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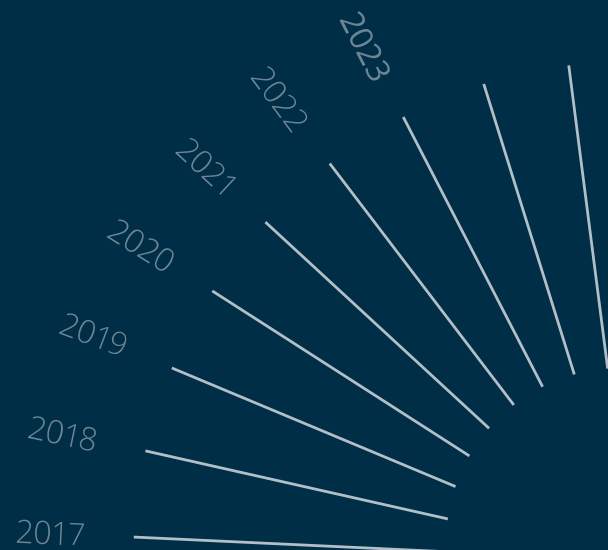
tech_trends_

/ 2023 SMB Tech Trends White Paper:

Overcome Modern Obstacles With a Flexible Software Strategy

2023
2022
2021
2020
2019
2018
2017

2023

/ Overview

Challenges introduced within the past three years fundamentally changed how businesses operate, no matter their size or industry.

A global pandemic and ongoing economic unease have brought novel problems to the forefront: choking supply chains are driving higher costs, increasingly clever cybercriminals are targeting newly vulnerable sectors, and employees—untethered from the office—work from home most of the week. That is, if recruiters can find enough skilled talent to fill those vacant roles.

Small-business leaders, in particular, witness these challenges up close.

It's always been a core part of how we all work, but small and midsize businesses (SMBs) are doubling down on technology to confront these ultra-modern situations. In 2023, virtually all businesses (94%) expect to spend at least as much on technology and software as the year before, and 69% will spend more.[1]

> **Gartner recently reported that enterprise spending for IT will also grow by $4.6 trillion in 2023, with the majority of that growth in software (+11.3%).[2]**

Not only are SMBs adopting more technology over time, they're also paying more for it. This includes a growing boldness toward emerging technologies—an approach typically reserved for large companies with IT resources—that can give businesses an edge.

At higher costs, more than a third of SMBs (34%) struggle to justify and fund new technology investments, and the promises of new software don't always materialize. How is a small-business leader supposed to move forward?

In **Capterra's 2023 SMB Tech Trends Survey**, we surveyed more than 1,500 business leaders across five countries to identify software adoption trends, common challenges around software costs and regretful purchases, and the single most important quality for SMBs to embrace when approaching technology in 2023.[1]
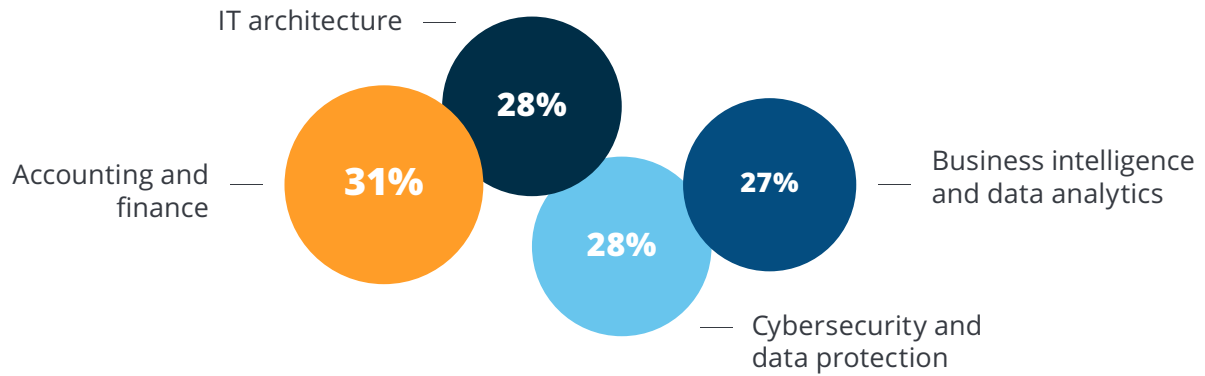
Table of Contents

The evolution of SMB tech stacks: 2020 to 2023

We started our survey by capturing the types of software used by businesses before 2020 and those adopted between 2020 and 2022. The evolution of business technology aligns with common challenges of the day.
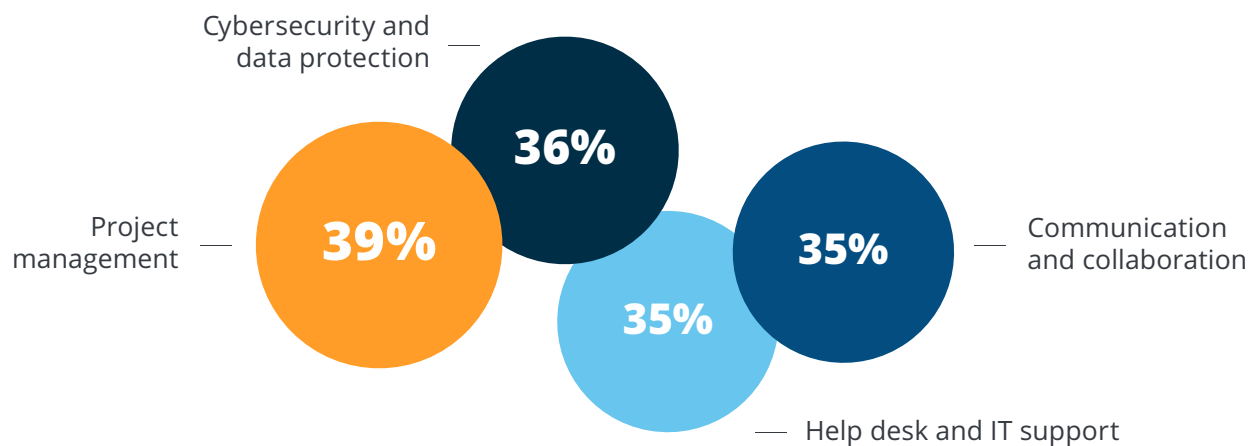
- ⊞ **Before 2020**, on top of market-specific tools, many companies were using core systems necessary to any industry—accounting software to track bottom line revenues, profits, and budgets, and IT architecture and cybersecurity software to provide a secure online and back-end environment to manage operations. In addition, they used business intelligence software to track important KPIs for every department.

- ⊞ **After 2020**, companies have invested much more in project management tools to keep initiatives on schedule, and increased their focus on cybersecurity. Help desk and collaboration systems were adopted at equal rates to support distributed teams who are more likely to work outside of the office.

Already using before 2020

IT architecture — **28%**

Accounting and finance — **31%**

28% — Cybersecurity and data protection

27% — Business intelligence and data analytics

Newly adopted since 2020

Cybersecurity and data protection — **36%**

Project management — **39%**

35% — Help desk and IT support

35% — Communication and collaboration

Q: Which types of technologies or software have you started using since the beginning of the pandemic, and how many do you intend to use permanently? [1] [8]

It's hard not to notice the shift to technology that helps maintain communication and project momentum. A Capterra study found that the number of employees who worked from home jumped 30% by early 2021, and nearly half (48%) of employees at that time said they wanted to work from home at least 75% of the time.[3]

As we take a look at what small businesses are planning for 2023, their newest challenges are manifesting in their tech budgets.

Top budgeted priorities for 2023
Average investment ranges by industry*

IT management (40%)

↑ Highest: Finance ($35,800)
↓ Lowest: Marketing ($11,555)

Sales and customer relationship management (CRM: 39%)

↑ Highest: Manufacturing ($34,427)
↓ Lowest: Marketing ($26,500)

Supply chain management and ERP (38%)

↑ Highest: Manufacturing ($35,679)
↓ Lowest: Retail ($26,057)

Cybersecurity and data protection (37%)

↑ Highest: Manufacturing ($35,205)
↓ Lowest: Retail ($26,438)

Human resources or learning management system (LMS: 33%)

↑ Highest: Manufacturing ($31,420)
↓ Lowest: Marketing ($12,062)

Q: Which types of technologies or software have you started using since the beginning of the pandemic, and how many do you intend to use permanently?
Q: What is the estimated planned spend, in total, on these technologies or software in the next 12 months?
*Note: Investment figures are average budgets for industry segments [1]

How buyers will use priority software in 2023

⊢ [IT management](#) is the top technology priority for 2023 overall. These systems serve to orchestrate the entirety of a company's digital environment, from access levels and compliance to maintenance and dashboards.

⊢ [Sales](#) **and** [CRM](#) software are two separate systems but, for most companies, operate in tandem. A CRM stores valuable customer details that a sales team can leverage and track for conversions.

⊢ [Supply chain management](#) **and** [ERP](#) are also distinct systems, but can serve similar functions. Enterprise resource planning systems are comprehensive suites that may include financial, HR, CRM, inventory, procurement, and other modules that share data to optimize an entire business. Supply chain management software is specialized, but is often included in an ERP.

> ⊢ In just the past year, we've seen how the ongoing supply chain crisis impacts SMBs: 59% say it's taking longer to procure inventory than in 2021[4] and 60% had shipments stolen in the past year.[5]

⊢ [Cybersecurity and data protection](#) software maintain a safe digital environment, protecting businesses from rising threats of ransomware, email phishing, and improper data access. While it's always been part of SMB tech stacks, the increase in vulnerabilities and motivated hackers makes such tools essential moving forward.

> ⊢ In a recent survey, most businesses (60%) that experienced a ransomware attack say it was coupled with other types to pressure the company to pay up.[6] But money wasn't the biggest cost for those who paid the extortion demand—70% said productivity loss was the largest impact.

⊢ [Human resources](#) **or** [learning management](#) systems are increasingly valuable tools to tackle new recruitment challenges, manage more remote workers, and keep employees trained over time.

> ⊢ In a recent Capterra survey, nearly half (49%) of HR leaders say their organization planned to invest more in learning and development in 2022 as a response to high turnover during the Great Resignation.[7] SMBs have lagged behind larger companies in upskilling workers, but we anticipate that trend changing in 2023.

How rising costs present tech adoption challenges

The aforementioned challenges have varying effects for every business; a rapidly changing workforce and data security threats don't impact every company with the same intensity. One thing every SMB must face in 2023, however, is rising costs—including for software.

Our data shows that economic uncertainties or geopolitical situations (31%) are the most common challenges facing companies globally. And that, overall, most companies (53%) plan to spend 10-20% more on tech and software in 2023.

Because of rising costs, 69% of small businesses say they struggle to not only fund new technology investments, but also justify such investments from the outset. As a way to help, three-fourths of companies we surveyed have leveraged government support programs to adopt technology in the past, with 41% doing so in the past year.

Top challenges for tech investment planning YoY

Q: How does your organization approach new and emerging technologies? [1] [8]
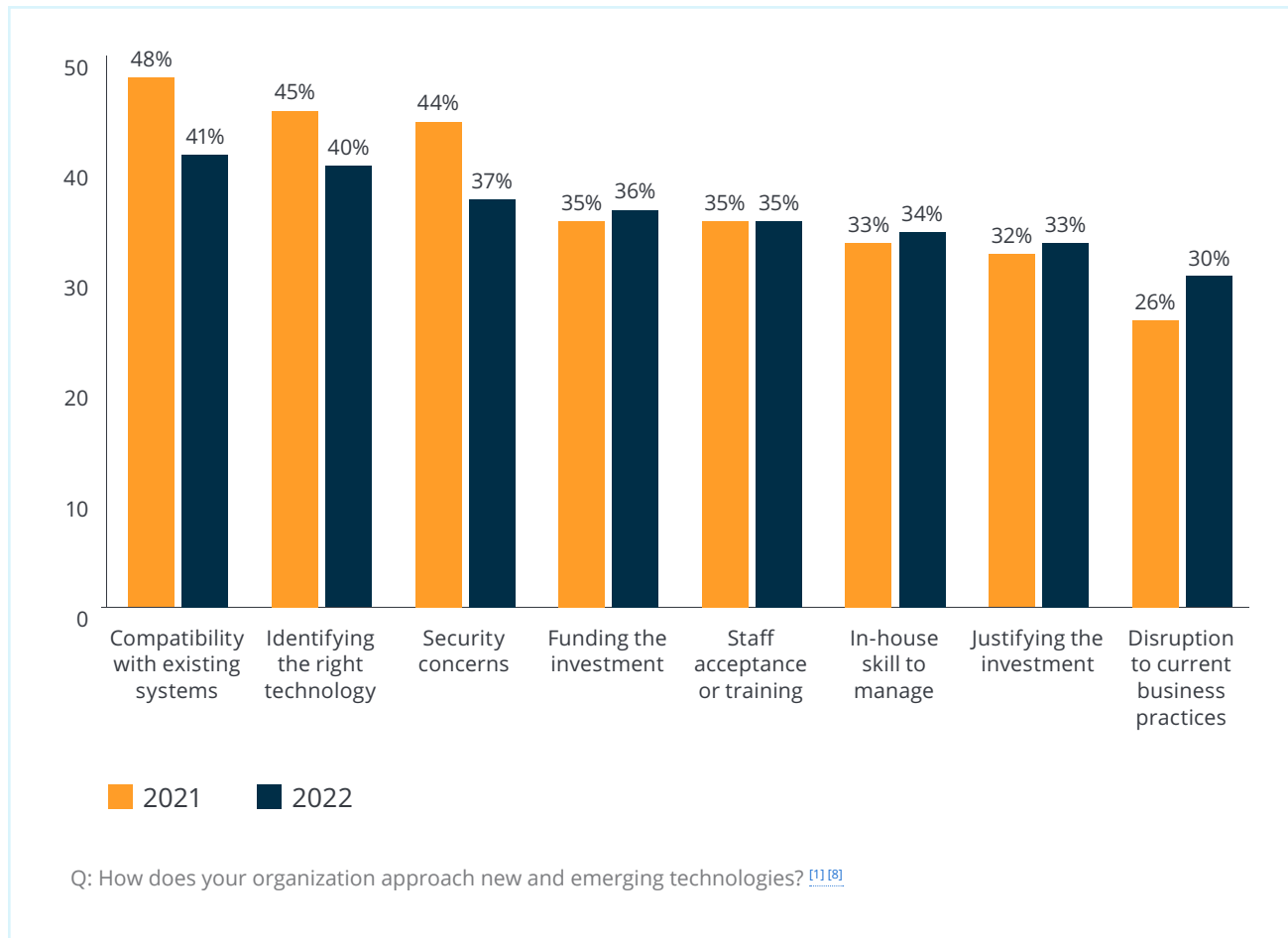
System compatibility, finding the right tech, and security concerns shrank year over year[8] but remain the top challenges when planning investments. From last year, disruptions to current operations and productivity grew by four percent.

In addition to the rising costs of software, small businesses are also becoming bolder in adopting emerging technologies.
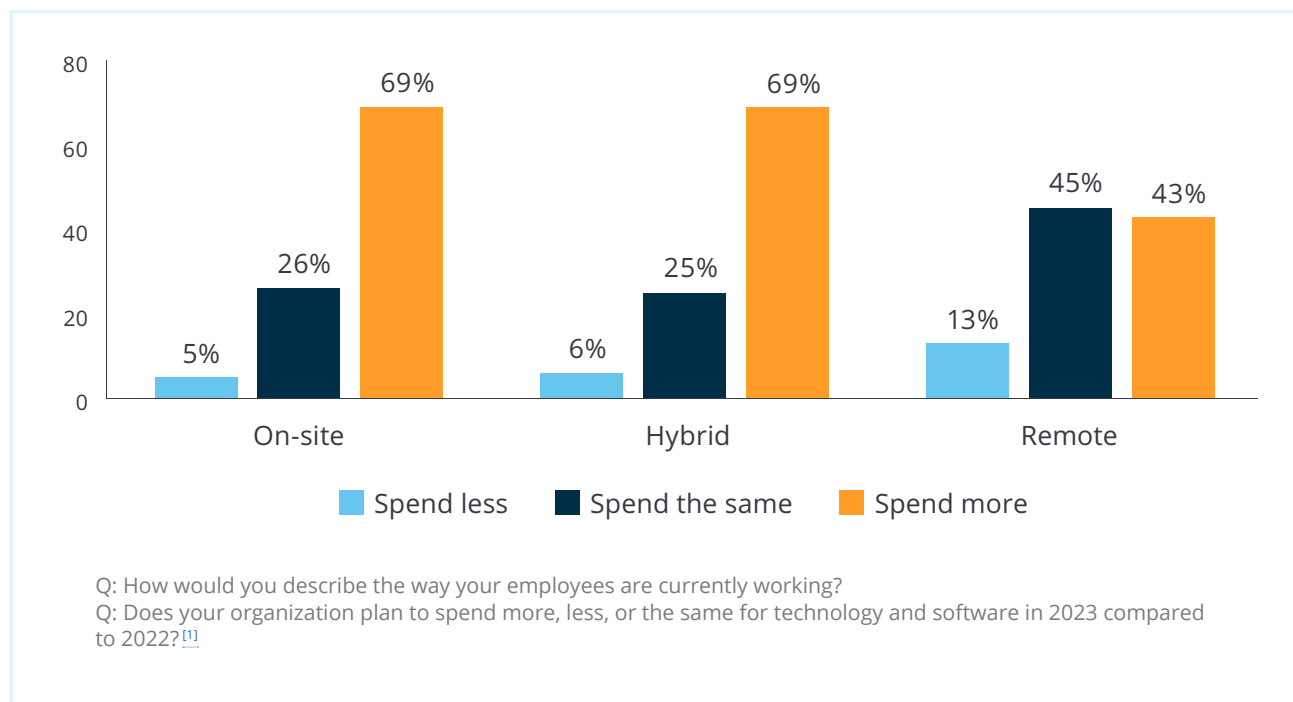
SMBs are boldly embracing emerging tech

Q: Please select the top three challenges that your organization faces when planning investment in new technologies? [1] [8]
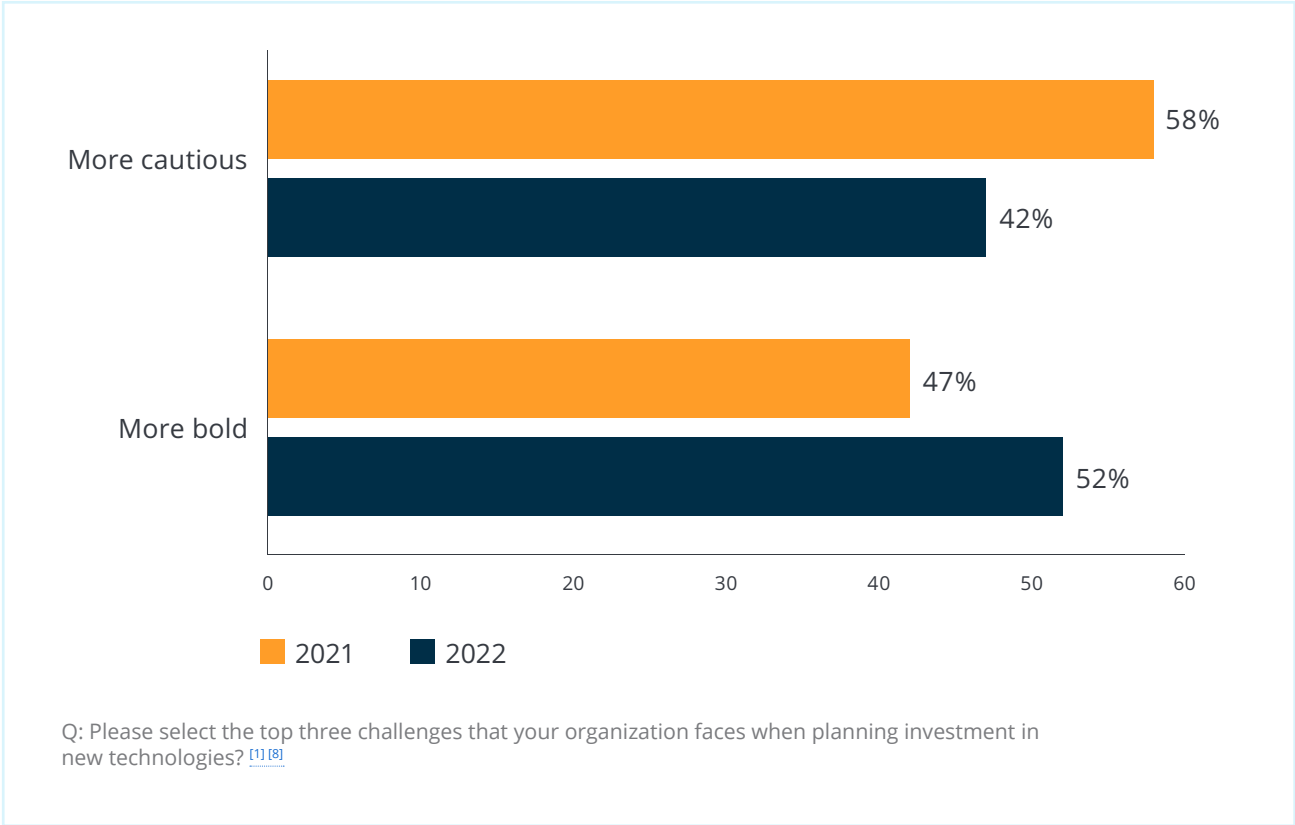
Technologies that used to be too complex and expensive for SMBs are becoming affordable and mainstream. Artificial intelligence (AI), as an example, is common in modern off-the-shelf software, so much so that many buyers aren't even aware they use it.

The type of technology needed can make a big difference in cost. For example, on average, companies plan to spend the most (at least $30,000) on CRM, cybersecurity, and supply chain technology in 2023. Beyond those types, though, a business' work style can impact technology costs.

On-site and hybrid teams plan to spend the most on software in 2023

Q: How would you describe the way your employees are currently working?
Q: Does your organization plan to spend more, less, or the same for technology and software in 2023 compared to 2022? [1]

Remote teams are most likely to spend the same on technology in 2023; only 43% plan to spend more, compared to nearly 70% of on-site or hybrid organizations. Teams that work remotely have had a few years to adjust since the pandemic, or they were already remote before it began and likely had the software needed to get work done.

Our survey found that on-site and hybrid teams generally have more employees, and are more likely than remote teams to prioritize some of the more expensive software types for 2023, such as IT management, sales and CRM, and supply chain management.

However, hybrid organizations face a specific challenge—Gartner projects that close to half of employees (48%) will work remotely at least part of the time moving forward, with company-managed hardware and software spread across a larger area using networks that a business can't directly control.[9]

This leads to hybrid teams spending nearly $10,000 more on cybersecurity software than on-site or remote teams. All of these factors lead to a more expensive 2023 for most companies, and with 58% reporting buyer's remorse for at least one technology investment, most can't afford to choose the wrong system.

Businesses are struggling to justify and fund new tech investments, and replacing software costs time and money. Our research shows that it's critical to tie such investments to business goals to get buy-in, avoid excessive costs, and maintain momentum during implementation.

Stay flexible—match 2023 business goals with technology

Business goals inform the decisions leaders make, including identifying the right technology investments.

According to our survey, the most common goals are growing revenue (42%), growing a customer base (39%), increasing productivity (36%), and reducing costs (34%). But these goals are shaped by external factors to which companies simply must adapt.

Top five factors impacting business goals

Q: What are the three most significant external factors shaping your organization's business goals? [1]
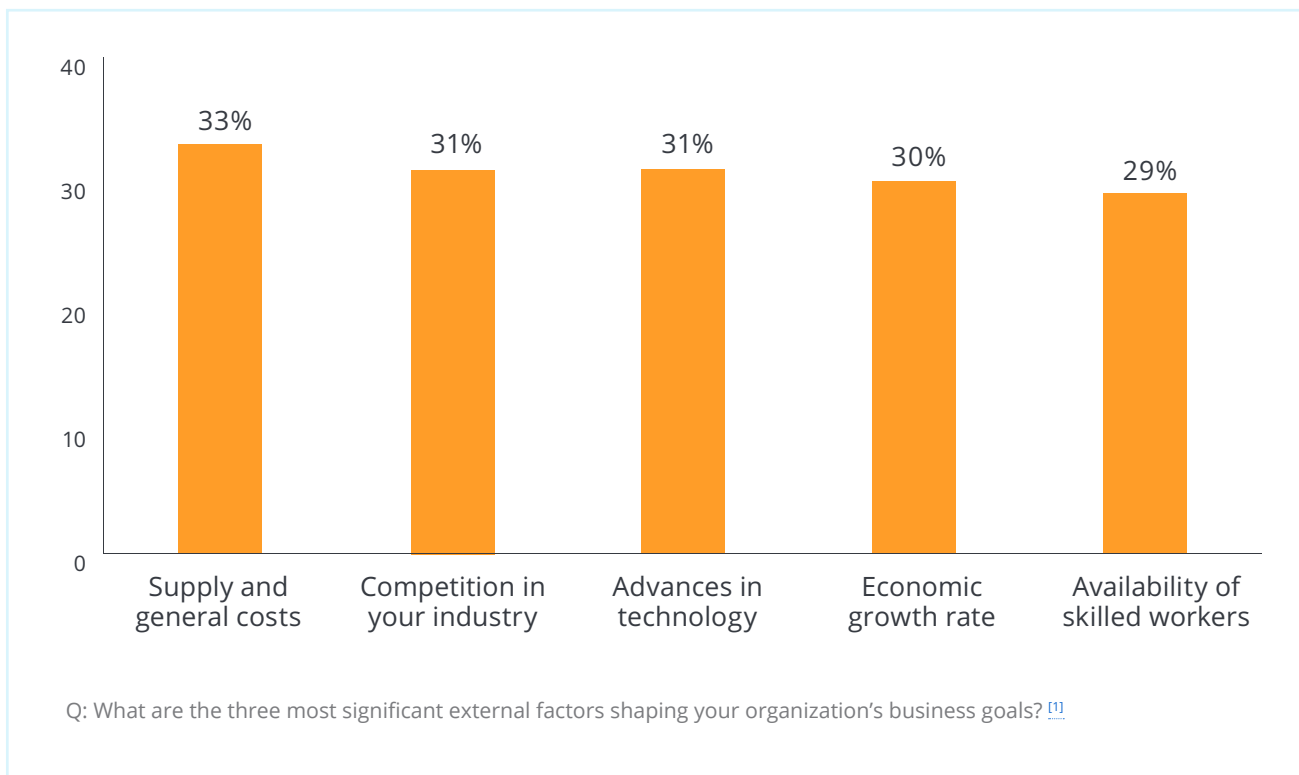
Growing revenue and reducing costs, in particular, are primarily restricted by economic and supply conditions, and 76% of companies say technology is important to making progress on these goals.

Adopting the right technology is the best method to drive success against external factors, and we've found that flexibility in how companies approach software selection, how they prioritize long- and short-term goals, and their customization requirements lead to the strongest technology decisions.

3 ways to keep things flexible in your software search

It's easy to stiffen up budgets, timelines, and requirements for new software when economies are volatile and supply chains are unreliable. In such times, small-business leaders will often clamp down on what they view as unproven investments.

But when more than three-fourths of businesses (76%) say technology is critical to meeting goals and budget accordingly, 2023 isn't the time to back away from valuable new software. Leaning in with a flexible mindset is the formula for success.

Companies that are unlikely to regret tech investments share some common traits; here are a few strategies you can adopt to count yourself among them:

1. **Build a technology search team with internal experts, or mix with external support**

Small businesses don't always have an internal IT team for support when evaluating software, so they will partner with external services to bridge the gap in expertise. This can help SMBs maintain their current systems, but while external technical teams understand the software landscape, they don't have direct experience with a client's operations.
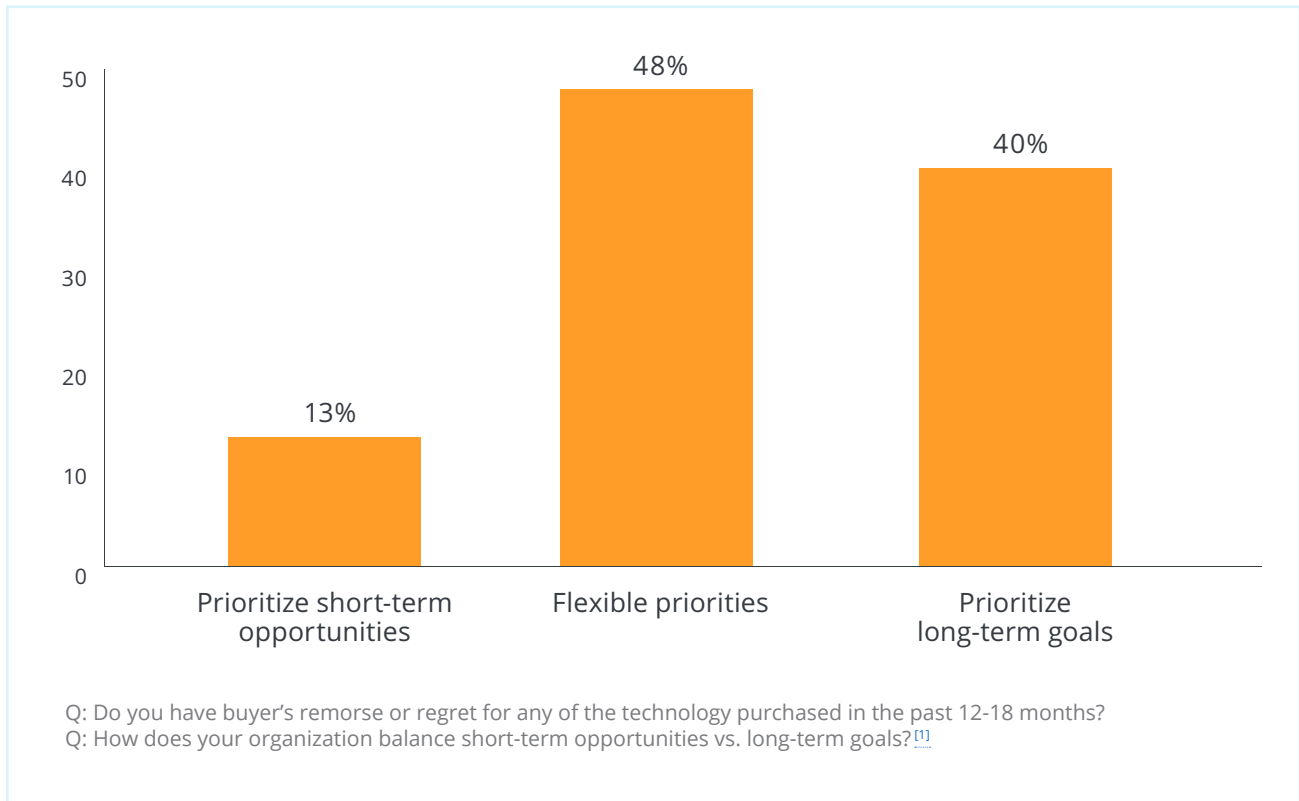
- SMBs that leverage an internal IT team to help with a software search are 26% more likely to adopt technology without regret.

- For those that must utilize external IT support, it's important to stay involved. SMBs that divide responsibilities between internal stakeholders who understand business requirements and external experts are 27% more likely to adopt technology without regret.

Flexible, blended evaluation teams offer both personal experience with your business and specialized expertise for a well-rounded software search.

2. **Loosen long-term priorities that may prevent short-term wins**

There is a direct correlation between how companies prioritize long- and short-term goals and the level of regretful software purchases they make. Those who say they have balanced priorities that they flex when presented with good opportunities (48%) report the most successful tech adoptions.

Flexibility in goals leads to more successful adoptions

50 ┤
40 ┤
30 ┤
20 ┤
10 ┤
0 ┤

13% — Prioritize short-term opportunities

48% — Flexible priorities

40% — Prioritize long-term goals

Q: Do you have buyer's remorse or regret for any of the technology purchased in the past 12-18 months?
Q: How does your organization balance short-term opportunities vs. long-term goals? [1]

Companies that prioritize long-term goals are also in good shape, but are also more likely to outsource their IT needs. These businesses must avoid passing off all responsibility to external partners during their search.

By comparison, businesses that regularly disregard long-term goals for immediate opportunities have the least success finding the right software.

With the uncertainty ahead in 2023, it's especially important to balance your goals with opportunities that could directly impact revenue and productivity.

3. **Avoid a strong stance on customization to find more success for less money**

Customizing software, if time and budget allows, is a great way to ensure an adopted system meets your business needs. But our data shows that more small businesses are open to off-the-shelf software moving forward.

SMBs are leaning more on off-the-shelf software in 2022

Q: Do you prefer off-the-shelf technology solutions or customized ones? [1] [8]
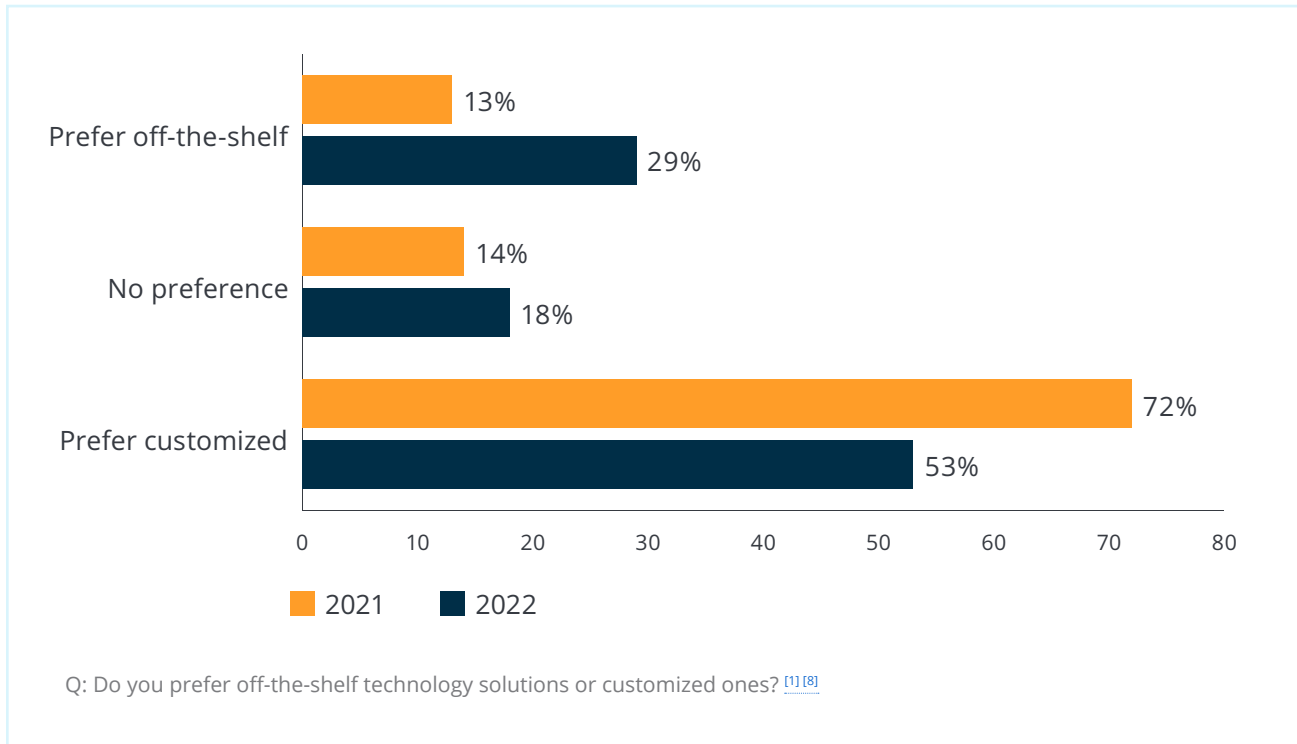
One potential reason for this is that more software products are cloud-based and offered in modules these days, effectively allowing an adequate level of customization without the added time and cost. Another possibility is that businesses in a rush with minimal budget need to make do with entry-level software as-is.

Whatever the cause, our data shows that flexibility here is another net positive:

⊦ 73% of businesses that say they have a preference for either off-the-shelf or customized software plan to spend more on technology in 2023, compared to only 49% of those that enter the software search with no strong preference.

⊦ More importantly, while SMBs that preferred off-the-shelf solutions and those that preferred customized solutions each reported similar levels of purchase regret (62% and 68%, respectively), those with no preference at all saw their regret level drop to 32%.

Capterra serves as the ideal starting point for your technology search, with thousands of verified user reviews for more than 900 software categories. You can also quickly access a shortlist of personalized recommendations by taking a short quiz.

Capterra empowers buyers with research designed to help them set technology goals, understand costs, and learn from other business leaders. Visit our collection of reports for software buyers and move into 2023 with confidence.

Methodologies and Sources

1. **Capterra's 2023 SMB Tech Trends Survey** was conducted online from August 2022 to October 2022 among 1,526 respondents from the U.S., U.K., Canada, Australia, and France, and from SMBs with revenue less than $1 billion and 2-999 employee size. Respondents were screened for their involvement in software purchasing decisions and those who were a leader/member of the group or had significant influence qualified for the study. The survey was developed collaboratively by a team of Gartner analysts and was reviewed, tested, and administered by Gartner's Research Data and Analytics (RDA) team.

2. Gartner Forecasts Worldwide IT Spending to Grow 5.1% in 2023, Gartner

3. Meet the Post-Pandemic Workforce: 5 Trends That Define the Future of Work After COVID, Capterra

4. **The SMB Retail Supply Chain Survey** was conducted in March 2022 of 305 U.S.-based supply chain/inventory management managers in retail small/midsize businesses. Respondents were screened for size of business (1 - 1,000 employees), involvement in procurement and inventory management at their retail company (very to extremely involved), and that they had experienced at least minimal supply chain delays in the past 12 months.

5. 60% of Small Businesses Had Shipments Stolen in the Past Year—These 6 Tips Will Keep Your Cargo Safe, Capterra

6. **The 2022 Ransomware Impacts Survey** was conducted in May 2022 among 300 U.S. business leaders that have experienced a ransomware attack. All respondents were part of the response team or made fully aware of the company's response.

7. To Close Skill Gaps, Nearly 50% of Companies Are Spending More on Upskilling Employees in 2022, Capterra

8. **Capterra's 2022 Small Business Software Buying Trends Survey** was conducted online from August 2021 to October 2021 among 500 respondents from the U.S., Canada, Spain, France, and Germany and from SMBs with revenue less than $250 million and 2-499 employee size. Respondents were screened for their involvement in software purchasing decisions and those who were a leader/member of the group or had significant influence qualified for the study. The survey was developed collaboratively by a team of Gartner analysts and was reviewed, tested, and administered by Gartner's Research Data and Analytics (RDA) team.

9. Organization Design for the Hybrid Workforce, Gartner

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