Small Business AI Adoption Survey

October 2023

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Introduction

Background & Objectives
The SBE Council commissioned the study to gain insights from small business owners regarding their current use of Artificial Intelligence tools for their businesses.

Survey Sample

- ✓ Online Survey Methodology
- ✓ Sample size - 507 AI Users
  - TechnoMetrica used its network of panel partners for the sample.
  - 676 business owners consented to participate in the survey. 507 of the 676 owners are AI users. Non-users did not participate in the core of the survey.
- ✓ Credibility interval - +/-4.4 percentage points for the 507 AI users sample

Methodology

- ✓ Survey Conducted
  - October 2 – October 4, 2023
- ✓ **Median Length of Interview**
  - 9.6 minutes

- ✓ **Qualification Criteria**
  - Small business owners
  - Employee size = 2 to 99
  - Must use AI for business

Findings - Overview

AI Adoption in Small Businesses

- 75% of the surveyed small businesses (507 out of 676) utilize AI tools in their operations.
- AI adoption increases with revenue:
  - *66% of businesses with less than $100K in revenue use AI.*
  - *76% of businesses with $100K-$500K in revenue use AI.*
  - *81% of businesses with $500K-$1 Million in revenue use AI.*
  - *86% of businesses with over $1 Million in revenue employ AI.*
- Among users of AI solutions, financial management tools (40%) are the most commonly used. AI-powered email marketing automation (32%), cybersecurity (32%) and inventory management (28%) are also widely used tools. On average, small businesses utilize 4 AI tools, and the survey identified nearly 20 different areas where AI is being used to support business operations.
- Google (51%), Microsoft (39%), ChatGPT (37%), Adobe (30%) and QuickBooks/Intuit (29%) are among the top AI providers used by small businesses. However, a wide range of other, including new and smaller, AI brand providers are also being used by small businesses.

Findings - Overview

- AI tools are being used by small businesses to met a range of marketing, sales and customer service needs. Small business use of AI tools to drive revenue represents a dominant category for AI use across these 9 direct areas: including email marketing automation (32%), image creation for logo and branding material (28%), social media management (28%), chatbots for customers support and service (27%), content writing and creation (26%), audio-to-text transcription (26%), tools for predictive analysis (23%), sales team support and CRS systems (21%), and language translation (17%).

Drivers for AI Adoption

- Key drivers or reasons small business owners adopted AI include: their own research, peer influence and comfort with technology (54%), time and cost savings (51%), competitive pressures (29%) and inflationary pressures (26%). Small business owners also noted that high labor costs (25%), augmenting skilled labor or lack of access to skill labor (19%) drove AI adoption.

AI Investment

- The median annual business investment in AI-powered tools is $1,800.
- 54% of small businesses plan to increase AI investments in the next 12 months, while 37% plan to maintain current levels.
- 83% of small business owners plan to invest in AI in the next 12 months, with 31% opting for significant investments.

Findings - Overview

Benefits of AI Tools

- 82% of small businesses find AI tools effective in running and growing their businesses.
- 93% agree that AI tools offer cost-effective solutions, driving cost savings and improved profitability.

Key Benefits Over Traditional Methods

- Compared to traditional tools, AI is more beneficial for the quality of decision making (69%), competing more effectively against large businesses (68%), customer acquisition (67%), customer service (61%), data security (59%), and personalizing the customer experience (55%).
- 76% of small business owners report that AI frees both the business owner and employees of more time to focus on high-value tasks.

Time and Cost Savings

- Small business owners report a median weekly savings of 13 employee hours due to AI tools.
- The median weekly time saved by the small business owner themselves is 13 hours.
- On average, small business owners report that AI tools do the work of 2.1 full-time employees (median 1 FTE) and 1.5 part-time employees (median 1 PTE).

Findings Overview

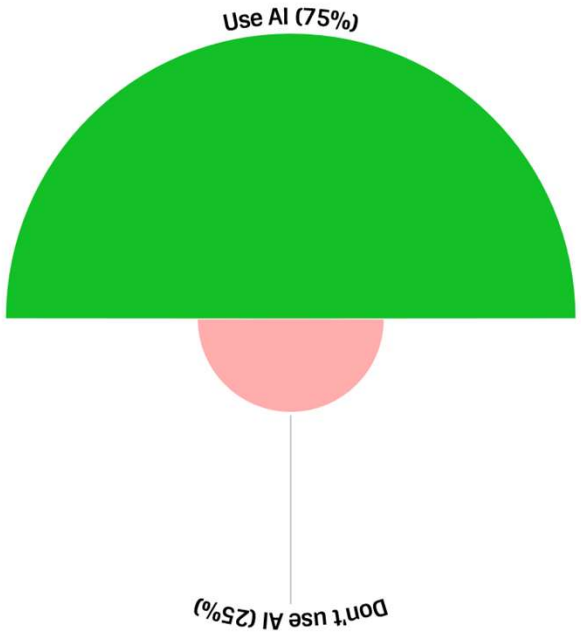
- Small business owners reports that AI tools do the work of, on average, 1 independent contractor.
- Time saved on human capital has allowed small business owners to redirect employee time to higher-value work (41%), invest in innovative solutions for customer engagement and retention (39%), invest in new equipment and technology (37%), keep prices stable for customers (36%), pursue growth opportunities for the business (34%), increase wages and benefits (25%), set aside capital for emergency/other purposes (25%), and pay down debt more quickly (20%).

Government Oversight and Ethics

- 85% of small businesses agree that the government must balance regulation and innovation in AI.
- Top 3 areas identified by small business owners for government to play a role in AI include establishing ethical guidelines (57%), promoting transparency and accountability (53%), and addressing potential risks (52%).

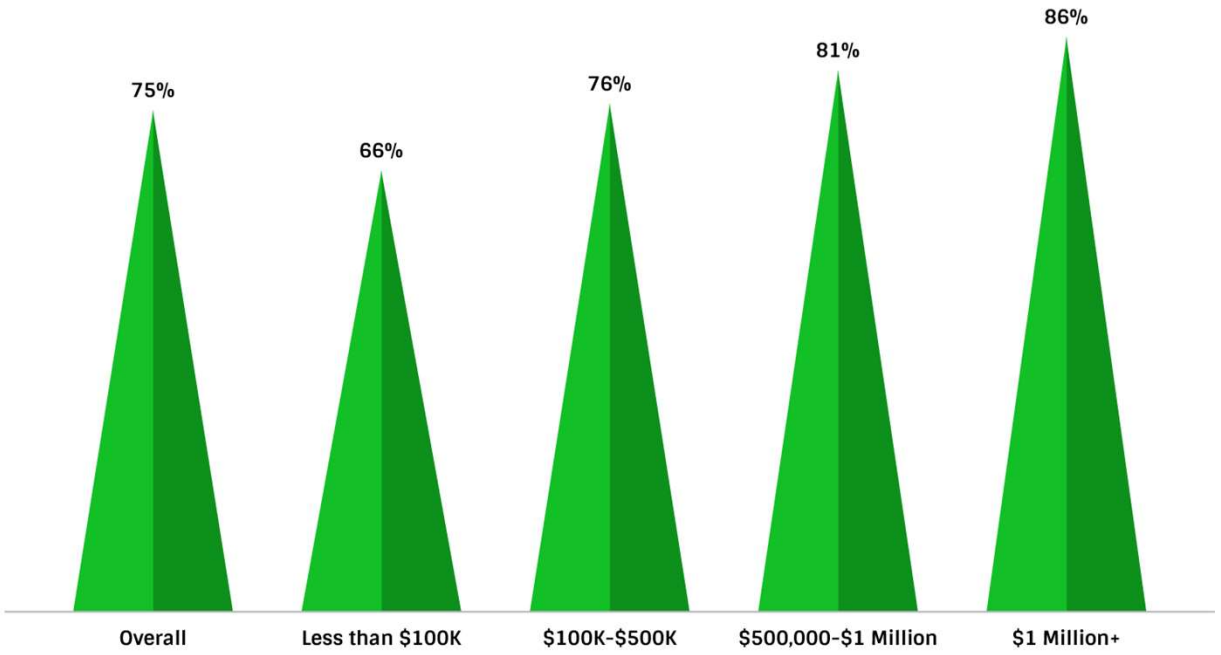
Detailed Findings

Three-Fourths Of Businesses Currently Utilize AI Solutions



- 75% of the 676 small businesses that participated in the survey use AI tools.
- The subsequent questions were asked of the 507 businesses using AI.

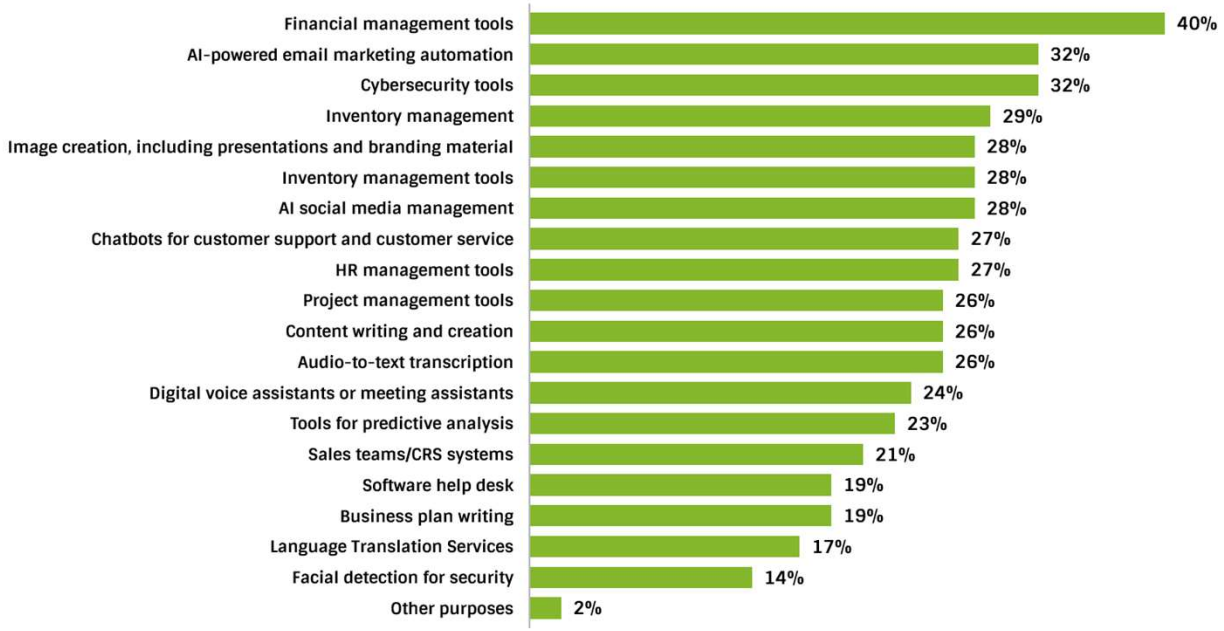
As Revenue Grows, AI Adoption Increases



Q1B: Use of AI Solutions By Revenue

- Two-thirds (66%) of small businesses with less than $100K in revenue use AI tools.
- This percentage increases to three-fourths (76%) for the $100K-$500K bracket.
- Eight out of ten (81%) small businesses in the $500K-$1 Million category utilizes this technology.
- Meanwhile, a significant 86% of small businesses in the $1 Million category employ AI.

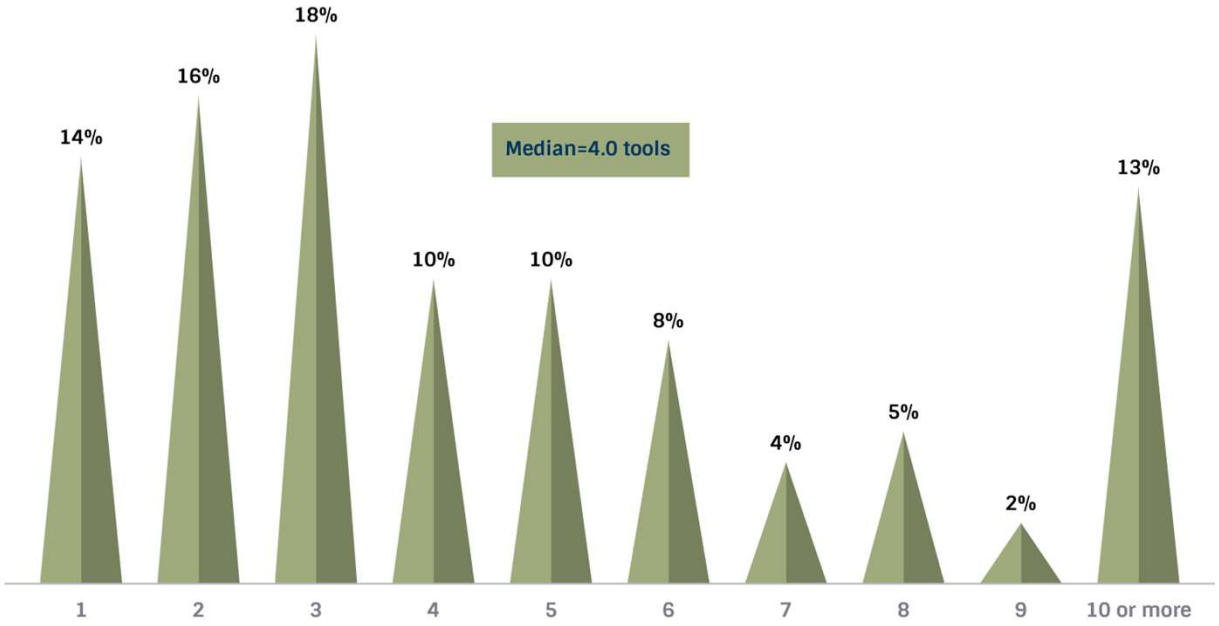
Most Used AI Applications: Financial Management, Email Marketing Automation, And Cybersecurity Tools Top The List



Q1. Which of the following artificial intelligence tools does your small business currently utilize for business purposes? (Please select all that apply), n=507 AI Users, +/- 4.4 PTS

- The survey presented 19 AI-powered tools and asked respondents to indicate which solutions they use.
- Financial management tools secured the top position with 40% usage.
- Nearly a third (32%) use AI-powered email marketing automation tools and cybersecurity tools.
- More than a fifth employ a diverse range of 12 tools - including inventory management (29%) and sales teams/CRS systems (21%) - indicating broad adoption.

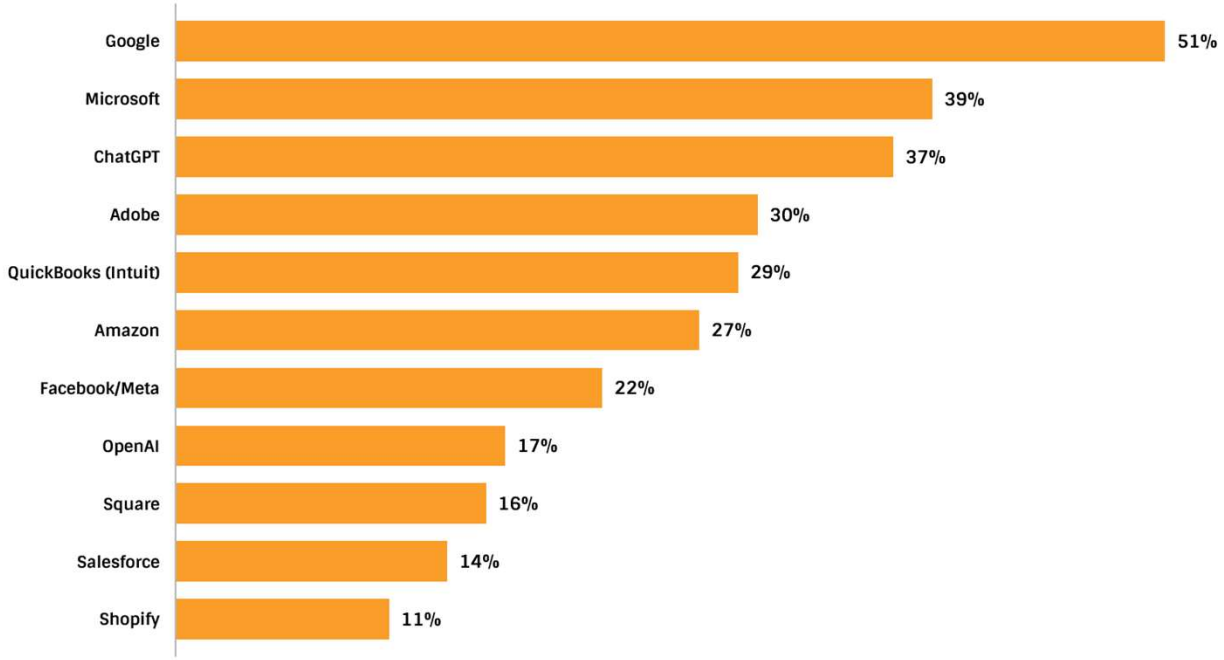
On Average, Small Businesses Utilize Four AI Tools



Q1X. Number computed from answers to question: Which of the following artificial intelligence tools does your small business currently utilize for business purposes? n=507 AI Users, +/- 4.4 PTS

- Nearly a quarter (24%) utilize at least seven tools.
- Another 28% employ four to six tools.
- One-half (48%) make use of one to three tools.
- The median number of tools used by businesses is four.

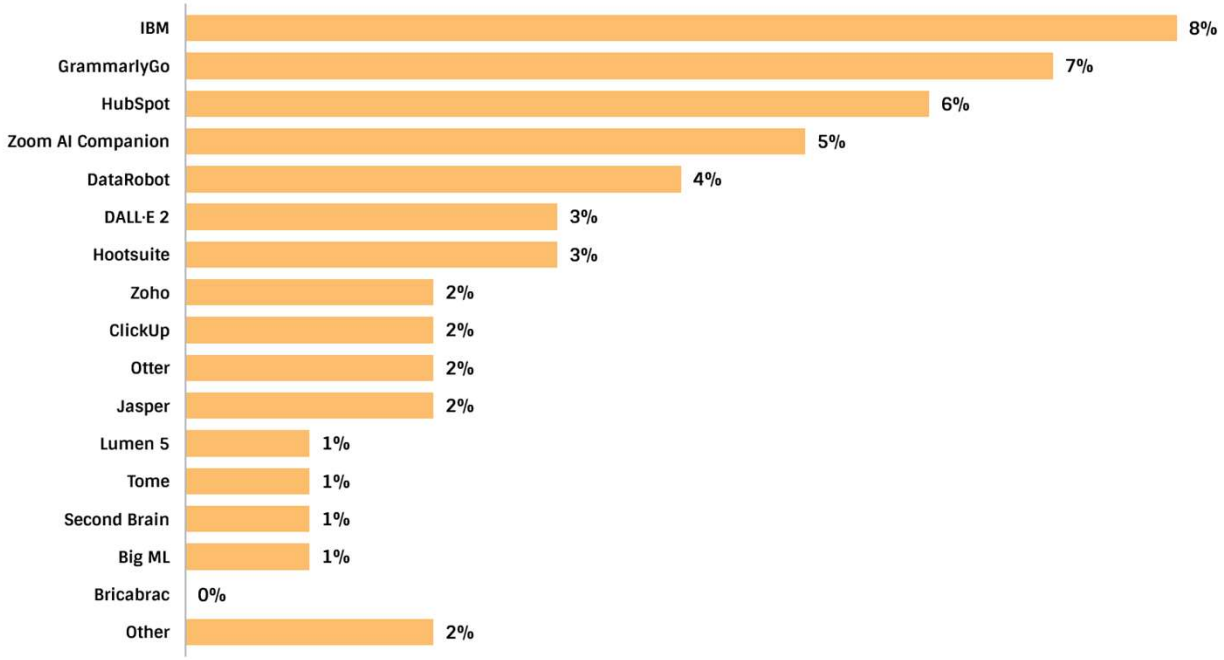
Google, Microsoft, ChatGPT, Adobe, And QuickBooks Top AI Providers List



Q2. Which companies provide your business with artificial intelligence tools? (Please select all that apply) n=507 AI Users, +/- 4.4 PTS

- Google takes the top spot, with 51% of small businesses using its AI tools.
- AI tools by Microsoft (39%), ChatGPT (37%), and Adobe (30%) are used by about a third.
- In the next tier are QuickBooks (Intuit) (29%), Amazon (27%), and Facebook/Meta (22%).
- OpenAI (17%), Square (16%), Salesforce (14%), and Shopify (11%) are used by over 10% of small businesses.

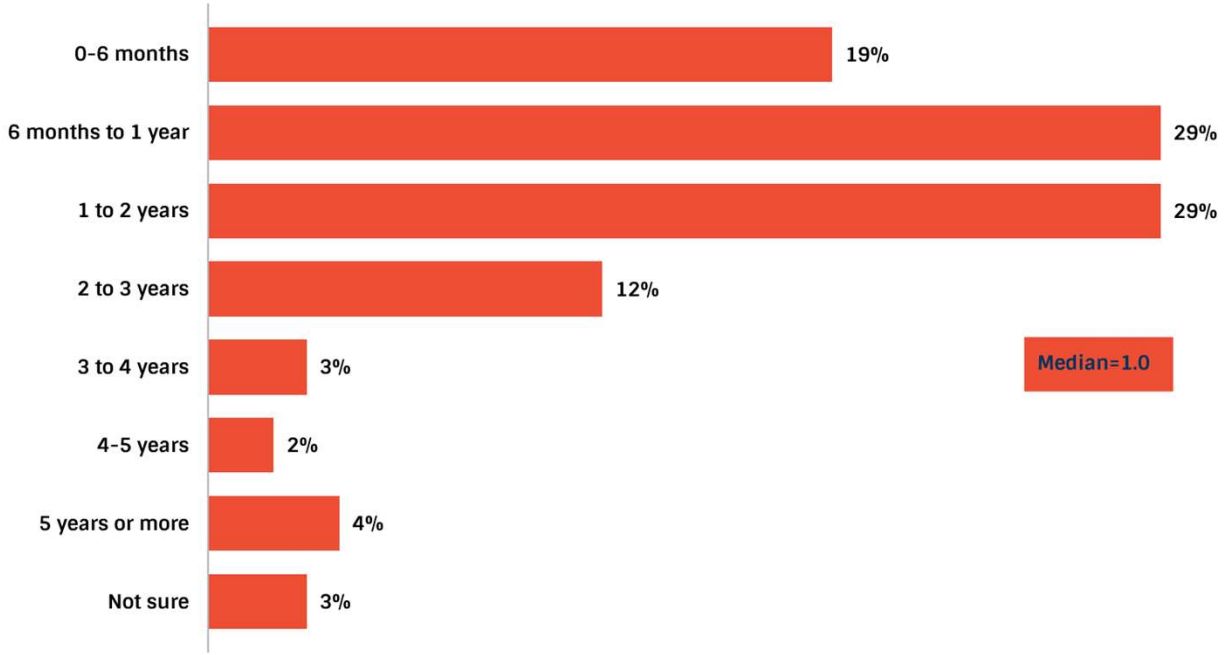
In Addition To The AI Providers Most Used By Small Businesses, A Mix Of Well-known And Lesser-known Brands Are Also Used



Q2. Which companies provide your business with artificial intelligence tools? (Please select all that apply) n=507 AI Users, +/- 4.4 PTS

- IBM (8%), GrammarlyGo (7%), HubSpot (6%), and Zoom AI Companion (5%) are used by at least 5% of small businesses.
- Eleven providers had shares ranging from 1% to 4%.

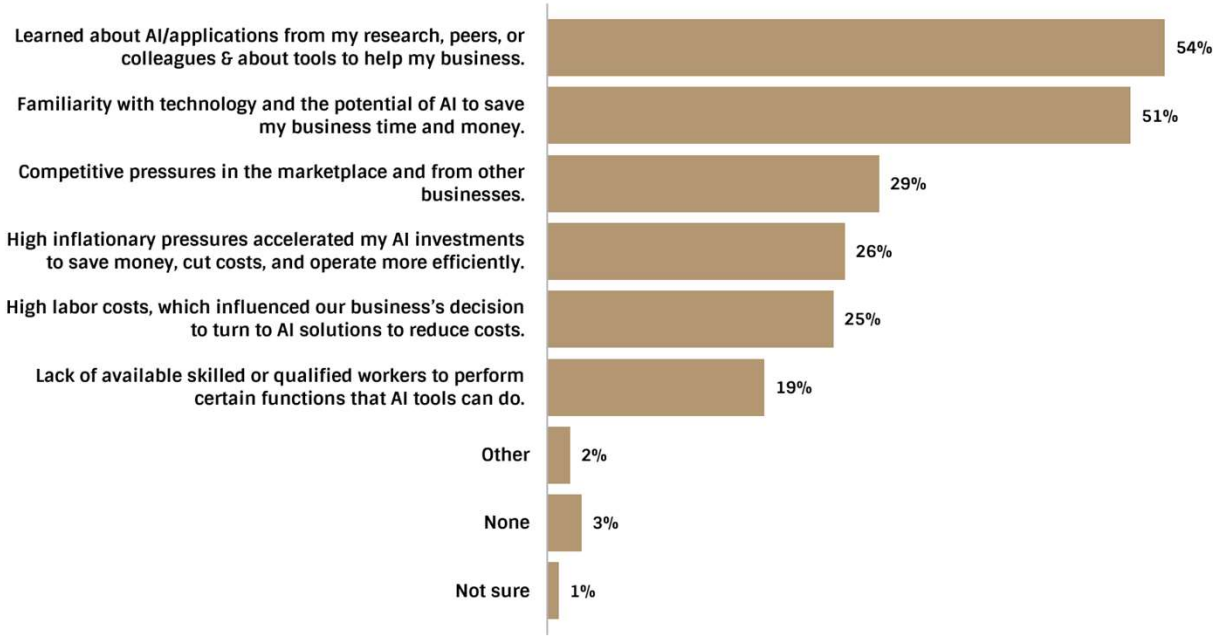
Most Small Businesses Adopted AI Tools In The Past Two Years



Q3. How long has your company been using or investing in AI tools? n=507 AI Users, +/- 4.4 PTS

- Nearly half (48%) have started using AI tools in the past year.
- 29% have been using them for 1 to 2 years.
- Another fifth (21%) have used them for over two years.
- The median usage period is **one year**.

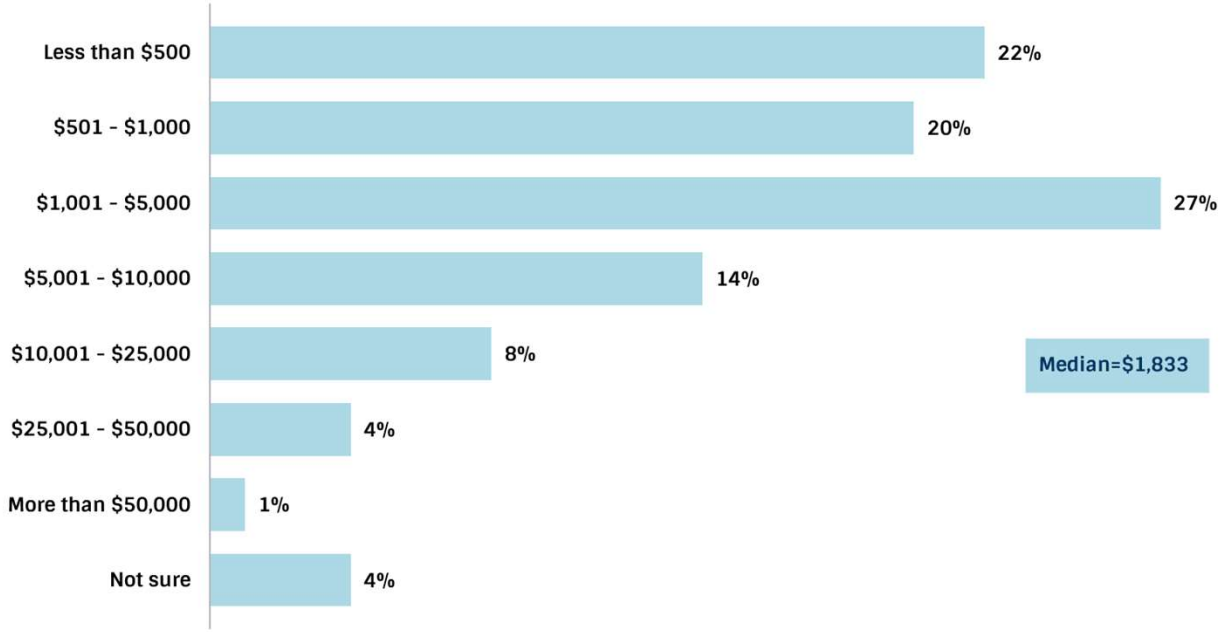
Key Drivers Of AI Adoption: Peer Influence And Research For Tech Solutions, Cost-saving Need, Competitive And Inflationary Pressures, Labor Challenges



Q4: What factors prompted you to deploy AI tools or further invest in AI for your business? (Please select all that apply) n=507 AI Users, +/- 4.4 PTS

- Over one half (54%) learned about AI's potential through research and peers.
- One half (51%) adopted AI to save time and money, leveraging their tech-savvy.
- More than one-fourth (29%) started to use AI to stay competitive.
- Another fourth (26%) invested in AI due to high inflation, aiming to cut costs.
- A quarter (25%) turned to AI to lower labor expenses.
- One-fifth (19%) adopted AI due to a lack of qualified workers for specific tasks.

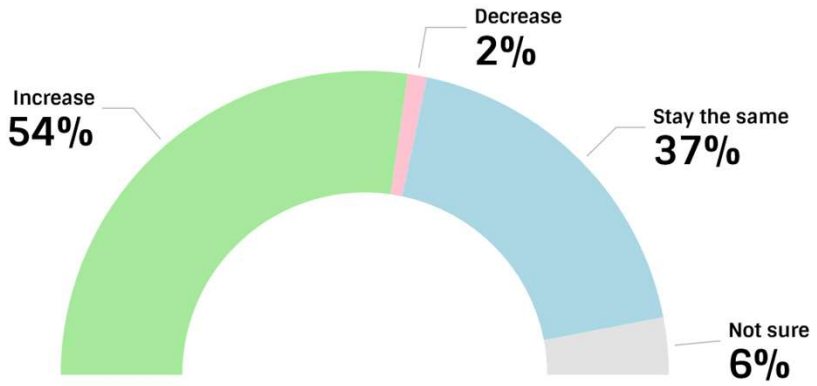
Median Annual AI Business Investment Is $1,800



Q6. On average, how much does your business spend annually on the artificial intelligence tools it currently uses? n=507 AI Users, +/- 4.4 PTS

- Over one-fifth (22%) spend under $500 a year on AI tools, while another fifth spend between $500 and $1,000.
- More than a quarter (27%) spend between $1,000 and $5,000, and the same percentage (27%) spend over $10,000 annually.
- The median annual spending stands at **$1,833**.

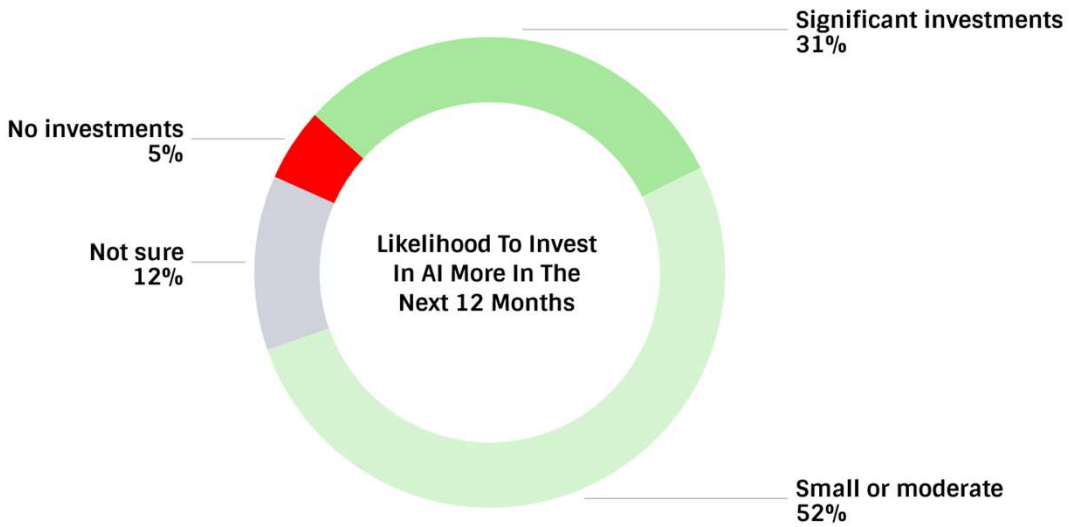
Strong Momentum For AI Investment: Most Plan To Increase Or Maintain Spending



Q7. Thinking of the next 12 months, do you expect your investments and expenses related to artificial intelligence tools to increase, decrease, or stay the same? n=507 AI Users, +/- 4.4 PTS

- Over one in two (54%) plan to increase their AI investments in the next 12 months.
- 37% plan to maintain spending at current levels.
- Only 2% want to cut back on AI spending.
- Six percent are undecided.

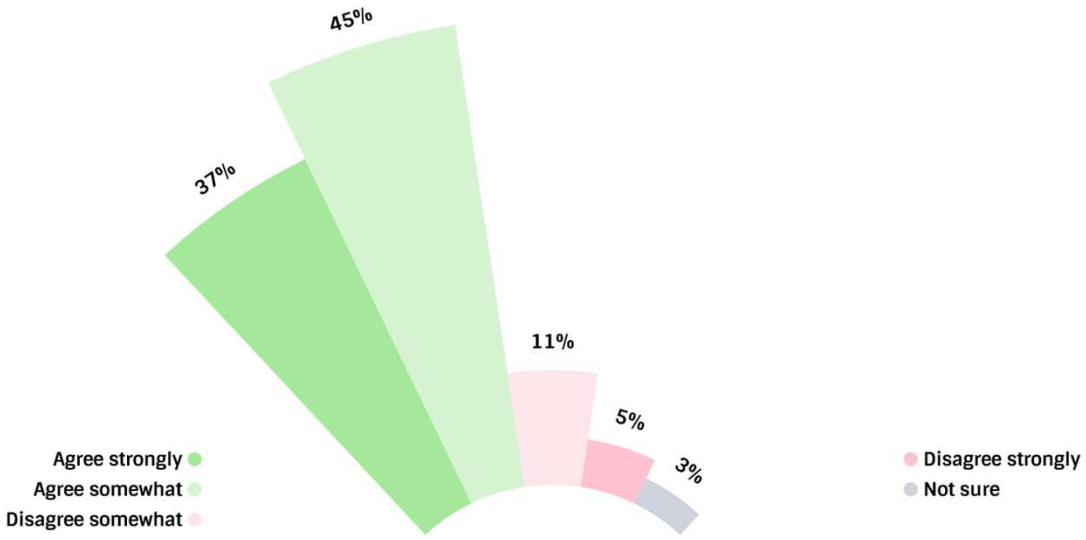
Nearly A Third Plan Significant AI Investments In The Next 12 Months



- 83% of business owners plan to invest in AI in the next 12 months, with 31% opting for *significant investments* and 52% choosing *small or moderate* ones.
- While 12% are undecided on investing in AI in the near future, 5% don't plan to invest at all.

Q17. How likely will your business invest in artificial intelligence (AI) more in the next 12 months? n=507 AI Users, +/- 4.4 PTS

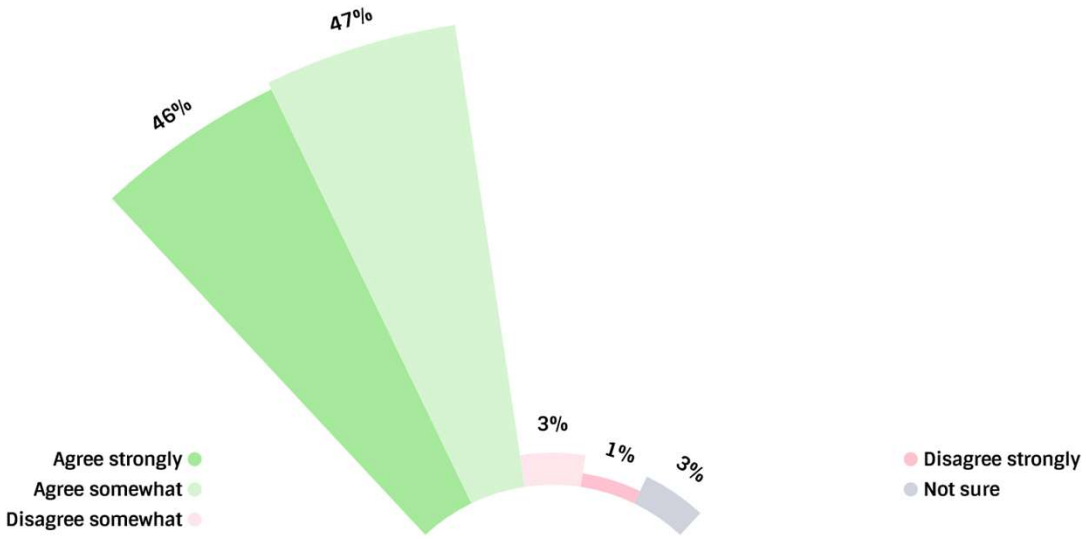
Most Small Businesses Recognize That AI Tools Help Effectively Run And Grow Their Business



Q8. To what extent do you agree or disagree with the following statement: The availability of artificial intelligence tools significantly impacts my ability to effectively run and grow my business. n=507 AI Users, +/- 4.4 PTS

- Eight in ten (82%) state that AI tools help them to effectively run and grow their business. While 37% *agree strongly*, another 45% *agree somewhat*.
- Sixteen percent (16%) are not convinced, and an additional three percent (3%) are uncertain.

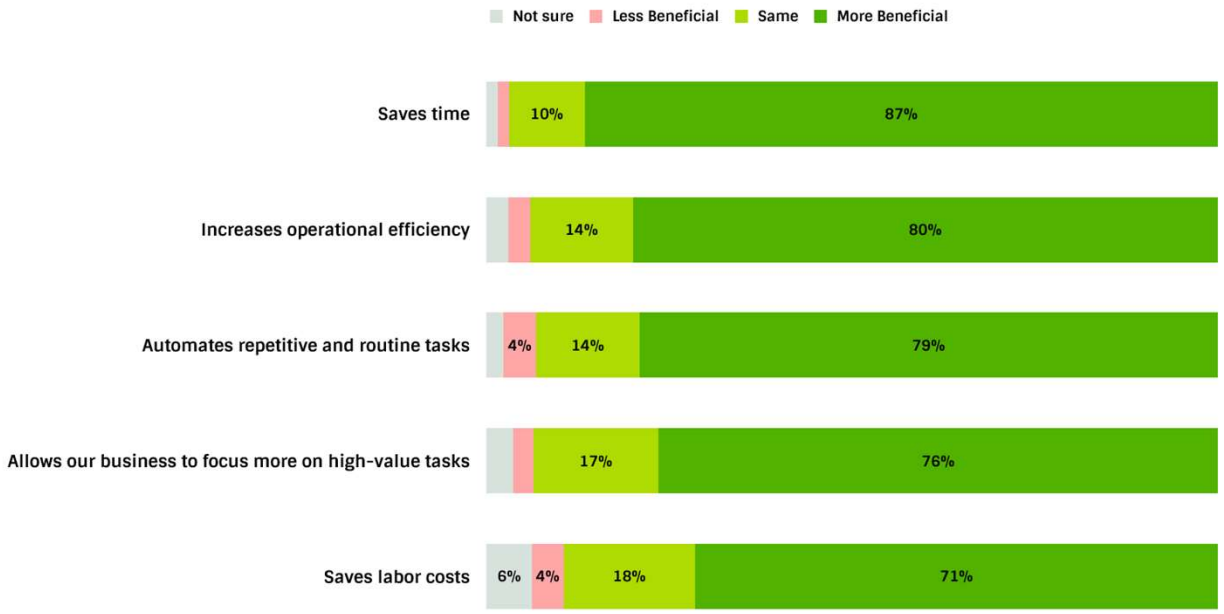
93% Agree AI Tools Offer Cost-Effective Solutions, Driving Cost Savings And Increasing Profitability



Q9. To what extent do you agree or disagree with the following statement: Artificial intelligence tools offer cost-effective solutions and contribute to cost savings and improved profitability. n=507 AI Users, +/- 4.4 PTS

- Most businesses (93%) concur that AI tools are cost-effective solutions to boost the bottom line.
- 46% *agree strongly*, and a similar share (47%) *agree somewhat.*
- Only 4% disagree, and another 3% are unsure of its impact.

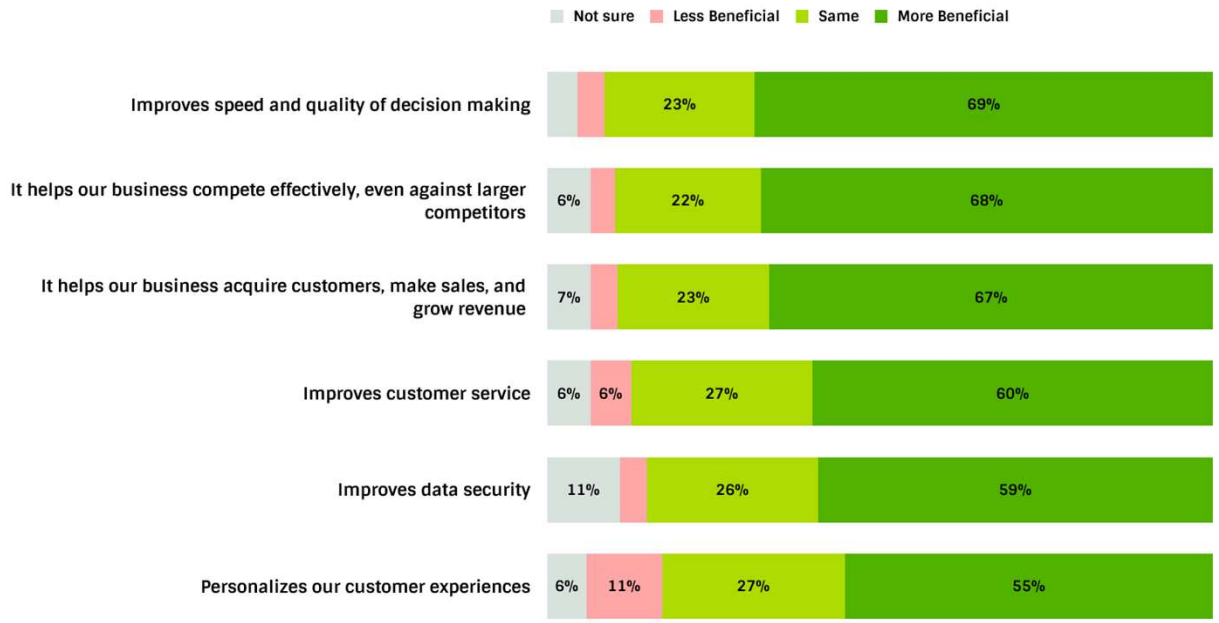
Time Savings, Efficiency, Automation, And Labor Cost Savings Are Key Benefits Of AI Tools Over Traditional Methods



Q10: Compared to traditional methods, are the artificial intelligence tools you use more beneficial, less beneficial, or about the same for the following aspects? n=507 AI Users, +/- 4.4 PTS

- Compared to traditional methods, 87% say AI tools save time, while 80% say they make operations more efficient.
- Additionally, 79% prefer AI for automating repetitive tasks, and 76% find that AI frees them to focus on high-value tasks, compared to traditional methods.
- Moreover, over 71% find that AI, in comparison to traditional methods, helps save on labor costs.

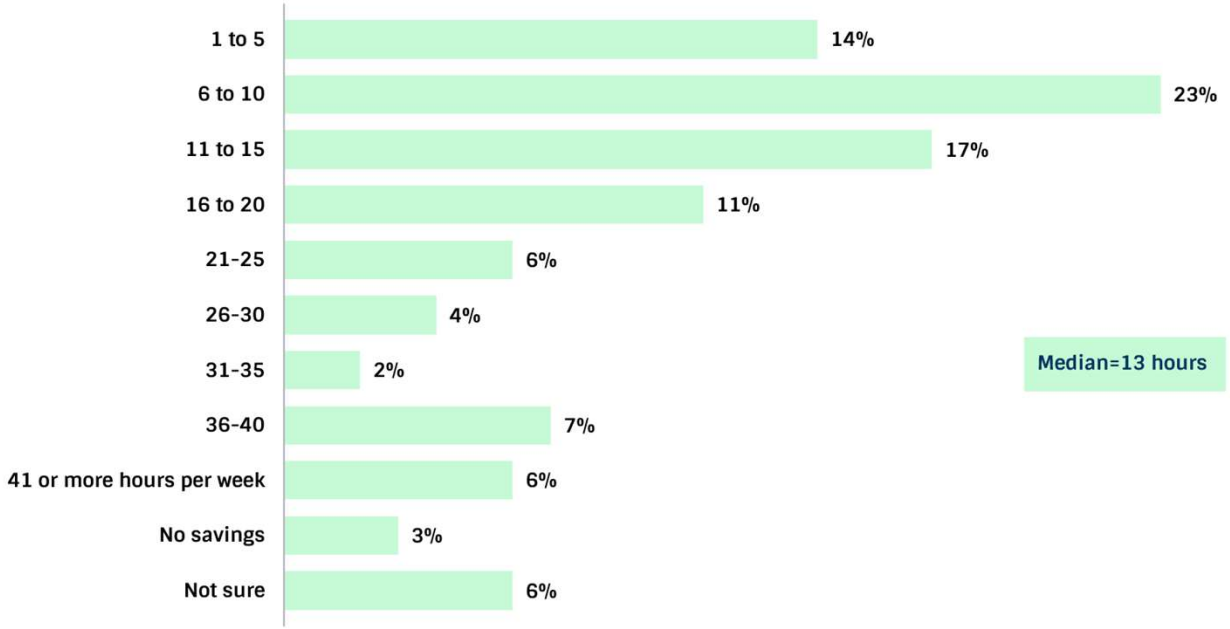
Small Businesses Emphasize Competitiveness, Quality Improvement, Customer Acquisition, And Data Security As Benefits Of AI Tools Over Traditional Methods



Q10: Compared to traditional methods, are the artificial intelligence tools you use more beneficial, less beneficial, or about the same for the following aspects? n=507 AI Users, +/- 4.4 PTS

- Most prefer AI tools over traditional methods to compete effectively with larger competitors (68%), improve speed and quality (69%), and acquire customers (67%).
- Additionally, 60% prefer AI for customer service, 59% for data security, and 55% for personalizing customer experiences, over traditional methods.

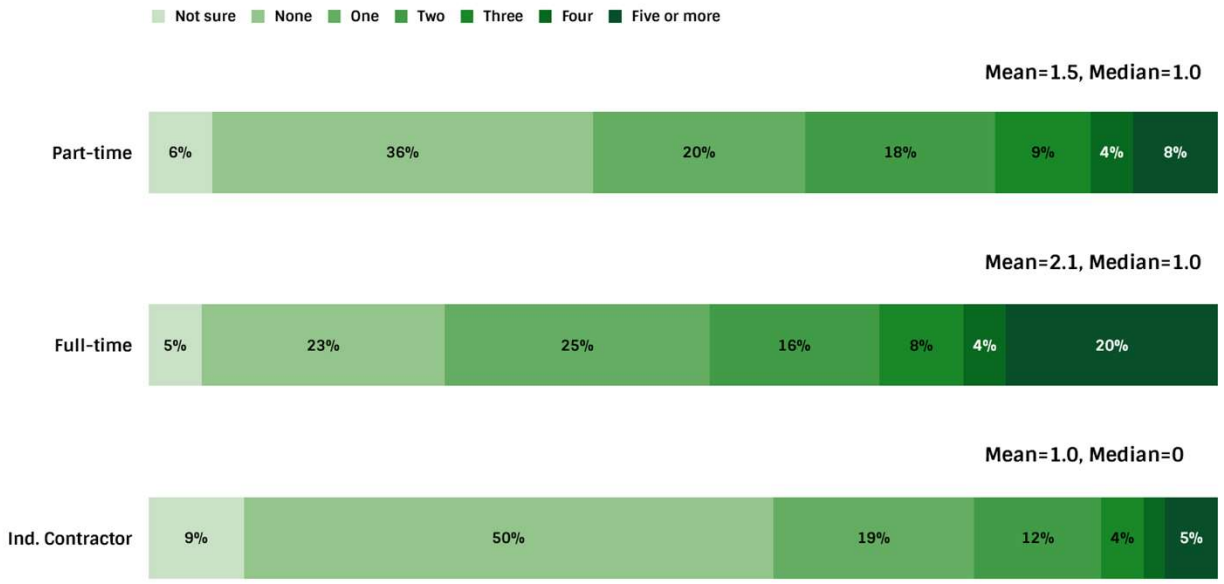
Small Businesses Achieve A Median Weekly Savings Of 13 Employee Hours Thanks To AI Solutions



Q11. Please estimate the number of employee hours saved and more effectively used each week due to the artificial intelligence solutions you use. n=507 AI Users, +/- 4.4 PTS

- More than a third (37%) report weekly savings of under 10 hours due to the use of AI solutions.
- A quarter (28%) report savings between 11 and 20 employee hours per week, also attributed to AI.
- Another 25% have achieved savings exceeding 20 employee hours per week, thanks to AI solutions.
- The median saved is **13 hours**.

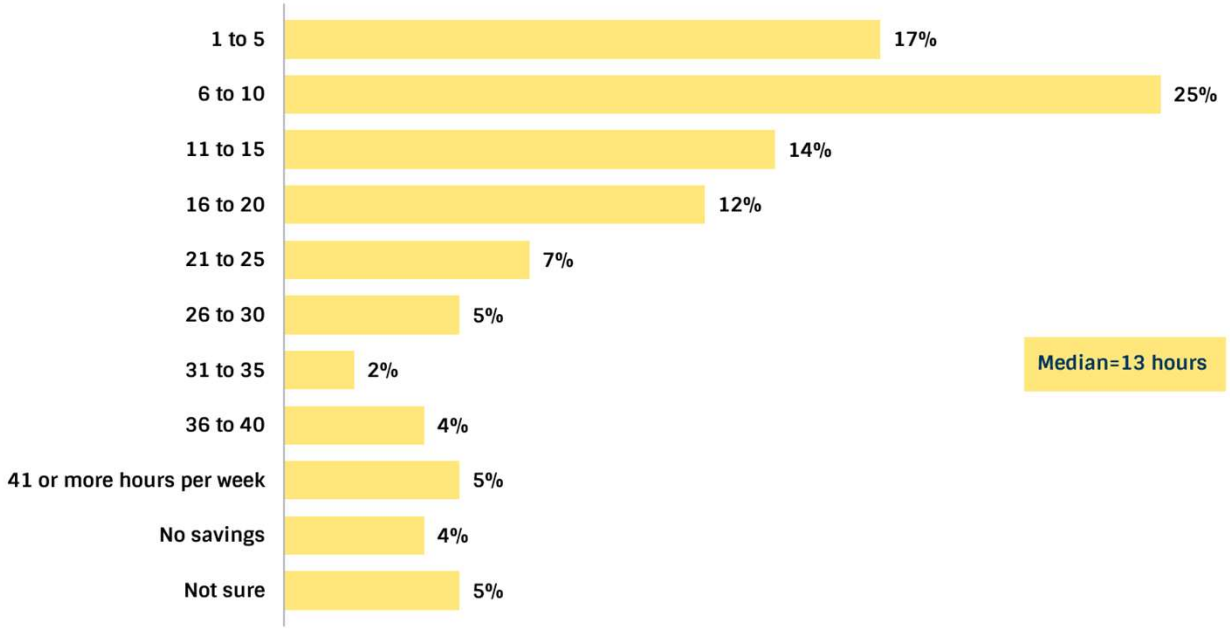
AI Does The Work Of 1 Full-Time And 1 Part-Time Employee (Median)



Q12: Please provide an estimate of the equivalent number of employees or independent contractors for whom your AI tools now do the work. n=507 AI Users, +/- 4.4 PTS

- Regarding Part-Time Equivalents (PTEs) 38% of small business owners reported that AI tools do the work of one to two PTEs, and 21% reported three or more PTEs. On average, small businesses reported that AI does the work of 1.5 PTE, with a median of 1.0. 36% reported zero or no effect on AI doing the work of PTEs.
- For Full-Time Equivalent (FTE), 41% reported AI tools do the work one to two FTEs, and 32% reported three or more FTEs. On average, small businesses reported 2.1 FTEs, with a median of 1.0. 23% reported zero of no effect on AI doing the work of FTEs.
- Regarding Independent Contractors, 31% reported that AI tools do the work of one to two independent contractors, and 11% reported three or more. On average, small businesses reported 1.0 independent contractors, with a median of zero. 50% of small businesses zero or no effect of AI tools doing the work of independent contractors.

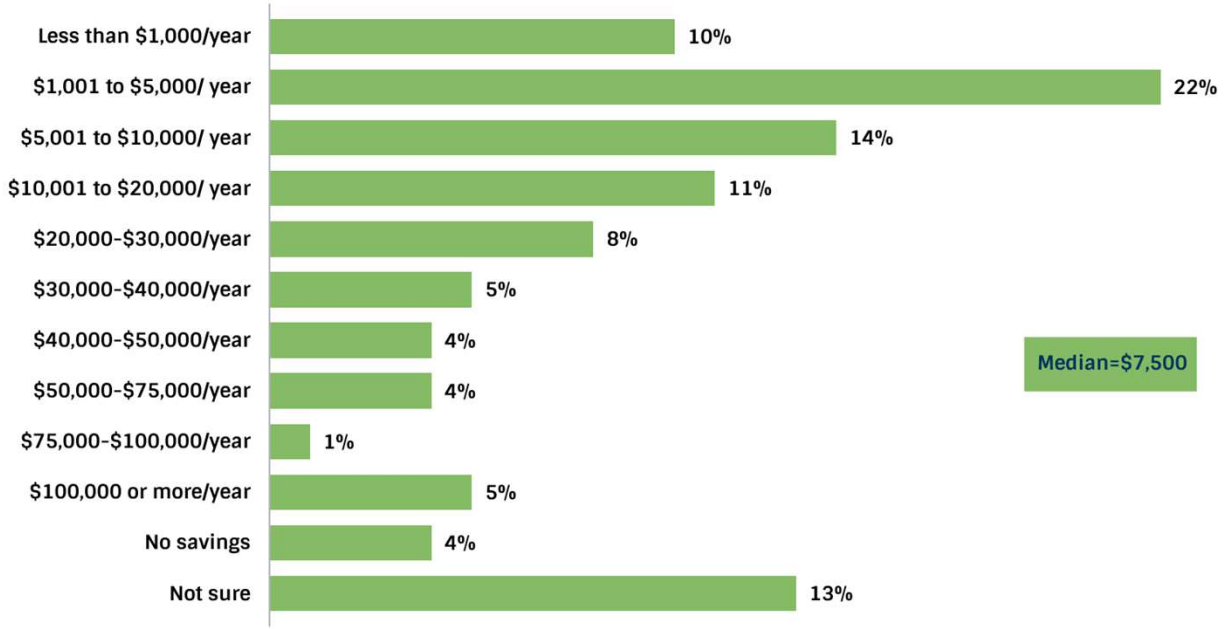
Median Weekly Time Saved By Small Business Owners Is 13 Hours



Q14. Please estimate the number of business owner hours saved and more effectively used each week due to the artificial intelligence solutions you use. n=507 AI Users, +/- 4.4 PTS

- Over four in ten (42%) report weekly savings of under ten owner hours thanks to the use of AI solutions.
- A quarter (26%) report savings between 11 and 20 owner hours per week, also attributed to AI.
- An additional 23% have achieved savings exceeding 20 owner hours per week, thanks to AI solutions.
- The median saved is **13 hours**.

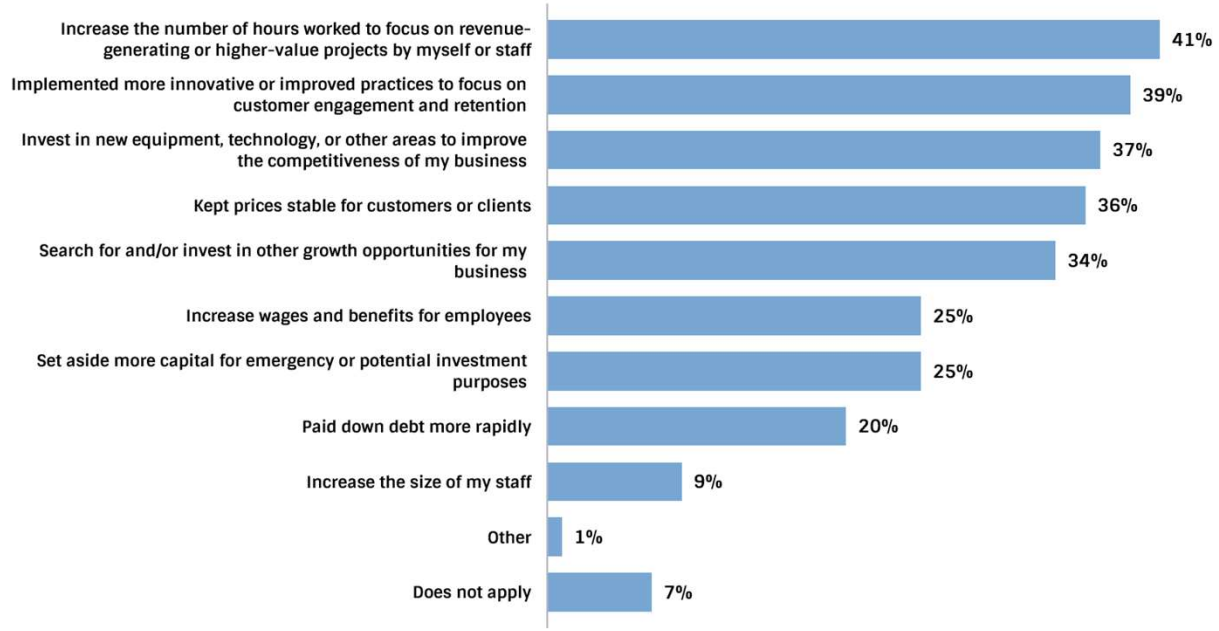
Small Businesses Report Median Annual Savings Of $7,500



Q15. Approximately, on average, how much money do you save in a year due to artificial intelligence solutions? n=507 AI Users, +/- 4.4 PTS

- One in ten (10%) realized annual savings of less than $1,000 due to AI solutions.
- One in five (22%) achieved savings ranging from $1,000 to $5,000 annually, thanks to AI solutions. Additionally, 11% reported savings in the range of $10,000 to $20,000 per year.
- A quarter (27%) reported annual savings exceeding $20,000.
- The median annual savings is **$7,500.**

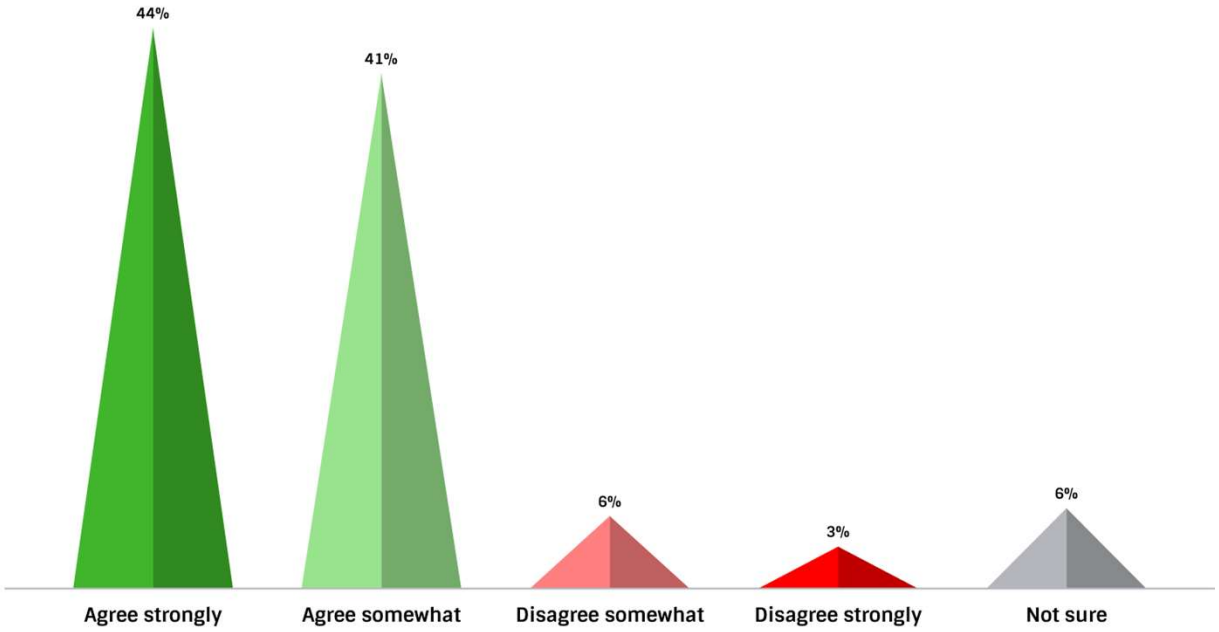
Small Businesses Gain Multifaceted Benefits Resulting From Time And Cost Savings Enabled By AI Solutions: Redirecting Human Capital To “Higher-value” Projects Tops List



Q16. Which of the following actions in your business have resulted from saving time and money that can be attributed to artificial intelligence solutions? (Please select all that apply) n=507 AI Users, +/- 4.4 PTS

- Thanks to AI adoption, businesses have harnessed significant time and cost savings, redirecting these resources into various areas.
- Specifically, 41% extended work hours for revenue-focused projects, with another 39% implementing innovative customer engagement strategies.
- Additionally, 37% invested in technology to enhance competitiveness, while 36% maintained stable customer prices, and 34% actively pursued growth opportunities.
- Meanwhile, AI played a pivotal role, assisting 25% in boosting employee wages and benefits, facilitating another 25% in earmarking funds for emergencies or investments, and aiding 20% in expedited debt repayment.

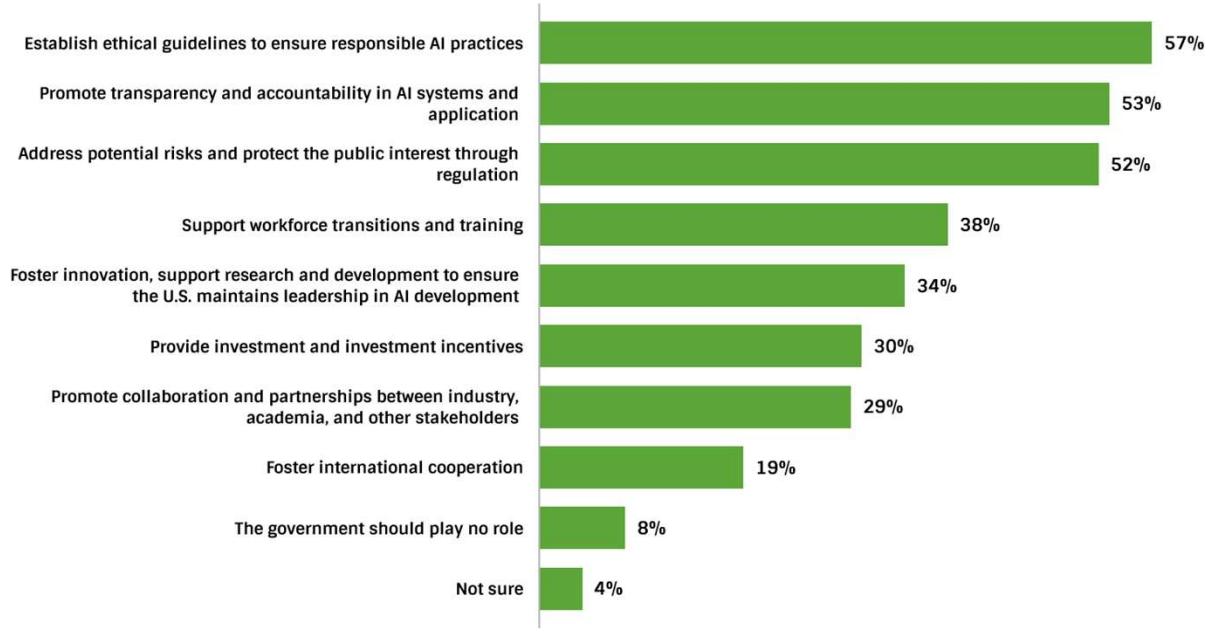
Most Agree That The Government Must Balance Regulation And Innovation, Enabling The U.S. To Lead In AI While Safeguarding Societal Well-being



Q19. To what extent do you agree or disagree with the following statement? The government must balance regulation and innovation, enabling the United States to lead in AI while safeguarding societal well-being. n=507 AI Users, +/- 4.4 PTS

- Over eight in ten (85%) agree that the government must balance regulation and innovation.
- 44% *strongly agree,* and 41% *somewhat agree.*
- Only a handful (9%) disagree.

Small Businesses Stress Ethical Guidelines and Accountability As Top Concerns For Government Oversight

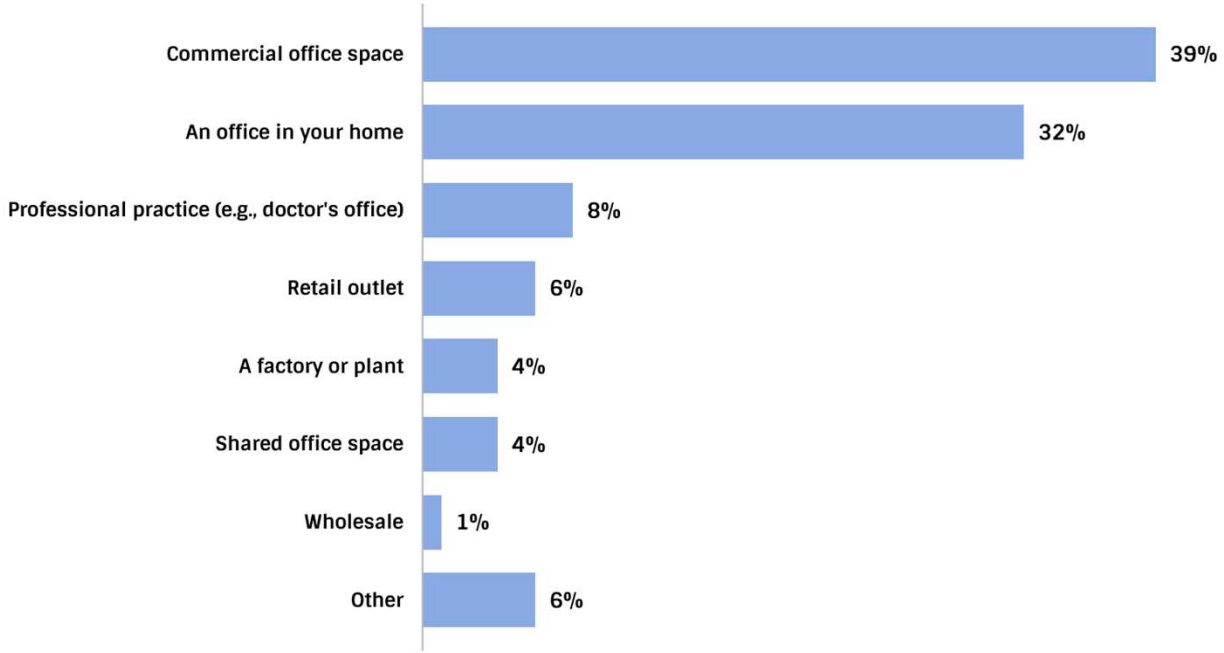


Q20. What role should the U.S. government play in overseeing artificial intelligence's growth, use, and development? (Please select all that apply) n=507 AI Users, +/- 4.4 PTS

- Over one-half (57%) of respondents state that the government should play a role in establishing ethical guidelines to ensure responsible AI practices.
- Another 53% say the government must promote transparency and accountability in AI systems and applications.
- Meanwhile, 52% of respondents believe that the government should address potential risks and protect public interest through regulations.

Firmographics

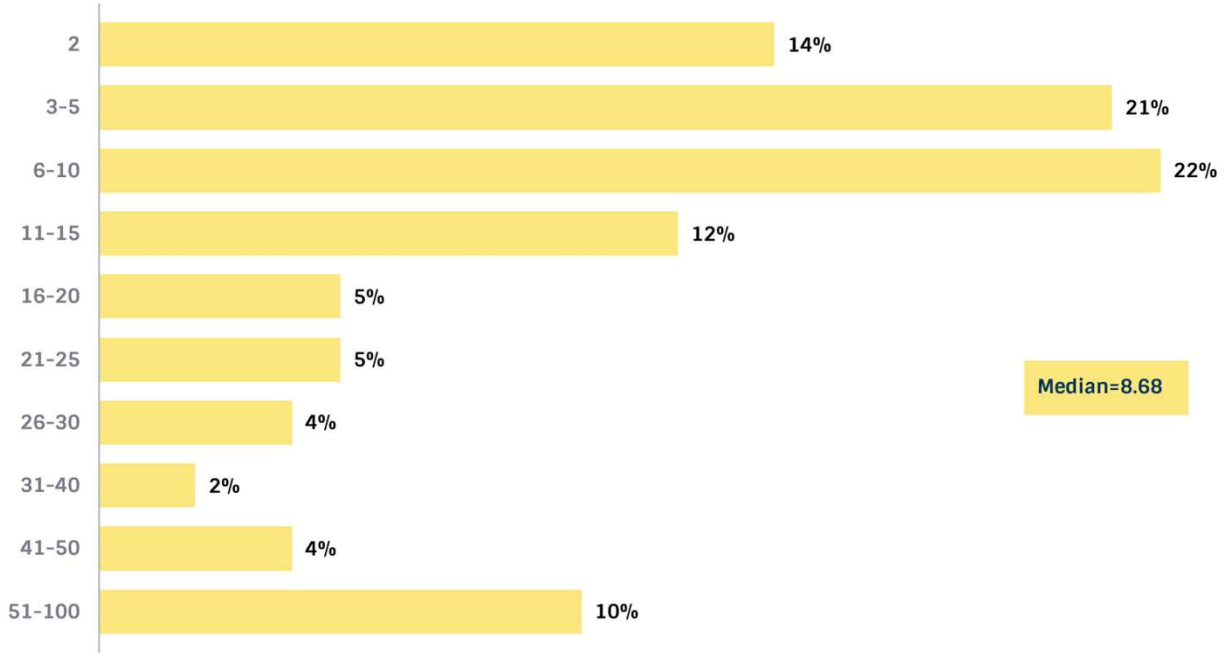
Business Location



F5. Which of the following best describes your business location? n=507 AI Users, +/- 4.4 PTS

- Over one-third, 39%, had *commercial office space*.
- Almost a third, 32%, of the small businesses were run from a *home office*.
- 8% owned a *professional practice.*
- 6% had *retail outlets*.
- 4% operated from a *shared office space.*
- 4% were based out of *factories* and 1% from *wholesale space*.

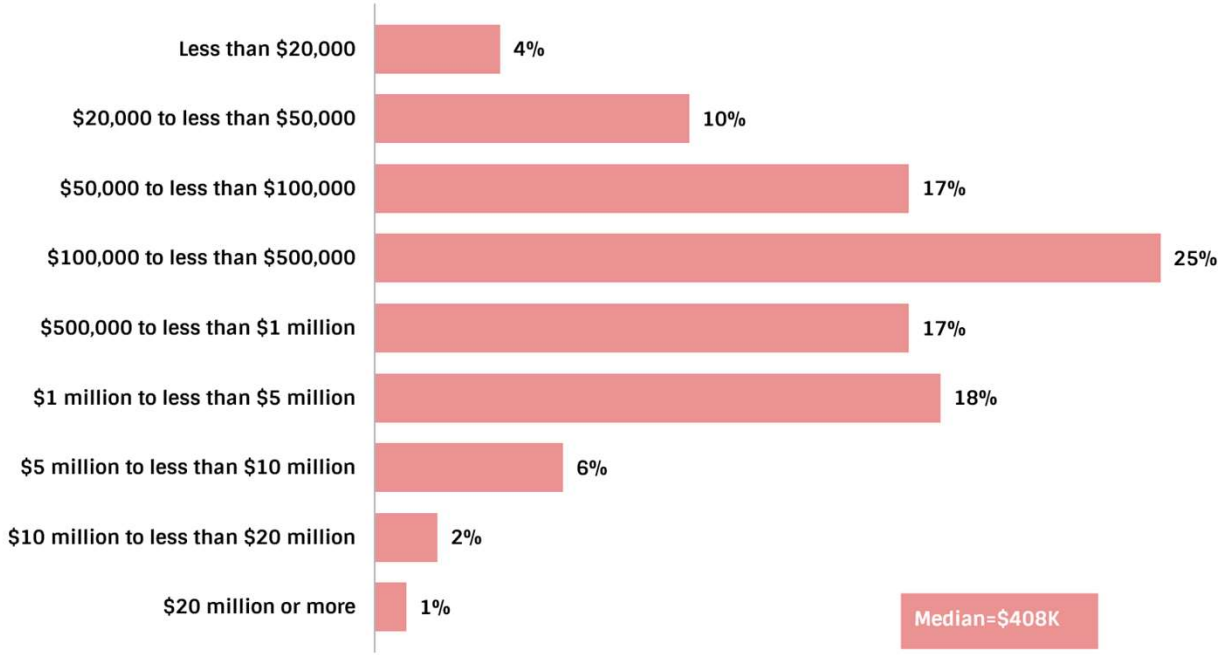
Employee Size



S1. Including yourself how many people are currently employed by your business? n=507 AI Users, +/- 4.4 PTS

- The median number of employees on payroll in the small businesses surveyed is **8.68**.
- Over one-third, 35%, of the establishments had fewer than five employees - 14% had two employees, and another 21% had 3-5 employees.
- More than a fifth, 22%, had 6-10 persons on the payroll.
- A little more than a sixth, 17%, had 11-20 employees.
- One-fourth (25%) had more than 20 employees.

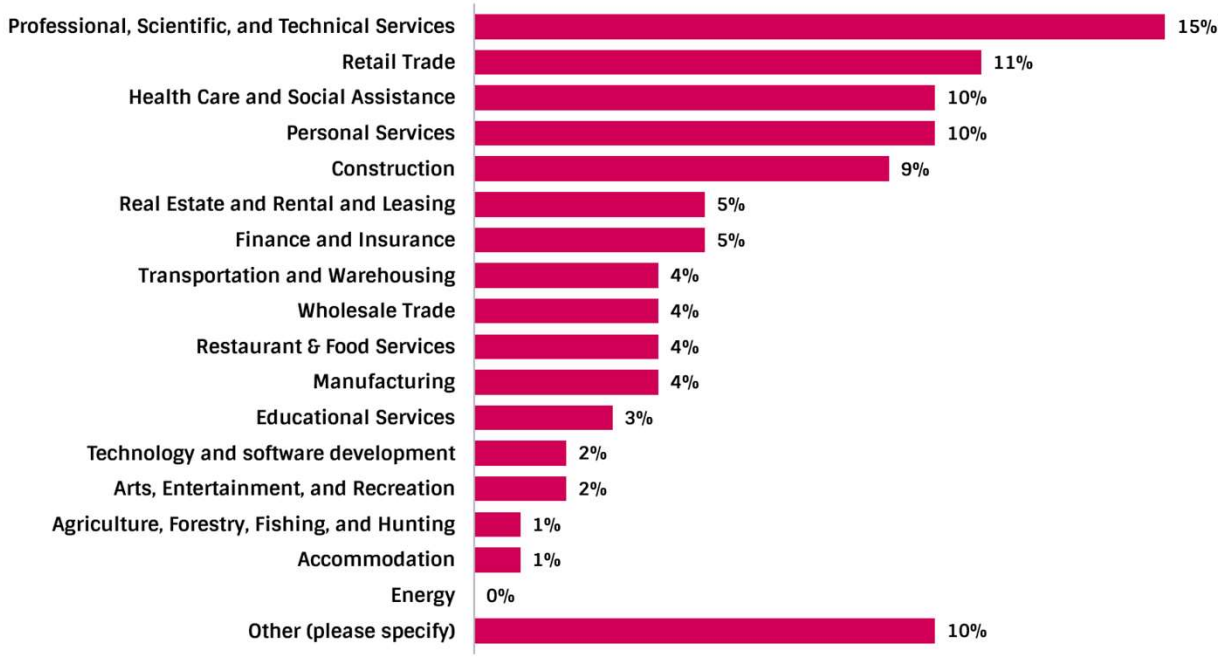
Business Revenue 2022



F2. What was your company's approximate revenue for 2022? n=507 AI Users, +/- 4.4 PTS

- The *median earnings* of surveyed small businesses in 2022 stood at **$408K**.
- About one in seven of the businesses (14%) earned less than $50K.
- Another 17% made between $50K to $100K, and a quarter (25%) made between $100K-$500K.
- 17% generated revenue between $500K and $1 million.
- More than one-fourth (27%) earned more than $1 million last year.

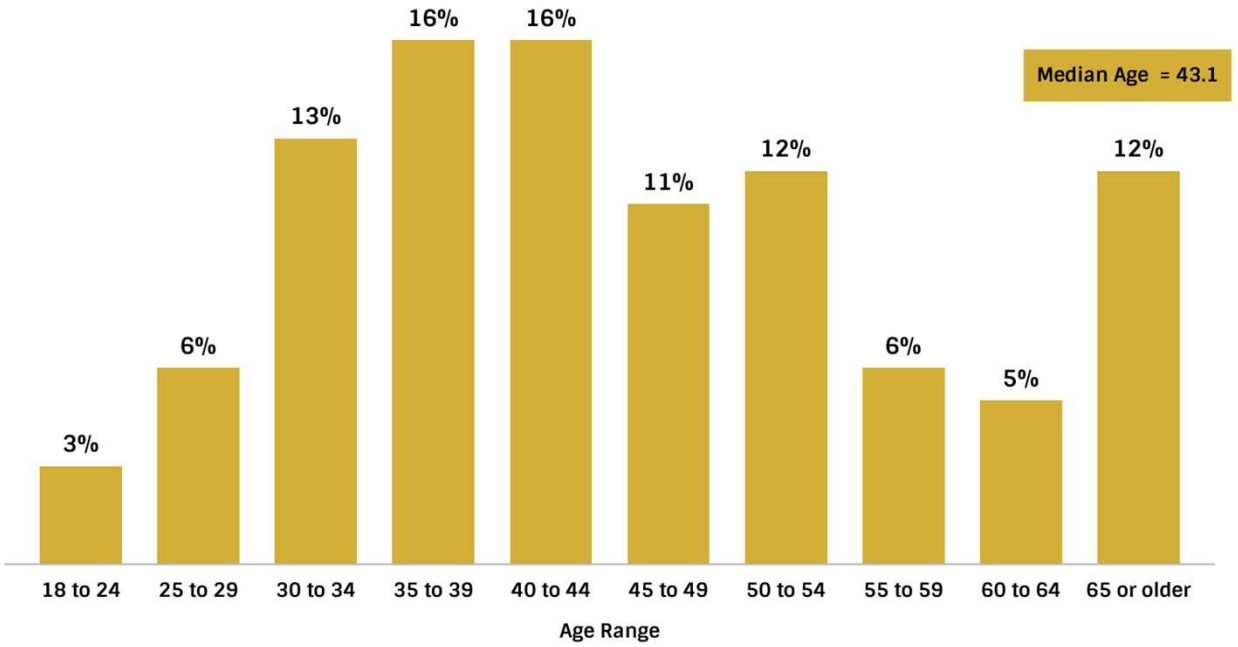
Primary Business



F3. Which of the following best describes the primary business of your company? n=507 AI Users, +/- 4.4 PTS

- The largest segment of small businesses surveyed, 15%, fell under Professional, Scientific, and Technical Services.
- Retail Trade made up 11%, Healthcare 10%, and Personal Services 10%.
- Construction had 9%.
- Six other categories ranged from 4% to 5%.
- 10% of the establishments came under other sectors of business activity.

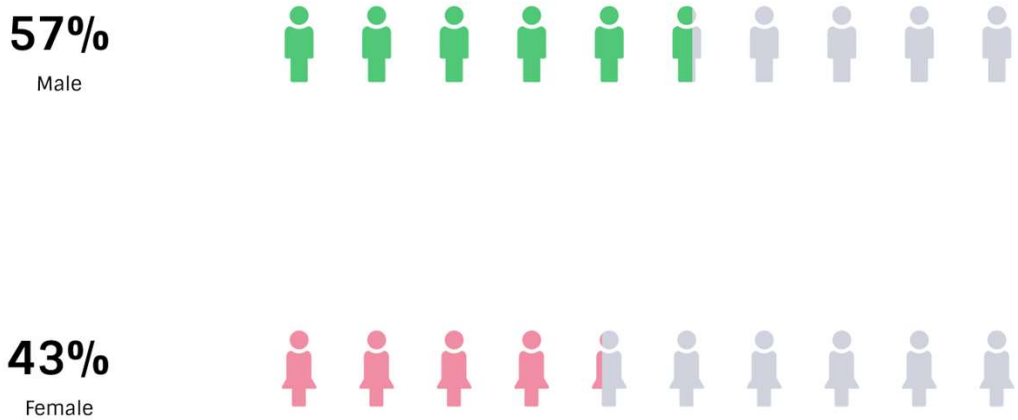
Age Of Respondent



D2. What is your age? n=507 AI Users, +/- 4.4 PTS

- The *median age* of the entrepreneur in the survey was **43.1 years**.
- Slightly over a quarter, 29%, were in their 30s and 27% were in their 40s.
- Less than a fifth (18%) were between 50 and 59 years old.
- Nearly one-sixth, or 17%, were 60 or older.
- 9% belonged to the under-30 age bracket.

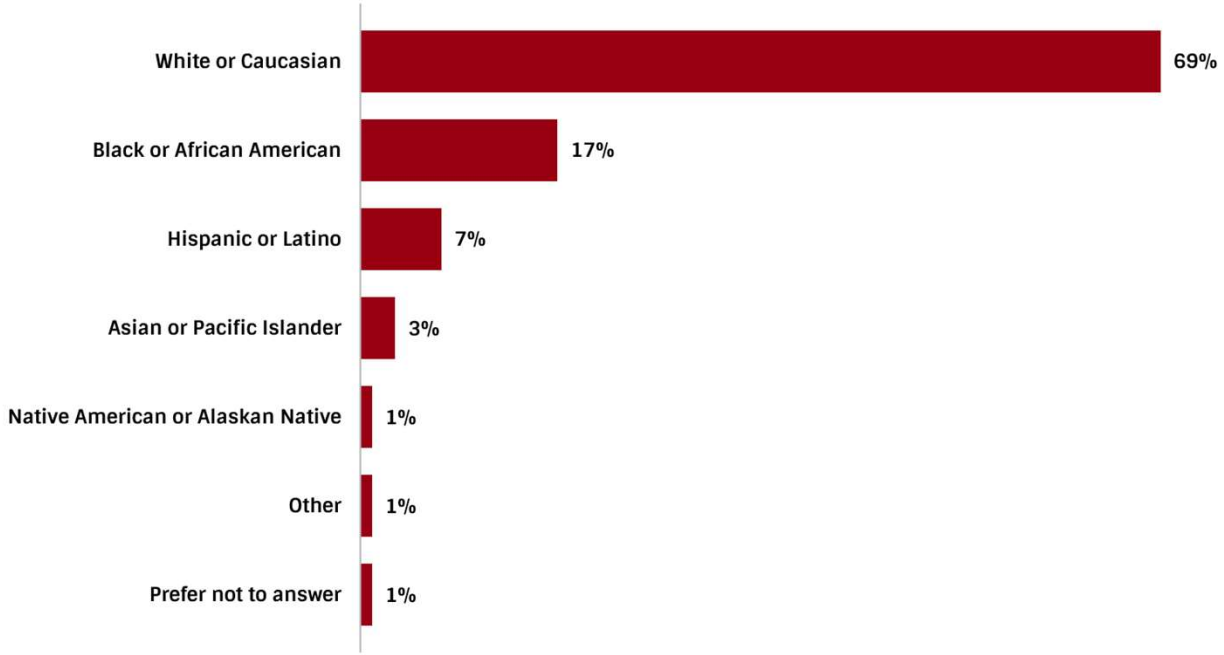
Gender



- By gender, the survey had slightly more men (57%) than women (43%).

D1. Your Gender, n=507 AI Users, +/- 4.4 PTS

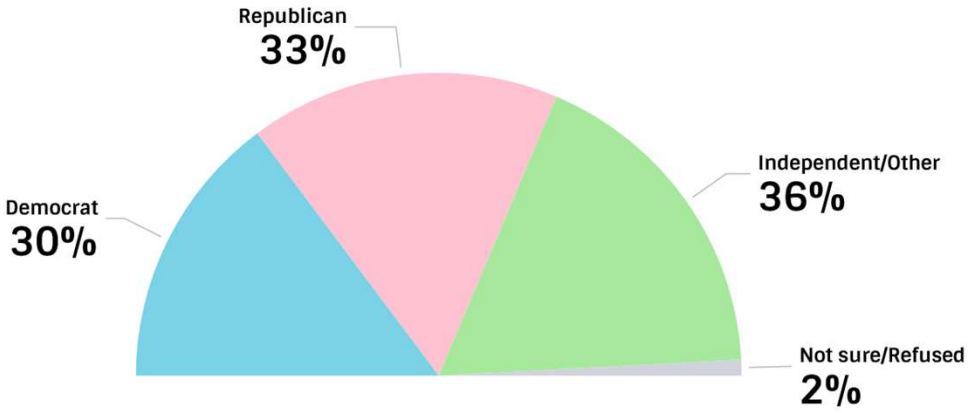
Race/Ethnicity



D3. Which of the following best describes you? n=507 AI Users, +/- 4.4 PTS

- A majority, 69%, of small business owners surveyed were White or Caucasian**.**
- 17% were African American or of Black ethnicity.
- 7% identified as Hispanic/Latino.
- 3% belonged to Asian or Pacific Islander community.
- Only 1% came from Native American or Alaskan backgrounds.
- 1% did not divulge their race/ethnicity.

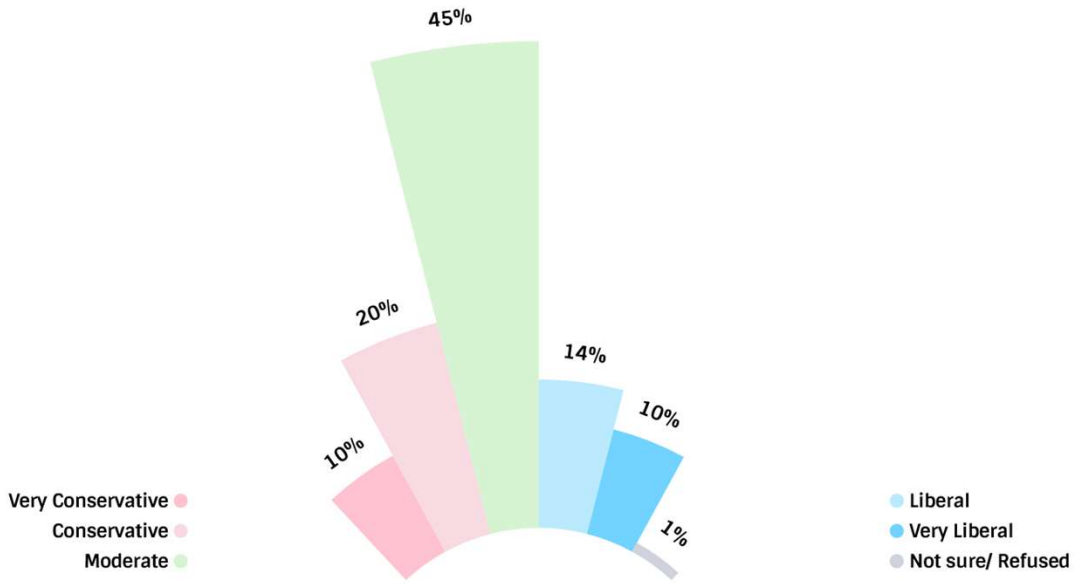
Party Affiliation



D9. In politics, do you consider yourself to be a Democrat, a Republican, an Independent, or something else? n=507 AI Users, +/- 4.4 PTS

- 36% of respondents identified themselves as independents or belonging to a non-major party.
- One-third of respondents identified themselves as Republicans.
- 30% identified as Democrats.
- 2% did not divulge their party affiliation.

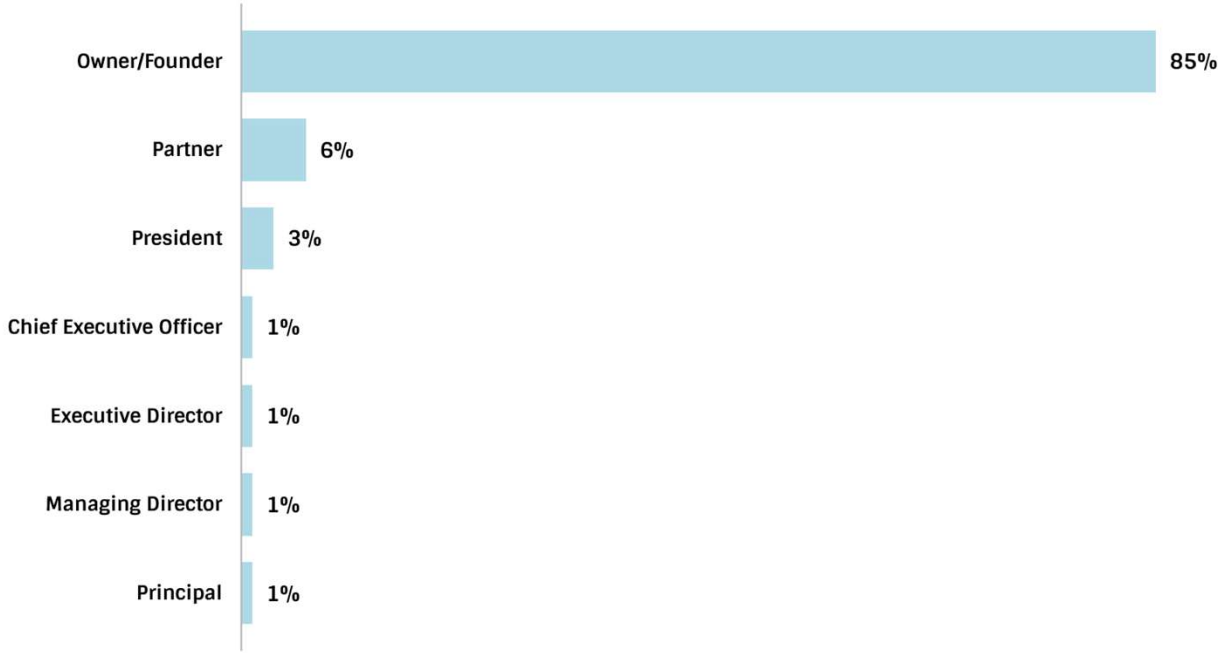
Ideology



AD1. Ideology, n=507 AI Users, +/- 4.4 PTS

- A plurality, 45%, identified as Moderate.
- Nearly a third (30%) said they were Conservative; one in 10 or 10% identified as v*ery Conservative* and another 20% as *Conservative*.
- A fourth 24%, considered themselves Liberal. 14% identified as *Liberal*, and 10% as *very Liberal*.

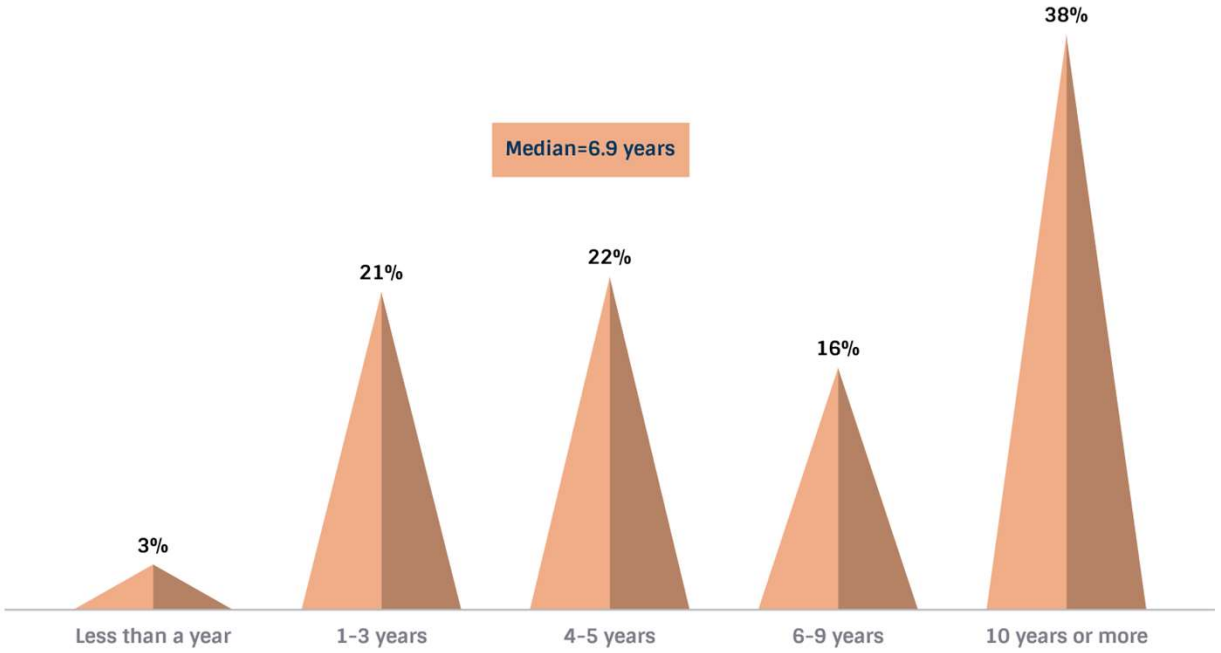
Job Title



F4. What is your job title? n=507 AI Users, +/- 4.4 PTS

- Nearly nine in ten survey respondents, 85%, went by the title of 'Owner' or 'Founder'.
- 6% identified as Partner.
- 3% held the title of President.

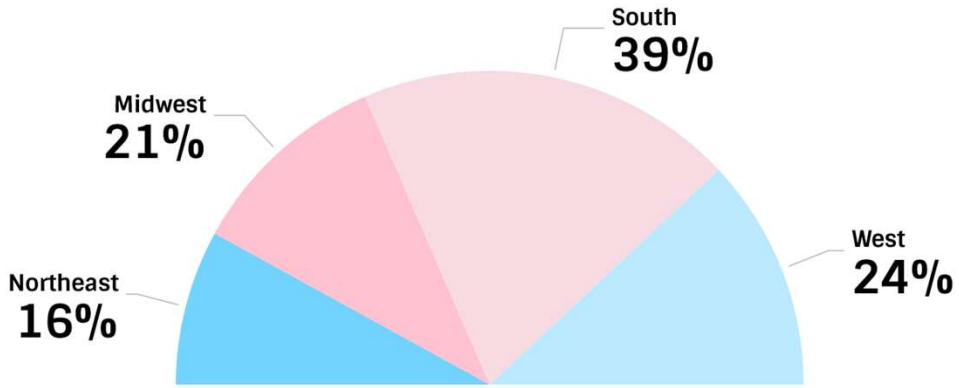
Years In Business



F1. How many years has your company been in business? n=507 AI Users, +/- 4.4 PTS

- The median age of the small businesses that took part in the survey is a little less than **7 years**.
- 38% of the small businesses surveyed have been in operation for 10 years or more.
- One-fourth (24%) were started in the past three years.
- 22% have been in operation for 4-5 years and 16% for 6-9 years.

Region



Reg: Region, n=507 AI Users, +/- 4.4 PTS

- One in six of the small businesses surveyed operated in the Northeast (16%).
- One in five had their business in the Midwest (21%).
- Over a third, 39%, of the small businesses surveyed operated in the South.
- Close to a quarter were based in the West (24%).