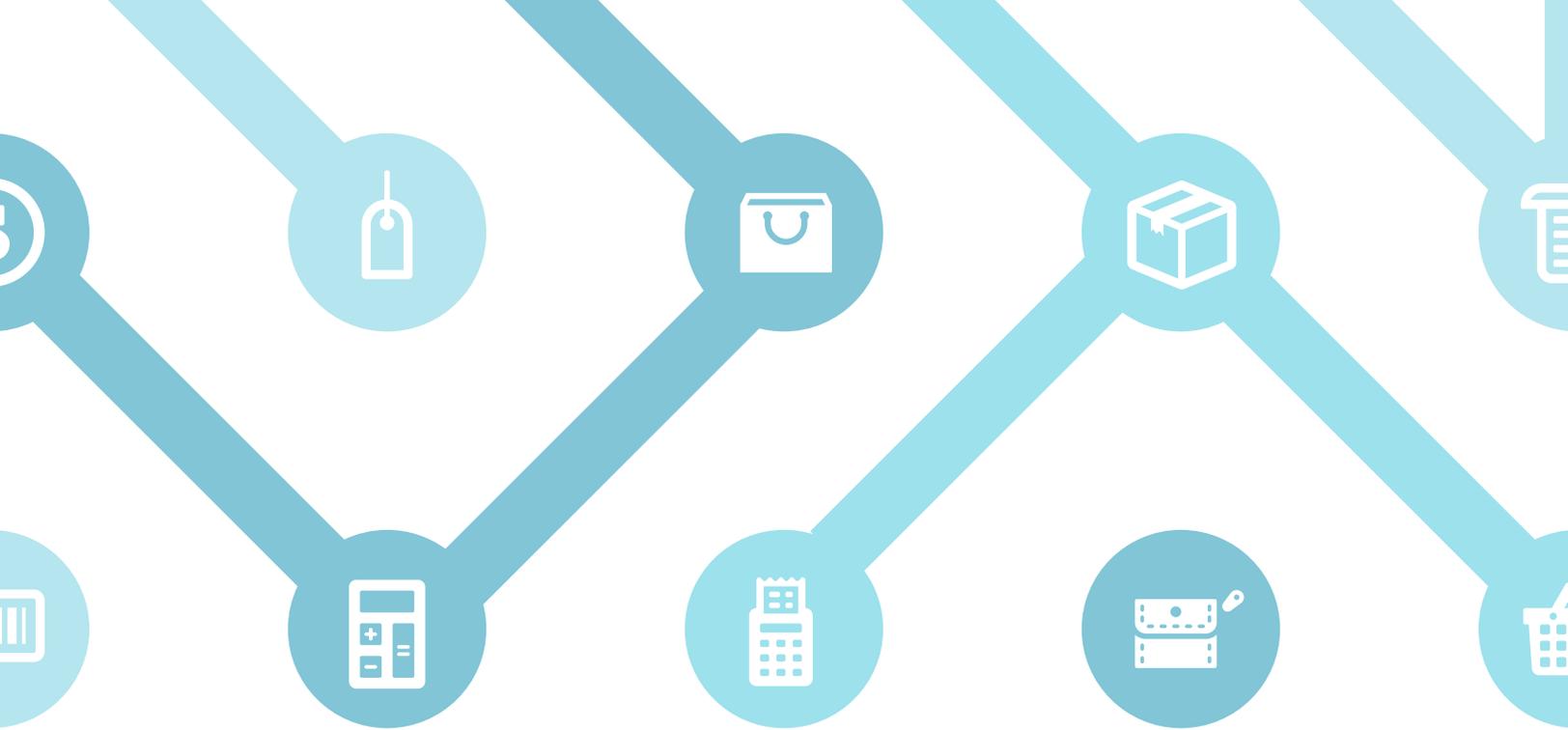


The background features a repeating pattern of various business-related icons, each enclosed in a circle. These circles are interconnected by a network of light blue lines that form a grid-like structure. The icons include symbols for a percentage sign, a document with a bar chart, a storefront, a dollar sign, a shopping cart, a truck, a calculator, a server rack, a shopping basket, a storefront with a awning, a percentage sign, a shopping cart, a storefront, a shopping bag, a box, a calculator, a server rack, and a shopping basket.

Where Main Street Meets Technology

A look at technology use among traditional small business owners and their willingness to adopt more advanced tools

PRODUCED BY PALO ALTO SOFTWARE



ENTREPRENEURSHIP TODAY IS more than just Silicon Valley tech enthusiasts competing to start the next Facebook or Uber. In fact, most new businesses are traditional small businesses—and it's these small businesses that create the jobs in America. According to the U.S. Small Business Administration, big businesses have eliminated 4 million jobs since 1990, whereas small businesses added 8 million new jobs. These businesses include anything from a local coffee shop or diner to a fitness consultancy or even an urban farm. In contrast to the high-tech startups in Silicon Valley, most of these businesses are fairly traditional and often lack the technology to operate efficiently.

As the economy recovers, these small businesses are growing and scaling quickly, leaving owners and entrepreneurs with no choice but to adopt more advanced technology or risk falling behind. Palo Alto Software surveyed roughly 500 small business owners and found that small

When small businesses are more optimistic, they take risks, grow faster and hire more.

businesses plan to grow and meet their goals in 2015, and are particularly optimistic about technology. They are willing to invest more than ever in mobile and cloud-based tools, and understand the role these investments will have on their businesses' long-term success.

OPTIMISTIC ABOUT GROWTH

The economy is recovering and small businesses are more optimistic than ever. In fact, a new Gallup poll found that small business optimism is at its highest since 2008. When small businesses are more optimistic, they take risks, grow faster and hire more.

According to the Palo Alto Software survey, small businesses plan to hire and grow in 2015. Of survey respondents, 72% said they expect to hire at least one employee in 2015, and 31% expect to hire more than three. Given the fact that 90% of survey respondents currently employ less than 20 workers, this anticipated growth is significant. Similarly, these same businesses plan to grow in 2015, with 45% stating that they expect to grow revenue by 25% or more in the year ahead.

Small business spending priorities for 2015 also reflect growth. The biggest spending priority for survey respondents was new sales or marketing initiatives with 36%, indicating that it was one of

Of the entrepreneurs that responded to this survey...



Expect revenue to grow more than 25%

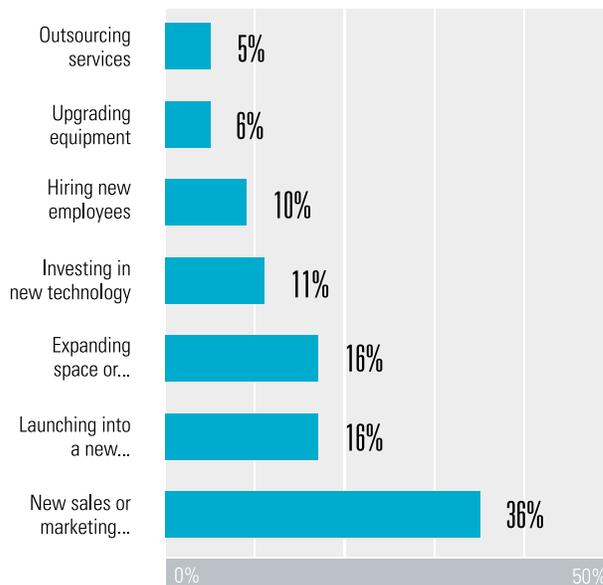


Expect to hire at least one employee



Expect to hire more than three employees

Which of these will be the biggest spending priority for your business in 2015?



their top three priorities, followed by expanding space or opening new facilities at 17%, and launching into new channels or markets at 16%.

WILLING TO INVEST

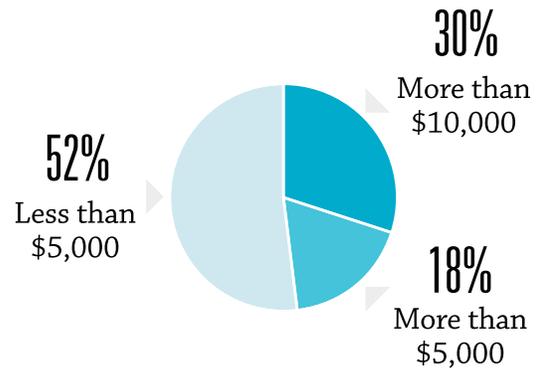
Main Street America businesses are confident in the economy and optimistic in the year ahead, but are often known for being relatively conservative when it comes to technology use. Sometimes it can be difficult for business owners to change the status quo, especially if they've been running their business the same way for years or even decades. However, according to the survey, small businesses in relatively traditional industries are willing to make changes in the year ahead by investing more in technology if it will improve the tasks they're already completing on a daily basis.

A large majority (81%) of small businesses surveyed expect to invest more in technology in 2015, with most reporting that they will prioritize technology tools that help them with the basics of marketing and running their businesses. Almost half (48%) stated that they expect to invest over \$5,000 throughout the year, and 31% expect to invest over \$10,000.

STICKING TO THE BASICS

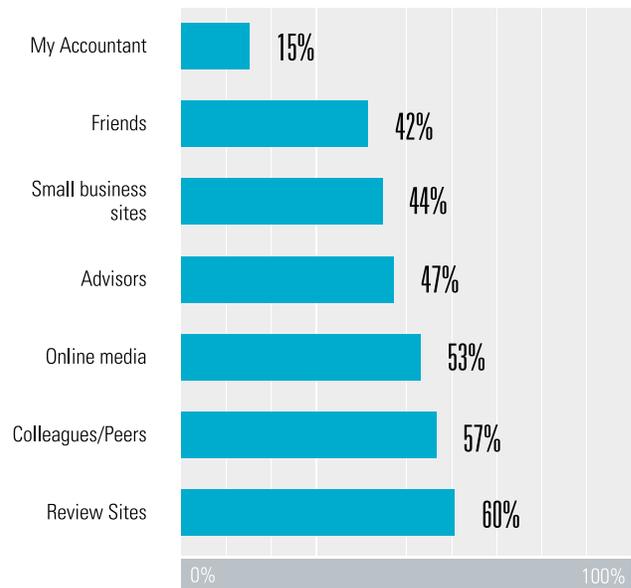
When looking for new technology tools

Almost half the small businesses surveyed plan to invest at least \$5,000 in their business



Where do you research new technologies for your business?

(CHECK ALL THAT APPLY)



for their businesses, most survey respondents indicated that they generally rely on peer reviews and word of mouth to make their purchasing decisions. Most (61%) listed review sites in their top three places to conduct research about potential options, followed by colleagues and peers (57%), and online media (54%).

While small business owners are willing to invest more in technology, survey respondents indicated that they still favor the basics and are hesitant to take a risk on something entirely new. Email marketing was the top technology spending priority for 2015, with 48% listing it as one of their top three priorities, followed by business management software at 39%, and accounting tools at 36%. Survey respondents ranked tools like sales automation, A/B testing, and survey technology last in their list of priorities. It's clear that Main Street America businesses recognize that they need technology tools to help run their business, but are not ready for more sophisticated technology just yet.

When it comes to the benefits of technology investments, most respondents stated that increasing sales is one of the top three benefits they anticipate from new technology, with improving business planning and improving customer service coming in second and third, respectively. Main street America is focused on increasing revenue in the year to come, and will look to technology to help them get there. Most are not interested in improving human resources efforts with technology

Do you plan on investing more in technology to run your business in 2015?



81% of small businesses surveyed expect to invest more in technology in 2015.

In which types of technology will you be investing in 2015?



Email marketing



Business management



Accounting tools



Web analytics



E-commerce engine



CRM Tools



Business Intelligence



Financial Management Dashboard



Point-of-Sale System



Sales Automation



Survey Tools



Other



Online A/B testing

How will technology help you in 2015?



Increase sales



Business planning



Customer service



Cash flow



Budgeting and Forecasting



Operate more efficiently



Marketing analytics



Increase lead generation



Financial analytics



Web analytics



Employee communication



Recruit/hire talent



Increase A/R or A/P

or more sophisticated types of financial analytics. Respondents ranked increasing A/R or A/P, recruiting and hiring talent, and communicating with employees last on their list of ideal benefits from technology.

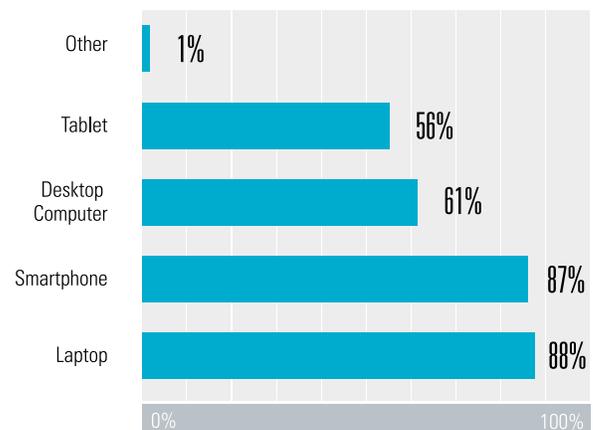
MOBILE IS THE NEW NORM

Running a small business from an office only is no longer the norm, nor is it particularly effective in today's fast-paced age of tablets and smartphones. While Main Street America businesses may be behind the curve when it comes to innovative technology use, most survey respondents said they plan to drastically increase their mobile investments in 2015.

According to the survey, 89% of small businesses currently use a smartphone to run their business occasionally, and 56% reported using tablets. Additionally, nearly half have stated that they currently use more than two mobile apps to run their businesses. Most respondents (53%) listed email apps in their top three most frequently used apps, followed by accounting (35%) and marketing apps (29%). While email is also the top task completed on mobile devices, social media and online banking came in second and third, respectively.

While a large majority of small business owners are already using smartphones in their day-to-day operations,

Which of these devices do you personally use to run your business?
(CHECK ALL THAT APPLY)



Of the entrepreneurs that responded to this survey...



Spend less than one fourth of their time on mobile devices



Plan to increase their use of mobile devices for business

most (58%) are spending less than a fourth of their time using these devices. Furthermore, almost two-thirds (63%) said they plan to increase their use of mobile devices to run their businesses in the year ahead.

CLOUD IS CRUCIAL

Siloed systems and outdated technology won't cut it anymore, and small business owners today understand this. According to the survey, modern business owners, regardless of industry, take advantage of SaaS (Software as a Service) technology and run a large portion of their businesses in the cloud. This gives them access to real-time data from anywhere, at any time.

The survey found that 44% of small business owners currently use more than two cloud-based software tools to run their businesses' daily operations, with 37% stating that they run over half of their business in the cloud. Half of the survey respondents listed email management as one of their top three cloud-based tools, followed by file sharing at 49%, and business planning at 47%.

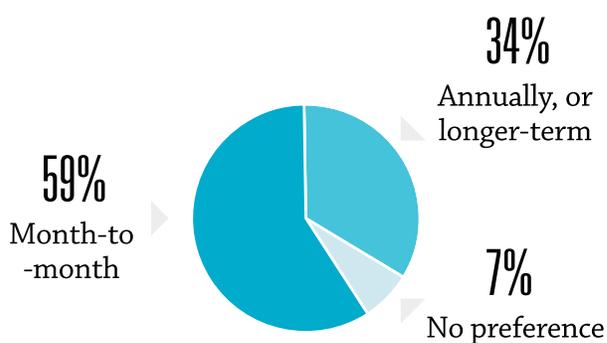
When it comes to investing in new cloud-based technology, respondents favor price over name brand. Most respondents (37%) said that price was the most important factor when determining cloud-based tools to purchase, followed by how critical the app is to their business's bottom line at 35%, and

Of the entrepreneurs that responded to this survey...



Spend \$20–\$100 per month for cloud-based tools

How do you prefer to pay for technology applications/tools?



37% of businesses said that they run over half their business in the cloud.

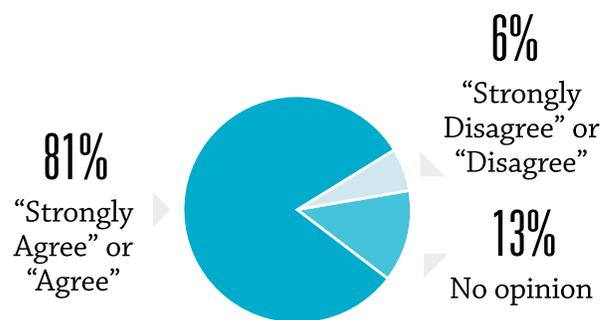
reviews at 14%. Only 4% of respondents stated that name brand plays a factor in purchasing decisions.

According to the survey, small businesses also favor subscription plans and tools that eliminate siloed data. Over half (53%) currently pay between \$20 and \$100 per month for cloud-based tools, and most (59%) said they prefer to pay on a month-to-month basis. Of those surveyed, 23% said they prefer to pay for SaaS tools on an annual basis, and only 11% stated that they would be willing to invest in longer term commitments to optimize savings. Additionally, 81% said they would be willing to pay more for a tool that combined data from multiple systems.

EVERYONE NEEDS AN ACCOUNTING TOOL

Accounting tools are important for small business owners, as most are managing their own finances. When it comes to current use of specific technology, both established businesses and entrepreneurs in the planning stages still favor the bread and butter tools. Over a third (34%) of established businesses are using Excel in some aspect of their financial management, with 28% using QuickBooks Desktop, 26% using QuickBooks Online, and 13% using QuickBooks Enterprise. Roughly 10% of respondents said they are using no accounting tool whatsoever.

“I would be willing to pay slightly more for a tool that combined data from multiple systems for the time savings and increase in efficiency”



Nearly 50% of small businesses indicated that accounting tools are extremely critical to running their business, and 37% are willing to invest more in accounting technology in 2015.

Most entrepreneurs with startup businesses are undecided about which accounting tool to use (35%). Those who are using accounting technology are also sticking to the basics, with QuickBooks Online leading the way at 22% and Excel at 20%.

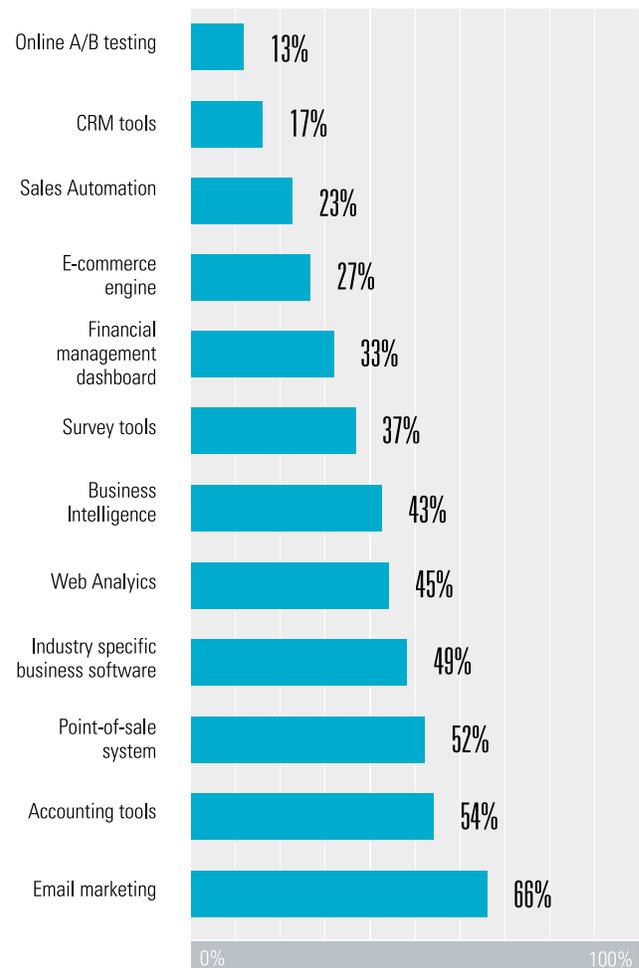
While both established and startup businesses use a combination of Excel and QuickBooks products, most indicated that accounting tools are one of the most important pieces of technology for their business operations, with 47% indicating that they are extremely critical. Furthermore, 36% are willing to invest more into these types of tools in the year ahead.

STARTUPS ALSO VALUE TECH

Entrepreneurs who have not yet launched their businesses are also prioritizing technology, with an understanding that it's crucial to their ability to successfully launch and succeed. Respondents listed securing funding as the top factor holding them back from starting their businesses, followed by the need to research the market further, and the need to find the right technology.

When it comes to technology specifically, most respondents (67%) listed email marketing as one of the top three tech tools they need in order to start their businesses, followed by accounting tools at 55%, and point of sale technology at 53%. Further-

What kinds of online technology tools will you need to start your business? (CHECK ALL THAT APPLY)



more, 35% of respondents stated that they are still unsure about which accounting tool they will use.

Whether it's the owner of a small clothing boutique or a local health food store, these business owners are reaching a point where they are unable to meet their full potential without investing in tools and resources to help them operate. Today's small business owner understands the need to invest in mobile and cloud technology and is willing to spend more than ever for a product that will help her grow.

While they're optimistic and willing to spend more, small business owners are still sticking to the basics when it comes to mobile and cloud based tools, focusing primarily on email, marketing, and business automation. But, when it comes to the brand behind the tools, they're willing to go beyond their comfort zone and invest in something new.

This presents an opportunity for small business software providers to help small businesses succeed, by offering tools that help them complete the tasks they're already doing, but with higher efficiency, build credibility among other small business owners, and garner positive reviews. But, most of all, it offers the opportunity to help them understand why and how your tool will impact their bottom line.

Today's small business owner understands the need to invest in mobile and cloud technology and is willing to spend more than ever for a product that will help them grow.



METHODOLOGY

Palo Alto Software polled 457 small businesses in January 2015 using an online survey sent to its LivePlan customer base by email and within the cloud-based software. The respondents included entrepreneurs in various growth stages from a range of industries.

Eighty-five percent of respondents were existing business owners, with 15% of respondents in the startup stage. Almost half (45%) of those in the startup stage indicated that they expect to start their business in the next year, with 15% stating that they will within the next three years.

The existing business owners represented 18 different industries, with retail and consumer durables, financial services, food and beverage, and technology rounding out the top four most common. Survey respondents also represented all but five of the 50 states.

The annual revenue for a majority of respondents was \$100,000 or less (52%), with 19% indicating an annual revenue range of \$100,000-\$500,000. Seventy-two percent of respondents have between one and four employees, and 15% employ between four and nine. Most respondents (40%) have been in business for less than one year, with 33% indicating they've been in business for three to five years.

ABOUT PALO ALTO SOFTWARE, INC.

Palo Alto Software, Inc., makers of the #1 selling business planning software in the world, develops and publishes tools, products, and content to help small and mid-sized businesses pitch, plan, manage, and grow their ventures. LivePlan, the company's flagship product, is a SaaS (software as a service) solution for business planning and financial management. Palo Alto Software has been the market leader in its category for over 15 years, has served well over 2 million entrepreneurs, and has customers in 180 countries. It was founded in 1988 by business planning expert Tim Berry. Sabrina Parsons has been the company's CEO since 2007. Parsons successfully expanded its service offering into the cloud with LivePlan. Palo Alto Software is a privately-owned corporation based in Eugene, Oregon.