

SMB COMMUNICATIONS TRENDS:

When Technology Takes the Place of Face-to-Face

The current turbulent economy has created a communications conundrum for small and mid-sized businesses. On the one hand, a stressful marketplace has put SMBs under greater pressure than ever to nurture and strengthen their client and business partner relationships to maintain a reliable sales and production pipeline. On the other, revenue pressure has made cost-containment a top SMB priority, with travel budgets taking a significant hit.

In other words, a slow economy may call for more contact with clients, not less. But how do you increase face time while keeping a cap on travel costs? For many, the solution has been to engage in more teleconferences, webconferences, videoconferences and other “technology-enabled” meeting methods in lieu of in-person visits. But is this always the right solution? And does it have the same impact as a face-to-face meeting?

To explore this issue further, Forbes Insights surveyed owners and leaders at more than 380 small and mid-sized businesses (companies with fewer than 100 employees). Respondents were asked about different meeting methods, and how they reconcile the benefits and returns these diverse options provide. While respondents clearly prefer face-to-face contact as a means of building closer business relationships, they see technology-enabled solutions as a vital part of their meeting mix, especially when time and cost are important.

LESS TRAVEL, MORE TECHNOLOGY

The 2009 recession put small companies under greater pressure than ever to lower their overhead. In many cases, the first expenses to be sacrificed were travel and entertainment.

FIGURE 1: Compared to January 2008, how frequently do you travel for business purposes?

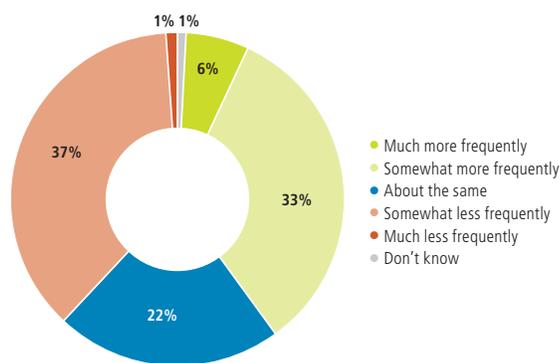
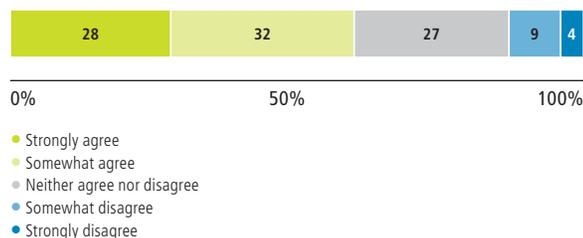


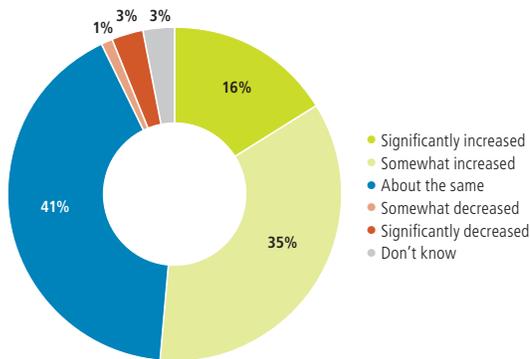
FIGURE 2: I am under greater pressure than ever to justify the return on business travel expenses.



Among SMBs surveyed, about six in ten (59%) indicated they were traveling for businesses less frequently than they had been at the beginning of 2008, with 37% saying they were traveling much less frequently. (Fig. 1) Just 7% said they were traveling more frequently, and a third (33%) indicated they were traveling about the same amount. At the same time, the same percent of respondents (59%) agreed that they were under greater pressure than ever to justify the return on their business travel expenses. (Fig. 2)

“You can never replace the in-person collaboration but [technology] accelerates the shift from prospect to qualified prospect.”

FIGURE 3: Compared to January 2008, how has your company's use of technology to conduct or access business meetings remotely changed?



As an alternative, SMBs have increasingly been turning to technology that enables them to meet with clients and business partners remotely. More than half (51%) of SMBs surveyed said they had increased their use of webconferencing, videoconferencing, and teleconferencing since early 2008. (Fig. 3)

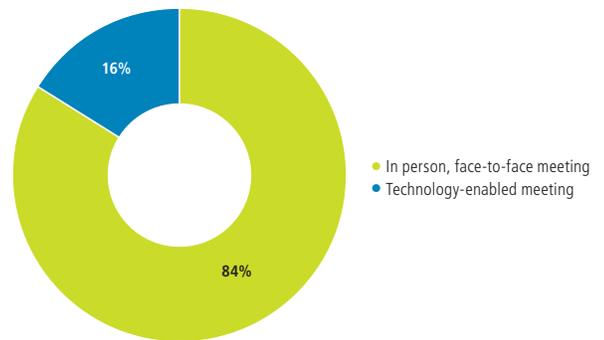
TECHNOLOGY'S ROLE IN THE CONFERENCE ROOM

SMB owners and executives indicate a preference for face-to-face meetings. (Fig. 4) And that's not surprising. Conventional wisdom has long held that in-person, face-to-face interaction—with the ability to read body language and facial expressions—can be used to build stronger, more meaningful business relationships than phone calls, emails, or virtual meeting technologies. The challenge is gaining these benefits while keeping a cap on the time and cost of travel.

There are, in fact, many instances where technology can trump in-person contact. Those SMBs that prefer technology-enabled meetings cite three big benefits—its ability to save time (94%) and save money (94%), and the flexibility it provides in terms of location and timing (77%). (Fig. 5)

Delving deeper, SMBs agree that video-, web- and teleconferences are most effective for meetings related primarily to sharing information and data. Asked to rate the meeting methods that are most conducive to fostering certain outcomes, SMBs chose technology-based methods when information dissemination and data presentation are the meeting's major purpose. (Fig. 6) Of the major virtual

FIGURE 4: Which type of business meeting do you prefer most?



meeting technologies, webconferencing got the nod for those situations. In addition, they were nearly equally split between using technology and meeting face-to-face when urgency was required. On the other hand, face-to-face is preferred for persuasion, inspiration, and decision-making.

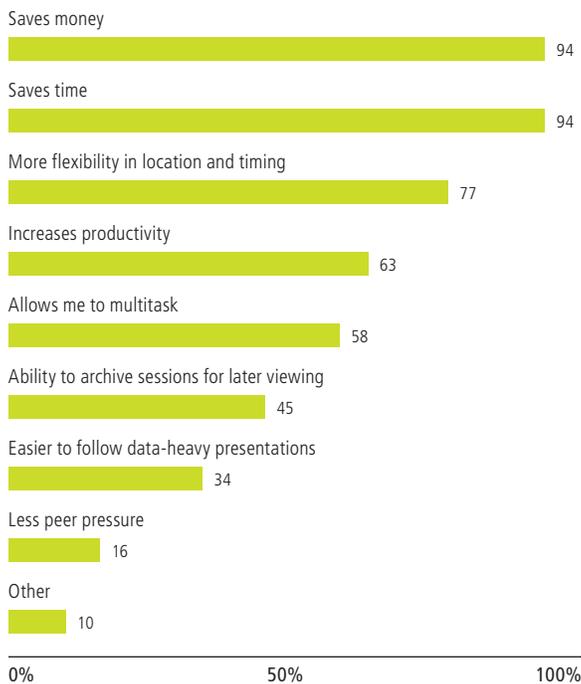
Qumu, a California-based maker of video solutions, is naturally a big believer in video-based meetings. The company equips all its laptops with video so that their staff can videoconference from anywhere, whether to a designated meeting room or to another person. “We use it for internal and external meetings,” said Scott Safe, Qumu's vice president of marketing and products. “With a customer, you can get them on the phone, but you do things faster and more efficiently with a [conferencing] tool. You can show them new applications and you can see their reactions.”

CREATING THE RIGHT COMBINATION

Given these preferences, it is easy to see why SMBs are increasingly using a mix of methods during the prospecting and sales cycle. Early-stage capabilities presentations can be given online using technologies such as Webex that allow slides, data and video to be shared over a live, online connection. As the sales process continues, proposals get exchanged, negotiations take place, and some kind of in-person interaction is more likely.

“You can never replace the in-person collaboration,” said Qumu's Safe. “But [technology] accelerates the shift from prospect to qualified prospect.”

FIGURE 5: Why do you prefer technology-enabled meetings?

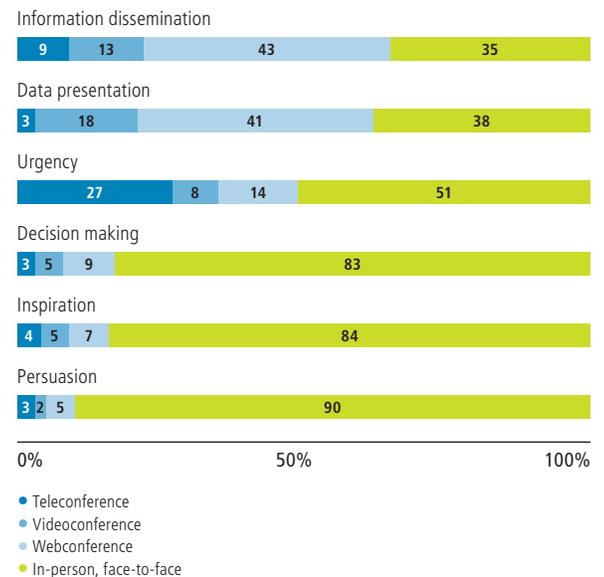


Take, for example, the case of American Linear Manufacturers, a machine tools company in Westbury, N.Y. The company has had limited experience with webconferencing tools, having used them primarily for a deal they did with one of their service providers. “They don’t have too many salespeople anymore and they’re not going out and calling on people. They use the web meeting tools,” said Frank Tabone, American Linear’s president. “With the exposure I had to it, it was very good. It’s good for getting things done quickly.”

American Linear still sees clients in person to review documents. “In our work, we use a lot of blueprints, lots of pages and some very technical documents,” said Tabone. “You need to be in person.”

Experiences such as American Linear’s further demonstrate how SMBs are looking to use a combination of in-person and technology meetings. Like American Linear, many survey respondents still depend on face-to-face, but a significant number (49%) believe the ideal strategy involves

FIGURE 6: Which meeting method is most conducive to fostering these key business actions/attributes/outcomes effectively?



a balance between in-person and technology-enabled meetings. (Fig. 7)

THE ONLINE EVOLUTION

Given the well-documented reluctance of many SMBs to be early technology adopters, moves toward using technology for meetings has been more evolutionary than revolutionary. But as on-demand video and webconferencing drop in price and increase in power, more SMBs may be willing to use them more frequently.

Certainly, in the area of videoconferencing, many leading edge technologies such as telepresence are currently out of reach for typical small businesses. Full-scale telepresence solutions combine high-definition video and audio in a way that makes it appear as though remote participants are sitting around the same conference table, offering nearly live eye-contact. But these systems can run well into six-figures.

With offices around the globe, Satcon, a Boston-based provider of energy management systems services, currently

makes extensive use of web meeting tools for a range of customer, employee and investor interactions. As Leah Gibson, an investor relations executive at Satcon, explained, “The one thing these lack is that strong visual sense.” The firm has, in fact, been approached by several vendors with more advanced capabilities. But as of yet, said Gibson, “it’s not cost effective.”

But high-def video is also moving to more desktops, often providing more fluid video connections than typically choppy webcam chats via services such as Skype. These lower-priced solutions promise to bring some of the features of high-end systems to SMBs. Improved videoconferencing may also be able to provide some of what SMBs perceive as the key benefits of in-person meetings, such as the ability to pick up on non-verbal cues.

CHOOSING A VIDEOCONFERENCING SOLUTION

With costs coming down and technology improving, videoconferencing has the potential to become more of a mainstream solution for SMBs. Making the right choice ultimately comes down to:

- **Need:** Where do you intend to use the solution and how often will you use it?
- **Quality:** Does it operate fluidly enough to read reactions and visual cues?
- **Users:** Will it be used one-on-one or do you need multi-point connections for multiple users? Does it easily scale for adding more users?
- **Experience:** Will users benefit by being able to access collaboration tools?
- **Security:** How can you be sure confidential information remains so?

At present, SMBs have several basic videoconferencing options, moving up the cost/quality curve:

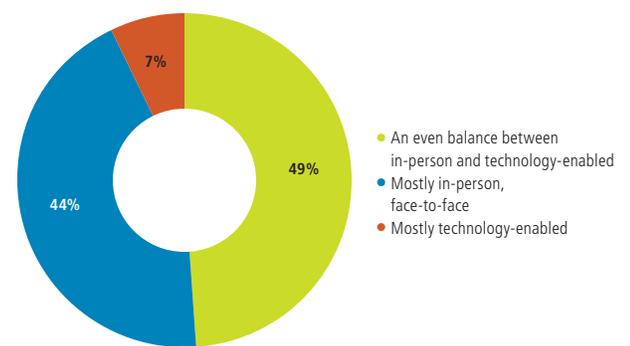
PC-based video: Software-based, broadband solutions that work with a computer or laptop’s webcam, these range from no-cost/low-cost alternatives such as Skype and ooVoo to business-class and HD (high-definition) options.

Desktop video: These replace a standard phone with a video-enabled phone.

Room video: Placed in a conference room or meeting space, these combine HD video, HD audio and content sharing. These are available from companies such as Polycom and Tandberg.

Telepresence: Full-fledged telepresence (offered by companies like Cisco and HP) can create a virtual conference room where far-flung participants look and act like they are sitting at the same table. These systems can run in the hundreds of thousands of dollars, although SMBs can use them through outside telepresence centers, which may rent virtual conference rooms by the hour.

FIGURE 7: What represents the ideal meeting/conference execution strategy?



“Video brings interaction, engagement and emotional context to the discussion or meeting,” noted Qumu’s Safe.

For some SMBs, however, adoption of these technologies will be gradual. SMBs are frequently not early adopters of technology solutions, and may need to be motivated by larger customers or business partners who are using the technology as part of their day-to-day needs. Yet those companies that are at the top of the adoption curve may gain the most benefit, as was the case with email, the Internet and, most recently, social media.

“We’ve used webmeetings and one or two others but it’s always someone else doing the initiation like a client who wants a briefing,” noted the manager of a small hedge fund in Englewood, N.J. “I can see how it cuts travel costs and there’s no doubt it’s going to catch on. Eventually instead of making a phone call, it’ll all be voice, data and video.”

METHODOLOGY

This study is based on a survey of 381 owners and executives at small businesses (under 100 employees) conducted by Forbes Insights in June 2009. The survey was part of a larger study of 760 business executives at small, mid-sized and enterprise companies; those results were previously published in the study entitled “Business Meetings: The Case for Face-to-Face.”