

Introduction

SMBs represent 99% of American employing businesses, and 66% of new American jobs post-1970 come from SMBs. They account for just over 50% of nonfarm US domestic GDP, around \$6bn altogether, and account for 39% of workers in high-tech jobs. They're diverse, and they're an ideal sales target for SaaS and other solutions that offer plug-and-play capability at relatively low price points.

Most SMBs have the potential to grow, though many will never achieve enterprise (\$50m+ revenue) status. For vendors of scalable solutions, SMBs represent a chance to grow with your clients.

In this ebook, we'll talk about what makes SMBs different from enterprise and startup clients as sales targets, what salespeople can offer SMB clients to stand out, and how to successfully sell to SMBs.

1

Why Sell to SMBs?

SMBs are the biggest single group of businesses in the USA. They represent a huge opportunity.

SMBs are often eager to take on new technologies that address their concerns, but frequently don't have deep pockets or open calendars. Looked at one way, that's a minus. But look at it through the lens of sales cycle length and the contribution reps can make to the process and it's a definite plus.

B2B selling has progressively taken the sales person out of the game, as client self-education hands control of more and more of the funnel to purchasers. At the same time, consensus selling to C-suites with segmented budgets and flatter hierarchical structures has made a salesperson's task more akin to complex project management, requiring increasing technical resources to speak to the concerns of as many as five or six different departments. Sales cycles are longer, deals are harder to close.

Selling to SMBs is different. You're dealing with fewer decision makers, often with less specialized roles.

Frequently your contact at the company will be the founder/CEO. You can enter the sales cycle right at the start, offering a solution the company may not realize exists at all. The objections sales people are used to hearing - 'I don't have the authority,' 'I don't make those decisions' - won't apply; you'll get rapid qualification of leads. Pain points are personal when owner capital is on the line so decisions are often fast, meaning sales cycles can be short, allowing organizations some compensation for typically smaller deal size.

For vendors looking toward income stability, SMBs can make an ideal target: there are enough of them, willing to pay enough, to fuel profitability. Selling to SMBs can give you access to low-midrange deal size and high-midrange deal frequency.

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What Does the SMB Market Look Like?

To access the SMB market effectively you need to know how to segment it, and how different SMBs operate.

SMBs can be divided by what they sell or how many employees they have, but it's more fruitful from a sales perspective to divide them by their growth stage.

Based on the research of Neil Churchill and Virginia Lewis, SMB growth can be divided into five stages:

1 - Existence: Owner and small team, typically 1-9 employees

Pain point: product quality, customer acceptance.

2 - Survival: Owner, perhaps supervisors or managers at shift level, typically 10-50 employees

Pain point: Cash flow in the short term, profitability in the mid term.

3 - Success: Owner, managers, some specialized employees, typically 50-250 employees

Pain point: Planning and organization, growth management.

4: Takeoff: Owner getting less involved, management structure becoming more professional, typically 250-500 employees

Pain points: Growth management, revenue management.

5: Resource Maturity: Management structure coming to resemble that of mature corporation, typically 250-1000 employees.

Pain point: Professionalization, process management.

Identifying the stage an SMB is in can be helpful in allowing organizations to decide if it makes a good sales target. For instance, a business that sells highly scalable CRM could have a fruitful conversation with a stage 2 company and a stage 4 company, but would probably be competing with an existing solution if they spoke with a stage 5 company. At that point, scalability with business growth might become less important compared with scalability with business complexity.

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Who Does the Buying in SMBs?

SMB buyers are often owner-CEOs, but not always: sometimes junior staff members will make the buy. SMB buyers are often owner-CEOs, but not always: sometimes junior staff members will make the buy.

Sell to early-stage (1-3) SMBs and you're usually selling to owners and operators, not officers and workers. Reaching decision makers using standard sales tactics isn't necessary, and there's almost always no CIO - just the founder/CEO making all the decisions, sometimes with input from a small team. So tech sales is simplified and often very fast compared with multi-touch, gatekeeper-decision maker structures in larger organizations.

Selling to stage 4 and 5 SMBs means dealing with something closer to the corporate officer structure, but there's still reduced requirement to procure a full-blown consensus sale. The number of stakeholders is likely to be fewer and the owner/founder/CEO probably still has decisive input, counselled by the relevant CXO.

Sometimes, the first person who picks up the phone will be the person who makes the purchase decision, even if they're not the person who cuts the check.

This means that many sales skills that are essential to enterprise level sales are actually counterproductive when selling to SMBs: there are no gatekeepers, in many cases, and the action starts as soon as you hear a voice on the phone. Sales staff need to be prepared to take an agile approach to this in order to avoid 'overshooting' - getting past someone they think is a gatekeeper, only to be told by the owner/CEO that the intern who answered the phone is the person who deals with purchases like yours.

For sales, all this means that access can be direct and very fast. The opportunity to approach the founder/CEO and work to secure a sale directly exists in a way that might not be possible in larger corporations.

Finally, the CEO/founder of an SMB is usually good at what that company does. If they're a restaurant, you might be talking to someone with extensive kitchen or front of house experience; if they're a machine shop you might have a CAD expert who knows their way around AutoCAD and Max; and if they're a tech company they might have great chops when it comes to motion engines, app store ranking or business software building.

What's relatively rare is to encounter a small business owner who is a professional business operator, since people with those skills more usually seek immediately remunerative positions in larger organizations. This means that sales to SMBs can involve a substantial component of client education about the value of business tools as strategic components of success, as well as about the specific benefits of your offering.

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What do SMBs See as Valuable?

While we can divide SMB growth stages for accuracy, we can also generalize about the pressures facing SMB owners and operators. Typically, these will be individuals with a high degree of personal investment in the company - both financially and emotionally. They will usually be effective at the company's core task, and have very limited time and energy for other tasks including self-education. Cost is a major concern, but a clear business case can convince SMB owner-operators to spend even quite large sums relative to revenue.

SMBs see value in immediate solutions. They're less likely to be interested in partner sales that require product input from them and there's often no in-company expertise outside of their specific area. So they want something that takes some of the load off their backs, and comes ready to roll.

To tailor your offering to an SMB client base, seek to make accessing its value extremely easy for people without specialized knowledge. Aim at the appropriate growth stage: remember that a stage 1 SMB will have less interest in strategic organizational advantages than a stage 4 or 5 company, for whom the transition to a strategic overview management model is their major business challenge.

It may be necessary to separate features, perhaps banded by price, in order to achieve this. Many SaaS companies do this with differing subscription levels, but if your offering is purchase based, consider making it modular so that add-ons can be sold to the same client when they grow. (Or check out how Zoho have combined both approaches!)

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What Motivates SMBs to Buy?

SMB founders and CEOs are looking for solutions they can implement with a minimum of disruption, and a minimum of expertise. Their biggest pain point is work - anything that takes a stone out of the shoe of the founder/CEO is speaking to them in their language. With some qualifications, price is overstated as a hurdle to SMB sales, while ROI is understated. It's important to remember that many SMB owners/CEOs have a personal stake in ROI - if the business is small enough they're often personally making the investment. A quarter of small business owners are using the personal bank account for their business, and even when they're not there's no real distinction between the business' finances and theirs.

When SMBs decide to buy tech solutions, their motivations differ based on company size and growth stage. Very small or early-growth stage businesses are slightly more strongly motivated to find a sweet spot where low pricing meets 'good enough' functionality, while larger companies with 500 or more employees are motivated to find new and emerging technology that may offer future competitive advantages. But what's striking about the figures is how little divergence there really is. Asked whether they prioritized low acquisition costs and 'good enough' performance, 31% of small (50 to 99 employees), 26% of midsize (100-500 employees) and 25% of large (500+ employees) said yes.

Asked if they were interested in 'best of breed' tools where price was less important than performance, 20% of small and 29% of midsize companies answered yes. The difference is quantitative rather than qualitative.

From a sales viewpoint, motivating purchases in SMBs is often about buyer education. Sales staff should be aware that this will be results focussed and fast - they should expect to be giving demos on first calls and either being rejected or closing early and fast, so the ROI needs to be front and center.

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SMB Selling: Challenges and Opportunities

Where can your sales process stumble, and what can we do to ensure success?

Lead research:

Inside sales teams are used to finding data on their prospects online. But for small business owners, that doesn't always work. Many regard themselves as restaurateurs, mechanics, or florists rather than as business people, so the professional social networks will often yield slim pickings. Even growth-oriented SMBs with a strong tech focus can have small online footprints and limited sources of data. So it can be necessary to adopt alternative approaches.

Investigate like a consumer: Check out the business on review sites like Yelp, and look at their business Facebook page. Yelp reviews will often mention owners by name. Business Facebook pages will sometimes give you information you can use to find the owner's personal Facebook page, where you can garner some detail about who you're talking to, sometimes including employment history as well as personal matters like which sports teams they support.

Product-client match:

It can be tempting to consider an SMB a fullscale enterprise in miniature. But the business operations, internal structure and the motivations of individuals with purchase authority can differ so much that this is erroneous. So stripping down an enterprise solution for SMB use is rarely the best option. Instead, create for SMBs from the ground up.

Seek to understand where your leads are in terms of growth stage, and what their relationship to technology is like. There are tools that will let you investigate companies' use of technology, such as Datanyze, MightySignal or InfoTree, so that you can identify a business' previous and current technology use, select the correct prospects and approach them with the right offering and pitch.

List Building:

Acquiring a list of SMBs who might make viable clients is made more difficult by the typical SMB's digital marketing weaknesses. So building lists of viable SMB leads can be more time consuming. Fortunately inside teams can still create usable lists by intelligent scraping.

Rather than seeking owned digital presences like social media profiles, identify a vertical and segment it, then use a tool like Link Prospector to scrape lead data directly from Google. Time spent cleaning the list and prequalifying is always time well spent, as is making sensible vertical segments.

The Call:

When someone picks up the phone at a small, early-stage SMB, they're probably still doing something else while they're speaking to you. So you need to have value up front, and expect a decision to happen maybe while you're still talking. Sales staff really need to bring their A game when it comes to call structure for this reason.

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Make Every Call Count.

Learn More

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