AI for SMBs: A Reality Check

A Survey Report Brought to You by

Localogy

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duda

March 2025

Executive Summary

Our Goals

In launching this AI Adoption Survey, Localogy and Duda's goals were to define and delineate small and medium-sized businesses' (SMBs') sentiments on AI's use in their business operations. The survey draws 754 SMBs to do so. Key questions we sought to answer include Who is adopting AI? What factors and benefits drive them towards it? Is it the buzz around AI or its underlying benefits, such as automation and time savings? When is using the term "AI" to market SMB SaaS tools strategically relevant, and when it extraneous or even counterproductive? Knowing answers to these questions can help SMB SaaS vendors and agencies position their products accordingly. The following pages tell that story.

Key Findings

- **High Digital Tool Adoption:** To level set on overall digital tool adoption, 92% of SMBs utilize online tools to enhance business operations, particularly in payroll, HR, and finance. This adoption indicates a foundational shift towards digital solutions as essential components of modern business strategy.

- **Growing AI Engagement:** More than half of SMBs (57%) have been offered AI services, and 69% have experimented with AI features, pointing towards a shift to more intelligent operations. Financial management, operational efficiency, website development, and HR index highest for AI integration.

- **Impact on Purchase Decisions:** The presence of AI features drive nearly a third of SMBs in their software purchasing decisions

- **Mixed Sentiments Towards AI:** While 60% of SMBs recognize time/cost savings, and improved operational effectiveness, many conversely report hesitance based on questionable AI accuracy and reliability. Some also express concerns about the technology's overhype and trust issues. This dichotomy underscores the need for clearer communication and education regarding AI's role and benefits.

- **AI's Future Impact:** Looking ahead, 40% of SMBs anticipate AI will introduce notable changes to their industries, with half expecting to use AI more extensively in the future.

- **To Say AI, or Not… That is the question:** After asking SMBs about their AI sentiments in all the above ways, we posed several identical questions but substituted the word "AI" with "automation." This gets to the heart of AI's promise but without the loaded buzzword. The results were telling: a meaningful rise in positive sentiment towards the technology. This raises questions about AI's positioning and packaging. In many cases, SMB SaaS offerings should communicate AI's benefits in plain-spoken terminology, rather than acronyms. In some cases it may be strategically advantageous to not say "AI" at all…

- **Marketing agencies will be critical in delivering AI to SMBs.** But they will need to play an educational and consultative role, given SMBs' relative tech illiteracy with AI (and in general). Seven out of ten SMBs believe it is crucial for marketing agencies to integrate AI into their services. A large share of these respondents advocate transparency for where AI is being used, and for support and training for this new and somewhat intimidating technology.

Strategic Recommendations

- **AI Communication and Education:** To increase AI adoption and effectiveness, clarify communications around AI benefits, particularly addressing SMB concerns and misconceptions.

- **Consider AI's framing:** Anyone selling or advocating AI tools to SMBs should consider their relatively low levels of tech savvy in the aggregate. This translates to marketing that is plain spoken and focuses on AI's benefits – such as tangible time savings and automation – rather than buzzwords. The latter works in other segments of the enterprise software buying market (such as tech startup and corporate buyers), but not SMBs.

- **Expand Agency Roles:** Agencies should expand their roles beyond traditional services to include education, training, and the facilitation of AI integration, positioning themselves as essential partners in SMBs' technological transformations.

- **Develop Custom AI Solutions:** Encourage the development of customizable AI solutions that can be adapted to the specific operational needs of different SMB sectors, enhancing usability and satisfaction.

- **Strengthen Data Security and Privacy:** As reliance on digital and AI technologies increases, it's crucial for technology providers and agencies to prioritize and strengthen their data security measures, building trust and ensuring the protection of sensitive business information.

Part 1: Respondent Profiles & Tech Adoption

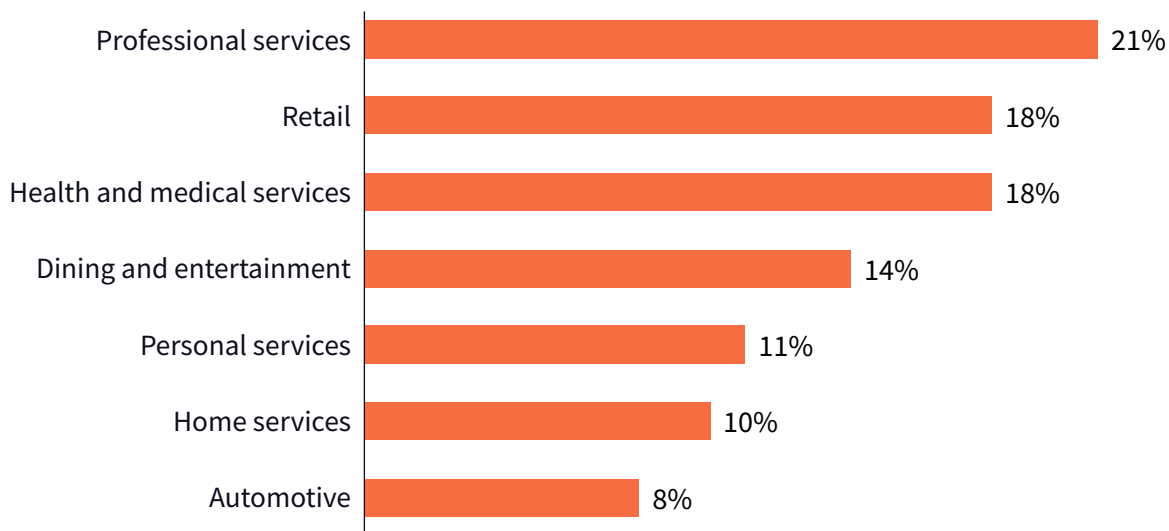## Level Setting Respondents' Tech Orientation

Before getting into AI sentiments and adoption patterns, how are SMBs in this survey set up for online services?
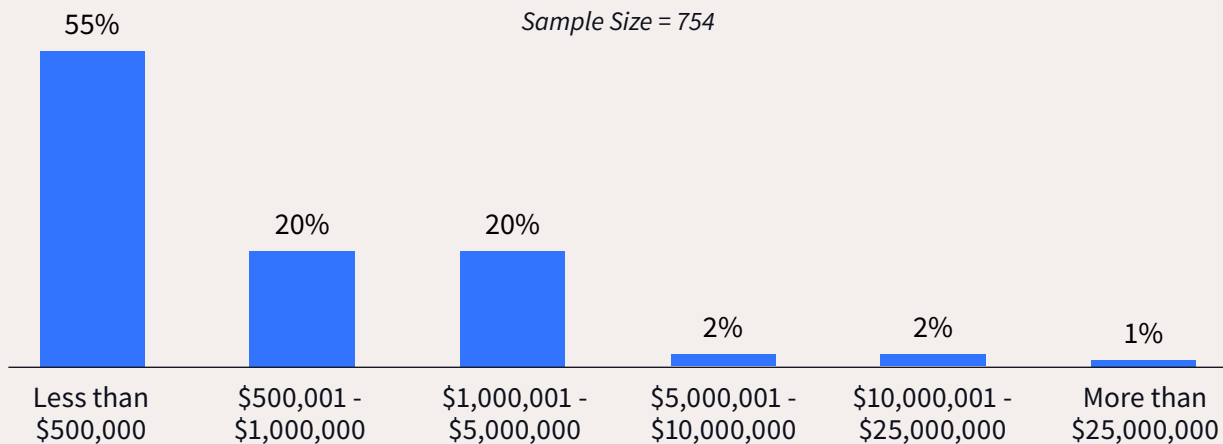
Respondent Profile

BUSINESS SEGMENT

Sample Size = 754

Segment	Percentage
Professional services	21%
Retail	18%
Health and medical services	18%
Dining and entertainment	14%
Personal services	11%
Home services	10%
Automotive	8%

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BUSINESS REVENUE

Sample Size = 754

Revenue	Percentage
Less than $500,000	55%
$500,001 - $1,000,000	20%
$1,000,001 - $5,000,000	20%
$5,000,001 - $10,000,000	2%
$10,000,001 - $25,000,000	2%
More than $25,000,000	1%

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EMPLOYEES

Sample Size = 754

33%	33%	14%	16%	2%	1%
1	2-4	5-9	10-49	50-99	100-499
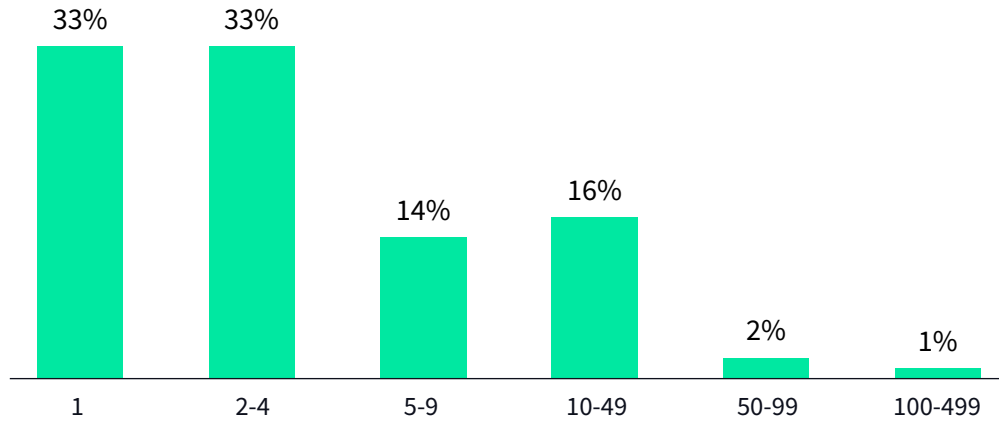
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BUSINESS TENURE

Sample Size = 754

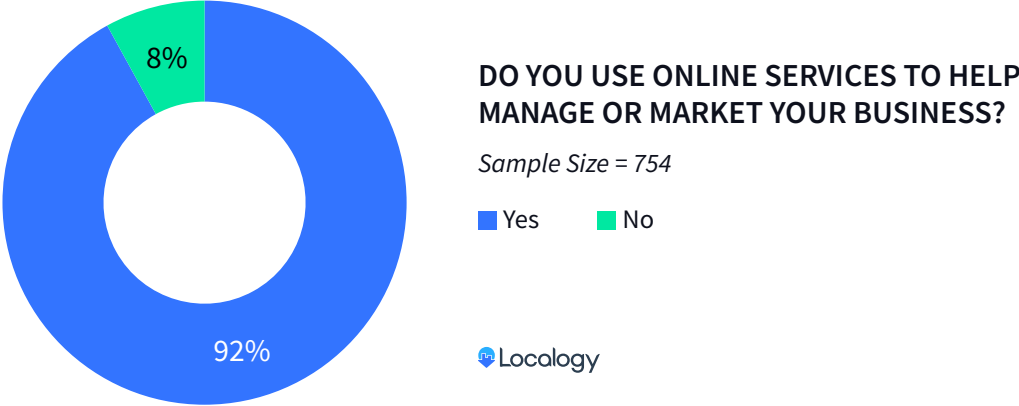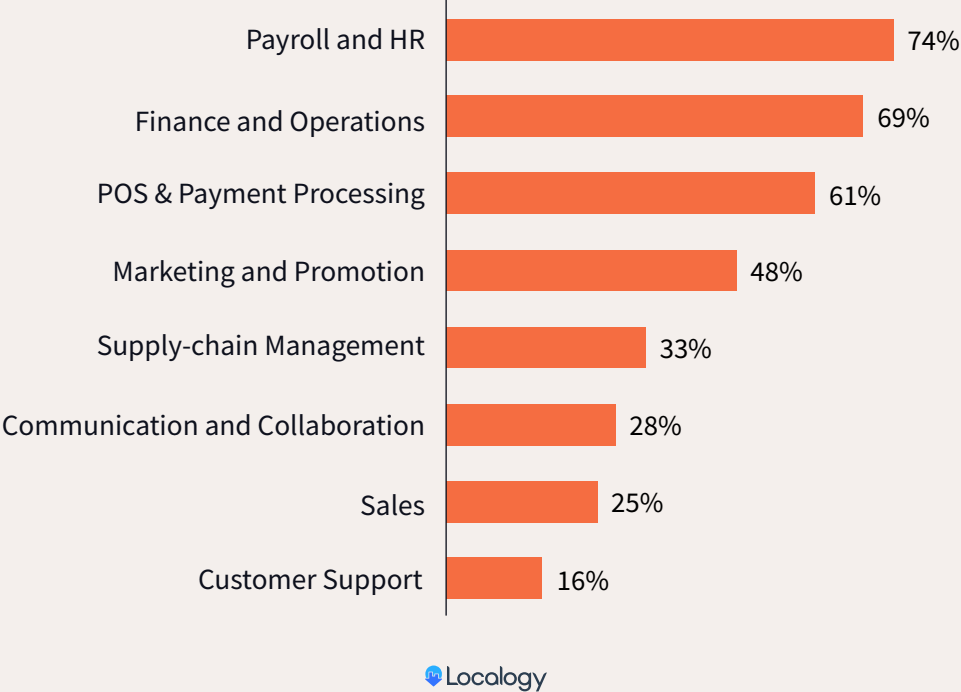|					
9%	12%	17%	31%	16%	15%
Less than 1 year	1-3 years	4-6 years	7-10 years	11-15 years	More than 15 years
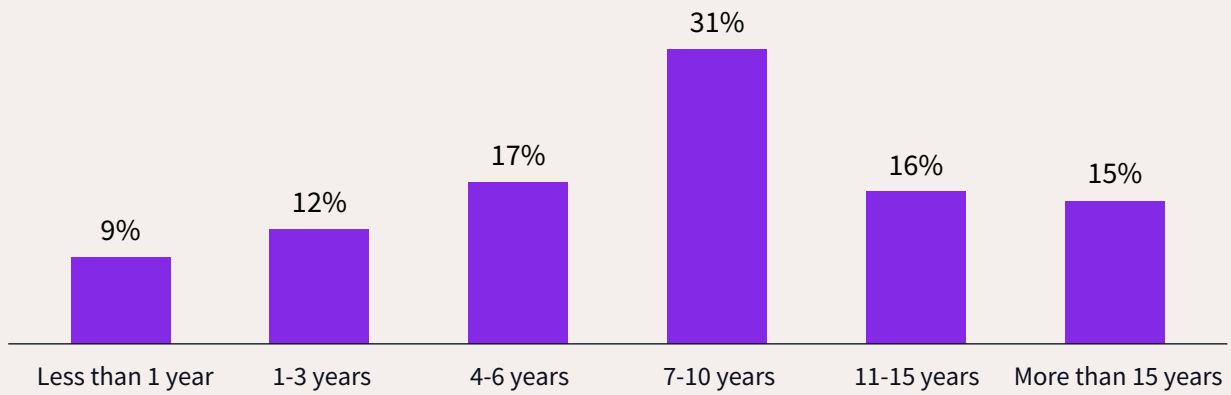
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Digital Foundations: 92% of respondents embrace online tools for enhanced business operations with payroll, HR & finance leading the way.

DO YOU USE ONLINE SERVICES TO HELP MANAGE OR MARKET YOUR BUSINESS?

Sample Size = 754

- ■ Yes
- ■ No

8%

92%

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IN WHAT AREAS DOES YOUR BUSINESS USE ONLINE SERVICES TO HELP MANAGE OR MARKET THE BUSINESS?

Sample Size = 754

| Area	%
Payroll and HR	74%
Finance and Operations	69%
POS & Payment Processing	61%
Marketing and Promotion	48%
Supply-chain Management	33%
Communication and Collaboration	28%
Sales	25%
Customer Support	16%

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Part 2: AI Attitudes & Adoption

Who's adopting AI, why, and in what areas?

Moving into the meat of this survey how do SMBs feel about AI to help run their operations?

AI is at Forefront: 57% of SMBs have been offered marketing or operational software that explicitly includes AI features.

43%

57%

■ Yes ■ No

Sample Size = 754
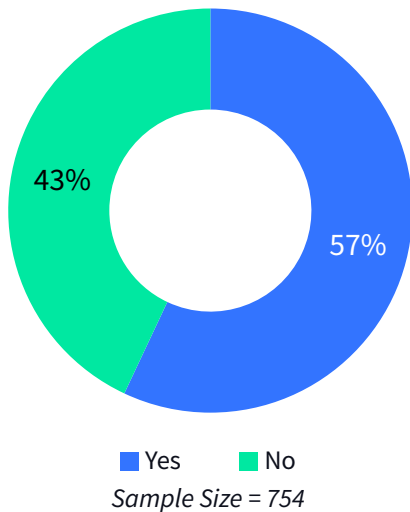
SURVEY QUESTION*: HAVE YOU BEEN OFFERED BUSINESS OR MARKETING SOFTWARE THAT INCLUDES FEATURES EXPLICITLY POWERED BY ARTIFICIAL INTELLIGENCE (AI); OR HAS ANY SOFTWARE THAT YOU ALREADY USE ADDED FEATURES THAT ARE EXPLICITLY POWERED BY AI?

* Because AI is hard to define or carries various connotations among SMBs, we normalized its use in this forecast by asking SMBs if they've been offered software that includes features explicitly labeled by their providers as "AI." This is meant to remove misunderstanding and interpretation bias, focusing instead on software providers' explicit AI labeling.

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Decision Drivers: 69% have tried an AI feature. Nearly a third stated that AI features influenced purchase decisions.
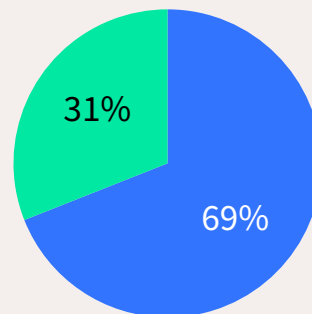
HAS YOUR PURCHASE OR USE OF THIS SOFTWARE BEEN INFLUENCED BY ITS INCLUSION OF AI?
Sample Size = 431

31%

69%

■ Yes ■ No
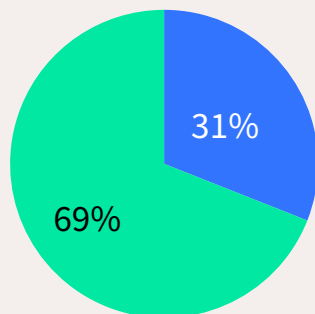
HAVE YOU USED ANY OF THE AI FEATURES OF THIS SOFTWARE?
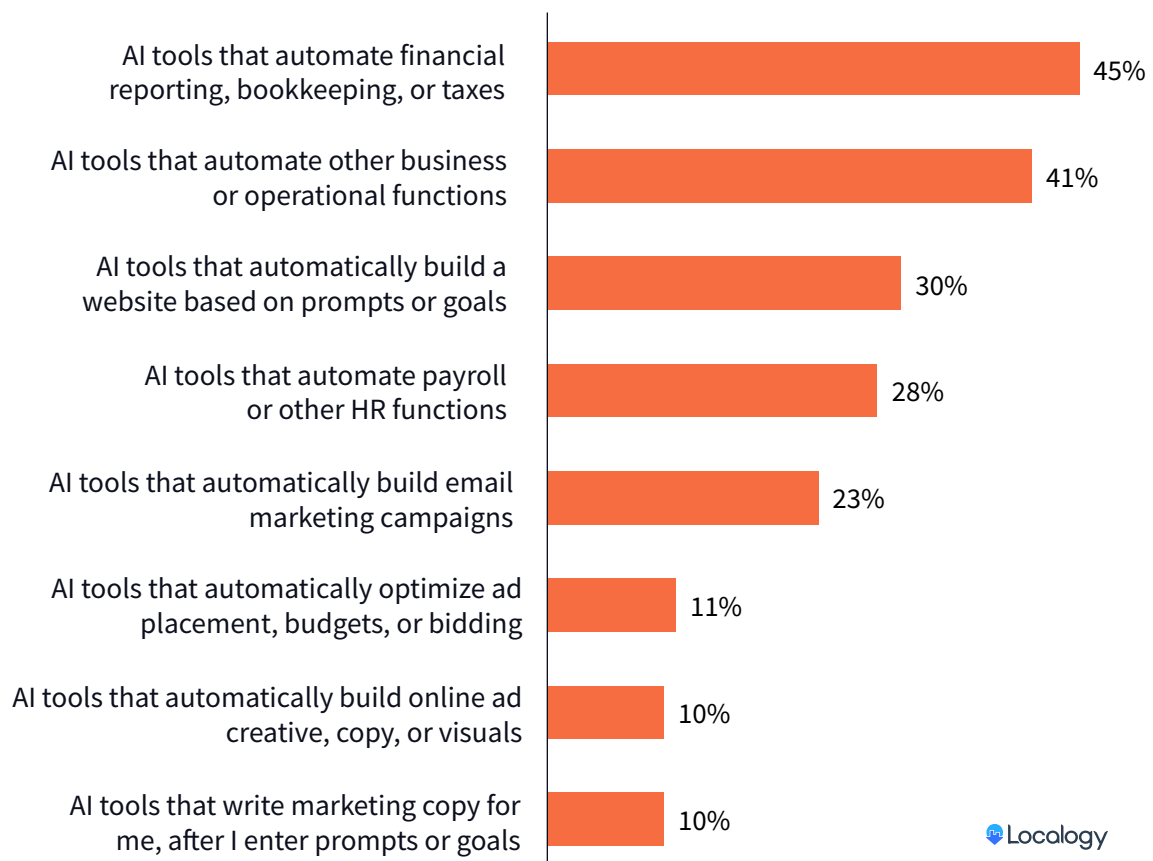*Sample Size = 292*

31%

69%

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…with AI financial, operational, website development and HR tools leading the way.

WHAT SPECIFIC AI TOOLS HAVE YOU USED?
(PLEASE SELECT ALL THAT APPLY)

Sample Size = 292

| AI Tool	Percentage
AI tools that automate financial reporting, bookkeeping, or taxes	45%
AI tools that automate other business or operational functions	41%
AI tools that automatically build a website based on prompts or goals	30%
AI tools that automate payroll or other HR functions	28%
AI tools that automatically build email marketing campaigns	23%
AI tools that automatically optimize ad placement, budgets, or bidding	11%
AI tools that automatically build online ad creative, copy, or visuals	10%
AI tools that write marketing copy for me, after I enter prompts or goals	10%

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Decision Drivers: Nearly a two thirds of SMBs stated AI features are valuable to the business.

ARE THESE TOOLS VALUABLE FOR YOUR BUSINESS?

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Yes — 62%
No — 38%
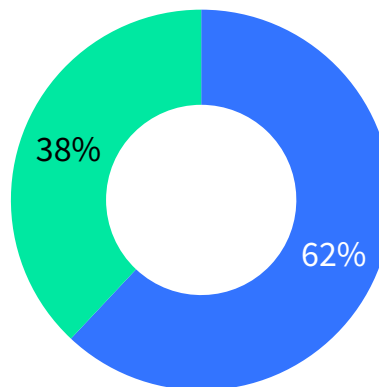
Sample Size = 292

Drilling Down: How is AI Valuable… Or Why isn't it?

"Yes" Answers

HOW ARE THESE TOOLS VALUABLE? (PLEASE SELECT ALL THAT APPLY)
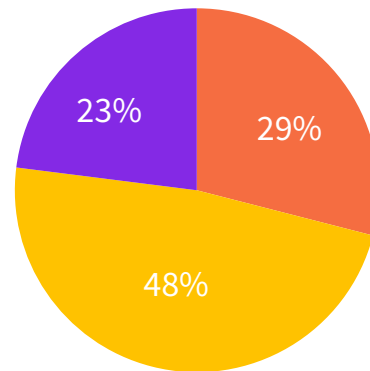
Sample Size = 182

- Saving time — 62%
- Saving money — 37%
- More effective operational outcomes — 26%
- More effective marketing outcomes — 16%
- I'm not sure — 15%
- Other — 2%

"No" Answers

WHY AREN'T THESE TOOLS VALUABLE? (PLEASE SELECT ALL THAT APPLY)

Sample Size = 110

- They produce some positive results but need improvement — 52%
- It's more work to correct mistakes in the automated results — 47%
- They don't achieve their advertised purpose — 15%
- I'd rather just do it myself — 13%
- I'm not sure — 6%

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Mixed Feelings on AI: Across all SMBs, there are mixed feelings about AI … with a slight edge towards positive vibes.

WHAT IS YOUR FEELING IN GENERAL ABOUT THE USE OF AI TOOLS TO HELP MANAGE OR MARKET YOUR BUSINESS?

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Pie chart:
- Positive: 29%
- Neutral: 48%
- Negative: 23%

■ Positive ■ Neutral ■ Negative

Sample Size = 754

Drilling Down: What are AI's Advantages… Or Disadvantages?

"Positive" Answers

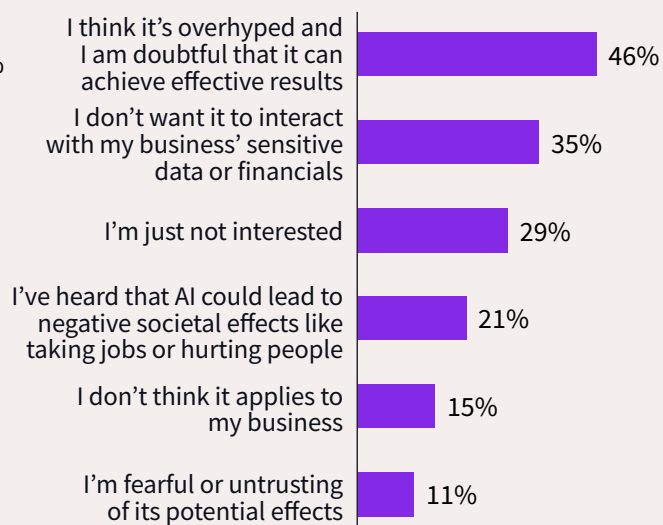**WHAT ARE THE BENEFITS YOU FORESEE FOR AI-BASED TOOLS? (PLEASE SELECT ALL THAT APPLY)**

Sample Size = 219

- Saving time — 68%
- Saving money — 39%
- More effective marketing outcomes — 26%
- More effective operational outcomes — 25%
- I'm not sure — 11%

"Negative" Answers

WHY DO YOU HAVE NEGATIVE FEELINGS TOWARD AI'S USE IN YOUR BUSINESS SOFTWARE?

Sample Size = 175

- I think it's overhyped and I am doubtful that it can achieve effective results — 46%
- I don't want it to interact with my business' sensitive data or financials — 35%
- I'm just not interested — 29%
- I've heard that AI could lead to negative societal effects like taking jobs or hurting people — 21%
- I don't think it applies to my business — 15%
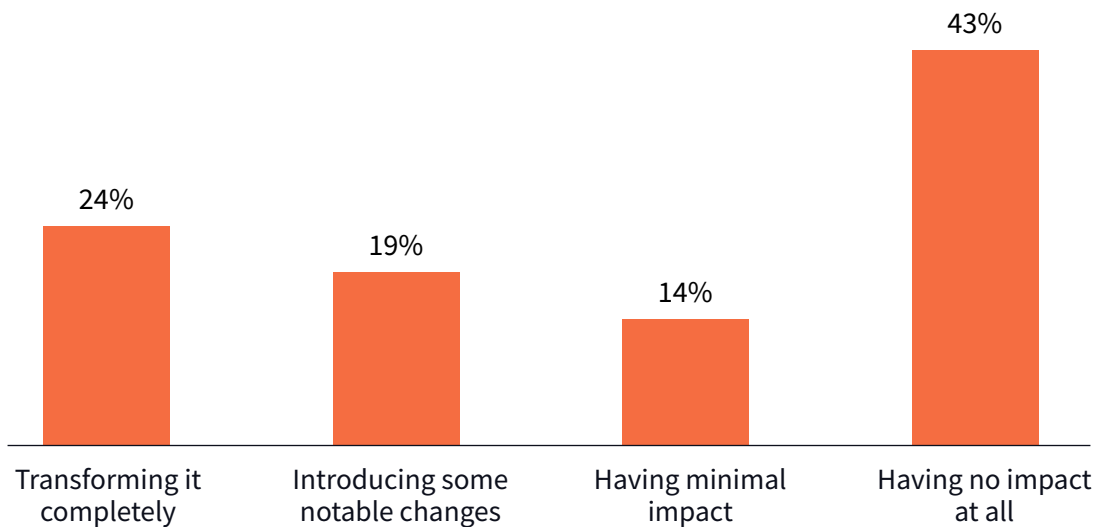- I'm fearful or untrusting of its potential effects — 11%

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AI's Projected Industry Impact: 4 out of 10 SMBs feel AI will have some notable changes on their industry. Half of businesses could see themselves using AI in the future.

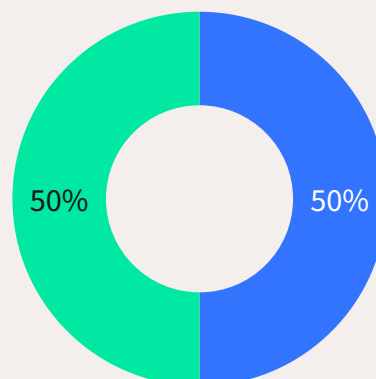**IN THE NEXT 1-3 YEARS, HOW DO YOU SEE AI IMPACTING YOUR INDUSTRY?**

Sample Size = 754

24%	19%	14%	43%
Transforming it completely	Introducing some notable changes	Having minimal impact	Having no impact at all

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DO YOU BELIEVE THAT IN THE FUTURE, YOU WILL USE AI TOOLS TO HELP MANAGE AND MARKET YOUR BUSINESS?

■ Yes ■ No
Sample Size = 754

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50% 50%

Part 3: Benefits Versus Buzz

Leaving aside the buzzwords, how do SMBs feel about the substance behind AI?

To isolate AI's Benefits from its Buzz, we decided to ask questions that are identical to those examined in the previous section… except for one change. We substituted the term "AI" with "Automation." The results speak to how best to package and promote SMB SaaS services.
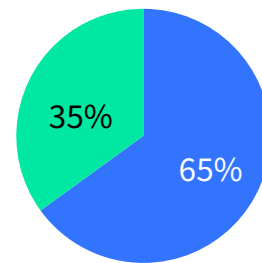
Embracing Automation: SMBs are embracing the benefits of automation and have adopted software in several areas…

ARE YOU INTERESTED IN THE BENEFITS OF AUTOMATION IN GENERAL TO HELP MANAGE AND MARKET YOUR BUSINESS?

4%

96%

■ Yes ■ No
Sample Size = 754
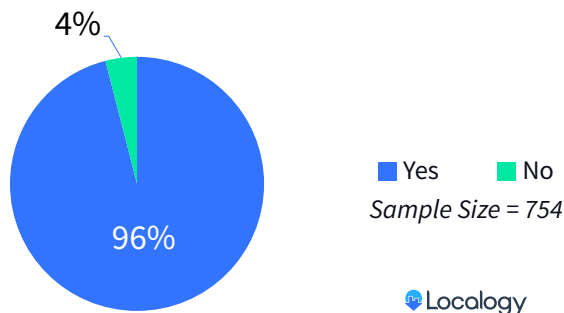
HAVE YOU BOUGHT OR USED ANY SOFTWARE THAT HELPS AUTOMATE YOUR BUSINESS?
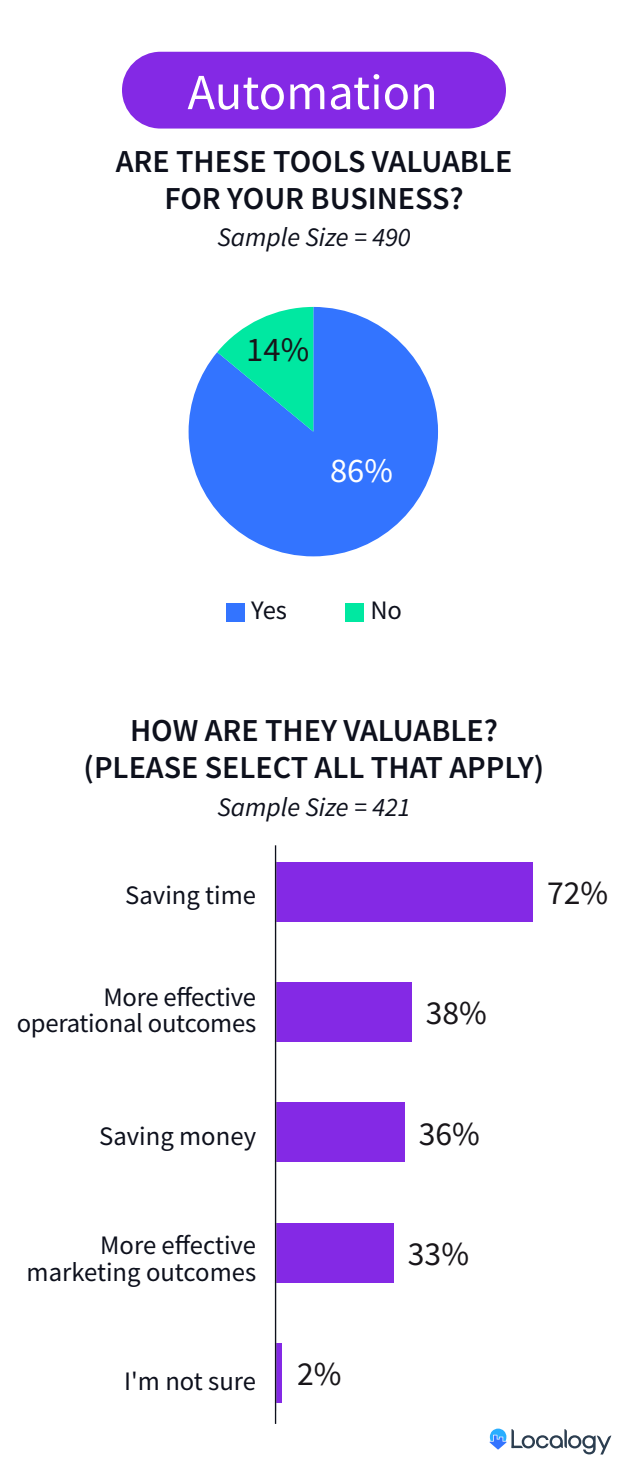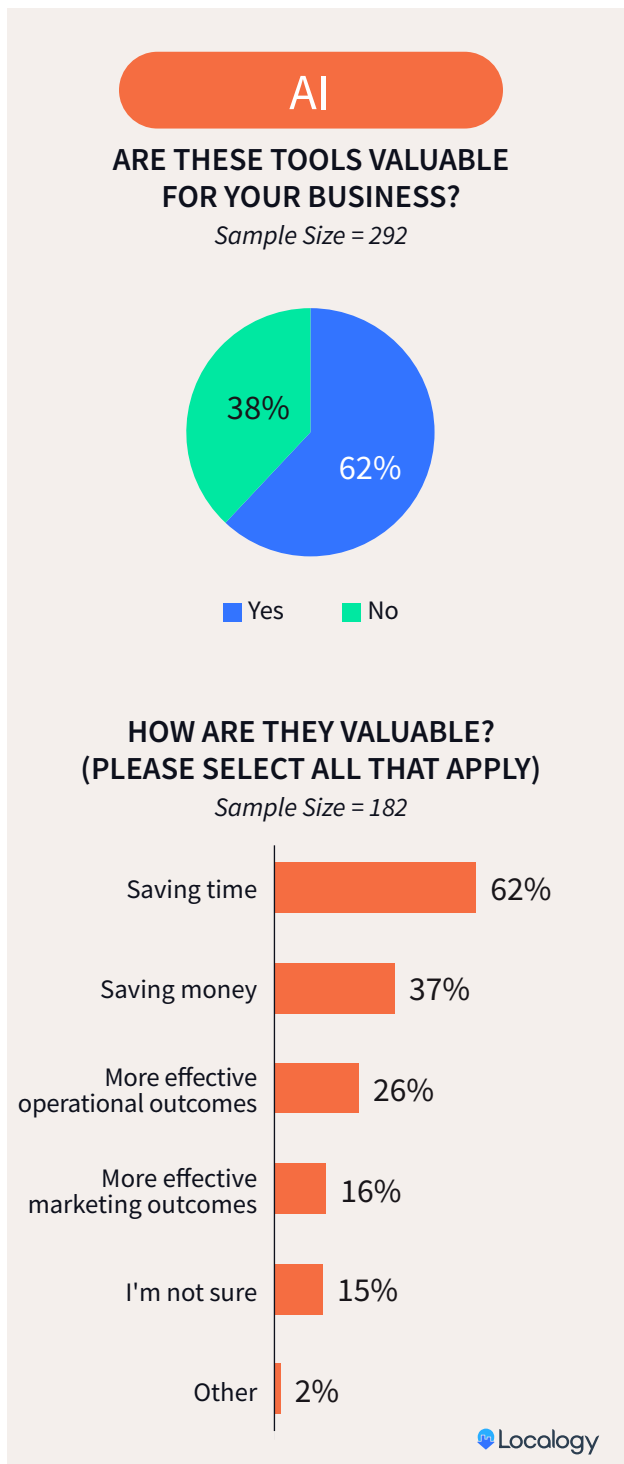
35%

65%

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…including finance, operations, payroll, HR and marketing.

IN WHAT AREAS HAVE YOU INCORPORATED AUTOMATION FUNCTIONS IN YOUR BUSINESS MANAGEMENT OR MARKETING?

Area	Percentage
Tools that automate financial reporting, bookkeeping, or taxes	57%
Tools that automate other business or operational functions	45%
Tools that automate payroll or other HR functions	37%
Tools that automatically build email marketing campaigns	32%
Tools that automatically build a website based on prompts or goals	32%
Tools that write marketing copy for me, after I enter prompts or goals	17%
Tools that automatically build online ad creative, copy, or visuals	14%
Tools that automatically optimize ad placement, budgets, or bidding	13%

Sample Size = 490

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"AI" vs. "Automation": Survey responses compared to the corresponding question in the previous section.

AI

ARE THESE TOOLS VALUABLE FOR YOUR BUSINESS?
Sample Size = 292

- 38% No
- 62% Yes

■ Yes ■ No

HOW ARE THEY VALUABLE? (PLEASE SELECT ALL THAT APPLY)
Sample Size = 182

- Saving time — 62%
- Saving money — 37%
- More effective operational outcomes — 26%
- More effective marketing outcomes — 16%
- I'm not sure — 15%
- Other — 2%

Automation

ARE THESE TOOLS VALUABLE FOR YOUR BUSINESS?
Sample Size = 490

- 14% No
- 86% Yes

■ Yes ■ No

HOW ARE THEY VALUABLE? (PLEASE SELECT ALL THAT APPLY)
Sample Size = 421

- Saving time — 72%
- More effective operational outcomes — 38%
- Saving money — 36%
- More effective marketing outcomes — 33%
- I'm not sure — 2%

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AI

WHY AREN'T THEY VALUABLE? (PLEASE SELECT ALL THAT APPLY)
Sample Size = 110

They produce some positive results but need	52%
It's more work to correct mistakes in the automated results	47%
They don't achieve their advertised purpose	15%
I'd rather just do it myself	13%
I'm not sure	6%

DO YOU BELIEVE THAT IN THE FUTURE, YOU WILL USE AI TOOLS TO HELP MANAGE AND MARKET YOUR BUSINESS?
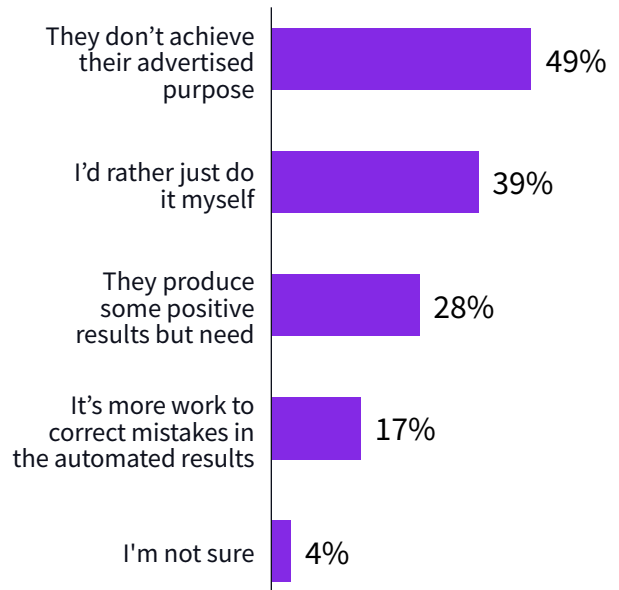*Sample Size = 754*

- Yes 50%
- No 50%

Automation

WHY AREN'T THEY VALUABLE? (PLEASE SELECT ALL THAT APPLY)
Sample Size = 69

They don't achieve their advertised purpose	49%
I'd rather just do it myself	39%
They produce some positive results but need	28%
It's more work to correct mistakes in the automated results	17%
I'm not sure	4%

DO YOU BELIEVE THAT IN THE FUTURE, YOU WILL USE AUTOMATION TOOLS TO HELP MANAGE AND MARKET YOUR BUSINESS?
Sample Size = 754

- Yes 77%
- No 23%
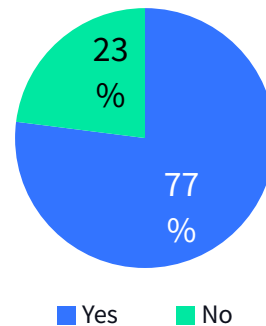
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Part 4: Agencies & AI

**How Should SMB-focused Marketing Agencies Approach the AI Opportunity?**

While polling SMBs about their AI adoption and attitudes, asked them how agencies can best bring them into the AI era…

Agency and AI Integration: 7 out of 10 SMBs feel it is important that agencies integrate AI into their services…

DO YOU WORK WITH AN AGENCY TO MANAGE AND/OR EXECUTE YOUR MARKETING?
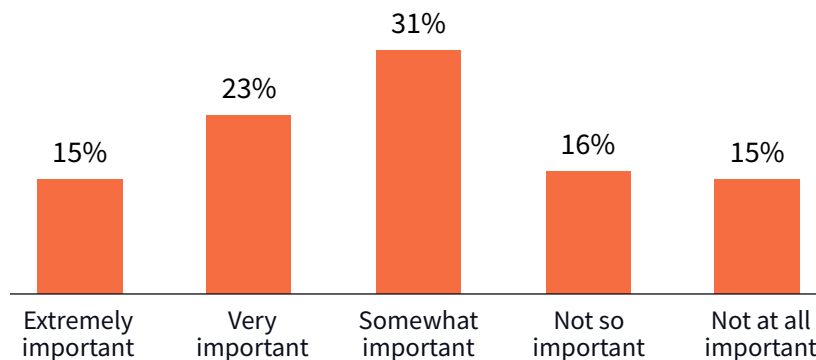*Sample Size = 754*

- 23% Yes
- 77% No
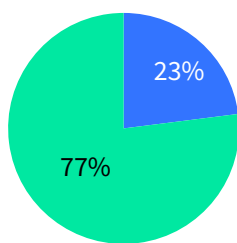
HOW IMPORTANT IS IT TO YOU THAT ADVERTISING AND MARKETING AGENCIES INTEGRATE AI INTO THEIR SERVICES?
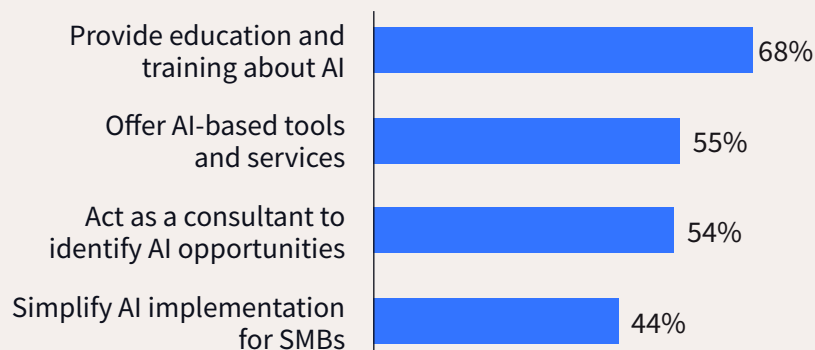*Sample Size = 754*

Extremely important	Very important	Somewhat important	Not so important	Not at all important
15%	23%	31%	16%	15%

…and provide support to SMBs in the form of training, new services, and acting as a consultant to identify opportunities. This would increase the likelihood of using their services.

WHAT ROLE DO YOU THINK AGENCIES SHOULD PLAY IN HELPING YOU ADOPT AI? (PLEASE SELECT ALL THAT APPLY)
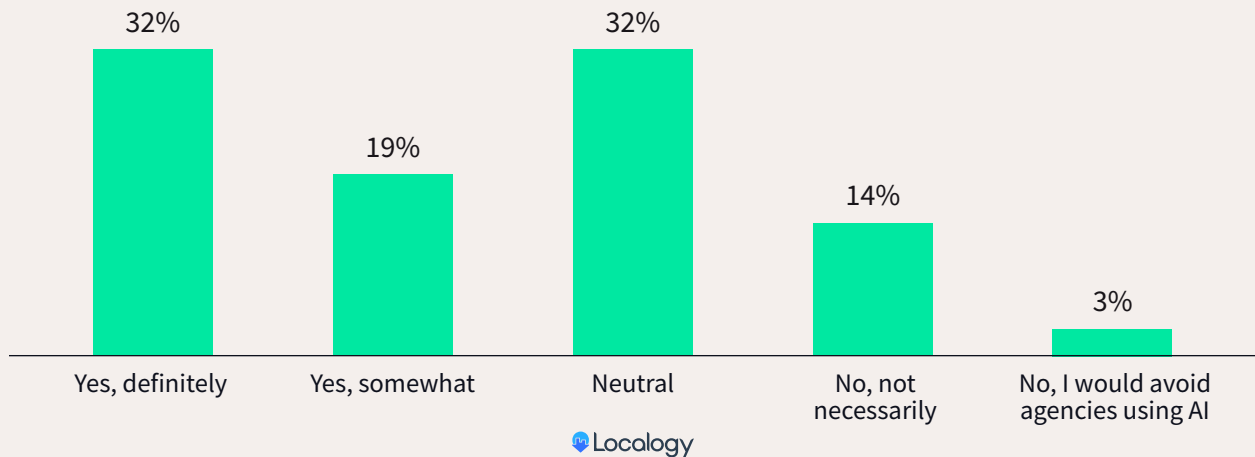

- Provide education and training about AI — 68%
- Offer AI-based tools and services — 55%
- Act as a consultant to identify AI opportunities — 54%
- Simplify AI implementation for SMBs — 44%

Sample Size = 754

WOULD YOU BE MORE LIKELY TO WORK WITH AN AGENCY
THAT USES AI IN ITS SERVICES?

Sample Size = 754

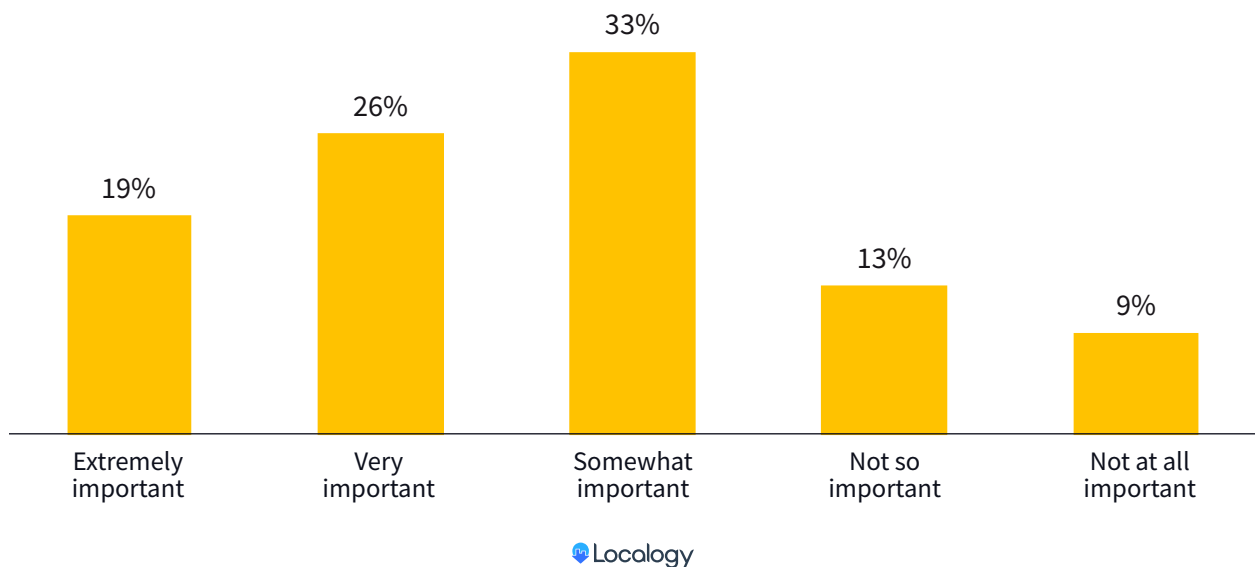|				
32%	19%	32%	14%	3%
Yes, definitely	Yes, somewhat	Neutral	No, not necessarily	No, I would avoid agencies using AI

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Trust in Technology: There is a crucial need for transparency in how agencies deploy AI tools, fostering trust and collaboration between SMBs and their partners.

HOW IMPORTANT IS TRANSPARENCY IN HOW AGENCIES USE
AND DISCLOSE AI IN THEIR SERVICES?

Sample Size = 754

19%	26%	33%	13%	9%
Extremely important	Very important	Somewhat important	Not so important	Not at all important

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About Duda

Duda is a leading white label web building platform for digital agencies, SaaS platforms, and web professionals offering web design services to SMBs. From its industry-leading AI Assistant to advanced API-driven automation workflows, Duda offers web professionals a comprehensive suite of tools to build pixel-perfect, feature-rich websites efficiently and at scale–all on a flexible platform that can be fully customized to match their go-to-market strategy and ideal customer experience. As the top platform for Core Web Vitals, a critical metric for SEO performance, Duda makes it easy for web professionals to deliver a superior digital presence and outstanding performance to their customers under their own brand. More than 22,000 organizations have trusted Duda to build 1 million active websites. For more information, visit duda.co

About Localogy

Localogy is a not-for-profit trade association comprised of technology, marketing and media service providers and multi-location brands that enable the local marketplace to evolve and thrive. Ranging from Facebook, Microsoft and Google to Yext, Thryv and Yelp, Localogy's members represent today's top organizations serving businesses nationwide with a local presence. Localogy is dedicated to helping its members succeed through research, data and insights, education, events and more. For more information or to become a member, please visit localogy.com