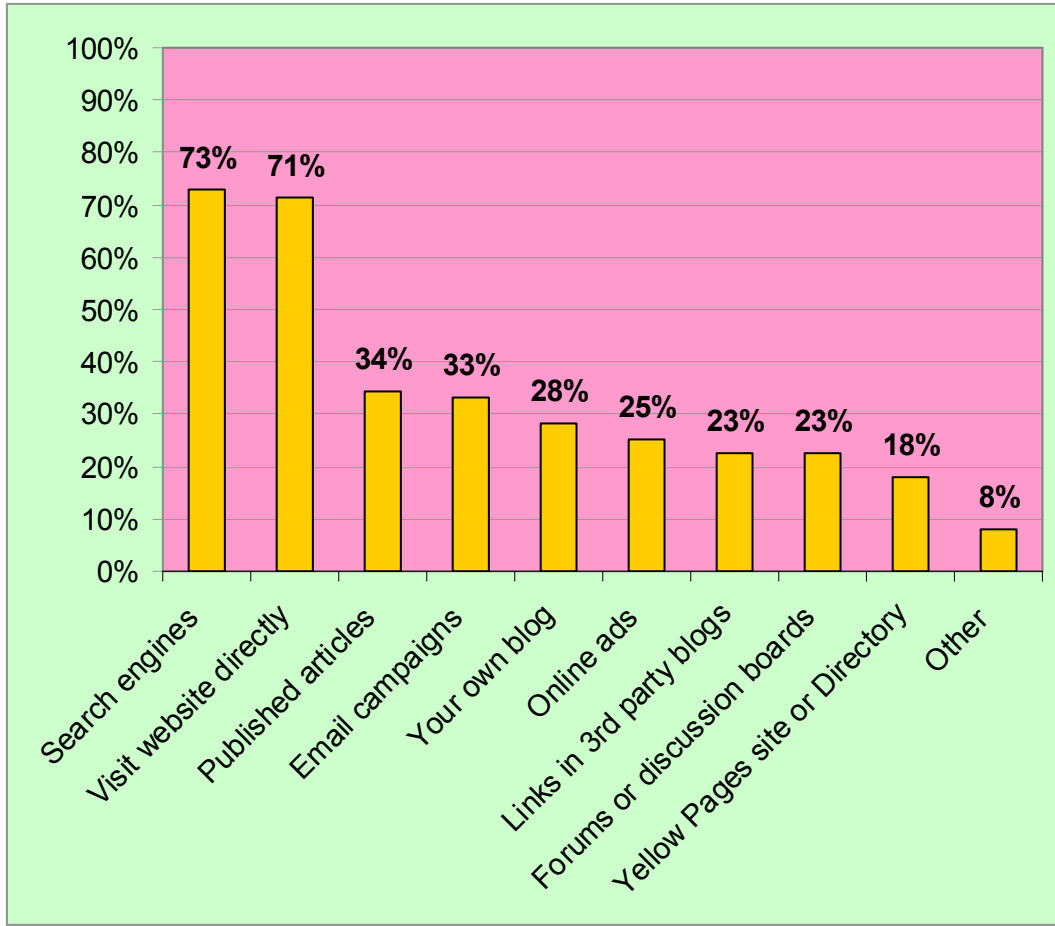


**CONCLUSION:** Relationships rule in the offline world when it comes to reaching small businesses. A whopping 83% of vendors find small business customers through referrals — more than twice the number that secure customers through cold calling. And 52% find customers through networking events, another method for developing relationships.

**IMPLICATIONS:** Need we reiterate the obvious? It pays to (1) develop relationships with small business owners and staff, and (2) maintain good relations with existing customers in order to maximize referrals. Here is the reality: small business owners talk with one another. They willingly share referrals. Make sure the referrals are to *your* business.

(Multiple responses were permitted; total is more than 100%)

## 6. How do vendors attract small business customers online?

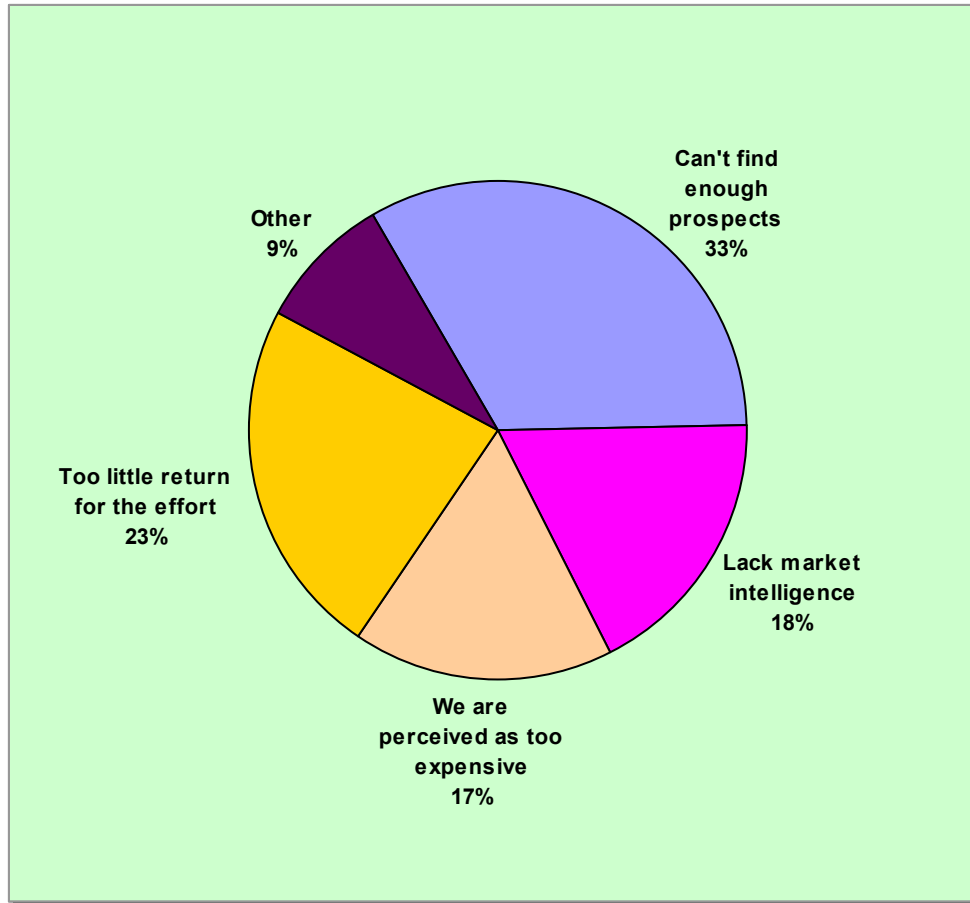


**CONCLUSION:** Search engines and direct website visits are the primary ways vendors attract small business customers online, at 73% and 71% respectively. Another notable point is that vendors are slightly more likely to use their blogs to attract small business customers, than online ads. And getting your site linked in a 3rd-party blog gets higher marks at 23%, than securing an online Yellow Pages listing at 18%.

**IMPLICATIONS:** SEO firms take note: these statistics highlight the importance of search engine optimization (SEO) for those that want to reach the small business market. And all you blogging consultants, here is a selling point for you: a low-cost blog strategy is considered to be somewhat more effective than more expensive options such as advertising and yellow pages listings.

(Multiple responses were permitted; total is more than 100%)

## 7. What is the #1 challenge in selling to small businesses?

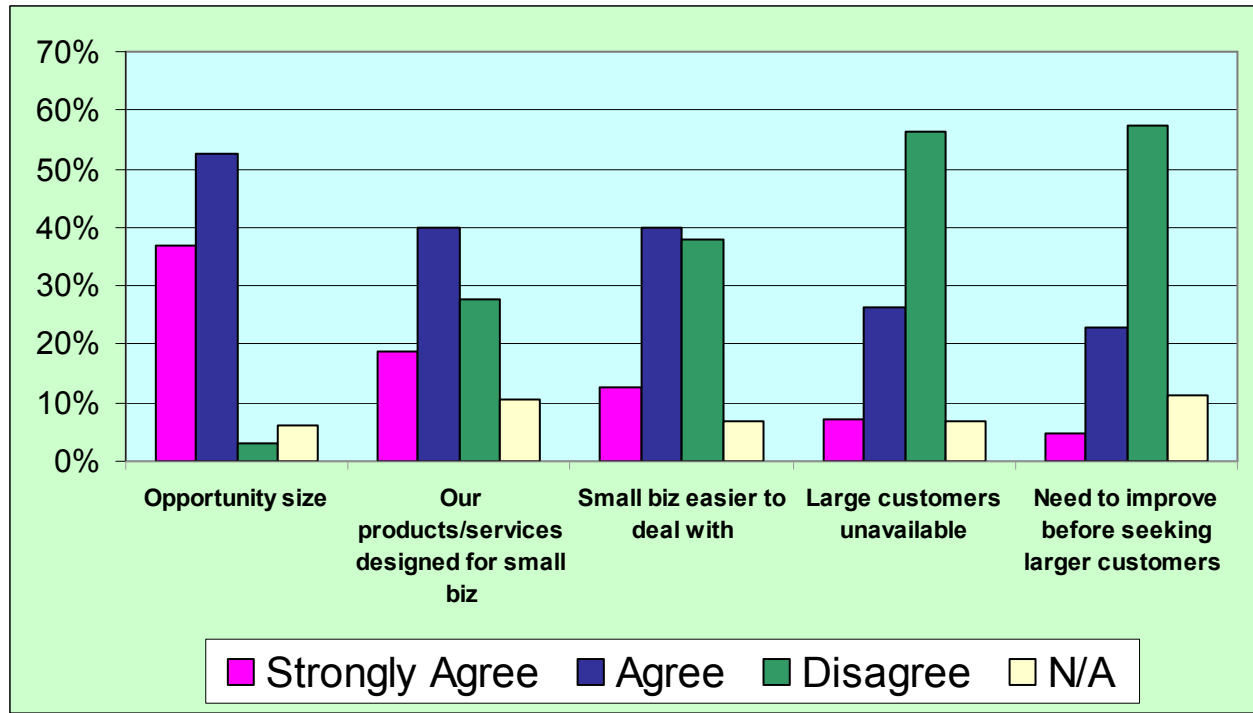


**CONCLUSION:** Finding those elusive small businesses is part of the challenge of selling to them. Thirty-three percent (33%) of sellers report that their #1 challenge is not being able to find enough qualified small business prospects.

**IMPLICATIONS:** As more small businesses operate “virtually” — scattered in different locations and without visible headquarters facilities — simply finding a warm body to make a sales call on becomes a bigger challenge.

This point ties in with the responses to questions 5 and 6. B-to-B sellers should make sure they can be found readily on the Web, and also that they are maximizing referrals from existing small business customers. Today it’s a whole new world of selling. With increasing frequency, customers seek out vendors, rather than the other way around.

### 8. Why do vendors sell to small businesses?

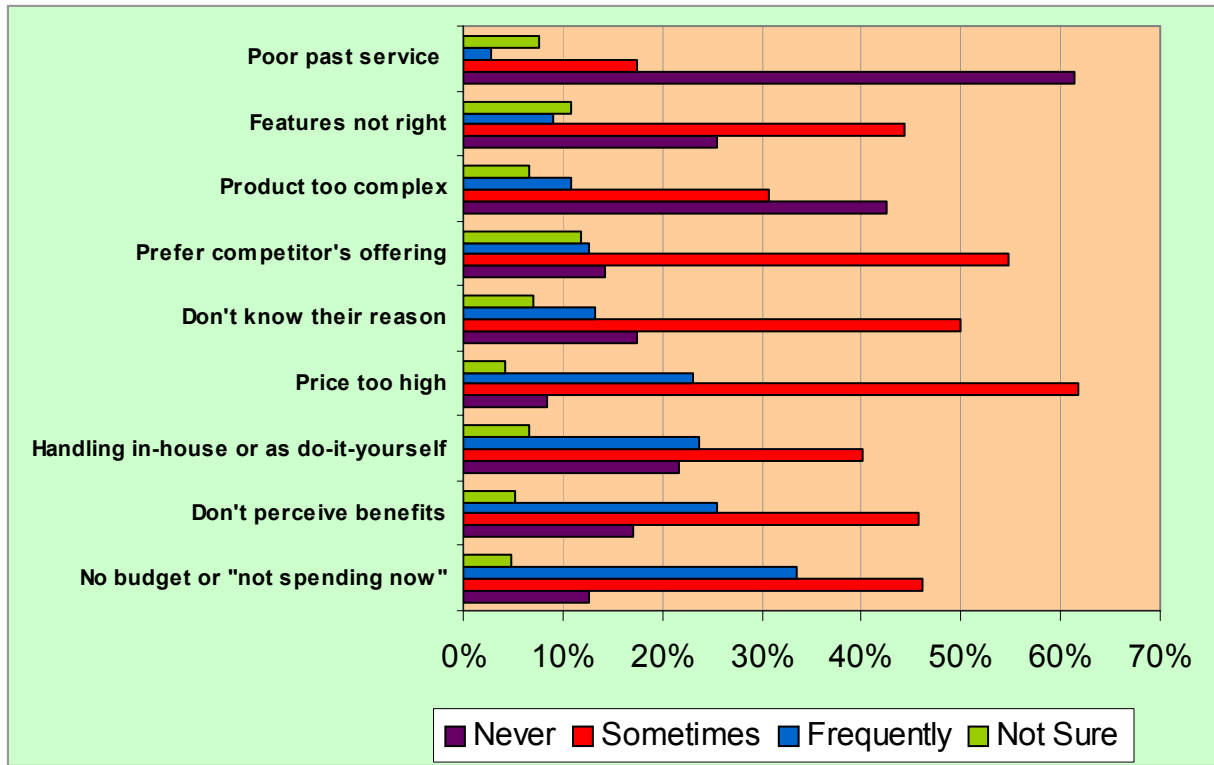


**CONCLUSION:** The sheer size of the small business market is one of the main reasons businesses sell to them. Eighty-nine percent (89%) strongly agree or agree that they sell to small businesses because there are so many out there.

**IMPLICATIONS:** It is very good news that so many sellers consider the small business market such an attractive opportunity. However, remember that the vast majority of small businesses are very small, no-employee businesses (according to government figures). This means that sellers cannot afford to overlook that segment. If they do, they may find that the opportunity size is not as large and attractive as it first appears.

It is also good news that far fewer sellers reported going after small businesses by default. In other words, most sellers are not "settling for" small business customers just because they can't get larger customers. Nor are they trying to use small businesses as guinea pigs until their offerings get good enough for the prime time of large customers. This is encouraging. It would be even more encouraging if more sellers offered products and services designed specifically for small businesses.

### 9. What are the most common buying objections that small businesses raise?



**CONCLUSION:** The buying objections most typically raised by small businesses involve not being able to afford whatever the seller is offering, e.g., an insufficient budget, handling in-house, or too high a price.

**IMPLICATIONS:** It is not surprising that small businesses seem to be price sensitive and report not having money for purchases. After all, they operate on limited budgets.

What is surprising is that 71% of sellers report that small businesses frequently or sometimes **do not perceive the benefits** of what they are being offered. This suggests that sellers have some work to do on their marketing messages and their sales techniques — their messages are not getting across.

And 63% of sellers say they sometimes or frequently **do not know** why small businesses decide not to buy. Sellers should do more sales follow-up and ask the question: "Why did you not buy?" Or ask "What could we have done to make you say yes?" By asking the question sellers may be able to avoid making the same mistakes over and over.

## 10. Demographics of Survey Participants

### Size by Employees

Home-based business or sole proprietor	28%
1-20 employees	44%
21-100 employees	9%
101-500 employees	7%
Over 500 employees	11%
<b>Total</b>	<b>100%</b>

### Respondents' Countries

<b>United States</b>	<b>68%</b>
<b>Australia</b>	<b>3%</b>
<b>Canada</b>	<b>4%</b>
<b>India</b>	<b>2%</b>
<b>South Africa</b>	<b>1%</b>
<b>United Kingdom</b>	<b>4%</b>
<b>Multinational</b>	<b>4%</b>
<b>Other Countries</b>	<b>12%</b>
<b>Total</b>	<b>100%</b>

**DEMOGRAPHIC OVERVIEW:** 481 respondents participated in this survey.

72% of those surveyed were small businesses with 20 or fewer employees, or no employees. Only 11% of those selling to small businesses are large companies. In other words, the majority of sellers selling to small businesses are small businesses themselves.

68% were from the United States. A total of 31 different countries were represented in the results, which symbolizes the global nature of business today. All continents except Antarctica were represented.

## 11. Other Topics for Future Surveys

Our final question asked about other information that survey respondents would like to see in future surveys. The question was optional.

We received a wide variety of responses. The responses themselves are insightful pieces of information and a sampling follows. The first five responses below are themes that were repeated multiple times:

- What are the product needs and services needs on the small business side? (multiple)
- The best ways to sell to small biz ... cold calling, direct mail, online. (multiple)
- Marketing ideas and examples for selling services more effectively (multiple)
- How are purchases for small businesses changing ... are they using the Web to make more decisions? (multiple)
- What small businesses want to know when buying ... what are their triggers for buying decisions? (multiple)
- What are small businesses' biggest challenges?
- Their attitude toward training.
- What are the hot new products for small businesses?
- Value propositions that work — and those that don't.
- Marketing channels with the best ROI
- As a small business owner, is selling your products or services to other countries out of your reach?
- What would it take to get you to consider placing a sample order with a new guy, as opposed to keeping a 15 year relationship with 1 or 2 vendors?
- Ask more detailed questions in the next survey!
- Any information would be appreciated. Selling to the small business market is vital to all of us, big or little.

## Conclusion

### ABOUT THE SURVEY:

- This survey was conducted online using the SurveyMonkey.com tool, from October 29 - November 13, 2005.
- 481 respondents participated in this survey.
- The source of the respondents was visitors to the Small Business Trends website, at [www.smallbiztrends.com](http://www.smallbiztrends.com).
- For more information about this survey, or to suggest specific questions for upcoming surveys, contact Anita Campbell, Publisher, at:

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