

**Topic:**  
SME's

## Understanding SME's – challenges and approaches

*iCT is produced by Business Advantage, a B2B research, business development and marketing consulting practice operating in the global IT, Digital and Telecommunication sectors.*

Scan the IT press in any week and you're sure to come across an IT vendor announcing a new initiative aimed at capturing the business of small to medium sized enterprises (SMEs). But what are the challenges involved in targeting SMEs – and are vendors getting it right?

### The big fish

Firstly – are SMEs worth the effort? Juan Marcos, EMEA Channel Programme Manager at Autodesk tells us: *“Autodesk's primary market has always been the SME market. Most CAD vendors have selected a primary customer segment - either the small, middle or large enterprise - and developed products and sales and marketing strategies for it. However the SME segment is large enough, especially in the construction and manufacturing industries, to be attractive to most vendors. We are therefore seeing vendors who would typically address the large enterprise segment starting to approach the middle and small enterprises.”*

**The EU definition of SMEs is companies which:**

- have fewer than 250 employees and
- either have an annual turnover not exceeding EUR 40 million or an annual balance sheet total not exceeding EUR 27 million and
- are independent (i.e. other companies hold no more than 25% of the capital or voting rights).

### The size of the SME market

An indication of the size of the CAD/CAM SME market in Europe (based solely on companies with less than 250 employees) can be seen from an analysis of our database of nearly 20,000 CAD/CAM user sites in the UK. This shows that nearly four out of five of all CAD/CAM using businesses have less than 250 staff. Table 1 shows the breakdown by a selection of business activities.

Table 1 - Organisations with less than 250 staff.

Business Activity	% of UK CAD/CAM using organisations that are SMEs
Architecture	97%
Electronic Engineering	84%
Mechanical Engineering	82%
Electrical Engineering	79%
Civil/Struct. Engineering	75%
Other construction	73%
Other manufacturing	71%
Process Engineering	56%
Overall Total	77%

### Added value

The importance of capturing SME business can extend beyond the revenue that comes directly from this customer segment, as Geoff Sutcliffe, UK Marketing Manager of SDRC, explains: *"We found from a recent analysis of our customer base that around 80% were SMEs, accounting for 20% of our revenue, while 20% were large companies, accounting for 80% of our revenue. The SMEs may only account for 20% of our revenue, but they are extremely important to us. Many are themselves suppliers to the large companies who are our customers, so data compatibility with these larger ones is important. SMEs are an integral part of the customer supply chain which SDRC is selling to."*

**SDRC** (Structural Dynamics Research Corporation) provides e-business collaboration solutions for the product lifecycle. The company's products address the areas of e-Mechanical Design Automation, e-Product Knowledge Management, e-Collaborative Products and e-Business Integration.

### An expensive business

So while some vendors do see SMEs as a great opportunity, are they going about it the right way? Paul Tollet, Small Business Director for Microsoft, gives a view from a broader IT industry perspective: *"Many vendors want to chase this pot of gold, but most have not worked out how to address this market. Many vendors need a cultural shift to learn to address a market other than that of large corporations. Marketing to SMEs has a cost per head almost as high as that of the consumer market."*

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## The 20 million SME question

SMEs are not a homogenous group; along with the huge diversity of activities comes an equally diverse range of attitudes and behaviours. What implications does this have for a vendor seeking to develop an SME strategy? *"We have been asking ourselves just this question,"* says Paul Tollet. *"Is there an actual small business market, or are there just over 20 million disparate individual companies across Europe, each of which behaves uniquely? Microsoft differentiates small businesses according to those that have an IT manager, and those which do not - and then focuses on both in different ways. This is because companies with IT managers have made it the sole responsibility of this person to bring the benefits of IT to their business, rather than juggling IT issues with running the whole business. It is therefore a more receptive market."*

## More effort needed

Interesting first hand feedback of SME attitudes to new technology and the marketing efforts of suppliers comes from a project established in the North East of England. Part funded by the European Social Fund and coordinated by RTC North Ltd., the Regional CAE Project aimed to promote the competitive advantages of 3D CAD and CAM implementation to SMEs.



James Thwaites  
RTC North Ltd

James Thwaites of RTC North Ltd. suggests what CAD/CAM suppliers need to do to get their message across to SMEs. *"They need to understand and then sell the benefits of a new technology to all types of business – in engineering for example, this means appealing to heavy users of CAD/CAM such as mould tool manufacturers, and to less traditional users, eg fabrication/sheet metal. I have yet to see a matrix that shows how different software applies to different forms of manufacture! More thought is needed on the marketing front. There is a feeling among SMEs that new technology only applies to the sexy applications of CAD/CAM. One MD stated that 'modern CAD is great for doing mobile phones, but not my sewerage platforms.'"*

***"I have yet to see a matrix that shows how different software applies to different forms of manufacture!"***

## Price matters

Cost will clearly be a primary consideration for SMEs. *"The difficulty with addressing the SME market is that it is so price sensitive,"* says SDRC's Geoff Sutcliffe. *"They tend to be concerned about how much software they can get for their money. We need to encourage them to place more solution*

***"We feel the best way to address this price sensitivity is to sell via the reseller network."***

*is the best long-term investment, just as a large company emphasis on whether a does. We feel the best way to address this price sensitivity is to sell via the reseller network. Our resellers have smaller overheads than us, and greater flexibility to find ways to reduce the cost of software and services for individual SME customers.”*

## The reseller view

So far resellers have been in the frontline of the battle to capture SME business. However, often Value Added Resellers themselves do not make strong distinctions between meeting the needs of SMEs and larger companies, simply because their strength lies in tailoring their services to precise needs. Clive Simpson, Technical Director of UK based reseller [EDC Photonic Ltd](#), comments: “We approach all customer implementations with a view to providing the best solution to their need, taking into account budgets and long-term strategy. Awareness of the attitudes among SMEs in different industries is important, however. For example, current trends seem to be that the manufacturing market is still on a downturn and customers are buying on price and not investing in training. However, as construction is more buoyant and project-based, purchasing of many systems and training at the same time is common.”

## The Autodesk strategy

With vendors looking to muscle in on SME markets, those with a strong established presence are looking to further broaden their appeal. What is Autodesk’s strategy to maintain its success among SMEs? “In the last few years Autodesk has focused on developing a wider product portfolio to provide specific functionality to each design industry,” says Juan Marcos. “This is especially important for the SME market, which demands more automation in its design tools and processes in order to keep up with the increasing pressure to bring better products to market earlier. More recently Autodesk has paid specific attention to its ‘I-Design Strategy’ – this strategy ranges from adding Internet-centric functionality to its products, to launching initiatives such as Autodesk e-Stores or exploring software rental and ASP models to better reach new and existing SME needs.”

## Channel encouragement

Microsoft is about twelve months into its five-year strategy aimed at making inroads into the SME market. “We can see that customers want a relationship with their vendor, but on their terms, not ours; it is all about developing trust,” says Paul Tollet. What about vendors who are looking to develop such relationships with SMEs via Webstores, Webportals and ASP models? “Independent research has found that the single biggest factor in choosing an IT vendor for SMEs is the

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*quality of service at the point of sale," says Paul. "Most often it is a reseller who is in the best position to provide this because they can build a relationship of trust and offer additional services around a particular customer's needs. Although the Internet can be used to sell particular items, I think that the role of the channel will be massive in future and indeed, will increase."*

## Comment

Chris Turner, MD of Business Advantage, comments: *"For vendors of Computer Aided Technologies who are targeting the SME market, developing products with the functionality and interoperability to suit smaller businesses is less of a challenge than convincing SMEs that these products are good for their business. Where these vendors are seeking to convert SMEs to a new way of working, say moving from 2D to 3D design, a full understanding of the target market's awareness of and attitudes to the technology and product is needed. Knowledge about the drivers of change in SMEs' use of technology will form the basis of the marketing strategy. For example, SMEs are often forced to adopt new ways of working by the requirements of their own customers, and presenting evidence that this is happening, coupled with examples of hard business benefits, will cut more ice than a focus on how cutting edge the product is."*

*"For resellers and others selling direct to market, the issue may be one of 'is it worth our while to actively target SMEs?' Paul Tollet's warning above that it is almost as expensive to market to SMEs as it is to the consumer market is an important one. Every business facing this question needs to conduct the sort of customer analysis that Geoff Sutcliffe of SDRC refers to in order to assess the overall current value of SME business."*

Do you need to know more about the attitudes to and awareness of your products (and those of your competitors) among SMEs in your target market? Our [market research services](#) can provide the solution.

Please [Click HERE](#) to leave a comment or question.



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