
2020 STATE OF SMB SALES

A Survey of Sales Stakeholders at Small and Mid-sized Businesses

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Introduction

There are both challenges and benefits to a sales role at a small or mid-sized business (SMB). Working in sales at a smaller company usually means you have few resources to support sales efforts, deal with administrative work, and provide professional guidance. On the flip side, there are usually fewer layers of bureaucracy so it is easier to get things done. SMB sales professionals may appreciate greater flexibility to delight customers or to respond to changing market demands.

This study examines trends in selling among SMBs and endeavors to answer important questions. What has changed for SMB sales teams in recent years? What are the main issues facing SMB sales teams? What is the role of technology at small and mid-sized companies? We have also included a special section exploring the impact of the COVID-19 pandemic.

The following report, sponsored by Zendesk, is based on an online survey of 403 sales executives, sales managers, and sales reps responsible for relationship selling in sales cycles with multiple customer touchpoints at an SMB, defined as a company with fewer than 500 employees. This report does not include feedback from individuals responsible for transactional selling such as cashiers or self-service online sales. The goal of this survey was to capture hard data on trends in selling.

Key Findings

- **SMB sales cycles are changing**
 - 94% say customers have changed in the past five years
 - 76% report this change in customer behavior is substantial
 - 98% report younger generations have different expectations and behaviors
 - Online sources drive the majority of the leads SMB sales reps prefer
- **Modern SMB sales professionals deal with a range of challenges**
 - 90% report sales reps at SMBs face challenges
 - Top challenges include contacts that don't respond to phone calls, unpleasant customers, and complicated systems for tracking sales
 - 55% struggle to find great sales talent
 - The qualifying stage is the most difficult step in the sales cycle
- **Good technology enables strong sales relationships**
 - 96% of SMBs have adopted technology to improve the sales cycle
 - 94% agree good technology is great for customer relationships
 - 97% of SMB sales teams would benefit from additional CRM capabilities



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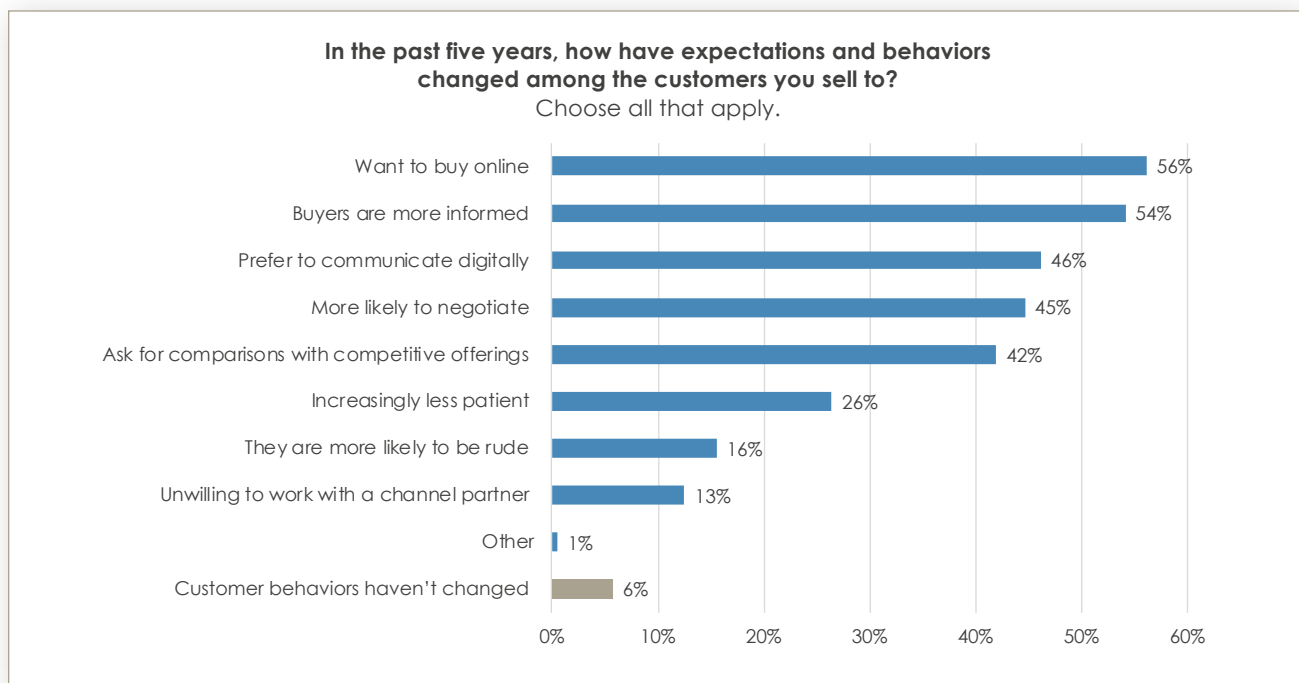
Detailed Findings: SMB sales cycles are changing

SMB customers have evolved significantly in the past five years

There are many factors that can impact the day-to-day life of a sales rep at a small or mid-sized company - the quality of the product or service they are offering, local and global economic pressures, the mood of their manager, and sometimes even the weather. However, every sales rep at every company is directly impacted by one consistent thing - the expectations and behaviors of their customers.

SMB sales stakeholders consistently (94%) report that their customers have changed the past five years. The biggest changes reported are in response to our increasingly digital world. More than half (56%) say that their customers want to do more of their purchasing activities online. A similar number (54%) say that their buyers are more informed, unsurprising given the high level of product and company reviews available from a quick Google search. Almost half (46%) report that customers prefer to communicate digitally, which may be an adjustment for sales reps that are highly skilled with phone or face-to-face interactions.

Many sales stakeholders report that their customers are making attempts to be more savvy buyers including being more likely to negotiate (45%) or looking to understand how a product or service compares to a competitive offering (42%). A few sales stakeholders report that they have noticed distinct changes in the social behaviors of their customers including being less patient (26%) and an unfortunate tendency to be rude (16%). Participants that took the time to write in "other" changes that they are seeing in their buyers range from the pragmatic, such as expecting better deals to the positive, including being more open to change.



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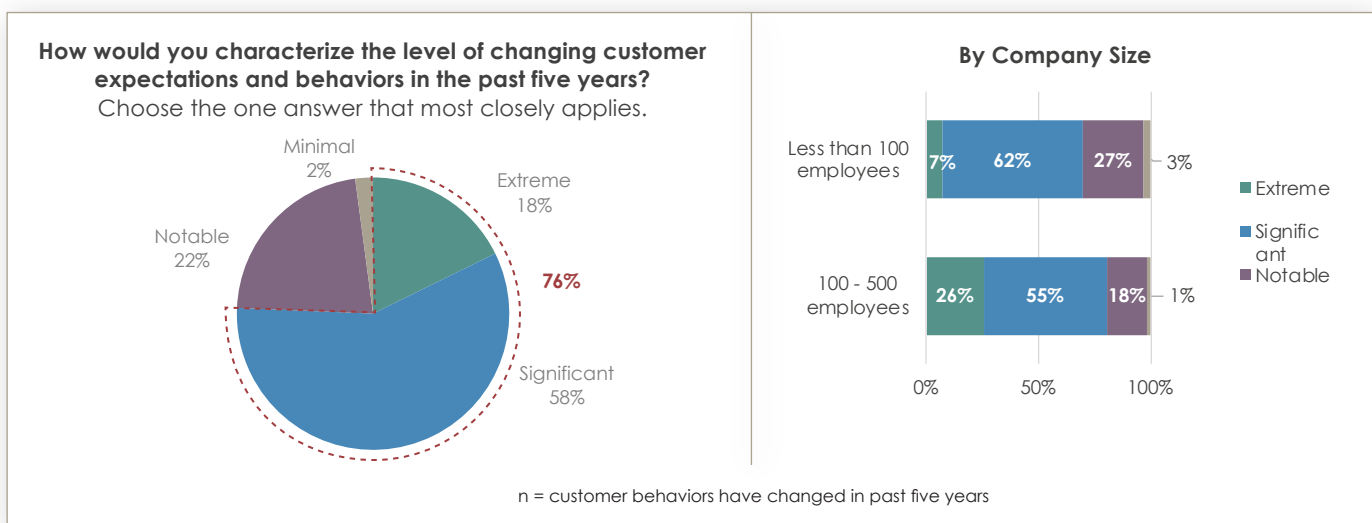
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It is important to understand changing customer behaviors in context. If these changes were relatively minor, it would not impact the day-to-day lives of SMB sales teams. However, this is not the case - the changes in customer behavior reported in the last five years are substantial.

Most (76%) chose extreme language to describe the change including “significant” (58%) and “extreme” (18%). A few sales stakeholders (22%) indicated the change was “notable,” while only a tiny number (2%) characterized changing customer behaviors as “minimal.”



It would be too simplistic to attribute all changes in customer expectations and behavior to overall generational changes in the customer base. Clearly that is not the only factor as the changes we examined in the prior questions looked only at the past five years, not a big enough time frame to account for all changes. However, SMB sales stakeholders are in agreement that their customers from younger generations (Gen Z and Millennials) are different from customers in older generations (Baby Boomers and Gen X).

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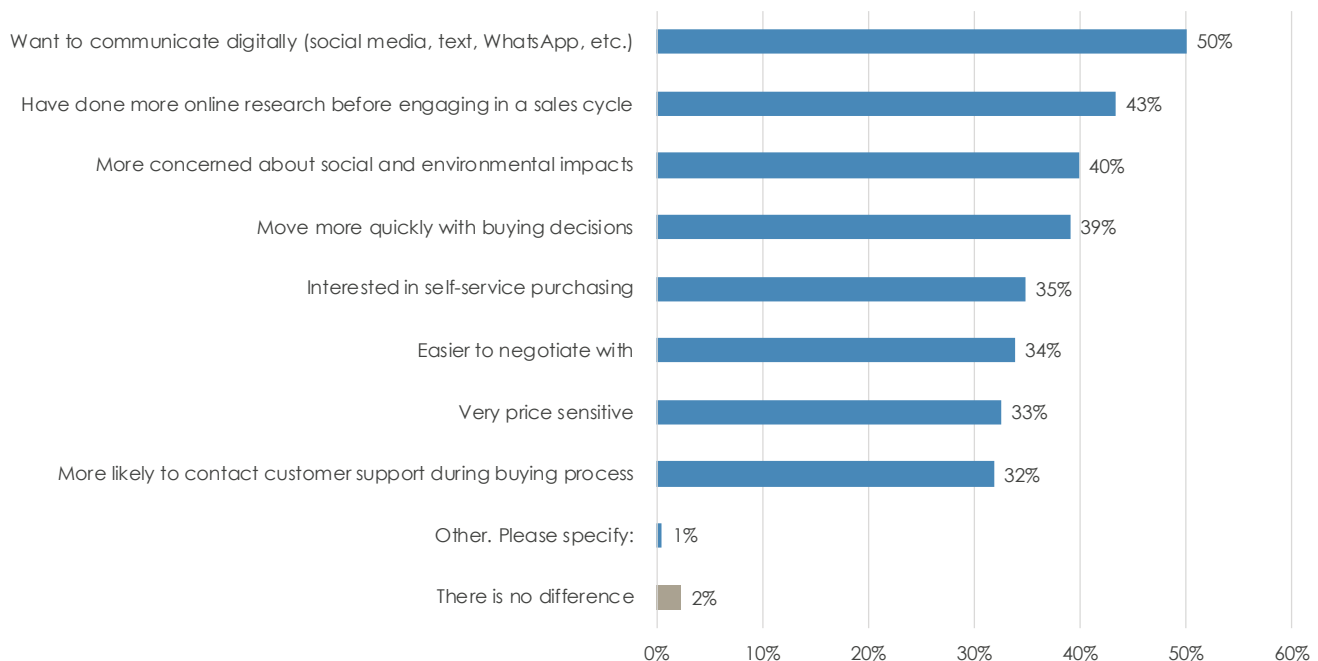


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Among SMB sales teams that sell to both older and younger generations, the vast majority (98%) report that these are different. Survey participants report that these connected younger generations are more likely to want to communicate using social media, text, WhatsApp and similar digital channels (50%), have done more online research (43%), and prefer to purchase via self-service methods (35%). The differences go beyond the digital though. Younger generations also are more concerned about social and environmental impacts of the products and services they are purchasing (40%), and make buying decisions faster (39%). Interestingly, while customers from younger generations are more price sensitive (33%), they are also easier to negotiate with (34%). Some participants took the time to mention “other” differences, in particular, that younger generations are more interested in non-traditional offerings.

In general, how are your customers from younger generations (i.e. Gen Z and Millennials) different from customers in older generations (i.e. Baby Boomers and Gen X)?

Choose all that apply.



n = sell to both younger and older generations of customers

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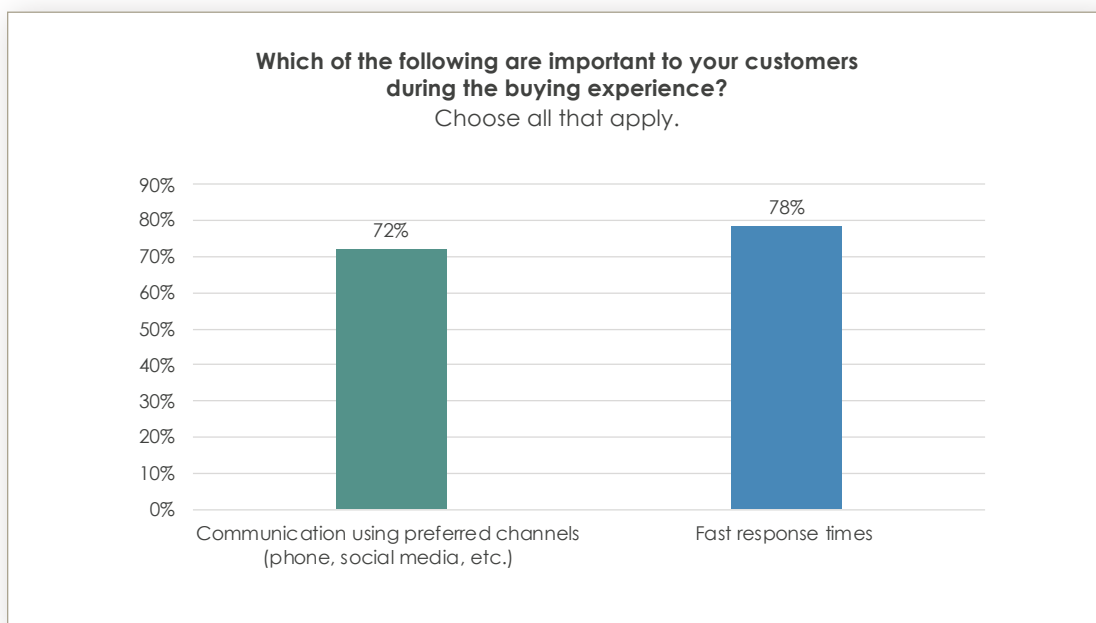
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SMB customers have high expectations

SMB sales stakeholders report that their customers have high expectations for their sales communications. Most say that it is important to their customers that they can communicate via phone or social media or whatever channel they prefer (72%) and that they expect a fast response (78%).



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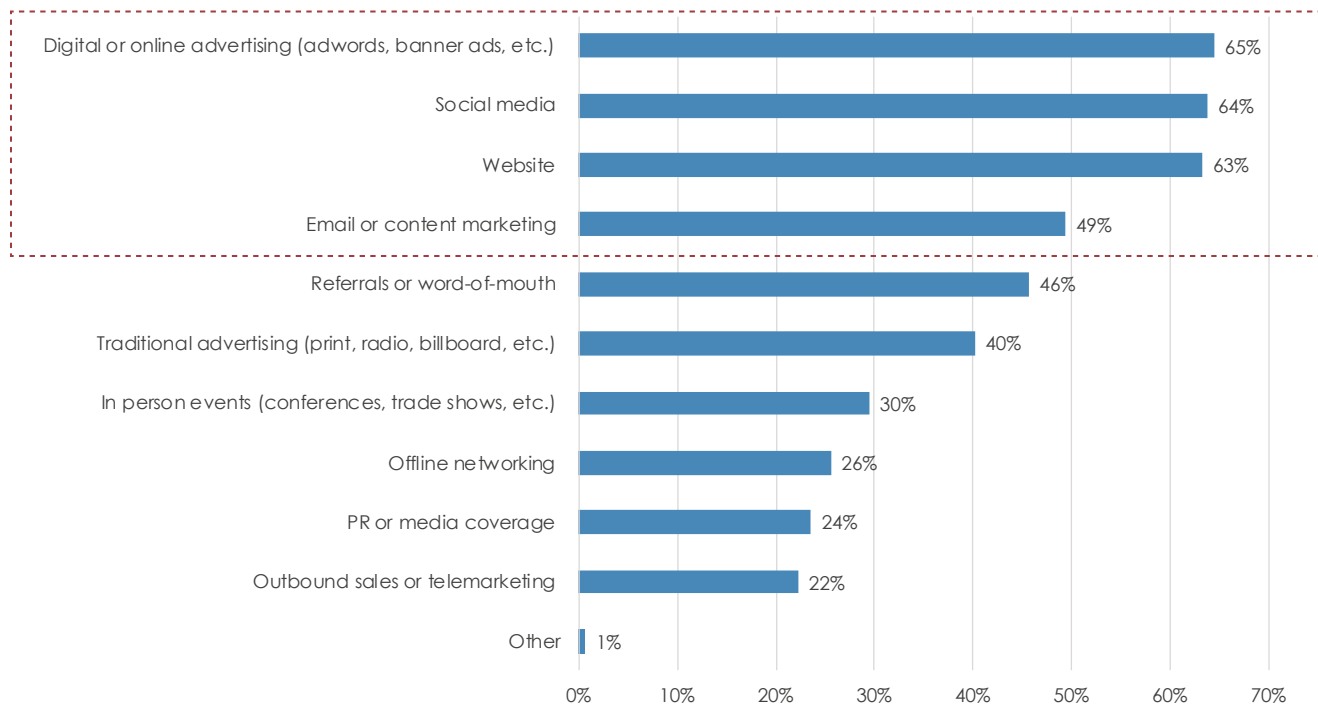
Online sources are driving the majority of lead gen for SMBs

Incoming leads can be an important source of pipeline for small businesses. This study examines both where leads for SMB sales teams come from, as well as the quality of those leads.

The top lead sources reported by SMB sales stakeholders are all digital. This includes online advertising via adwords and banner ads (65%), social media (64%), a company's website (63%), and email or content marketing (49%).

More traditional lead sources continue to be a factor for many SMB sales organizations. This includes referrals (46%), non-digital advertising including print, radio, and billboard (40%), in-person events including conferences and trade shows (30%), offline networking (26%), media coverage (24%), and outbound sales efforts such as telemarketing (22%). Some participants even mentioned direct mail delivered straight to their prospects mailboxes as a source of leads in the "other" category.

Where do you get sales leads?
Choose all that apply.



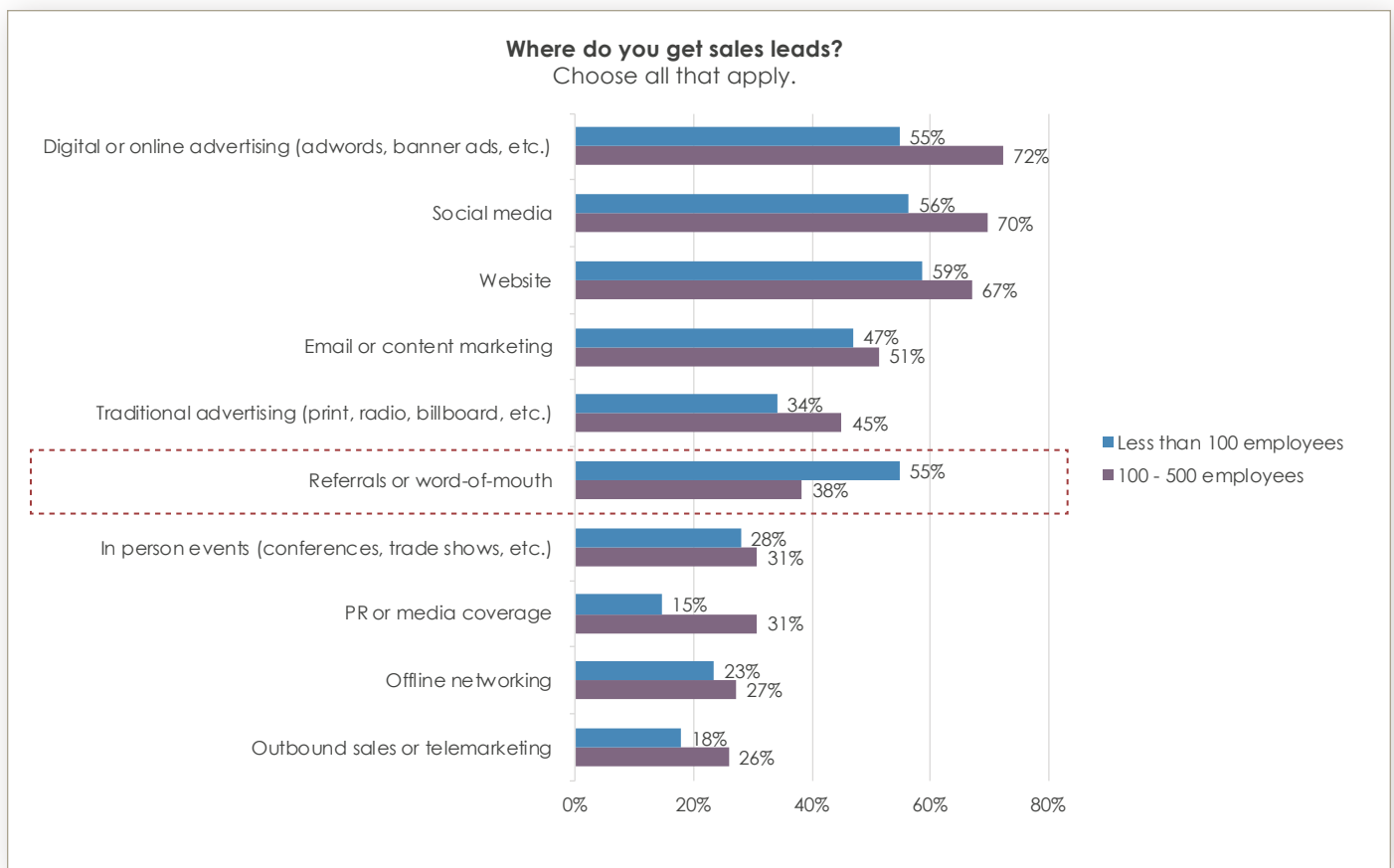
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There are some notable differences in lead sources reported by the mid-sized companies in our study and the smallest companies, likely a reflection of the larger budgets and additional marketing resources. Companies with 100-500 employees were more likely to report that they got sales leads from almost every type of lead source including digital sources, traditional advertising, and events. The single exception to this trend is in referrals and word-of-mouth leads. Many more small companies (55%) reported getting these direct referral leads than their mid-sized counterparts (38%).



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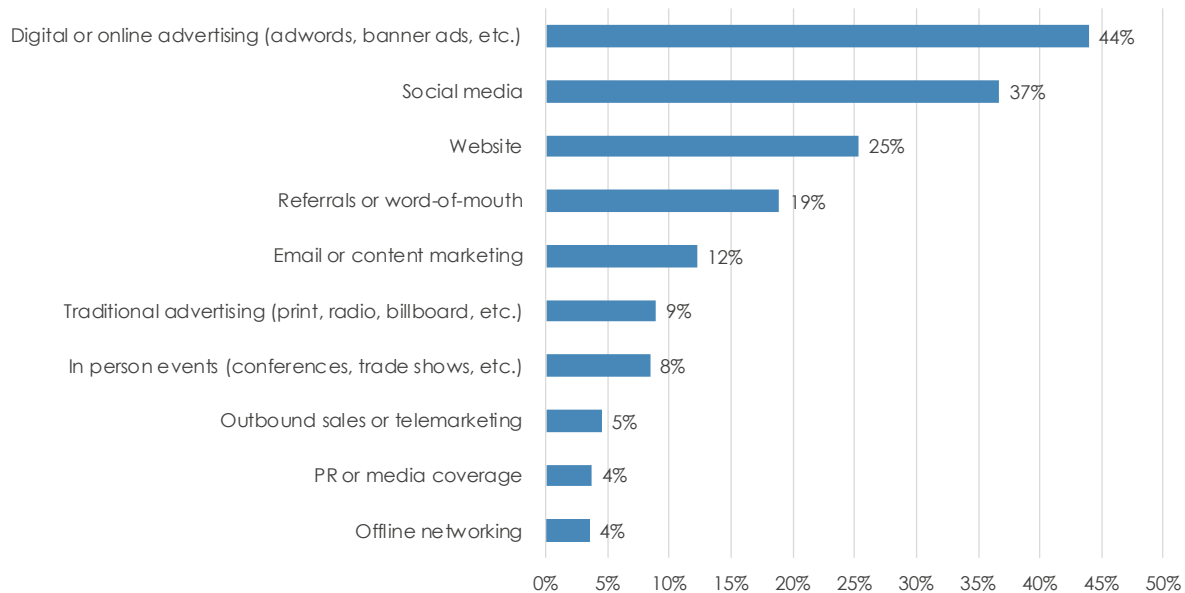
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SMB sales teams prefer leads from online advertising and social media

In addition to examining lead sources, this research wanted to understand the quality of those leads. We asked the sales stakeholders in our study to prioritize their top two sources of leads. Online advertising remained at the top of the list (44%). Social media and website leads were fairly comparable to online advertising when asked about all lead sources, but when quality was prioritized these fell far back in comparison (37% and 25% respectively). Interestingly, at least some participants indicated every lead source was one of the best sales leads, including direct mail in the “other” responses.

Where do you get your BEST sales leads?

Choose up to 2 of the following.



Sales reps lead preferences did vary based on the service or product sold. SMBs selling digital products such as media or software were most likely to prefer online advertising (58%). Referrals were most effective for sellers of personal services (38%), where email and content marketing were most effective for companies offering business services (21%).

The age of the survey participant also impacted the way leads were valued. Millennials in our study were much more likely to value leads from online advertising (50%) and social media (43%) compared to Baby Boomers (29% and 27% respectively). Conversely, almost twice as many Baby Boomers (35%) reported referrals as their most valued lead sources compared to Millennial participants (15%).

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SMBs sell on expertise, not price

Pricing and discounting can be a powerful tool in a sales cycle but is certainly not the only factor when establishing the value of a product or service. Offering a higher quality product, or having a deep understanding of a niche market can be more important than the price when making a purchase. The SMB sales stakeholders in our study do not focus on price to compete. The vast majority (83%) agree that their customers are looking to them for expertise, not just a great deal with low pricing.



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Detailed Findings: Modern SMB sales professionals deal with a range of challenges

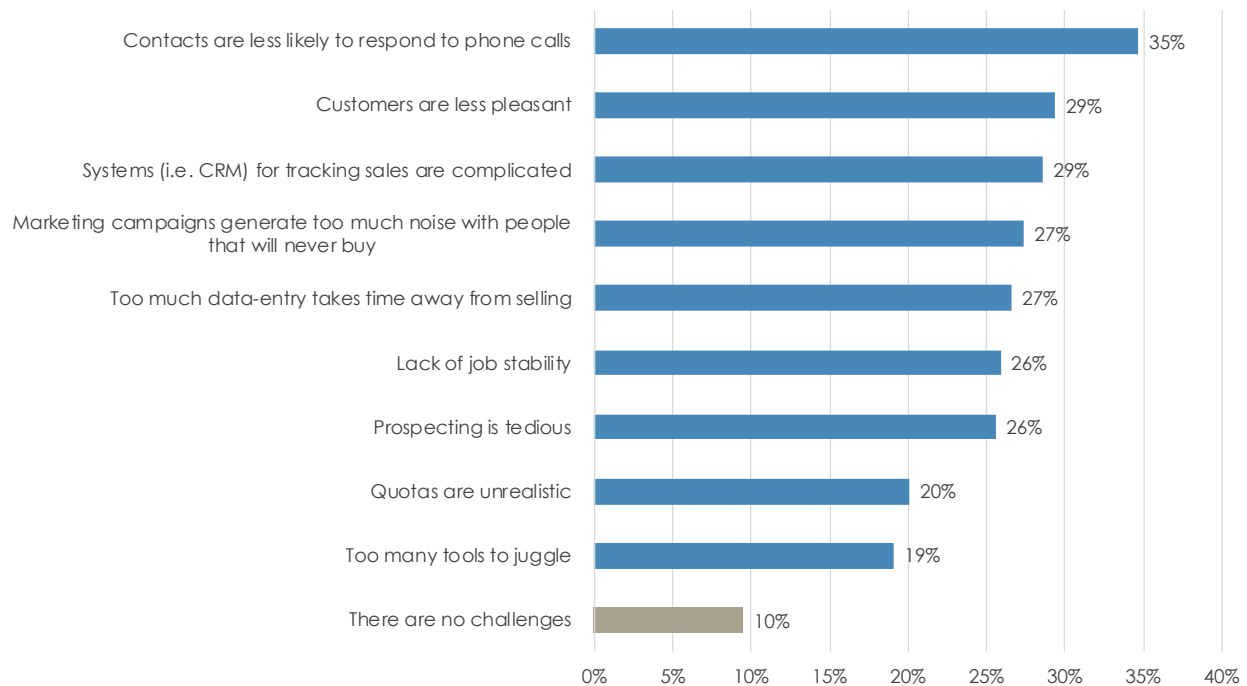
SMB sales reps must overcome multiple issues

Relationship selling is not an easy job. Building connections, delivering value, and handling a wide range of customer demands requires skill and persistence. SMB stakeholders report a range of issues that are faced by frontline sales reps - either for themselves or the individuals they manage.

Most (90%) sales reps at small or mid-sized businesses face challenges. These include reaching contacts that just don't answer their phones (35%), dealing with unpleasant customers (29%), working with complicated systems (29%), sorting through noisy leads to find the few qualified prospects (27%), spending time on data-entry instead of selling (27%), and more.

What challenges do your company's sales reps face?

Choose all that apply.



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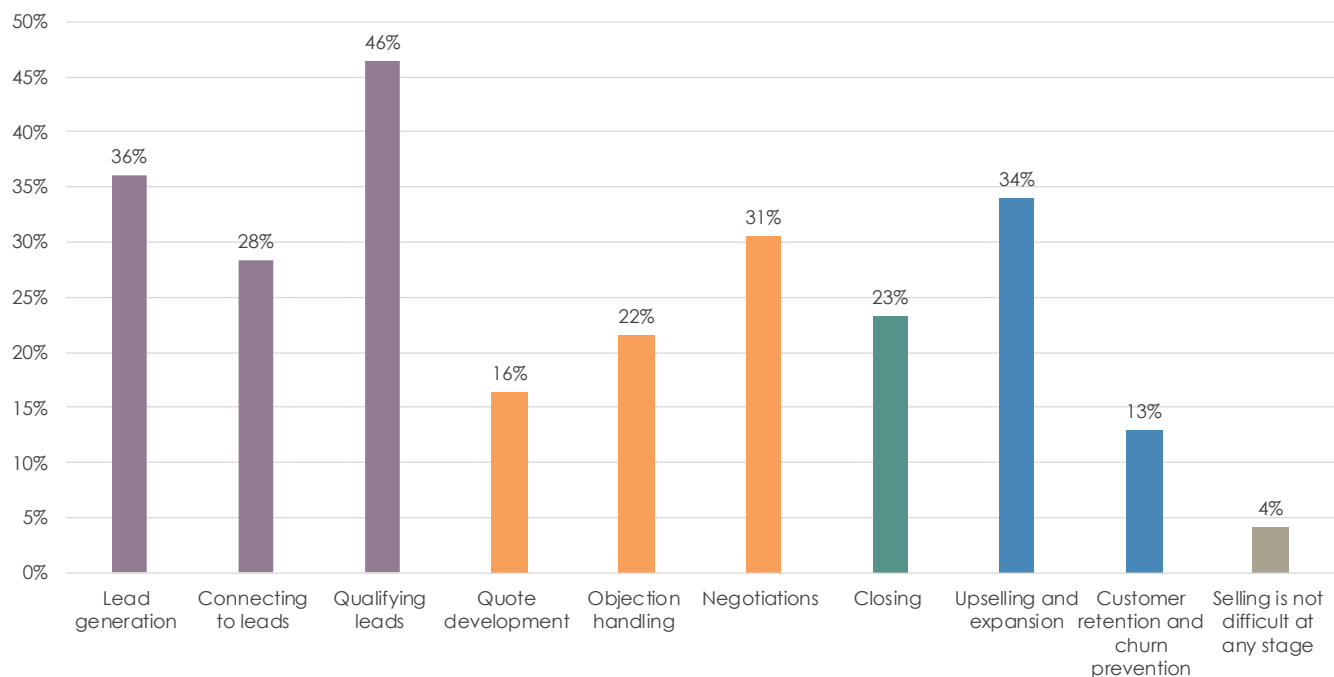
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Relationship selling typically involves a wide range of steps. First, identify and connect with prospects: generate leads with enough contact information for a sales rep to start the cycle, make contact with those leads through the desired communication channel, and then determine if there is an opportunity to sell or if you're dealing with a tire-kicker. Next, establish value and finalize the details: develop a compelling quote that meets the prospect's needs, respond to any objections or concerns, and negotiate on any sticking points in a way that doesn't impact profits. Even once value is clearly established, it requires additional work to close the deal. And even then the great relationship selling rep is not done, as there is an opportunity to increase the lifetime value of that customer: upselling to additional products or services that will also add value, and establishing customer satisfaction to prevent churn.

The vast majority (96%) of sales teams do struggle with some part of the sales cycle but certain steps in the sales cycle are particularly difficult for SMB sales reps. The most difficult part of selling reported in this study is at the beginning. Almost half (46%) report that they have difficulties qualifying leads, and over a third (36%) report issues with lead generation. Traditionally closing has been considered a difficult step in the sales cycle, but among SMB sales stakeholders less than a quarter (23%) cite their sales teams as struggling to close.

What steps in the sales cycle are most difficult for your sales team?

Choose up to 3 of the following.



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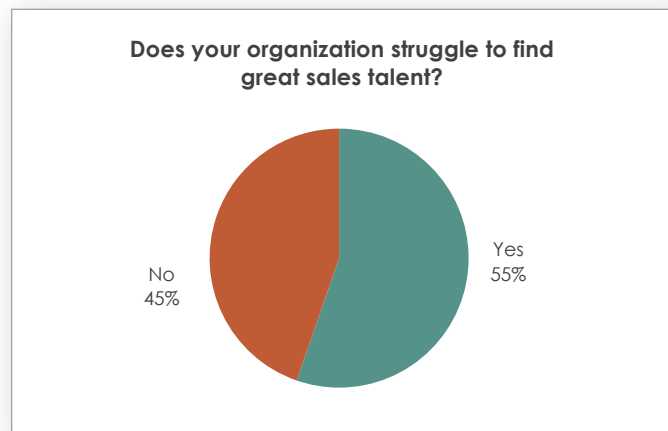
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Finding sales talent is difficult for SMBs

Given how difficult the sales job is, it's not surprising that many sales managers face challenges in recruiting sales talent. More than half (55%) of SMB sales stakeholders report that they struggle to find great sales talent. This trend was consistent among both mid-sized (56%) and small (54%) companies.



Detailed Findings: Good technology enables strong sales relationships

Technology use is ubiquitous among SMB sales teams

Enterprise sales technology was not a practical choice for small and mid-sized businesses for many years. The cost and resources required to set up and host the required infrastructure were simply too high to make business sense, as were the licensing fees. More recently, innovations in cloud applications have removed barriers to entry for SMBs, and vendors have built solutions to meet the needs and budgets of smaller enterprises. It is now possible for even the smallest companies to use a range of technology applications during their sales cycle without needing to hire IT staff.

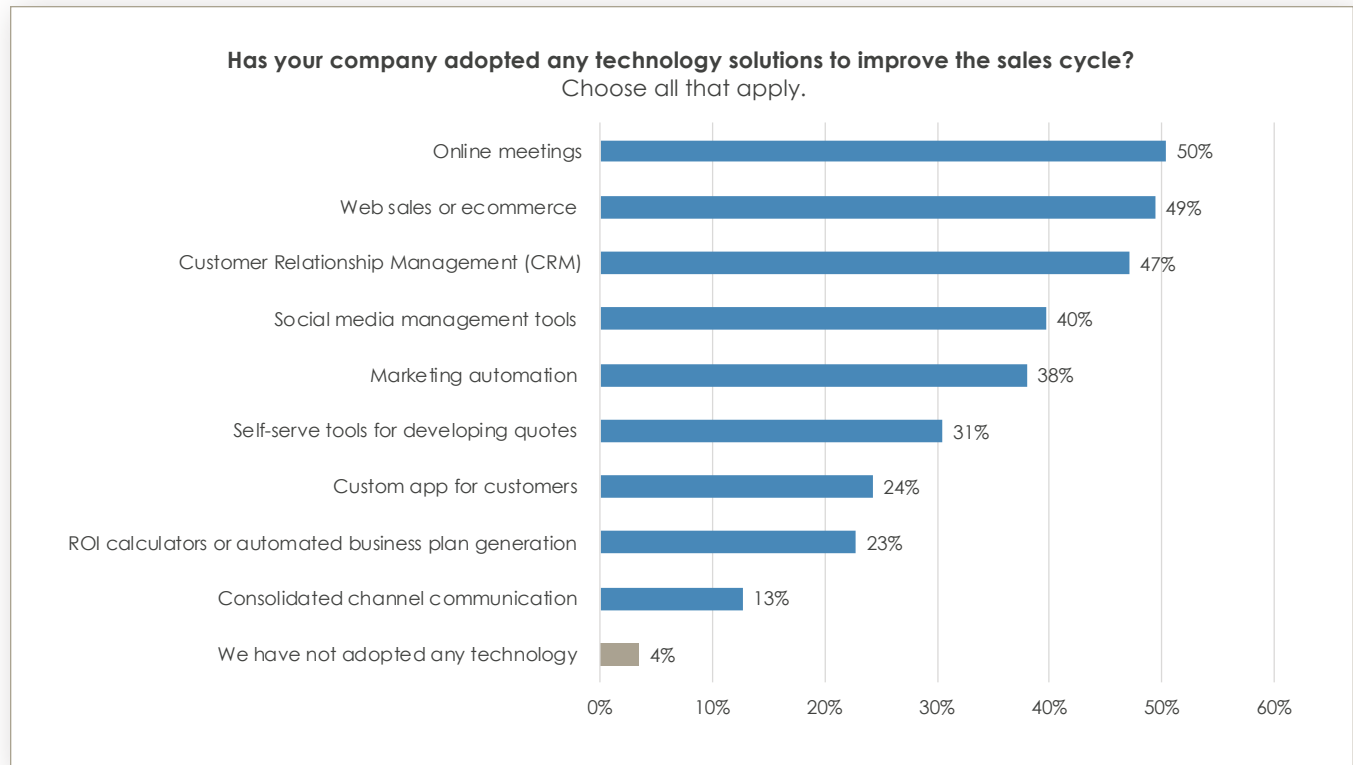
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SMBs are taking advantage of these technology innovations. The vast majority (96%) have invested in some form of sales technology. Online meetings top the list (50%) followed closely by ecommerce and online selling capabilities (49%) and customer relationship management (47%). Social media management tools (40%) and marketing automation (38%) are also common.



Unsurprisingly, mid-sized companies have invested in technology more than their small counterparts, but the differences were fairly minimal. Even the smallest SMBs report that they are investing in technology solutions to aid sales.

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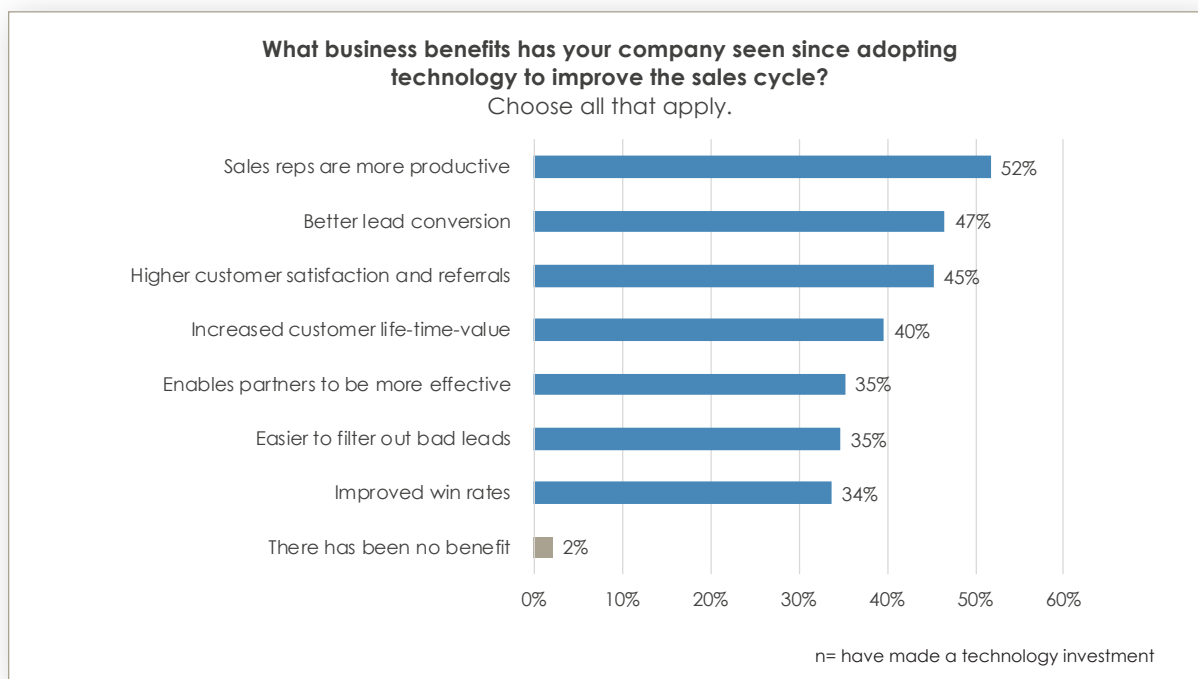
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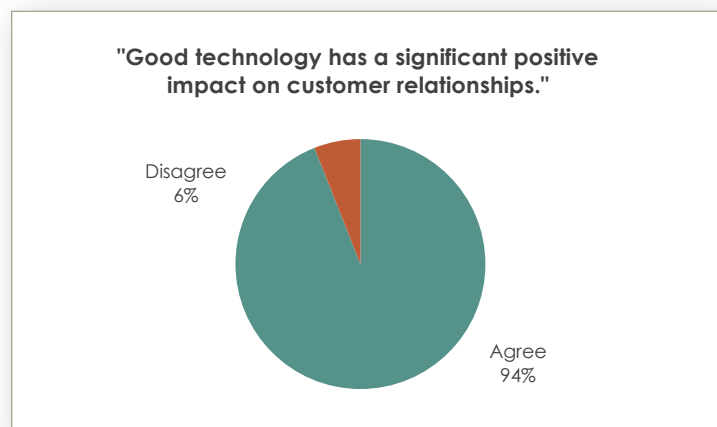
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Technology is good for selling

SMBs are reporting good results from their sales technology investments. Almost all SMB sales stakeholders (98%) report benefiting from their technology investment. Their sales reps are more productive (52%), they have better lead conversion (47%), customers are more satisfied and more likely to give referrals (45%), the overall life-time-value of each customer is higher (40%), partners are more effective (35%), it's easier to qualify and filter out bad leads (35%), and win rates are higher (34%).



These benefits are not inconsequential. SMB sales stakeholders are in broad agreement (94%) that good technology has a significant positive impact on customer relationships.



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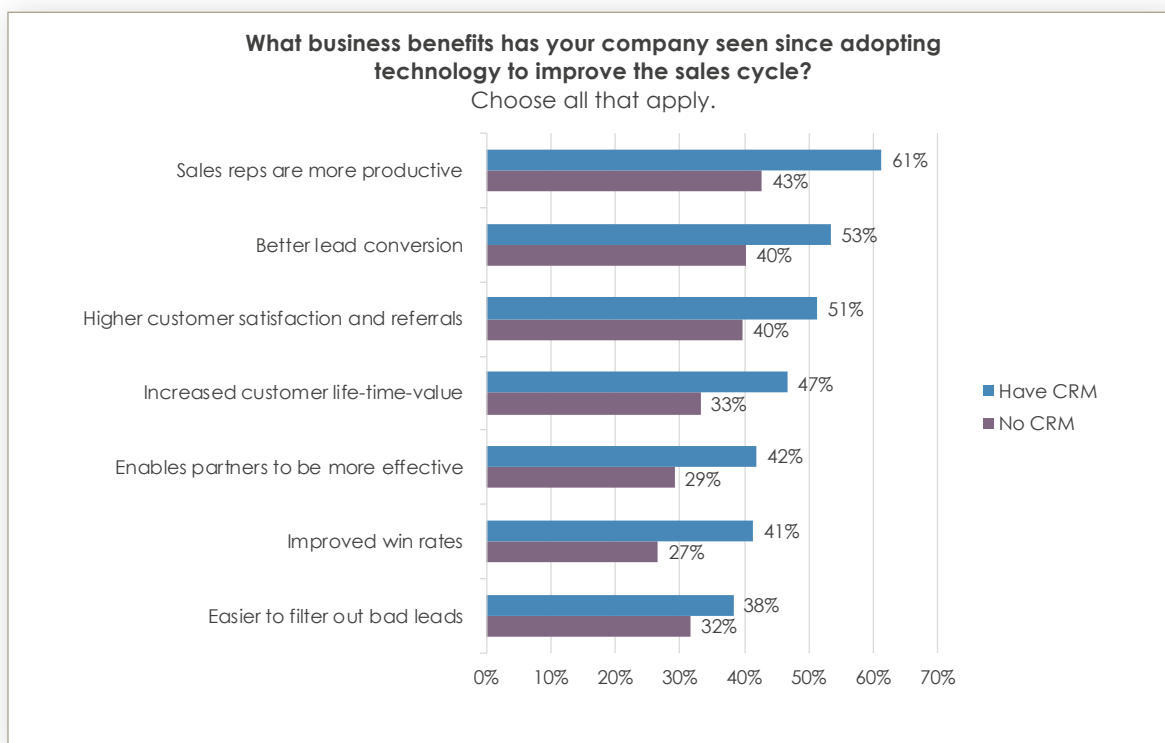


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SMBs would benefit from additional CRM capabilities

Customer Relationship Management, or CRM, was built specifically for the needs of relationship sales. With a CRM system, reps can track contacts, opportunities, pipelines, and deals. CRM has traditionally been a huge enterprise investment, but that has changed in recent years. As reported above, almost half (47%) of SMBs have invested in a CRM system for their sales efforts.

It is particularly notable that CRM investments correlate to higher benefits reported from technology investments. For example, 61% of SMBs that have invested in CRM say that their sales reps are more productive because of technology, compared to only 43% of those without CRM. Similarly, more SMBs that had adopted CRM said their technology was responsible for better lead conversation (53% vs. 40%), higher customer satisfaction and referrals (51% vs. 40%), increased customer lifetime value (47% vs. 33%), and increased customer referrals (47% vs. 33%).



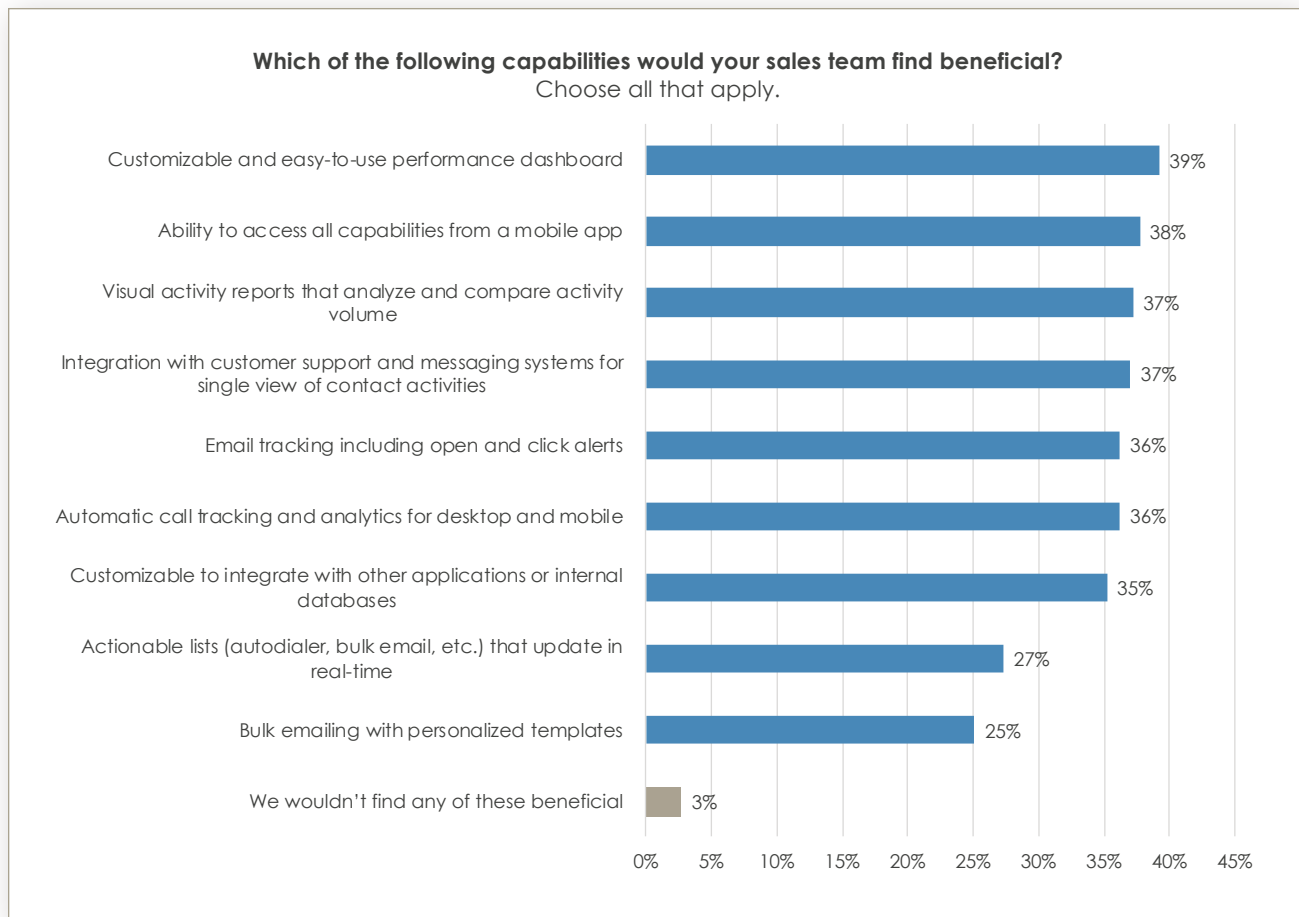
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SMB sales teams want even more from their CRM systems. Almost all sales stakeholders (97%) indicated that their sales teams would benefit from additional CRM capabilities including customizable performance dashboards (39%), more mobile capabilities and access (38%), reports that analyze and compare activities (37%), integration with other systems for a single view of activities with a specific contact (37%), and much more.



Interestingly, both SMBs that already have a CRM and those that don't have a similar interest in more capabilities, demonstrating an opportunity for CRM vendors to innovate and do a better job meeting the needs of their customers at smaller companies.

COVID-19 AND SMB SALES: A SPECIAL REPORT

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COVID-19 and SMB Sales

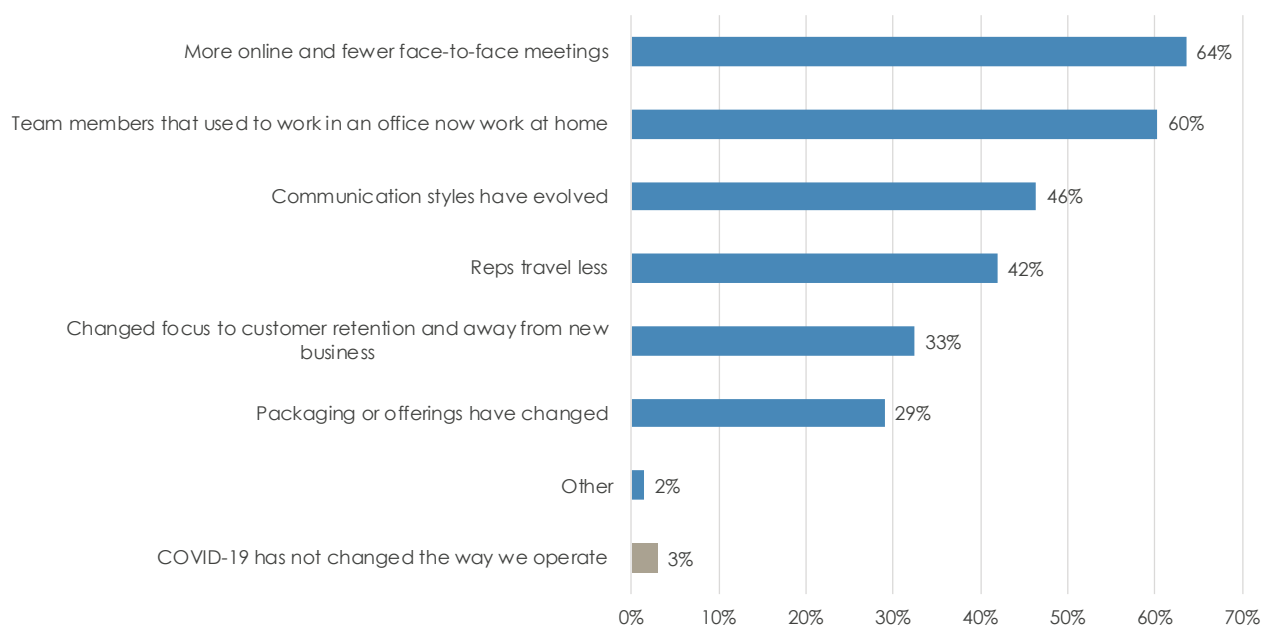
It goes without saying: COVID-19 (sometimes referred to as coronavirus) changed the world in 2020. SMB sales teams are no exception. This survey was fielded between April 23 and May 4, in the heart of the 2020 pandemic. This research demonstrates that the impact on sales stakeholders and small and mid-sized companies has been significant:

- 97% have changed sales operations as a result of COVID-19
- 60% of sales team members that used to work in an office now work at home
- 95% report a negative impact on sales reps
- 89% have purchased or will purchase new technology because of COVID-19

Almost all SMB sales stakeholders say their teams have changed the way they operate as a direct result of COVID-19. Some changes were tactical, including more online and fewer face-to-face meetings (64%), a movement out of offices into work-from-home environments (60%), and a reduction in rep travel (42%). Some changes have been more strategic including evolving communication styles (46%), changing focus away from new business acquisition into customer retention (33%), and even changing product packages or service offerings (29%). Participants mentioned multiple “other” operational changes including introducing more flexible payment plans, invoicing earlier, and delaying pipelines.

How has the COVID-19 outbreak changed the way your sales team operates?

Choose all that apply.



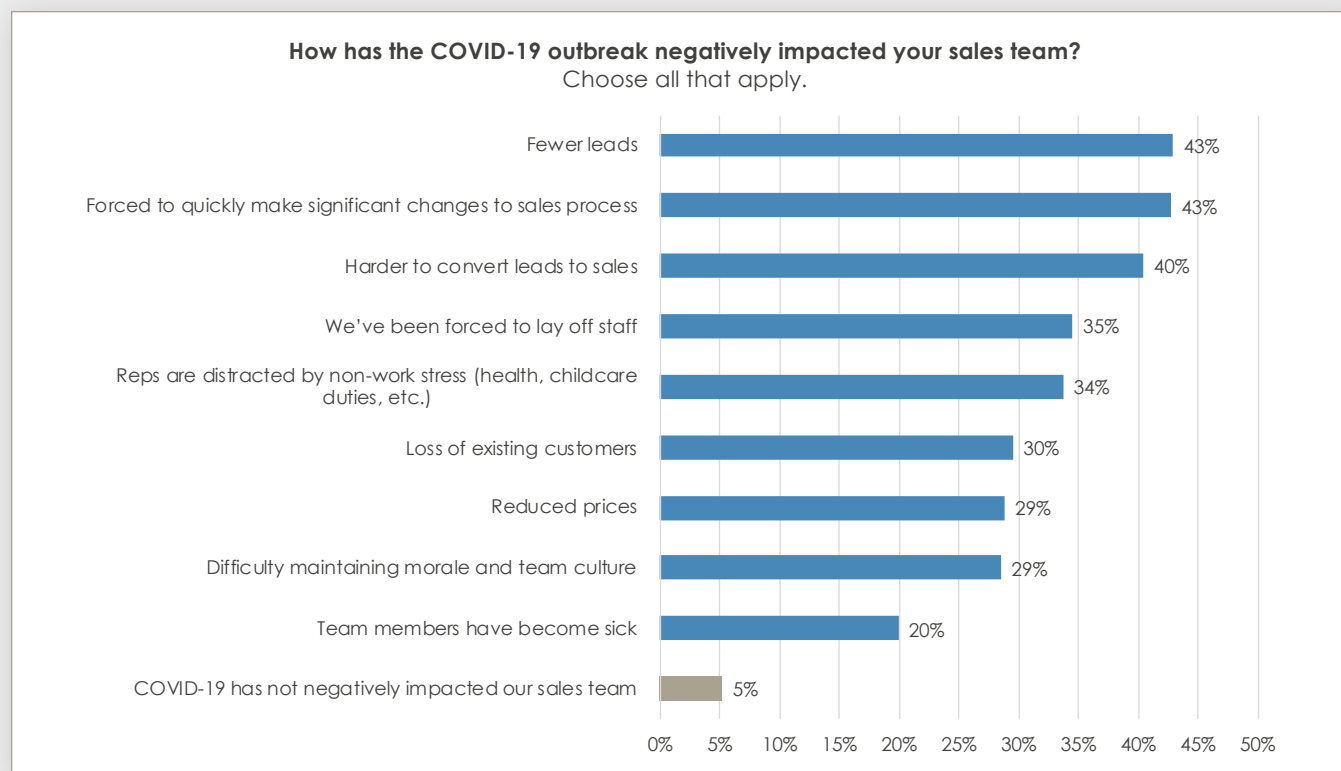
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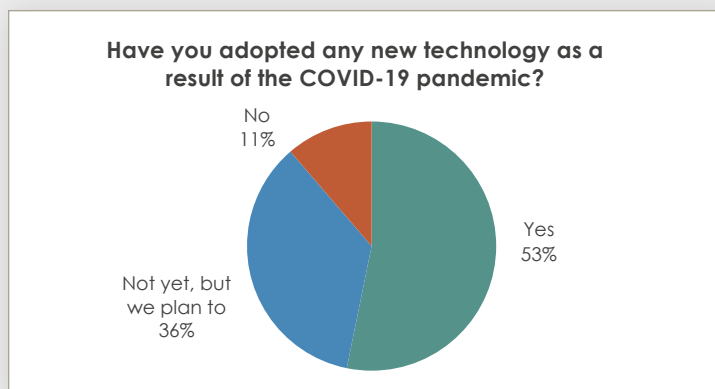


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SMB sales teams have seen negative impacts (95%). The impact has been felt throughout the sales cycle: leads are down (43%), it's harder to convert leads to sales (40%), existing customers have been lost (30%), and prices have dropped (29%). Many of the impacts have been very personal for sales reps. They are distracted by health concerns, childcare duties, and other non-work stress (34%), and it has been hard to maintain morale and culture (29%). Even worse, many have had to lay off their sales staff (35%) and team members have become sick because of COVID-19 (20%).



Many SMBs (89%) are looking to technology to help deal with some of the impacts of COVID-19. More than half (53%) have already adopted new technology to enable changes to work-from-home, sales processes, and other factors, and a further third (36%) have plans to do so.



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Survey Methodology and Participant Demographics

An online survey was sent to independent sources of sales professionals working at small and mid-sized businesses. A total of 403 qualified individuals completed the survey. All worked in sales roles at companies in the United States with less than 500 employees. Participants were all responsible for relationship-selling in deals with multiple customer touchpoints. This study does not include feedback from individuals responsible for transactional selling such as cashiers or self-service online sales.

Participants represented a mix of companies including both small (less than 100 employees) and mid-sized (100 - 500 employees) organizations selling a range of solutions. A variety of questions were asked on general sales trends, experiences with technology, the impact of Covid-19, and more. Responses were captured between April 23 and May 4, 2020.



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