

AUGUST 2014



2014 Infusionsoft Small Business Owner Attitudinal Segmentation Research Report

RESEARCH CONDUCTED BY AUDIENCE AUDIT, INC.™



Introduction

In early 2014, Infusionsoft embarked on an ambitious effort to better understand the needs, motivations and perspectives of small business owners. We wanted to better understand the customers we already serve, and gain insight into how we could best serve the larger community of small business owners.

A different approach

Many research studies about the small business market focus on the demographic characteristics of businesses or their owners – place of work or residence, industry, gender, age, business size, income, etc.

Our own experience with over 23,000 entrepreneurs led us to question the notion that small business owners can be understood by demographics alone. We work with entrepreneurs across a wide range of industries, ages and income levels, and often see similar issues regardless of these factors.

Our research sought to gain a deeper understanding of these owners' attitudes, goals and challenges. Combining this exercise with demographic data would, we hoped, allow us to develop a more lifelike portrait of our ideal customers.

We hope that the findings in this report will allow us to do two things: First, to develop a more effective and valuable product for our customers, and; Second, to create content that is more relevant and valuable to the wider small business market we aim to serve.

Respondents

We worked with Audience Audit™, a research company dedicated to attitudinal segmentation research for marketers. Their approach would allow us to understand the key shared perspectives and differences in attitude that shape the community of small business owners who participated in our study.

Because we wanted to hear not only from Infusionsoft customers but also from other small business owners, we sought respondents both from our customer list as well as from a professionally managed research panel of small business owners from across the U.S. The panel respondents own businesses employing 25 employees or fewer, are geographically distributed across the country approximating the most recent census distribution, and have never used Infusionsoft. It was also controlled to achieve a roughly even split between service- and non-service businesses.

Our study collected responses from 408 Infusionsoft customers and 429 panel participants. The study did not seek to profile a nationally representative sample, so some characteristics may not match those of such a sample.

IN TOTAL, OUR RESPONDENT GROUP HAD THE FOLLOWING CHARACTERISTICS:

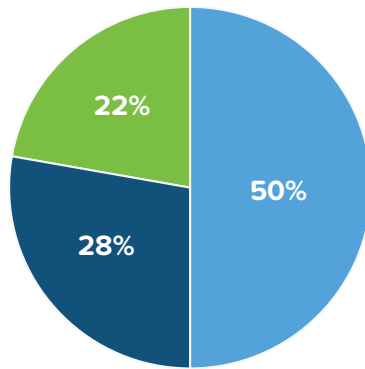


Fig. 1
Customer Type

- B2C
- B2B
- B2C and B2B

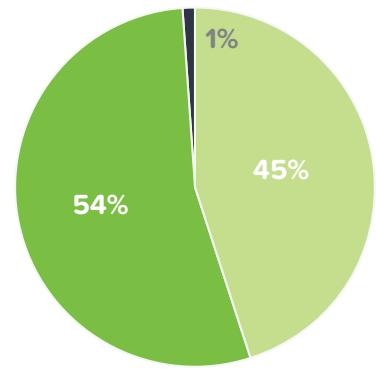


Fig. 2
Gender

- Female
- Male
- Did not say

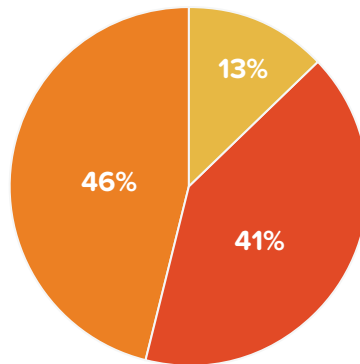


Fig. 3
Age

- Under 34 years old
- 34 - 49 years old
- 50 years old or over

Non-Infusionsoft respondents were more likely to be 50 or over (57%)

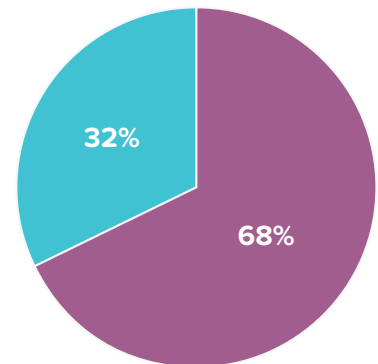


Fig. 4
Education

- Have a college degree
- Do not have a college degree

Among Infusionsoft respondents, 55% have a college degree

Study Methodology

Respondents were invited to take an anonymous 15-minute online survey exploring their feelings about small business ownership, goals and challenges, resources, demographics and more.

The segmentation itself was developed using a factor analysis of responses to a series of attitudinal questions that participants were asked to rate from “Disagree 100%” to “Agree 100%”. The segmentation analysis did not include demographics or any other information about respondents beyond their ratings on these attitudinal items. Neither the identifying characteristics of segments, nor the number of segments, were predetermined; segments, their characteristics and their members were revealed through the analysis.

Once segments were established and assigned to each respondent, additional characteristics were compared across segments. The total number of respondents to the survey yielded a 3.3% margin of error with a 95% confidence level.

Considerations

Because the survey was not conducted using a nationally-normed sample of small business owners, its findings should not be construed to depict the characteristics of such a sample. The large group of Infusionsoft customers in the survey undoubtedly colors its results with regard to marketing activities, digital acumen and more.

However, we believe it does shed light on both our customers and many other small business owners who own businesses of a similar size.

General Findings

The following items were ranked by all survey respondents. “1” represents the highest-ranked items overall, with the others following in order of average rating.

TOP GOALS:

1. Living the life I want
2. Doing the work I love
3. Building a profitable business
4. Making a positive impact for my customers

MAIN CHALLENGES:

1. Lack of time to get everything done
2. Managing everything myself
3. Lack of money to invest in my ideas

MOST HELPFUL INFORMATION FOR RUNNING THEIR BUSINESS:

1. How to attract more customers
2. Getting customers to refer their friends
3. Using social media effectively

MOST EFFECTIVE SALES AND MARKETING ACTIVITIES:

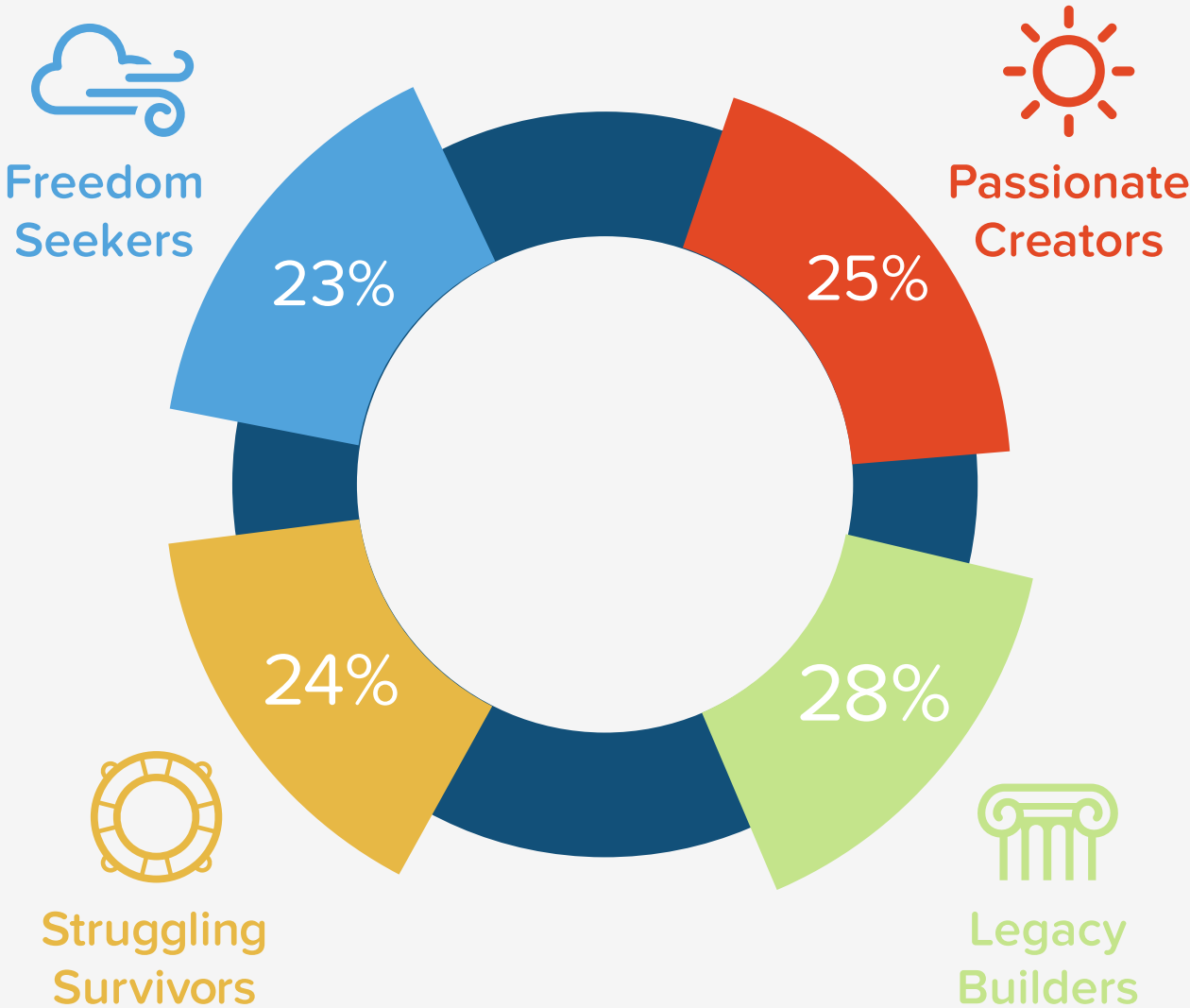
1. Customer referrals and word of mouth
2. Emails to their own lists
3. Networking
4. Social media

MOST VALUABLE RESOURCES FOR RUNNING THEIR BUSINESS:

1. Business people they know personally
2. Seminars and workshops
3. Industry experts they follow online

Attitudinal Audience Segments

The most striking result of the research was the clear delineation between attitudes among the respondents. The segmentation analysis revealed a truth that every provider to small business owners surely understands instinctively – they’re not all alike. We found dramatic differences in how entrepreneurs think about their businesses, why they take on the significant risks involved, and the goals that are most important to them.





Passionate Creators

The small business owners who make up the first profile, “Passionate Creators”, started their business because they love what they do. For passion-driven entrepreneurs, running a business gives them an opportunity to serve the customers they want to serve in precisely the way that they want, and they take great pride in doing so. When asked about their goals, “Doing the work I love” was an overwhelmingly favored answer for this group.

Passionate Creators

A rosy outlook

48% of this group says that they always knew they would run their own business. These owners, far more than any other group, feel that passion is one of the most important qualities for a successful small business owner. They are dramatically more optimistic than other segments, with 50% saying they are “very optimistic” about the prospects for their business over the next five years. They are the most likely to consider themselves true “entrepreneurs”, and are also the most likely to consider a wide range of other business owners entrepreneurs as well.

Giving back

These respondents also have a deep charitable streak. 53% of them say that helping other business owners be successful is an extremely important goal for them. 35% say they regularly mentor other entrepreneurs and 22% regularly speak to audiences about small business ownership. 47% donate funds to charitable organizations in their communities. [Fig. 5]

Time is money

This segment is the most time-stressed of the four. Perhaps to address this issue, they are the most likely to use a wide range of business tools, from accounting software to CRM and automated marketing programs. They are also the most likely to tap into a wide range of resources to help them operate their business – from entrepreneurship training, to mentors and coaches, to seminars, workshops and industry experts. They are clearly hungry for information that will allow them to grow their business and better serve their customers.

This segment is most likely to have five or more employees (31%), to work in an office (43%) and to have businesses that have generated more than \$100,000 in gross income in 2013 (54%). They are also most likely to say they will generate “much higher” revenue in 2014 (30%).

Passionate Creators are significantly more likely to spend at least \$500 per month on marketing efforts (46%). They are most likely to use social media for their business, email to their own lists, and to use analytics to support decisions.

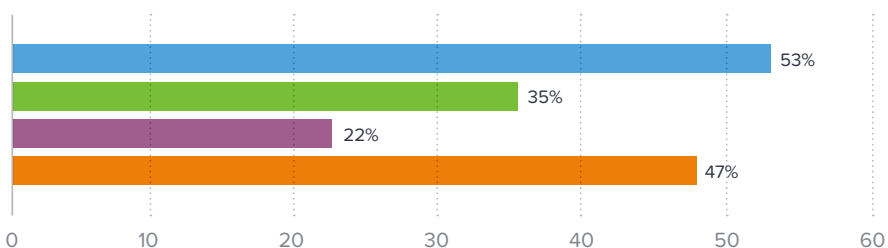


Fig. 5

Charitable Activities

- Help other business owners be successful
- Regularly mentor others
- Regularly speak to audiences about small business
- Donate funds to charitable organizations in their community

Passionate Creators love their work and started their business so they could serve their customers.

73% Most likely to consider themselves “definitely” entrepreneurs

31% Most likely to have 5 or more employees

43% Most likely to work in an office

54% Most likely to have gross revenue over \$100,000 in 2013. 14% generated revenue over \$1 million

30% Most likely to say they will generate “much higher” revenue in 2014

34% Most likely to outsource website and content management

70% Most likely to use analytics to support decision-making

47% Most likely to donate funds to charitable organizations in their community

1st Most likely to spend at least \$500 per month on marketing activities admin tasks



Freedom Seekers

Members of the “Freedom Seekers” segment value having the ability to control their own schedule, career path and the environment in which they work. When asked about their goals, these owners were more likely to give top ratings to “Being in control”, “Flexibility in my schedule to spend time with my family” “Flexibility in my schedule to travel”, “Choosing my own customers”, and “Living the life I want”.

Freedom Seekers

Freedom Seekers are focused on having the flexibility to do more of what they love. These owners are the least likely to say they'll go back to a traditional job – 56% say they will “absolutely not” work for someone else in a corporate setting in the future. They strive to keep things small and manageable — 45% of these owners are the only employees in their business, and Freedom owners are the least likely to have more than one other employee (32%).

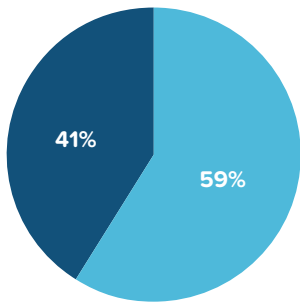


Fig. 6
Gender

- Women
- Men

payment processing (47%), CRM (46%), email autoresponder (44%) and contact management (38%).

In control of their own success

For Freedom Seekers, owning a small business allows them to live the lifestyle they've always wanted working where and when they want and doing what they want. The vast majority of this profile (81%) works from home. 59% of the business owners in the Freedom Seekers segment are women and 41% are men. [Fig. 6] Being in control of their business offers them the flexibility that many were unable to achieve working in a corporate environment. [Fig. 7] This profile is also most likely to work in business coaching or consulting (29%), perhaps taking what they learned in corporate and making it their own.

Like Passionate Creators, Freedom Seekers are very optimistic about prospects for their business success over the next five years. 63% project their company's gross revenue in 2014 to be much higher or somewhat higher than last year. [Appendix B]

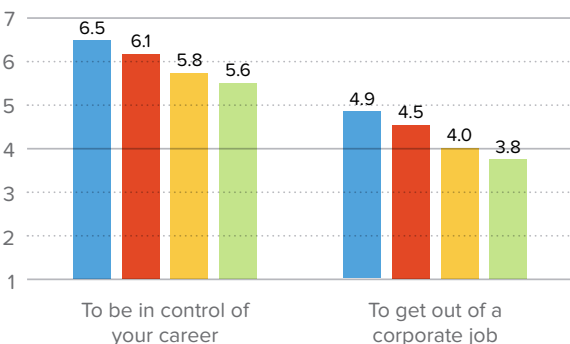


Fig. 7
Reasons for starting your own business

- Freedom Seekers
- Passionate Creators
- Struggling Survivors
- Legacy Builders

Freedom Seekers started their businesses to control their own fates, specifically regarding decisions, work environment, schedule and revenue.

65% Consider themselves entrepreneurs

56% Say they will “absolutely not” work for somebody else in the future, making them the least likely to believe they may work for someone else in a corporate setting in the future

81% Work at home—the most likely of the four segments to do so

29% Most likely to provide business coaching or consulting

23% Most likely to have one employee

68% Resist new software due to cost

78% Have a website, and 55% have responsive website

80% Most likely to be satisfied with their website



Legacy Builders

Business owners in the “Legacy Builders” segment are more likely to have started their business with a family member (24%) and see small business as a practical economic choice. They are by far the most likely to feel that most people would start their own business if they could, and to believe that small businesses are more ethical than larger organizations.

Legacy Builders

Among these owners, contributing to the economy is a chief motivator for owning their own business. Offering something unique and building something to hand down to their children are other powerful motivators for this group.

In it for the long run

Legacy Builders are the least likely of the four segments to have earned a college and/or post-graduate degree. Business ownership provides them with a sense of stability for their future and the future of their families. They wanted to create a business to help secure their retirement or to provide stability—something to hand down to their children. For these reasons, many of them take tremendous pride in the businesses they’ve created and are in it for the long haul. They are most likely of the four profiles to run only one business (80%) and least likely to have considered closing (26%) or selling (24%) their business.

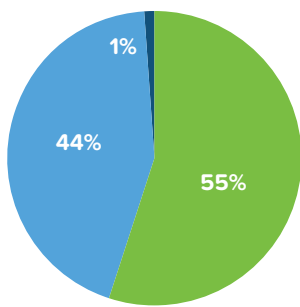


Fig. 8
Gender

- Women
- Men
- Preferred not to say

to generate leads. It may be that they are overwhelmed or unsure of how software and automation can play a role in their business operations considering forty percent (40%) stated “figuring out which software can improve my business” as a key area of difficulty.

Technology-challenged

In their approach to tackling business issues, Legacy Builders are more likely to turn to family, friends and coworkers for guidance. They rely less on data to make their business decisions and are least likely to adopt technology and seek automation within their business—they prefer to trust their intuition and traditional processes and marketing tactics.

Of the four profiles, Legacy Builders are least likely to have a website (45%). [Appendix A] Even those that do have a site are less likely to use CRM, payment processing, and other tools to run their business, or to use email, content marketing, SEO, PPC or marketing automation

Legacy Builders are motivated by the idea of building something to hand down to their children.

52% About half consider themselves entrepreneurs

80% Most likely to own only one business

45% Most likely to have less than 50K in revenue or not know revenue, and least likely to have revenue over 1M

29% Most likely to have only a single interaction with a customer between first contact and service fulfillment

13% Say they don’t engage in any marketing activities at all

33% Least likely to track website analytics and online marketing performance (27%)

29% Most likely to say they never use analytics to make decisions about business

49% Spend between \$0 and \$200 on marketing/month

45% Do not have a website, making them the least likely of the four profiles to have an online presence in the form of a website. [Appendix A]

40% Identified “Figuring out which software can help improve my business” as an area of difficulty



Struggling Survivors

The “Struggling Survivors” small business owner profile embodies the cold, hard reality that sometimes running a small business is scary—even more so than it is rewarding. Struggling Survivors are the most likely to have considered closing their business (53%).

Struggling Survivors

Regardless of business model, tenure or experience, few small businesses are immune to the fear of failure. That fear is rooted in the very real challenges that small businesses face every day. Struggling Survivors said they have significant concerns, misgivings and skepticism about the value of owning a small business. 60% agree strongly that “You have to be a little crazy to start a business” and 40% that “Corporate jobs are more secure than starting your own business” – significantly more than other segments. [Fig. 9]

Struggles with time management

Time is the top challenge for every profile, but more than any other profile the Struggling Survivors struggle with managing the operations of their businesses. 51% of them are the only employees in their business, and are spread thin managing on their own a task list that includes administrative duties, sales, marketing and advertising activities, customer service, financial tasks, managing vendors and website content, and performing IT/technology duties. “Time to get everything done”, “Managing everything myself” and “Staying focused on my goals” are key challenges for this group.

Little financial security

Struggling Survivors are the least likely to report achieving many of the typical benefits associated with owning your own business. Only 16% say the financial security of their family is much better than it would be if they had a traditional job, and 38% say it’s the same or worse. Fewer than 40% report dramatic improvements in the time they can spend with family and friends.

They are also least optimistic about the prospects for their future success – only 20% say they are very optimistic about the success of their business over the next 5 years, compared to 50% of the Passionate Creators.

Going it alone

This group is most likely to feel a lack of respect for business owners from those around them. They are the least likely of the four profiles to say that the impact of owning a small business is much better for their family and/or friends than if they had a traditional job. Along with the Freedom Seekers group, they are least likely to seek business guidance from family and friends. Yet, even with their sense of lack of support from those around them, their never-ending to-do lists and the uncertainty they feel about owning and running a small business, they are most likely to volunteer in their community (34%).

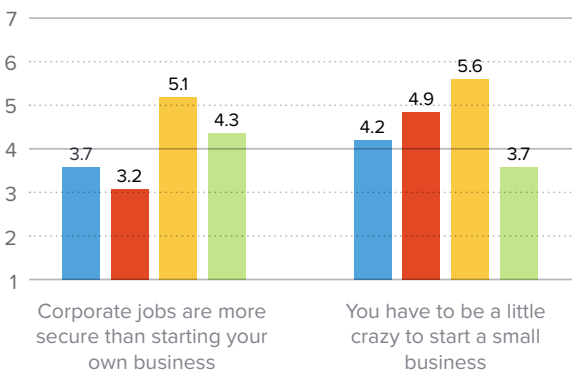


Fig. 9
Sentiment about the statements relating to starting your own business

- Freedom Seekers
- Passionate Creators
- Struggling Survivors
- Legacy Builders

The Struggling Survivors segment expressed significant concerns, misgivings and skepticism about the value of owning a business.

50% Consider themselves entrepreneurs

75% Have a website [Appendix A]

53% Most likely to have considered closing their business

51% Most likely to be solopreneur

13% Most likely to be pessimistic about the 5 year prospects for their business based on their personal definition of success [Appendix B]

34% Along with Passionate Creators, they are the most likely to volunteer in their communities

1st Most likely to feel that their small business negatively impacts financial security for their family more than if they held a traditional job

1st Most likely to be doing the vast majority of business activities on their own

Conclusion

Our research demonstrates that small business owners have very different reasons for starting their businesses, very different goals they want to achieve, and very different experiences of being an entrepreneur. These differences transcend demographic profiles, business categories and revenue levels – a striking reminder that focusing on these more simplistic views can mask the true story of motivation, goals and struggles among small business owners.

While there is surely no single “right way” to run a business, it’s clear that those owners who are passionate about fulfilling a need for their customers report higher levels of optimism, revenue and benefit as a result of entrepreneurship – suggesting that navigating the many challenges of small business ownership can be more rewarding for those who have embraced the needs of their market and feel a strong drive to address those needs.

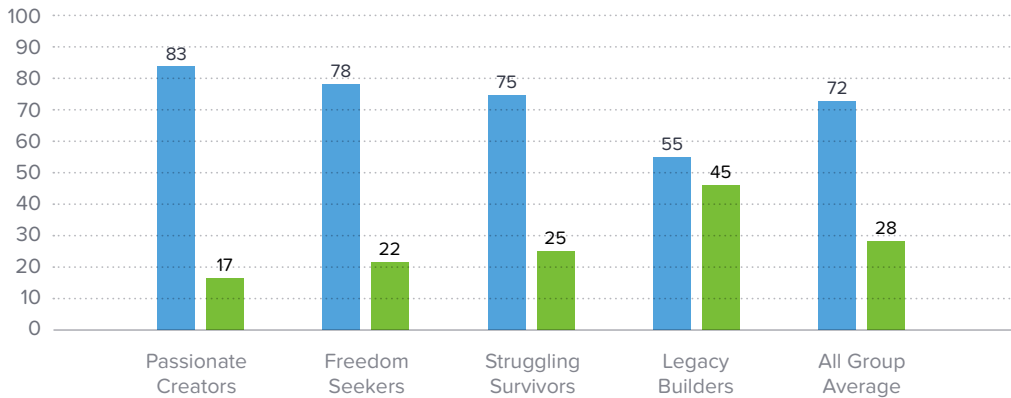
The research also demonstrates that entrepreneurs, whether they feel successful or not, need a wide range of support systems, tools and resources to tackle the myriad challenges and responsibilities involved. And who’s to say that with the right support, even the most frustrated Struggling Survivor couldn’t become a deeply satisfied, successful and optimistic Passionate Creator?

What does small business ownership mean for you?

Using the insights gleaned from our survey and analysis of the four profiles of the modern small business owner, Infusionsoft will develop products and services that truly meet the needs of our target customers – regardless of the challenges they face. Ultimately our goal is to provide valuable information that connects with small business owners as people—not simply demographic statistics. Our hope is that these compelling psychographic insights will help you achieve the same.

For more information about sales and marketing automation software for small business, or if you’d like to learn how you can get organized, grow sales, and save time in your small business, visit infusionsoft.com.

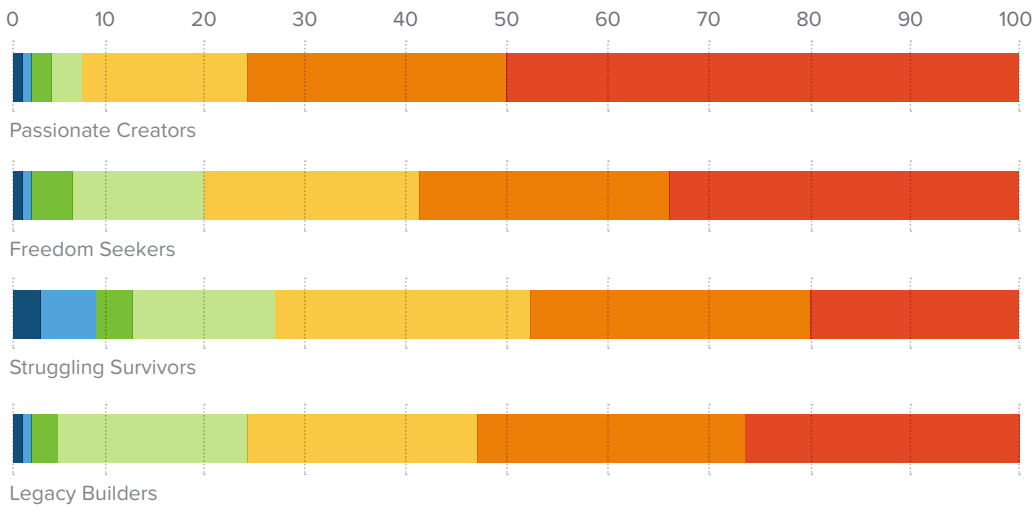
Appendix



Appendix A

Does your primary company have a website?

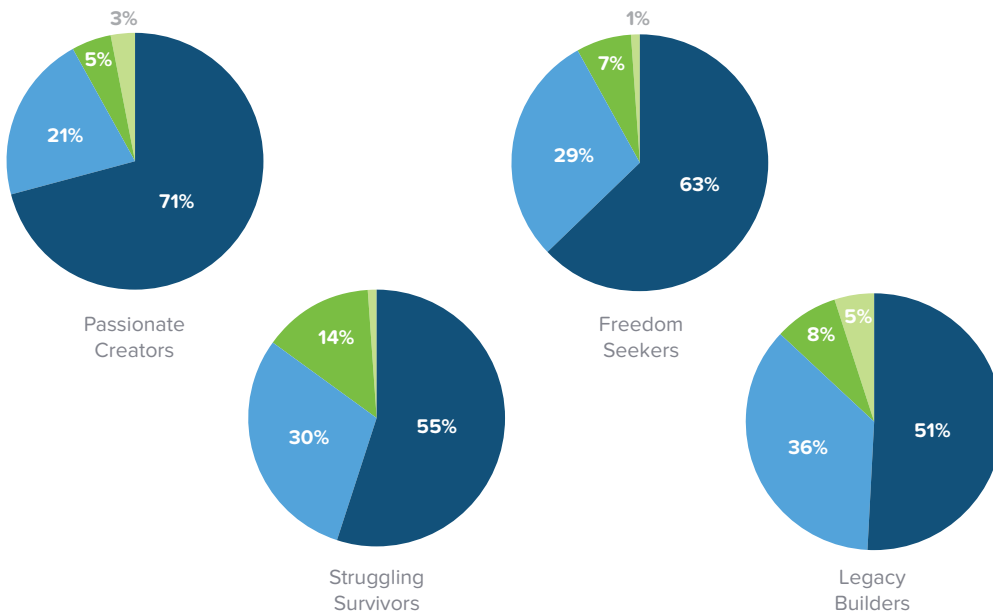
- Yes
- No



Appendix B

How optimistic do you feel about the prospects for your business success over the next 5 years?

- Very optimistic
- Fairly optimistic
- Somewhat optimistic
- Neutral
- Somewhat pessimistic
- Fairly pessimistic
- Very pessimistic



Appendix C

What do you expect your company's gross revenue to be in 2014 relative to last year?

- Higher to much higher
- About the same
- Lower to much lower
- Not sure