

AUTONOMOUS SMBs

Augmented by Automation, Differentiated by Intelligence

FOREWORD

In an era defined by rapid technological evolution, the business landscape, particularly for Small and Medium-sized Businesses (SMBs), is undergoing a profound transformation. The dawn of the Autonomous SMB is upon us, a paradigm shift that echoes the impact of past industrial revolutions. As we transition from Systems of Record (SOR) to Systems of Intelligence (SOI), the effects of next-generation technologies such as Artificial Intelligence (AI) and Automation, are becoming increasingly evident.

SMBs are the backbone of the US economy, contributing 43% to its GDP and representing a critical market for technology providers. There are currently 33.2 Mn SMBs in the United States alone, with over half a million new ones emerging each month. These SMBs are responsible for over 60% of new job creation since the onset of the COVID-19 pandemic. These businesses make outsize contributions to growth, innovation, and livelihoods in the US and could easily be termed as the pulse of the US economy.

But times have changed now. We stand at an inflection point where the Digital and Industrial Revolution is gradually making way for the Automation and Intelligence Revolution. Though SMBs grew along with the economy, they lagged behind larger enterprises in the adoption of emerging technologies and the resulting productivity gains. This delay has largely been due to a lack of capital, an understanding of the right tools to invest in, and a dearth of providers who cater to SMBs' niche needs.

However, the world has evolved at a far greater pace in the recent past, with multiple tools and services enabling the democratization of cutting-edge technologies. They are becoming increasingly user-friendly, delivering immediate benefits, and breaking down barriers to adoption. Today, SMBs can establish their online presence within a day, leveraging technology to reduce their reliance on physical infrastructure, extensive tech teams, and specialized experts. This means that cash-strapped and talent-limited, SMBs are poised to reap substantial rewards from the emergence of new tools that enable them to narrow the gap with larger enterprises in terms of productivity, digital user experience, and data-driven insights.

The rise of an ecosystem supported by Automation and AI-driven services is gradually rendering the traditional concept of business functions obsolete. As this unfolds, we will see a surge in independent businesses, with more workers breaking free from traditional organizational constraints that tied them to specific roles. This transformation holds the promise of liberating human creativity and cognitive capabilities. With routine and monotonous tasks increasingly automated, the human mind will be liberated to focus on more imaginative endeavors. Gazing into the future of SMBs beyond 2023, we anticipate a shift from legacy and digital SMBs to what we term 'Autonomous SMBs.' This transition has the potential to yield a remarkable 25% boost in overall productivity. Such a revolution could, in turn, have a far-reaching impact on the global economy, as SMBs embrace autonomy and intelligence, propelling innovation, enhancing efficiency, and contributing significantly to economic growth.

In this report, 'Autonomous SMBs: Augmented by Automation, Differentiated by Intelligence,' we delve deep into the transformative journey of SMBs as they navigate the landscape of next-generation technologies. This report provides invaluable insights into the changing dynamics of SMBs in the US economy, their pivotal role in job creation and innovation, and how they are harnessing the power of Automation, AI, and advanced tools to enhance their productivity and competitiveness.

Table of Contents

In this report, Zinnov will provide insights for Technology Providers on the latest trends and technologies for Autonomous SMBs and how these changes should shape their product roadmap, messaging, and market strategy

INTRODUCTION

- SMB : Fast facts
- Evolution from Legacy to Autonomous firms
- Rise of Autonomous SMBs; Key drivers

THE AUTONOMOUS SMB FRAMEWORK

- Technology stack : Autonomous SMBs
- Autonomous SMBs : Moving from Systems of Record to Systems of Intelligence
- Comparison Legacy v/s Autonomous SMBs

IMPACT ON SMB FIRMS

- Case studies
- User journey mapping of a SMB CEO
- Industry Adoption view of next-generation technologies within SMB segment

ECONOMIC IMPACT

- Growth in number of SMBs is due to reduced barriers to business creation
- Journey to Multi-Million-Dollar Business with a Technology-enabled Ecosystem
- Net new jobs created

RECOMMENDATIONS

- Assessment of technology vendor strategy with respect to SMB segment
- Assessment of technology start-up strategy with respect to SMB segment
- Recommendations to Technology Service Providers

Executive Summary

zinnov

1. AI-powered next-generation technologies will **disrupt the nature of work, and mark the rise of Autonomous firms**



2. **SMBs are at an inflection point** and a bundle of "new age" technologies will work in conjunction to create and support Autonomous SMB



3. A broad suite of next-generation technologies and services **enables Autonomous SMBs to operate 20% faster than their legacy/digital counterparts**



4. On average, **SMBs have realized a 17% increase in productivity and expect to reach 60% as they go up the adoption curve**

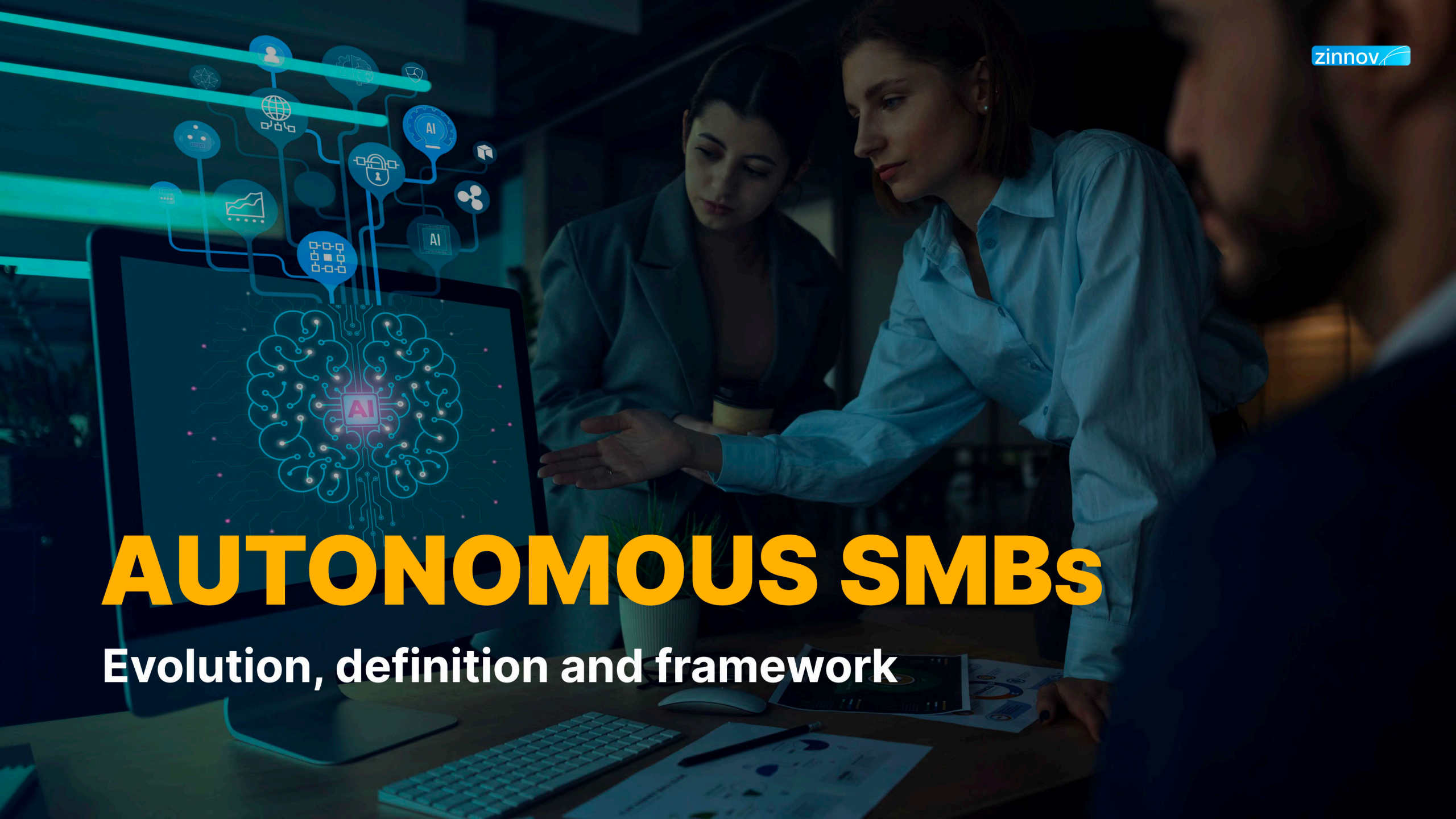


5. Next-generation services and technologies **breaking down entrepreneurial barriers** and making it easier to do business



6. As per our projections, the **Automation and Hyperintelligent revolution will boost the SMB count at ~2X growth rate, resulting in a substantial rise to ~42 Mn count by 2030**




zinnov
AI
AI
AI
AUTONOMOUS SMBs
Evolution, definition and framework

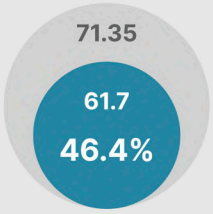
SMBs are a vital part of the American economy and workforce, and the bulk of job creation can be attributed to them

33.2 Mn SMBs* driving economic growth in the US

GDP (in USD Tn)



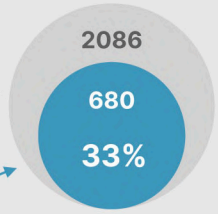
Employment (in Mn)



Exports (in USD Bn)

Overall Count

Contribution from SMBs



- More than 500,000 new small businesses are founded each month
- Over 65% of small businesses are profitable
- Small businesses account for 64% of new jobs annually and every year, they create 1.5 Mn jobs in the US
- USD 51 Bn spent by SMBs on R&D costs in year 2019
- >53% of total sales in the US generated by SMBs
- 60% SMB owners launch their own business since they value autonomy
- SMB export rate remains below their revenue share but poised to grow 14% with better access/tools

Bulk of Job Creation attributed to SMBs

Small businesses have added over **12.9Mn** jobs in **last 25 years**

Since 1995, 62%
OF NET NEW JOBS HAVE BEEN CREATED BY SMBs

Small businesses employ **46.8% of private-sector employees**

81.7% of US SMBs have no employees, which means a typical SMB owner wears many hats

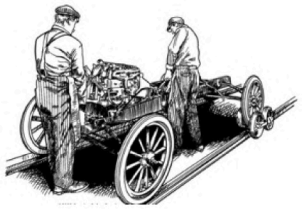
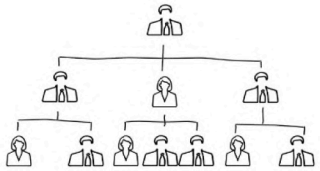
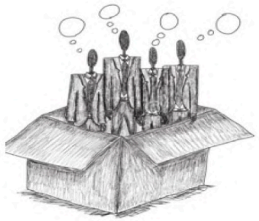
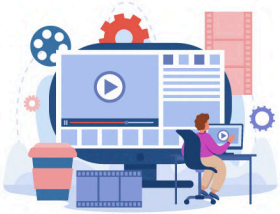
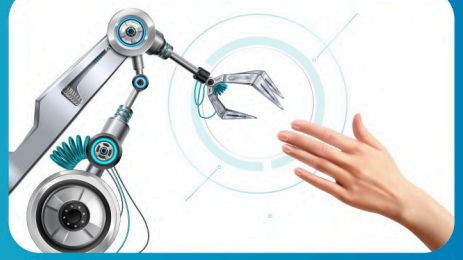


Source : Census Bureau Statistics of U.S. Businesses (SUSB)

* Definition of SMBs as per SBA (independent business with less than 500 FTE)

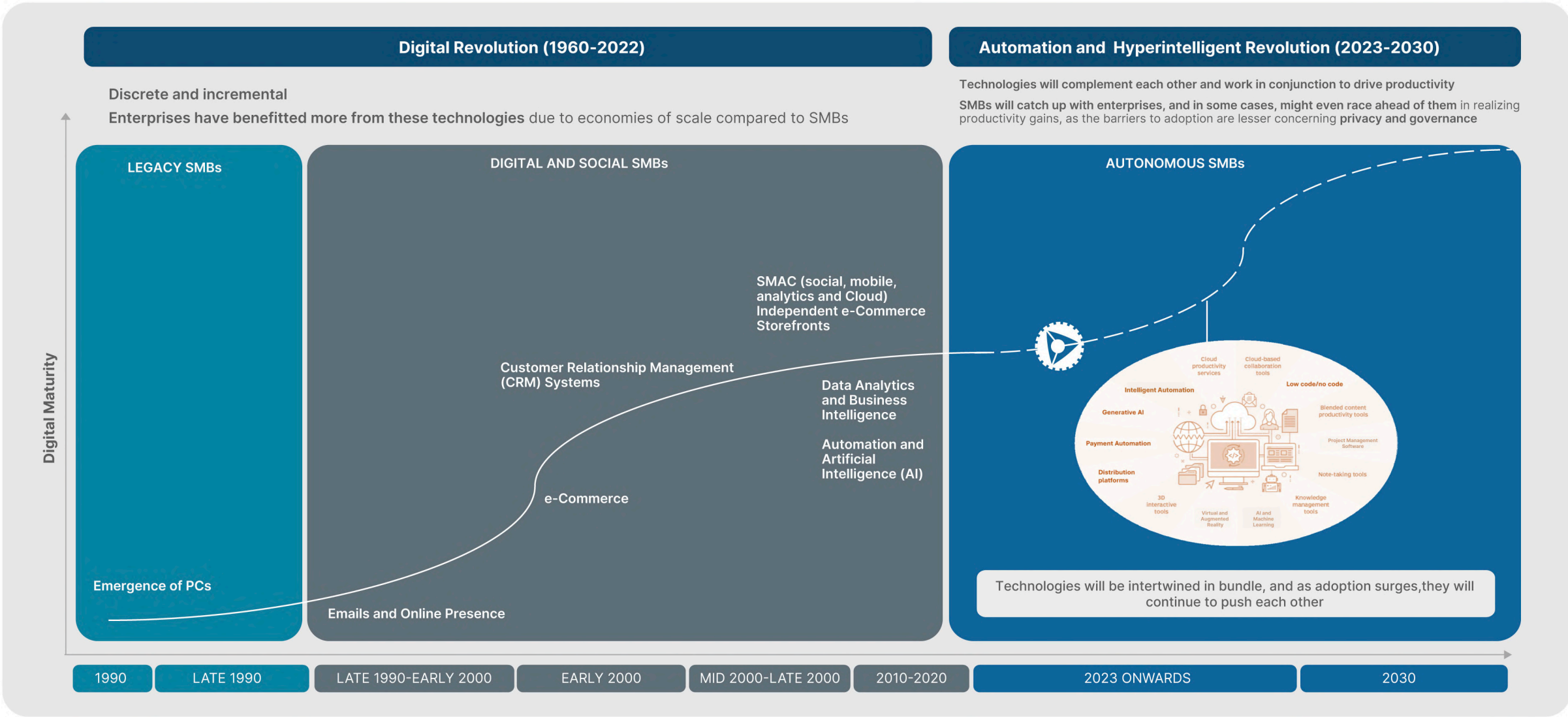
AI-powered next-generation technologies will disrupt the nature of work, ushering in a new era of Autonomous firms

zinnov

	BUSINESS MODEL	BUSINESS FUNCTIONS	INFORMATION FLOW	CREATIVITY
LEGACY FIRMS	 Large scale organizations with **assembly line setups**	 **Jobs broken into repeatable and monotonous** tasks as per rigid organizational structures	 **Upstream/Downstream** flow of information/data in value chain with customer at the end	 **Stifled human ingenuity and creativity** from majority of workforce
AUTONOMOUS FIRMS	 Emerging technologies are enabling a shift from **traditional employment arrangements to independent work/intrapreneurs**	 **Function-specific digital platforms are replacing business departments** YouTube = distribution channel Udemy = L&D department	 **Democratized and cross-functional** dynamic flow of information	 **Creativity flourishes** as the workforce is liberated from monotonous tasks due to **Automation and unbundling of business functions**

Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

SMBs are at an inflection point and bundle of “new age” technologies will work in conjunction to create and support an Autonomous SMB



Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

Democratization of digital technologies within the SMB segment will be spurred by ease of use and accessibility

Frontier technologies are reducing the barriers due to their inherent ease of purchase, use and deployment

85% of SMBs* cite ease of use and deployment as a critical factor in technology adoption

"Pocketization" of technologies



- **Generative AI tools** like ChatGPT and Bard can be accessed through **few clicks on phone**
- **Most SMBs don't have IT department/desktop access and rely on mobile applications**
- **Collaborative tools like MS teams and Slack have a mobile version making communication easier**

User Intuitive technologies Call to experimentation



- Generative AI tool like ChatGPT follows a **no-UI approach** which means that the app's UI is designed to be as minimalistic and unobtrusive as possible
- Most SMBs prefer **easy to use platforms/digital applications that they can use with little or no training.** Features like drag and drop makes it easy for them to use applications/platforms

Negligible to zero deployment cost



- Most technologies/platforms have a **freemium/tiered pricing** version with negligible to zero cost of deployment
- It serves the purpose for SMBs who often use the **basic set of functionalities**

Easier Procurement of complex solutions like Cloud



- **Cloud Marketplaces** are making cloud procurement easier for SMBs as it **eliminated need for SI/MSP consultancy**
- **No upfront CAPEX** can be scaled down to smaller than single server
- **Bundled security** eliminates need for Cybersecurity professional
- No additional training required as user intuitive platforms draw early adopters
- Most tools are free to use

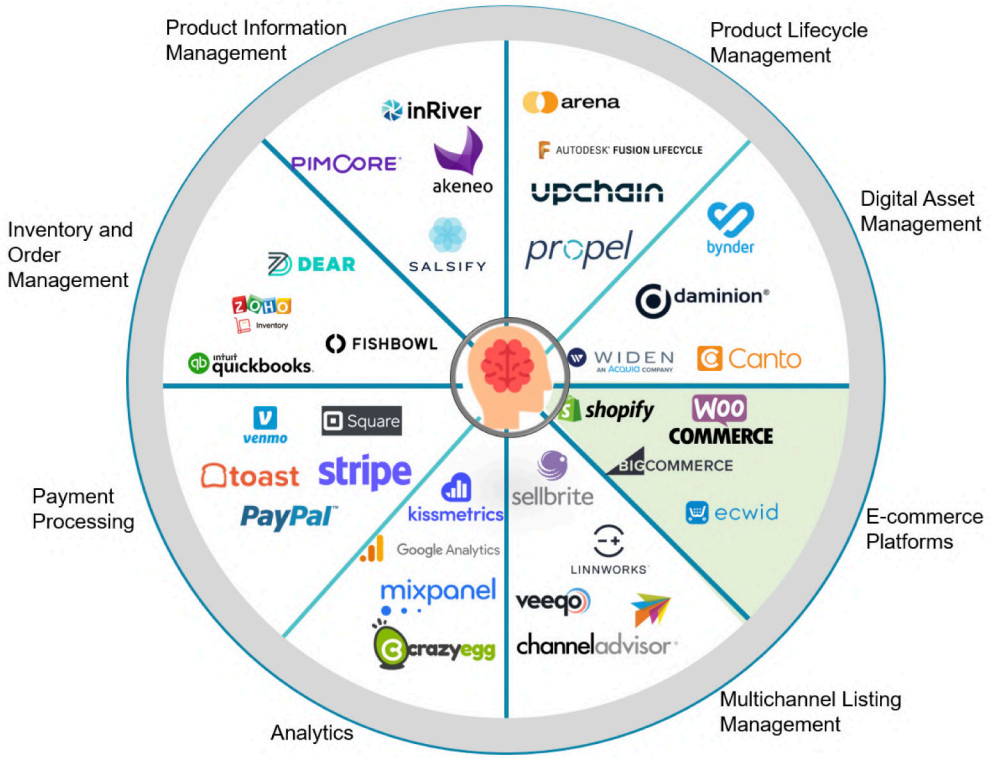
Implication for Technology Providers : Focus on easy to use, user intuitive and easy to procure services/products

Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

* Data from Zinnov's SMB Survey 2022

Technology stack of SMBs is fairly modular today but segments will consolidate into unified platforms

As platforms like Shopify, Bigcommerce, Toast, and WooCommerce improve their plug-and-play capabilities to offer an end-to-end integrated stack, they will have a much larger control of the SMB market. This simplifies deployment, training, and integration.



Core technologies like AI, Automation, and Cloud will be driving and supporting these platforms

Business functions will be automated by vertical/functionality-specific platforms

Human skills will be at the center, overseeing the implementation and use of these technologies

Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

Autonomous SMBs: Moving from Systems of Record to Systems of Intelligence

zinnov

AUTONOMOUS SMBs (Systems of Intelligence)

- Performance Optimization
- Product Enhancements
- Virtual Simulations
- Real-time Financial Insights
- Automated Invoicing
- Collaborative Planning and Decision-making
- Virtual Product Showcasing
- Personalized Campaign
- Customer Analytics
- Unified Digital Channels
- Automated Project Workflows
- Real-time Data Availability
- Employee Engagement
- Virtual Training/ Onboarding
- Employee Visibility
- Assistance and Troubleshooting
- Proactive Monitoring
- Cloud IT Estate

SYSTEMS OF INTELLIGENCE

SYSTEMS OF RECORDS

LEGACY SMBs (Systems of Records)

- **PLM** {Product Lifecycle Management}
- **FIS** {Financial Information System}
- **CRM** {Customer Relationship Management}
- **ERP** {Enterprise Resource Planning}
- **HRM** {Human Resource Management}
- **ITSM** {Information Technology Service Management}

Winning business solutions for SMBs will focus on building a system of engagement or intelligence with disruptive technologies

LEGENDS

Cloud/ Analytics | Generative AI | Mixed Reality | Hyper Automation | Collaborative Tools

Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

Autonomous SMBs are closer to their customers, have a broader reach in the market, and are faster in product development and innovation compared to their legacy counterparts

zinnov

Autonomous SMBs

Product Development	Supply Chain Management	Production/ Manufacturing	Marketing and Sales	Customer Engagement and Support	Financial Management	Human Resources Management
Leverage digital tools like **CAD, Visual Prototyping, and 3D Printing** for faster product development and innovation	Supply Chain Technologies like **Supplier Marketplaces** expand the reach of SMBs into global markets	Implement Automation and **IoT Technologies** to streamline production, enhance quality control, and respond to demand fluctuations more effectively	Shifting towards AI-enabled **integrated Marketing from field selling**	**AI-enabled chatbot platforms like ChatGPT** are enabling SMBs to respond to customer inquiries effectively	Utilize **Cloud-based Accounting Software, Digital Payment Systems, and Online Banking**	Embrace remote work technologies, digital collaboration tools, and online hiring platforms to access a wider range of talent
~2X	**57%**	**30%**	**88%**	**72%**	**Up to 500**	**~140**
Faster Product Development	**Shorter Planning Cycles**	**Improved Productivity**	**More Revenue**	**Reduction in email volume**	**Hours saved per year**	**Hours saved per year**

Legacy SMBs

Product Development	Supply Chain Management	Production/ Manufacturing	Marketing and Sales	Customer Engagement and Support	Financial Management	Human Resources Management
Relied on **manual processes and limited technology**, leading to slower innovation	**Had less visibility and control over their supply chain**, leading to inefficiencies and delays in sourcing raw materials	Used **labor-intensive manufacturing processes** with limited Automation and Technology integration	Depended on traditional Marketing methods such as **local advertising, word-of-mouth, and local storefronts**	Offered customer support **either in-person or over the phone**, making it a more time-consuming process	**Utilized time-consuming manual bookkeeping** and traditional Banking methods	**Limited capabilities for remote work** and talent recruitment due to a lack of resources and technology

AUTOCAD LT · SketchUp · SAP Business One · NETSUITE · HAAS · HubSpot · zendesk · INTERCOM · FreshBooks · QuickBooks · gusto · zenefits · Ultimaker · formlabs · coupa · kinaxis · TORMACH · mailchimp · freshdesk · botkeeper · workable · greenhouse

Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

50+
SMBs

200+
hours of discussion

06+
verticals

Assessment of Impact on SMB Firms

Zinnov conducted detailed interviews with SMBs across different geographies, segments, and verticals to understand some of the early impacts of these technologies

Productivity Case: The Marketing team of a USD 50 Mn Tech company achieves up to 40% increase in productivity in just 6 months

Industry
Technology

Location
N/A

Employee count
200-500

Revenue
USD 40 Mn

> AI has clearly captured the attention of marketers in a manner reminiscent of the impact of the iPhone's arrival in 2007.
> In panels and events, marketers are eager to engage in discussion about the latest crop of AI tools, from how they're experimenting with it personally to how it upends the very fabric of what they do.
>
> – Head of Marketing

PROBLEM STATEMENT

- A USD 40 Mn SMB's Marketing team wants to leverage cutting-edge technology to make their **content creation faster as they operate with a limited workforce**
- They produce over 50 content pieces every month and want to use Generative AI tools to **increase productivity and drive engagement as the organization scales**
- The team plans to experiment with Generative AI across multiple use cases and aims to reduce publishing time from **4 days to 4 hours**

SOLUTION AND APPROACH

Phased Adoption

The Marketing team has started implementing Generative AI across multiple use cases. **Generative AI has been integrated** into the publishing of blogs, email campaigns, design work, persona identification, and event content

Complementary Solutions

The team has been **experimenting with various AI tools, including MidJourney, Quillbot, and Grammarly**, to assess how they can improve the efficiency and quality of their work

Holistic Deployment

Introduced a host of Generative AI tools across multiple Marketing processes

IMPACT

Reduced publishing time by **40%**

Increased resource efficiency by **25%**

Up to 50% productivity boost

Source : Primary discussion with US based SMB owner

Customer Experience case: Design agency automates invoicing to **almost double their productivity** and **deliver a better customer experience**

zinnov

Industry
Design

Location
Atlanta, GA

Employee count
< 25

Revenue
< USD 5 Mn

> Our business reached a level where we needed a smart invoicing tool. We wanted Automation, and we wanted to have signatures on our invoices. We didn't want to scroll through a Word document and waste 15 minutes just to insert a signature!
>
> -CFO

PROBLEM STATEMENT

A small design agency encountered **face invoicing challenges** as its business grew. Initially, the company created invoices as Word documents and delivered them to clients via email. However, as their service portfolio expanded to encompass brand identity, web design, content creation, and creative production, **the CEO recognized the necessity for a tool to streamline the invoicing process**

SOLUTION AND APPROACH

Problem Identification

The absence of a tool that could streamline the invoicing process

Customer Portal Creation

They opted for the Zoho Invoice Platform and created a customer portal where clients can access their transactions and accept/reject estimates sent by the Design agency

Automatic Invoices

The Design agency configured preferences so that **estimates are automatically converted to invoices** upon acceptance. They integrated **Paypal for online payments**, streamlining the process and saving time

IMPACT

Doubled the rate of revenue growth

82% increase in productivity

Saves customer time and helps deliver a **superior customer experience**

Source : Primary discussion with US based SMB owner

Improved efficiency case: Consultants leveraging Generative AI as ad hoc experimentation to transform insights into decision tools

Industry
Technology

Location
Seattle, WA

Employee count
50-100

Revenue
USD 1-10 Mn

> Generative AI has been a game-changer for our productivity. It has revolutionized the way we approach research and analysis, enabling us to deliver high-quality insights in less time.
>
> – Head of Practice

PROBLEM STATEMENT

A USD 6 Mn technology start-up with a reputable clientele across various geographies has been facing high workload pressures, impacting its research efficiency and problem-solving capabilities. Challenges in addressing this problem included:

- How to select the right tool among many options
- Accounting for implementation costs and evaluating ROI
- Mitigating disruption during implementation and ensuring compatibility with existing systems

SOLUTION AND APPROACH

Generative AI

Implemented Generative AI tools like ChatGPT

Use Case Analysis

Generative AI was implemented across multiple use cases including presentations, document summarization, meeting note transcription, and Data Analysis

Testing

Experimented with multiple tools such as Dall-E, Excel Bot, and Grammarly to analyze the impact on daily operations

IMPACT

Overall productivity gains of **5-10%**

Research processes became **10-20% more efficient**

Reduction of 30-40% in time to summarize documents

Source : Primary discussion with US based SMB owner

Cost reduction case: Advertising SMB embraces Cloud to achieve scalability and reduce overall infrastructure costs

Industry
Advertising

Location
New York, US

Employee count
50-100

Revenue
USD 5-10 Mn

"We've been able to scale our team and move faster to grow our business and create our products because of the cost savings from using AWS.

– Jason McGowan, Vice President of Engineering

PROBLEM STATEMENT

An Advertising company providing interactive TV solutions had a complex infrastructure built on a platform from a previous Cloud provider, which became **increasingly challenging and expensive to maintain.**

Additionally, **the organization struggled with Data Management and Reporting.** As a solution, it aimed to migrate its data warehouse and campaign data to a more integrated platform to optimize reporting capabilities and provide custom dashboards for its media partners.

SOLUTION AND APPROACH

Implementation Timeline

Migrated from a solution built using a .NET application on Microsoft Azure to AWS in 6 months

Focus on Cost Savings

Chose to transition its highest-cost services first, including its data warehouse, application clusters, and database instances

Object Storage

Began using Amazon S3 for object storage, which enhances scalability, data availability, security, and performance

IMPACT

Reduced customer downtime

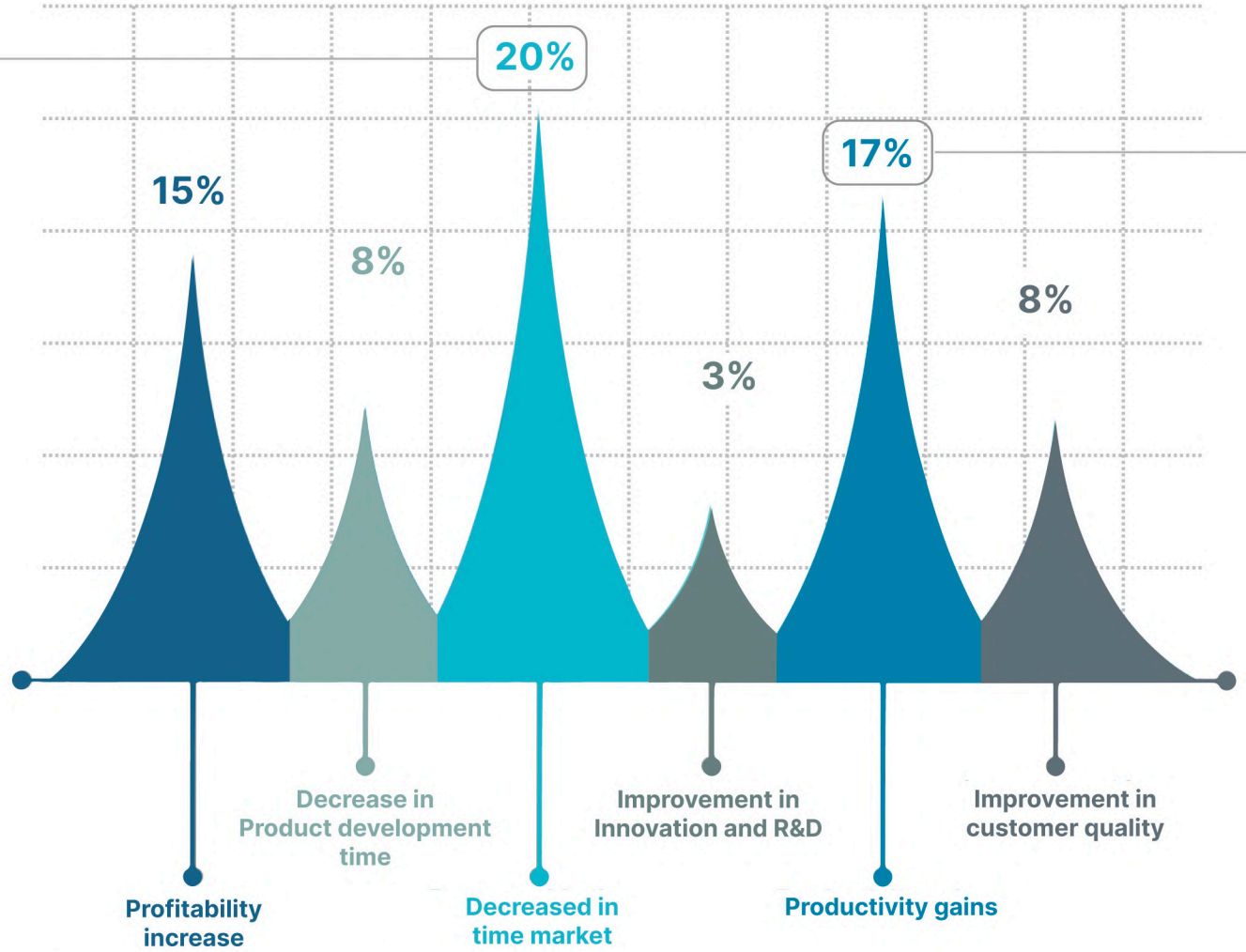
70% reduction in monthly costs when compared to previous solution

Made reporting capabilities more efficient, freeing resources to focus on business growth

Source : Primary discussion with US based SMB owner

A broad suite of next-generation technologies and services have brought significant impact across various business levers of SMBs

Among all the KPIs impacted by next-generation technologies, **speed to market was impacted the most**



On average, SMBs have **realized 17% productivity** gains and **expect to reach 60%** as they go up the adoption curve

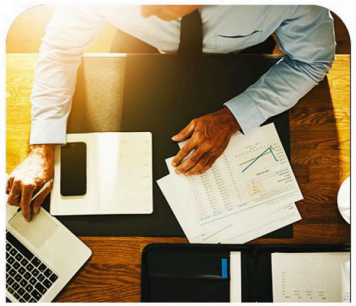
Source : Analysis of Primary discussion with US based SMB owner

Note: Average impact measured across different KPI's for sample case studies

Typical SMB owner saves 60-80% time on noncritical tasks in an Autonomous SMB

zinnov

Ella, a CEO of a small fashion Retail brand with less than 5 employees increases customer outreach by **1.5 times** due to increased use of Automation and collaborative tools





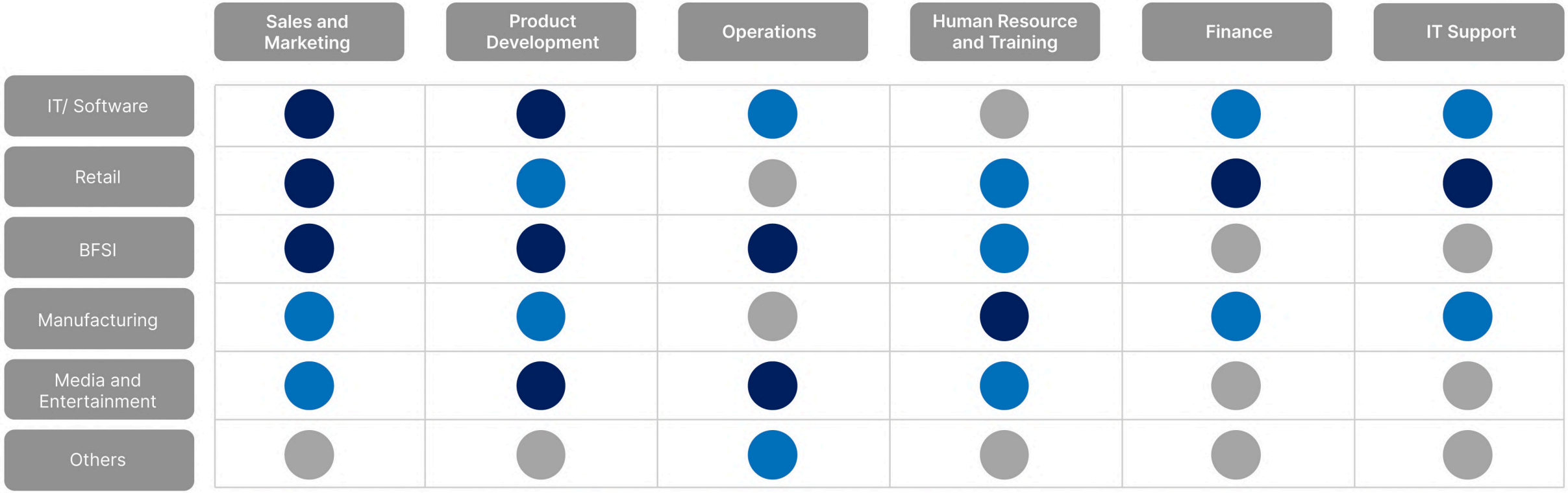



OBJECTIVES	SETTING GOALS AND INTENTIONS	CLEAR COMMUNICATION, WORKFLOW AND DAILY KPI	DRIVE CUSTOMER ACQUISITION	GROWTH STRATEGY AND WORKFORCE PRODUCTIVITY	ECOSYSTEM BUILDING + FINANCE HOUSEKEEPING	PLANNING ORGANIZING AND REFLECTING
TOOLS/ TECHNOLOGY	• Automated Notification • Calendar Scheduling • Project/Task Allocation Trello, Office 365, Slack	• Facilitate communication and collaboration. • Enable real-time messaging, file sharing, and document collaboration. Office 365, Dropbox, Slack	• Virtual Sales Bots • Automated email campaigns, follow-ups, and reminders • Automated Analytics Workflows • AI assisted insight generated Mailchimp, Marketo, Shopify, Salesforce	• Generate Marketing Insights • Improves User Journeys • Schedules Virtual Team Meetups • Automated Report generation BambooHR, DarwinBox, Microsoft Viva, ChatGPT, Grammarly, Amazon Sumerian, Google Analytics, Slack	• Virtual Meeting Platforms • Automated contract workflows ContractWorks, Oracle E-Business, Quickbooks, LinkedIn	• Tracks project updates. • Automated reports and alerts generates Visual Insights • Shares thought on social media • Monitors IT Assets Trello, Facebook, Twitter, LinkedIn
BENEFITS	60% TIME SAVED BY AUTOMATING NONCRITICAL TASK	40% MORE VISIBILITY OF STORE PERFORMANCE	1.5X MORE LEADS REACHED THROUGH FASTER OUTREACH	REDUCED UPSKILLING COST BY 25%	INDUSTRY CONNECT IMPROVED BY 20% DUE TO BETTER VISIBILITY	TASKS ARE AUTO DELEGATED AND TIME ON NONCRITICAL REDUCES BY 50%

Source : Analysis of Primary discussion with US based SMB owner

Note: Average impact measured across different KPI's for sample case studies

Technology adoption within SMB Marketing and Sales functions can unlock up to 100% productivity increase



Illustrative SMB case examples

Analyzes visitor data to improve **customer identification; increasing the sales** close rate by **more than 200%**

Restructures and **unifies Emailing, Project Management, and Invoicing;** increasing sales **efficiency by over 25%**

Streamlines Events, Sales, Marketing and Customer Services, resulting in an increase in orders per hour by 30% in less than 6 weeks

Automates and **simplifies** video **production, saving 80% of the time** required for creating training videos

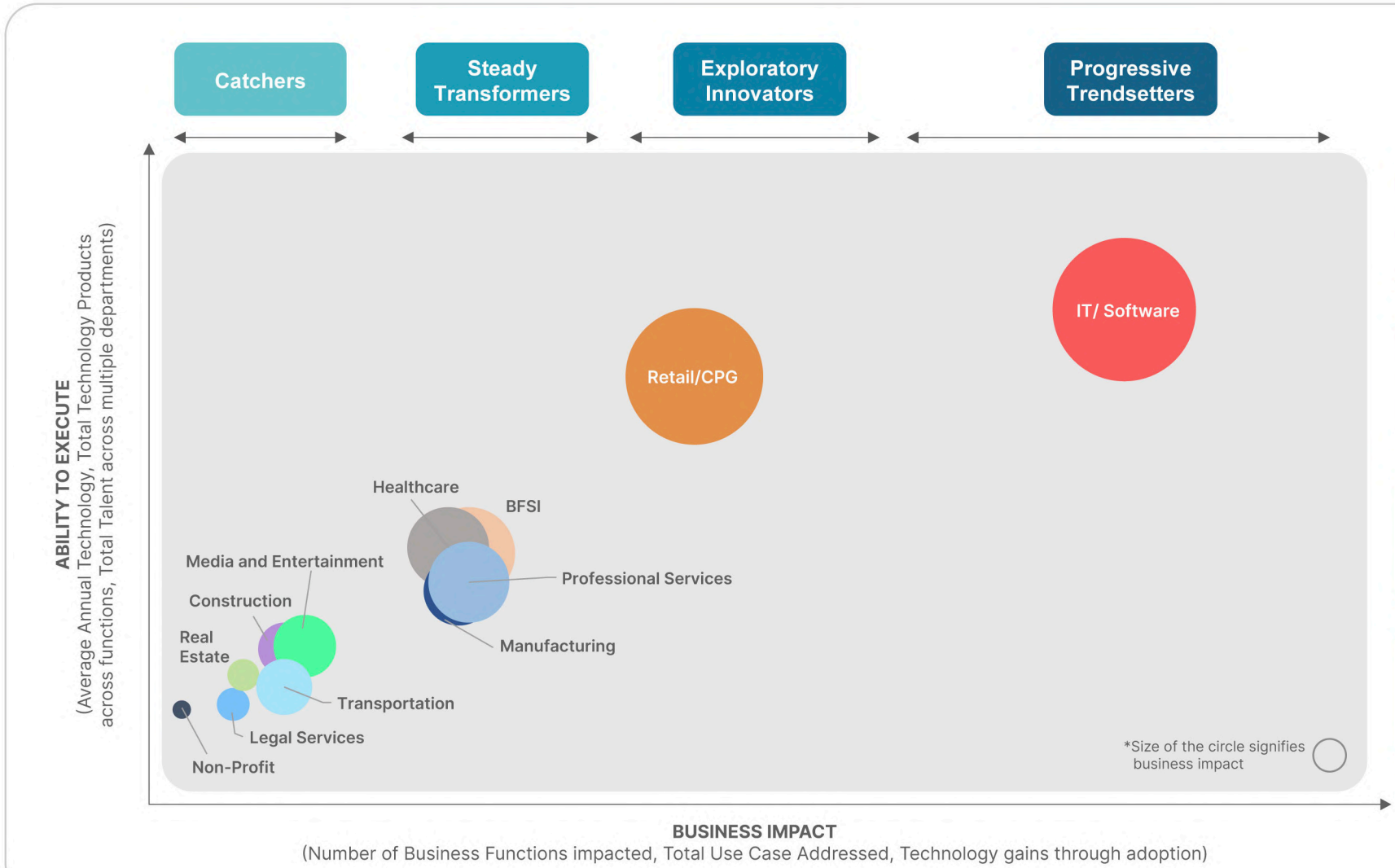
Transforms process to near **paperless operations using bots;** achieving over **95% accuracy** through the **accounts teams**

Utilizes Machine Learning (ML) to monitor Cybersecurity, scaling on-demand cyber availability to over 100 students

Source : Analysis of Primary discussions with US based SMBs

LOW MEDIUM HIGH

Industry Adoption View: The IT and Retail industries progressing faster toward Autonomous SMBs



IT and Retail industries have a strong lead with the highest levels of current adoption and proactive experimentation

Retail stands to gain the most from emerging technologies in terms of improved user experience experiences, which directly contribute to revenue growth

BFSI and Manufacturing SMBs are poised to reap significant benefits as Automation adoption increases due to substantial workload volumes that can be automated in these sectors

Real estate and Legal SMBs are lagging in technology adoption due to privacy concerns and lower perceived relevance

Source : Based on case study analysis of 100+ companies across multiple industries


zinnov
Macro- Impact of
Productivity Gains

Next-generation services and technologies are eroding entrepreneurial barriers to entry and making it easier to do business

ILLUSTRATIVE EXAMPLE OF SHOPIFY

Enabling factors that bring ease of doing business for SMBs

Seamless out-of-box integration of 3rd party services

APIs and SDKs enable the plug-in of various 3rd party record tools like **ERP, PIM, CRM, and CMS platforms**



Plug-In SEO

Shopify app that comes with a built-in keyword tool and offers SEO suggestions

AI Chatbot + LiveChat

With chatbots and live chat software like Kommunicate, one can easily engage in conversations with customers and resolve their queries

kommunicate

Enabling access to skills with talent marketplaces

SMBs are often understaffed, with around 82% of SMBs not having full-time employees. However, with talent marketplaces, SMBs are able to shop for specific skills from a global talent marketplace offered by technology platforms

shopify experts

Access to developer ecosystem

Tapping to Talent ecosystem for fulfilling design and e-commerce capabilities

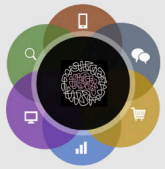
shopify experts

Crowdsourcing of entrepreneurial knowledge

Shopify Learn -
On-demand courses available for E-learning along with collective knowledge and experience of more **than 850,000 other entrepreneurs**

Innovative business models

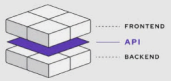
Innovative features and business models like Drop shipping and headless commerce are enabling growth and accelerating the speed of growth for SMBs



Headless Commerce

Headless commerce decouples the front-end from the back-end of an online store

Brands can update the front end without touching the back end



Dropshipping

With drop shipping, products are **sent directly from wholesalers to customers**

No more up-front inventory costs or shipping logistics

Source : Shopify website

Illustrative example: Journey to a multi-million-dollar business with a technology-enabled service ecosystem

NEXT-GEN TECHNOLOGIES AND SERVICES ARE IMPROVISED AT EACH STEP IN SUPPLY CHAIN

Expert Marketplace

Leverage expert marketplace as he scales business to get e-commerce strategy for his growing business

sellry

Plug and Play apps from Shopify app store

Imports reviews for his product from Ediorify and creates some unique content leveraging **ChatGPT**

ChatGPT

Niche Simple Product, Focus on Marketing

Picks up unique product based on trend value . Finds the product on **Aliexpress for USD 4 Marks it up to USD 25**

Google Trends

About Zack

- 22 years old, history grad
- Limited knowledge of technology
- **Entrepreneurial and has interest in fashion and retail**





Expands product portfolio to **80 different products** in women's fashion category and scales business to **USD 16 Mn With 16 full time employees**

aftership

Add order tracking

Uses an order tracking app from the Shopify App Store to keep customers up to date on the real time status of their purchase.

DSers

AliExpress

Dropshipping with Ali express

Connects Shopify account to **Dsers(which sources inventory from Ali express)** at no additional cost

shopify

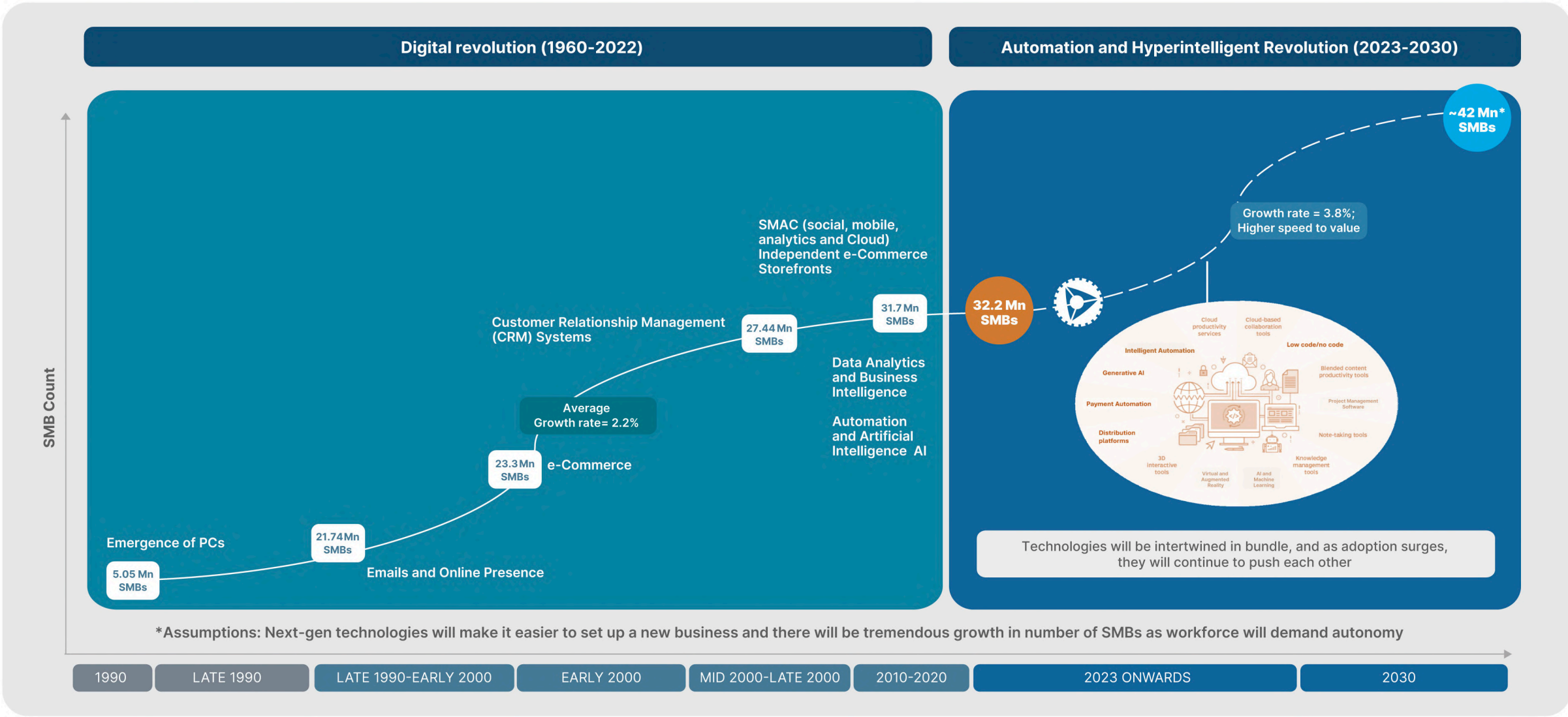
Low setup cost, 0 inventory

Zack starts with setting a basic Shopify account for selling T-shirts with trending statements/slogans

Implication for Technology Providers: Create an ecosystem of plug-and-play services that SMBs can easily access

Source : Primary Interview conducted by Zinnov

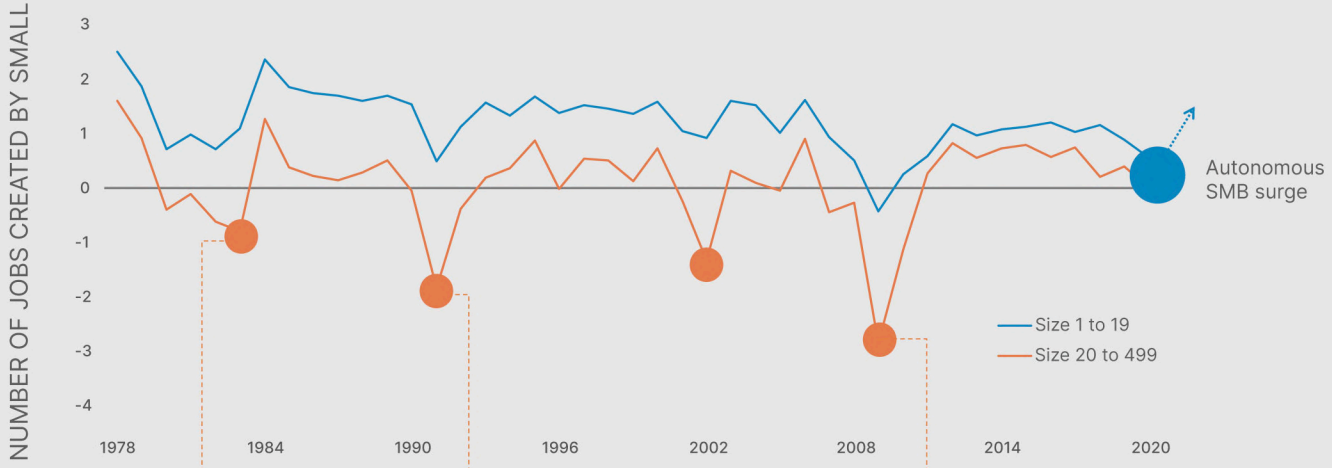
Automation and Hyperintelligent Revolution will boost the SMB count at ~2X growth rate, resulting in a substantial rise to ~42 Mn by 2030



Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

Technology adoption will accelerate US SMB formation and growth, adding 20 Mn new jobs

In the past, a big spike in net new jobs created by small firms was accelerated by the Industrial and Digital Revolutions



Post-recession recovery

- **The civilian unemployment rate declined to 10%** after reaching a post-World War II high of 10.8%
- The Index of Industrial production **increased steadily by 7%**

Dot-com bubble

- New job growth created from the **Information Revolution** and the **associated capital created from the Dot-com bubble**
- **The enactment of NAFTA was expected to increase economic growth through improved comparative advantage**

New Economies of 2000's

- **Unbridled globalization**
- **Employment in Semiconductor manufacturing and trade increased as sophisticated products incorporated IT**
- **Moore's law in effect as semiconductor advancements brought technological progress**
- **The introduction of 3G networks introduced a new age of calling, texting, internet connectivity and social media**

+20 Mn

SMB JOBS BY 2030

The next inflection point of job creation will be catalyzed by the confluence of emerging technologies like AI and Automation

Assumptions

- On average, every SMB employs approximately 2 employees
- The growth rate for SMBs will spike to nearly 3.8%
- The average productivity gains due to the use of next-generation technologies will be 17%
- SMBs will increase their contribution from 44% of GDP contribution back to the historic level of 48%

Source : Census Bureau Statistics of U.S. Businesses (SUSB)


zinnov
Vendor Playbook
for SMB Segment

Enterprises focusing on the SMB ecosystem are accelerating product innovation and partnerships to capitalize on this growth (1/2)

Enterprises are tailoring their products/services to meet the changing needs of SMB segment

- Launched its Online Starter Bundle, **an all-in-one internet solution** for SMBs — GoDaddy
- Partnered with Amazon Business on a security and IT solutions bundle to help SMB partners **address security and IT resource challenges** — McAfee
- **Snowflake partnered with Inventa** to help them incorporate Machine Learning (ML) into their solution targeted towards SMBs in Brazil — Snowflake
- **Uber Eats and Visa** teamed up on a new program designed to support SMB restaurants with sustainable packaging solutions — Uber Eats
- Salesforce launched **Starter**, a CRM platform with a focus on the SMB segment. It combines Salesforce's key offerings into one suite with simplified UI, powered by its Data Cloud — Salesforce
- Launched the MSME Accelerate programme, helping **SMBs with deals and discounts to help them kickstart their businesses** — Amazon
- Microsoft launches Defender for Business to help protect SMBs. It provides **enterprise-grade endpoint security** with **pricing catered toward SMBs** — Microsoft
- **Adobe has partnered with Meta** to launch **"Express Your Brand"** – a training program that offers free education and tools to help SMBs grow their visibility online — Adobe
- Launched a new Cloud-ready platform for SMBs with multi-site scalability to **provide ongoing protection of data with Data verification** — DELL EMC
- Launched an **SMB-focused website – Microsoft for SMBs**, a rich repository of skills, resources, and tools to cater to every requirement of a business — Microsoft
- Oracle is experiencing huge growth in its SMB business, with the company clocking more than 100% growth for the past three years — ORACLE
- Launched **AWS Lift** that offers access to 200 fully-featured services on AWS, to help SMBs with **digital transformation** — aws
- Invested **USD 9.89 BN** over 5-7 years to help **accelerate the adoption of digital services** — Google
- Launched **multi-GSTIN capability**, allowing users to manage **multiple GSTIN Data within a single Tally Company**, thereby centralizing their business data — Tally
- Adobe announced **partnerships with Mastercard, Etsy, and Meta**, providing SMBs exclusive access to Creative Cloud and Document Cloud — Adobe
- Mercado announced Mercado Lite, the world's first **import order management system** designed specifically for **small and medium-sized importers** — mercado
- Partnered with Mastercard to offer **CRM solutions to SMBs** who are a part of Mastercard's Small Business Program — Salesforce
- Partnered with Zoho and Instamojo to launch the **"Grow with Google Small Business Hub"** , an initiative aimed at helping small businesses grow their digital presence — Google
- Mastercard collaborated with **Corpay One**, an **SMB-focused bill payment solution**, to introduce the Corpay Mastercard, which seamlessly integrates with the Corpay platform — mastercard
- Nav, the leading financial health platform for small businesses, recently **acquired Tillful**, a Fintech company focused on **modernizing business credit and cash flow insights for SMBs** — Nav

Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

Legend: Product Innovation | Key Milestones | Partnerships / Alliances | M&A's / Investments

Likewise, start-ups are exploring SMBs as a means of expanding their reach and increasing their profits (2/2)

While start-ups are mostly engaging in partnerships to access SMB market

Zoho launched Zoho Marketing Plus platform to create an integrated Digital Marketing workspace for its SMB segment

NerdWallet acquired SMB Finance platform Fundera, helping NerdWallet expand its options for financial guidance and financing options for SMB owners

TriNet, who is focused on HR solutions for SMBs, **acquired Zenefits, a SaaS-based human capital management solution built for SMBs**

Workable **expanded** its recruitment software for SMBs **to include employee onboarding and management features** as well

Wix announces integration with Meta for SMB owners to seamlessly connect with their customers across WhatsApp, Instagram and Messenger

Sage partnered with Zapier to **help small businesses and accountants automate workflows** by connecting Sage accounting to 4,000 apps

BankiFI formed a partnership Axiom Bank allowing Axiom's SMB customers to better track and manage their finances with BankiFi's embedded Banking services

Partnered with **Builder.ai** to offer Builder.ai Studio Store services to its pan-India partner network

Toast partnered with Freedom Pay, designating them as the preferred payment partner for prominent restaurant brands in the US and Canada

Klarna launched a **Small Business Impact Initiative** in which it offered a year of free BNPL payment services

Evo Security announced **USD 3.9 Mn series seed round** to continue building Identity and **Access Management solution** for Managed Service Providers and their **SMB customers**

3D printer company **Formlabs** launched an Automation Ecosystem, which **makes it easy for SMBs to scale from single to multiple printers**

SparkCognition used an AI-first approach to craft **AI-powered Cybersecurity exclusively for small businesses**

Cin7 acquired DEAR Systems and Orderhive to create an **inventory and order management software** to deliver solution covering full range of product seller needs

Expense management provider Emburse launched new product **Emburse Spend, a company card meant for SMB employees** who are frequently making small purchases

Cable provider Midco partnered with **Plume**, a SaaS experience platform for Communications Service Provides, to add **operational intelligence** to its SMB-focused wifi offerings

SWK Technologies launched **Connected Cloud SMB ERP Bundle**, a financial management tool for medium-sized manufacturers, distributors, and Healthcare providers

Digital Marketing platform Constant Contact enhanced its platform with Marketing Automation, Campaign Design, and e-Commerce features focused on small businesses

SaaS-based modern employee directory provider OneDirectory launched **new product with pricing plan for SMBs**

Shopify and Google Cloud extended partnership to **help retailers cut down on search abandonment**

Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

Legend: Product Innovation | Key Milestones | Partnerships / Alliances | M&A's / Investments

Recommendations to a Technology vendor

Tailor products to meet needs

SMBs often end up with sunk costs by investing in overloaded enterprise "light" products that don't meet their needs. It's not enough to scale down the enterprise product to an SMB version

Recommendation:
Understanding the challenges of SMBs and tailoring the product accordingly will help capture this segment with confidence

Plug-and-play is the key

SMBs prefer adding services based on need with minimal vendor intervention, utilizing plug-and-play capabilities

Recommendation: When devising a product strategy, it's crucial to consider the ease of integration with aggregator platforms

Drive customer education

Key challenge for SMBs and midmarket firms is **finding expertise in AI**

Democratizing AI knowledge and facilitating access to know-how in this segment will be the key to fully leveraging the potential of AI

Recommendation: Partnership with AI nonprofit organizations or SMB associations to drive customer know-how

Keep it simple

Seamless integration is vital for small businesses adopting new tools. Complex transitions and steep learning curves can disrupt operations

Recommendation: Prioritize user-friendly solutions that align with existing processes

Illustrate the benefits

Provide tangible ROI Data and assure performance for customer confidence

With a valuable product and effective pitch, clients should feel a stronger fear of missing out on the benefits than the cost of purchase

Recommendation: In your campaigns, illustrate the benefits/ROI across the most critical business KPIs of SMBs

Guarantee your support

Strong customer service and availability of 24/7 support alleviate purchase concerns

Recommendation: If possible, offer **dedicated account managers** to oversee the client relationship. **Analyze customer issues** and create standard processes for common issues. Continuously, monitor and track Customer Satisfaction (CSAT) scores.

Hear voice of the customer

SMBs form a highly fragmented market with diverse attitudes, behaviors, and needs. Therefore, gaining a deep understanding of this segment is of paramount importance

Recommendation: Refer/Conduct Voice of Customer (VoC) research to understand pain points, attitudes, buying behavior, outlook, and technology focus.

Tap Influencer Channels

Seamless integration is vital for small businesses adopting new tools. Complex transitions and steep learning curves can disrupt operations

Recommendation: Prioritize user-friendly solutions that align with existing processes

- **Identify**- Which influencer types are best fit for your products and strategies
- **Tap**- These influencer channels to reach your target SMBs

Sources: Zinnov Analysis, Secondary and Primary Research, Industry Reports

How can Zinnov help you tap the Autonomous SMB segment ?



STRATEGIC SMB PLAYBOOK FOR EFFECTIVE SALES MOTION

Build strategic playbook to help drive effective sales motion for sales and partner team with specifics on use cases, technology need identification, user journey of SMBs (mapped industry wise)



VOICE OF CUSTOMERS TO REFINE PRODUCT STRATEGY

Assess the existing technology solutions and recommend customization or the development of SMB-specific features or packages that align with SMB requirements based on VoC



CUSTOMIZED MARKETING CAMPAIGN FOR SMB SUB SEGMENTS

Create marketing campaigns and materials that resonate with SMBs, highlighting the unique value proposition of the technology



RISK ASSESSMENT OF SMB MARKET FOR TECH PROVIDERS

Help the technology provider anticipate and mitigate potential risks associated with targeting the SMB market, such as financial instability of SMB customers or changes in market conditions



BUILD PARTNER ECOSYSTEM ROADMAP FOR TECHNOLOGY PROVIDERS

Identify potential partners, such as value-added resellers (VARs), managed service providers (MSPs), or consultants, who have established relationships within the SMB market and can help penetrate the SMB segment



MAP COMPETITIVE LANDSCAPE

Provide competitive intelligence and insight into how competitors are targeting the SMB market and adjust strategies accordingly to maintain a competitive edge

ABOUT US

Founded in 2002, Zinnov is a leading global management consulting and strategy advisory firm, with a presence in 10 global locations including New York, Santa Clara, Houston, Seattle, Paris, Gurgaon, Bangalore, Hyderabad, and Pune. In the last 21 years, Zinnov has partnered with Global Enterprises and Fortune 2000 companies across their value creation journeys to develop actionable insights - across revenue, talent, innovation, scale, and optimization. Automation has steadily become a key enterprise technology with the potential to affect both top-line and bottom-line.

Our nuanced understanding and in-depth analysis of the global clean energy technology ecosystem, enables us to work alongside our customers in outlining winning strategies that maximize value while impacting positively on the environment. We work closely with our enterprise and technology customers to not only identify whitespaces to unlock the best growth opportunities but also empower them with actionable insights to make data-driven decisions.

We help our customers with –

Market Opportunity and Technology Insights: We help customers understand the digital priorities of organizations, their behavior, and decision-making process, to optimize the solutions, messaging, targeting, and time to market. Our in-depth analyses of target accounts from an enterprise's portfolio enable our customers to achieve a greater wallet share among existing customers and actively pursue net-new opportunities more effectively.

Partner Strategy: We enable customers to form strategic alliances with Global System Integrators (GSIS), Technology Service Providers, and BPOS to drive mutual growth and outcomes.

Compete Intelligence: We evaluate the technology landscape to gain strategic insights into our customers' competition ecosystem to enable the prioritization of strategies to create tangible business outcomes.

Account Intelligence: We provide intelligence across focused accounts (F500, SMBs) to gauge market direction, helping the group realign their product and GTM strategies. We also empower our customers with a playbook based on the gaps identified and provide actionable recommendations.

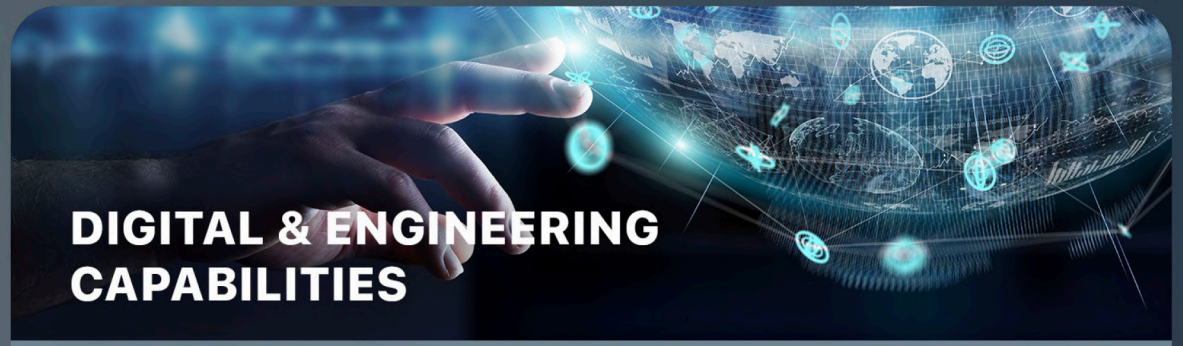
ISV Identification and Prioritization: We identify top ISVs excelling in customer-aligned use cases and help explore market opportunities aligned to specific technology areas.
Use Case Prioritization: We assist our customers in identifying industry-specific business use cases that have high growth prospects and revenue potential. This involves conducting an extensive analysis of priority business use cases based on a demand-supply framework. Additionally, we support CXOs in building data-backed business plans and estimating the dollar value associated with each use case.

Voice of Customers: We assist our customers by conducting a detailed survey of customers, partners, competitors, SMBs, or other sets across regions, technologies, or industries and provide real-time insights on market gaps and requirements to stay ahead of the competition and relevant in customers' minds.

Positioning and GTM: We track and analyze the expanding technology ecosystem and divide it into practicable programs and initiatives. We enable customers to gain strategic insights into their target markets, potential customers, and demand drivers to fine-tune offerings and solutions. We also act as a channel to curate and disseminate a series of thought leadership pieces from the CXOs' desk (blogs, posts, and whitepapers focused on the latest digital technologies and related industry-wise use cases) to anchor our customers' positioning.

For more details, visit: www.zinnov.com

We help our customers Build, Buy, and Sell Tech and Tech-enabled Products and Services



DIGITAL & ENGINEERING CAPABILITIES

- Optimize Global Engineering and digital footprint
- Build new Global talent hubs
- Build new technology centers of excellence (COEs, GCC setup)
- Build and optimize technology services partnerships
- Digital transformation through startup partnerships



GROWTH ACCELERATION

- New Product/Service incubation
- Build differentiated value proposition
- Growth acceleration – Solution, Vertical, Geo
- Build and optimize Channel partnerships
- Deal sourcing and commercial due diligence
- M & A advisory

TECH THEMES

AI, Automation, Cloud infrastructure, Digital Engineering, ER&D

VERTICALS

Connect with us to learn more

Peter Kirkwood
Principal Consultant
peter.Kirkwood@zinnov.com

Naureen Fatima
Project Lead
naureen.fatima@zinnov.com

zinnov

SANTA CLARA | NEW YORK | SEATTLE | HOUSTON | PARIS | BANGALORE | NCR | PUNE | HYDERABAD

© 2023 Zinnov. All Rights Reserved