

SMBs Seek Reliable, Trustworthy IT

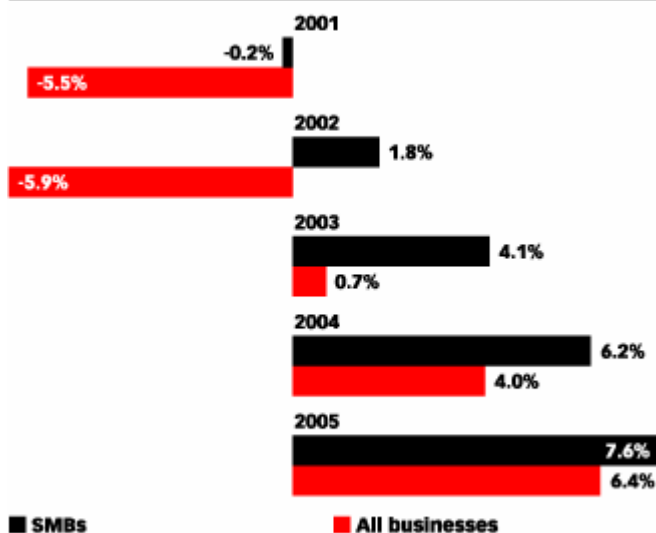
May 24, 2004

Small and medium-size businesses (SMBs) increased IT spending by 4.1% in 2003, and value reliability above all else when choosing technology, according to a new report from [Yahoo!](#) and **Grey San Francisco**.

Yahoo! and Grey San Francisco commissioned IDC to produce a report analyzing the process SMBs go through when making purchasing decisions about technology products. Even though these companies spend over \$75 billion a year on technology, they remain elusive targets for marketing due to their small size and individuality. It is not cost effective to market to each SMB, yet they are often missed by mass marketing efforts.

Tech spending by SMBs has been and looks to be steady, in contrast to IT spending by all sized businesses in the US. While overall market spending by 5.5% and 5.9% in 2001 and 2002, respectively, SMB tech spending declined very slightly in 2001 and then grew by 1.8% in 2002. Although businesses of all sizes have begun spending again, SMBs are increasing their spending at a faster clip.

IT Spending Growth among US SMBs vs. All US Businesses*, 2001-2005 (as a % Increase/decrease vs. prior year)



Note: *all segments

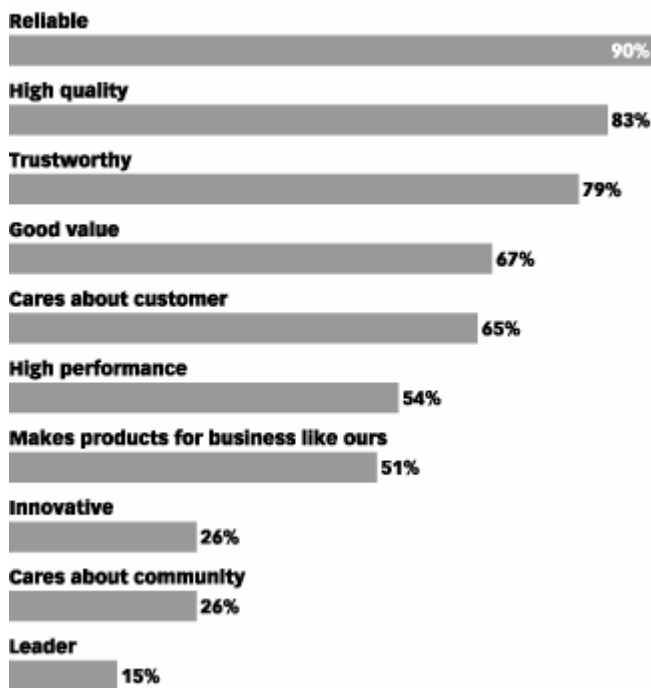
Source: International Data Corporation (IDC), May 2004

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What kind of products do SMBs spend their money on? SMBs designate their spending almost exclusively on prize products known for their "reliability" and "high quality," coming from "trustworthy" companies. Facing tough competition as small fish in a big pool, and already having taken risks as start-up businesses, these companies care less for "innovative" products that would expose them to additional risk. "Good value" is also a "very important" factor in technology choice, as IDC discovered these companies don't want to pay too much for IT products, but are also skeptical about products priced too cheaply.

Factors that US SMBs Rate as "Very Important" When Choosing New Technology and/or Technology Providers, 2004 (as a % of respondents)



Source: International Data Corporation (IDC), May 2004

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By understanding the characteristics of products that appeal to SMBs, IT companies can hone their marketing strategy to better tap this growing market.

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