

# Cool Vendors in Artificial Intelligence for Small and Midsize Businesses

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Business partnerships with AI vendors focusing on SMBs help accelerate technology and service provider market expansion. Technology product managers targeting SMBs can consider partnering with such vendors as they continue to expand their product designs, roadmap efforts and business sustainability.

## Key Findings

- Artificial intelligence (AI) opportunities in the small and midsize business (SMB) space continue to expand, with higher potential among companies with less than ten years of tenure and business operations.
- AI companies seeking to penetrate the SMB space are targeting areas such as automated accounting and lawyer services, marketing and e-commerce.
- Cost optimization and time reduction around tasks that can be automated are key to attracting SMB interest.

## Recommendations

Technology product managers seeking to grow their SMB market opportunity and exploit the communications service provider (CSP) market dynamic must consider the following:

- Grow market share by ensuring the targeting of SMB needs that have enough volume, scale and are repeatable to increase market share.
- Partner with other vendors offering complementary solutions to go-to-market, by constantly evaluating their ability to successfully disrupt and impact the market with a focus on business model innovations rather than just technology.
- Focus and specialize on vertical-industry issues by recruiting AI experts with global industry experience to leverage opportunities across several markets for growth.

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## Strategic Planning Assumption

By 2020, artificial intelligence startups will increase their small and midsize business (SMB) focus by 35%, up from less than 5% today.

## Analysis

*This research does not constitute an exhaustive list of vendors in any given technology area, but rather is designed to highlight interesting, new and innovative vendors, products and services. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.*

### What You Need to Know

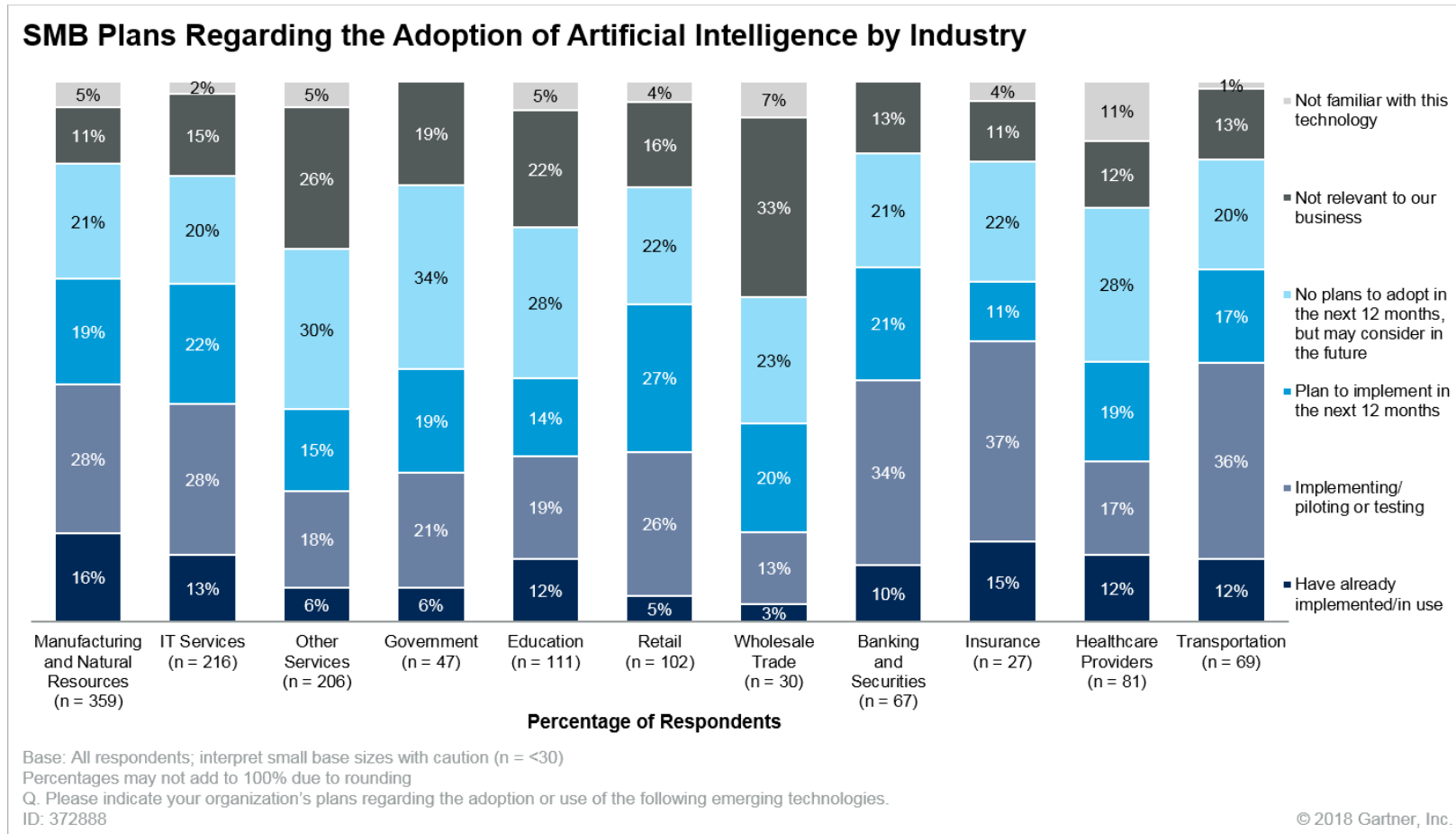
According to Gartner's annual small and midsize business (SMB) primary research survey, over 55% of this business segment stated that they have already implemented, are implementing/piloting or testing, or have plans to implement artificial intelligence (AI) solutions within the next 12 months. The results broken down by number of employees prove this is the case in all SMB segments:

- Five to 19 employees: 45%
- 20 to 49 employees: 55%
- 50 to 99 employees: 52%
- 100 to 249 employees: 58%

- 250 to 499 employees: 62%

In this first ever Gartner Cool Vendors for SMBs, Figures 1 and 2 show the breakdown per industry and per SMB business tenure, based on Gartner's life cycle segmentation for SMBs. Companies in the expansion (two to five years) and established (five to 10 years) phases are more likely to have already invested in AI technology. Meanwhile, those who have now been in business for 10 years or more are unlikely to have any plans for the next 12 months or simply find AI irrelevant to their business (since they focus more on cost optimization versus growth). This is also independent of company size (be it by employee count or revenue). Technology and service provider (TSP) product managers should explore partnerships in the AI space among vendors able to cater to SMBs. They have a key opportunity to expand their market share via direct sales to startups and SMBs or by partnering with TSPs to enable business-to-business-to-consumer (B2B2C) business opportunities that look to facilitate multisided business models.

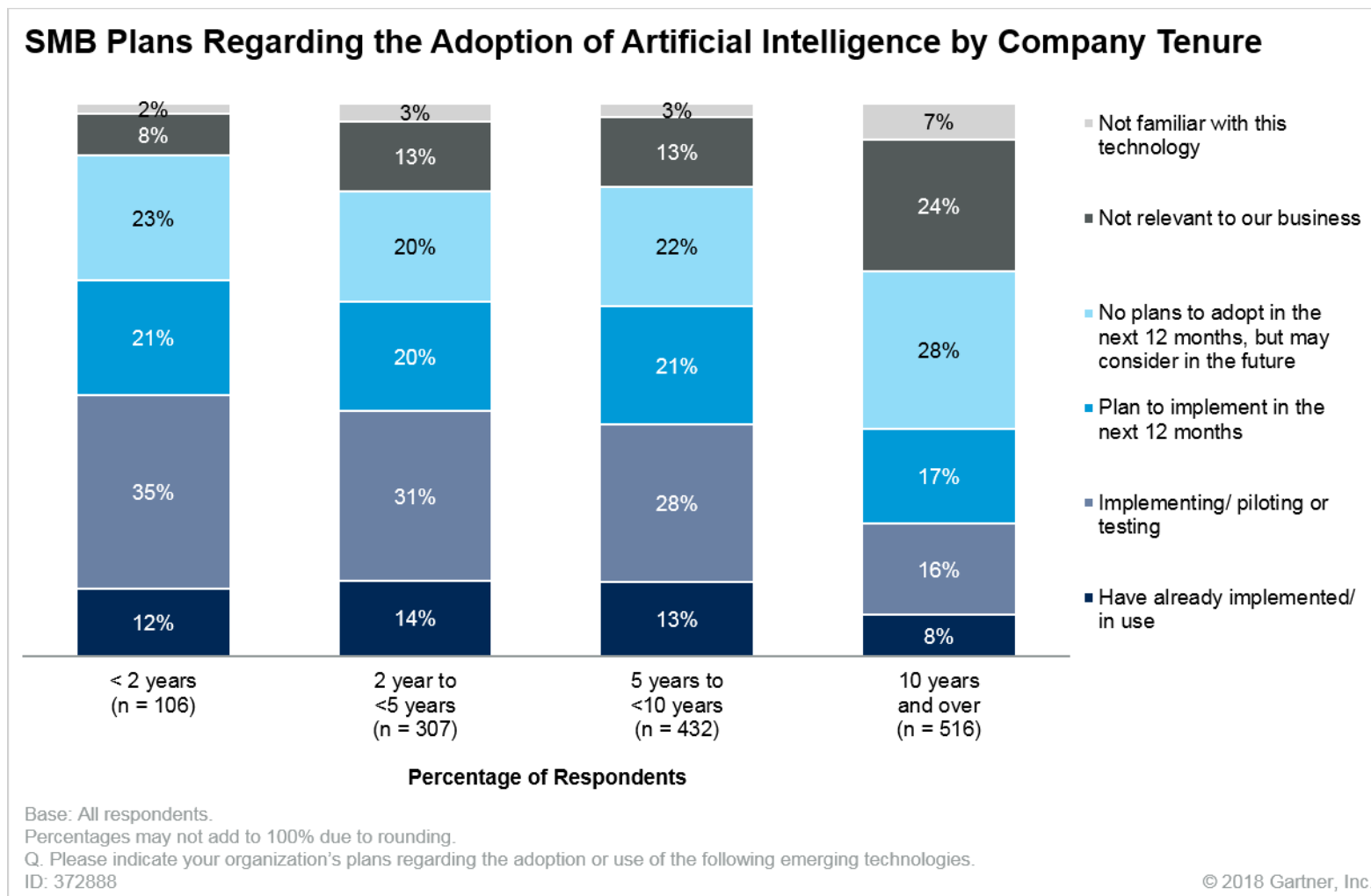
Figure 1. SMB Artificial Intelligence Plans Over the Next 12 Months



SMB = small and midsize business

Source: Gartner (October 2018)

Figure 2. SMB Artificial Intelligence Plans Based on Company Tenure



SMB = small and midsize business

Source: Gartner (October 2018)

Based on this primary research data, the Cool Vendors selected for this document are examples of unique implementations of AI to develop products that address the needs of over 99% of businesses in almost every domestic market.

## Botkeeper

*Boston, Massachusetts, United States ([www.botkeeper.com](http://www.botkeeper.com))*

*Analysis by: Monica Zlotogorski*

**Why Cool:** Botkeeper is looking to solve the many hours spent by SMBs' time-consuming, expensive and error-prone accounting tasks by virtually automating bookkeeping tasks via a combination of machine learning (ML), artificial intelligence (AI) and human assistance. For example, Botkeeper is the first company to be able to deliver 100% entirely free bookkeeping to SMBs for up to 20 transactions per month, which includes fully customizable dashboards and mobile application for startups and small businesses. Should a company need bookkeeping on more than 50 transactions per month, then they can upgrade to one of the other paid packages ranging from \$99 per month to \$899 per month. Botkeeper has more than 700 customers (including startups, dental practices, restaurants, retailers and manufacturers), and recently launched a certified public accountant (CPA) offering where CPA firms and professionals can offer a white-label Botkeeper service to their clients.

The Botkeeper service is a complete solution and replacement for a bookkeeper. It categorizes and classifies expenses and revenue, pays bills, invoices clients, performs reconciliations, and delivers closed monthly financial statements and reporting, as well as real-time dashboards. The objective is to eliminate inefficiencies, complexities and related costs (including time) related to accounting tasks — and according to the company — boast a 99.97% accuracy.

Botkeeper has recently received a \$4.5 million seed investment led by Ignition Partners (whose managing partner is John Connors, former CIO/CFO at Microsoft). The list of investors also includes 500 Startups' partner Mat Johnson; a founder and managing director of Correlation Ventures, Trevor Kienzle; and Talla founder and CEO, Rob May. The recent investment is aimed at enabling more product development and expansion in the company's sales and marketing capabilities. Also backing Botkeeper is Doug Sleeter an icon in the accounting industry (having been inducted into the CPA Practice Advisor Accounting Hall of Fame).

**Challenges:** Automation of standard tasks — be it accounting, legal or otherwise — continue to be tackled by several emerging vendors. In addition to increasing competition, Botkeeper will also have to ensure it can specialize on diverse accounting tasks, processes and regulations across industries, as well as across international markets to ensure growth potential and prospects within the next two to three years.

### Who Should Care:

- Tech CEOs looking to reduce related costs and time associated with processes, and tasks related to accounting activities and efforts.

- Accounting professionals looking to white-label AI-based solutions to expand their CPA businesses by automating standard tasks, while specializing on accounting issues that are nonstandard, and focusing efforts on client advisory services instead of data entry and compliance.

## Magisto

San Francisco, California, United States ([www.magisto.com](http://www.magisto.com))

*Analysis by: Fernando Elizalde*

**Why Cool:** Magisto is cool because its AI-powered editing app allows small businesses to automatically create marketing and product videos. From video content uploaded by the client, Magisto's machine learning algorithms analyze and edit the content, creating a short form piece for marketing and/or sales purposes. To imprint the client's desired style, Magisto applies emotion-guided AI techniques, defined by client-selected, predefined editing styles and music from the Magisto licensed music library. Magisto also offers ready-to-use videos or templates, that clients can share "as-is" with their customers or customize with their own content. The video templates can be customized by changing the text or footage.

The company developed its own AI-powered emotion analysis. The software analyzes the video feed supplied based on the emotional direction given through the choice of music and video editing style selected. AI techniques are applied to perform a visual analysis that includes action analysis, camera-motion analysis, face recognition, detection and indexing, object detection, tracking and more. Simultaneously, an audio analysis that includes speech detection, audio classification and music analysis is performed. Finally, based on the visual and audio analysis, Magisto's AI platform performs storytelling functions. It creates a script guided by the visual and audio analysis performed, video style selected, and by using emotion-guided, automatic editing techniques produces the final video, optimized for social media, email marketing, content marketing and video advertising platforms.

The solution includes a cross-channel content hosting and distribution platform and provides video marketing insights to better understand the client's video performance. They have received over \$22.5 million in investment throughout four rounds of financing thus far.

The company operates on a subscription-based model with three straightforward pricing plans. The app is available for iOS and web platforms.

**Challenges:** Magisto's main challenge is creating awareness of its solution among SMBs. Solutions for automated video editing addressing SMBs are many, and Magisto faces strong competition, including consumer-facing solutions from Adobe, Apple and Microsoft. Also, the final product Magisto can deliver is only as good as the original footage provided. There's always the human element in the final decision that can hinder the success of a Magisto-created video marketing piece.

**Who Should Care:** Tech CEOs and marketing freelancers wanting to use video marketing to grow brand awareness, provide product support via instructional videos, create lead generation and increase sales using social media and digital channels, without committing large resources.

mode.ai

Palo Alto, California, United States (<http://mode.ai>)

*Analysis by: Andrew Stevens*

**Why Cool:** mode.ai is an e-commerce company that designs and develops platform-agnostic, AI-powered, virtual style bots for retailers able to scale down to the SMB market. The bots assume responsibility as personalized digital assistants with levels of interactivity for customers, right from initial inquiry/search with responsive and tailored recommendations, as well as extensions to explore opportunities across much broader ranges of complementary products, in contrast to physical stores with restrictions of inventory held in store. It personalizes services for end customers by visiting retailers' websites and their connected social media platforms. Customer-service-based algorithmic programs make recommendations, match and provide further advice on complementary accessories. Mode.ai has helped address the shift that many apparel and fashion vendors must take to reduce inefficient or costly bricks-and-mortar physical stores and outlets, while continuing to drive revenue growth, customer interaction and brand recognition.

With increasing networking capacity and innovation for online messaging, including chatbots powered by artificial intelligence technologies, mode.ai can learn and save customer preferences, customize results to match those preferences, then recommend related products that others have found useful or entire outfits to match a customer's personal style.

A chatbot personal stylist online can utilize a combination of different algorithmic-powered applications such as computer vision, machine learning and natural language processing to eliminate traditional filtering menus. It streamlines results for customers' requirements for specific recommendations for clothing or products to purchase — including matching items and accessories. A chatbot stylist is also able to parse recommendations based on size, budget, nearby available inventory, as well as engage with trusted friends online, to make a final decision, before a click purchase. Chatbots are able search the brand's full online product catalogs, provide users with more information about the brand itself or suggest product care instructions.

**Challenges:** Fashion is a fast-moving, competitive and highly visual industry, subject to fluctuating (and sometimes) unpredictable trends. Customer-focused technology solutions supporting revenue growth opportunities will need to continually innovate and deliver a high level of algorithmic-powered, sophisticated vision-based solutions. The ability for chatbots' virtual stylists to build out functionality that will completely eliminate the need for customer service and other traditional expenses that only bigger retailers could absorb, has the potential to level the playing field for smaller SMB retailers to pop-up and grow in an ever-increasing online retail market, where consumers are looking for unique fashion products.



**Who Should Care:** Tech CEOs in retail, apparel and fashion businesses looking to grow their online businesses, and looking to source more effective solutions related to customer fulfillment, inventory management and network capacity planning.

## Robot Lawyer LISA

London, United Kingdom (<http://robotlawyerlisa.com>)

*Analysis by: Fernando Elizalde*

**Why Cool:** Robot Lawyer LISA is an AI-powered contracts tool or assistant that helps small businesses design customized simple contracts in a few minutes, bringing affordable and timely automated legal services that are easily accessible to both parties. Its intellectual property (IP) framework takes both commercial and legal IP. With the expertise and knowledge of how that translates into a tech framework/algorithm, this means that complex legal jargon can be delivered in a plain English product for business users and in layman's terms. It effectively disintermediates the lawyer for simple legal contractual agreements yet brings legal commercial value with entrepreneurial expertise and advice. The acronym "LISA" in its company name stands for legal intelligence support assistant.

The AI-powered assistant, built-in LISA, asks the user (or both sides in case of bilateral contracts) the questions typically asked by lawyers, assesses the legalities of both sides and recommends precise clauses, delivering a draft of a custom-made contract. LISA began offering a nondisclosure agreements (NDA) tool but, since its launch, it has added a contract property suite that currently includes lodger agreements, short- and long-term residential leases, and commercial leases.

Robot Lawyer LISA aims at making legal services accessible, affordable and fair, opening up a latent legal buyer market that has been largely neglected. Indeed, the legal assistant targets a large proportion of SMBs that usually do not resort to legal counselling because of costs, time constraints, convenience or availability (among many other reasons).

Robot Lawyer LISA uses the Neota Logic System ("Neota"), a no-code artificial intelligence software platform, to add legal reasoning and human-like judgement in creating customized, legally binding contract drafts that use the right terminology and include only the right clauses. LISA's virtual assistant, also powered by Neota, guides users through any legal intricacies.

Working with law firms, the application also provides easy access to "real-life" legal professionals if further assistance is needed.

The company operates the following business models — as a SaaS and on a profit-sharing model and an annual subscription based model.

**Challenges:** Robot Lawyer LISA's main challenge is behavioral change as well as educating the target market to rely on a "machine" instead of a legal professional to address the simpler types of contracts, required in both the SMBs and the law industry. Globalization is not an issue today, but it would be a challenge, in particular for its property contract tools, in order to expand internationally. The tools will require the "learning" of other legal systems, or "law of the land," in addition to the

local language. This is because Robot Lawyer LISA operates in the U.K. It only provides contract tools and nonreserved activities. According to the regulatory framework, it does not need to be regulated by the Solicitors Regulation Authority. Yet in the case of global expansion, it may encounter regulatory challenges.

Despite the increasing use of AI to aid the legal profession, Robot Lawyer LISA cannot replace the human for complex matters. Additionally, LISA may face resistance from the legal profession.

### Who Should Care:

- Tech CEOs requiring draft NDA agreements and leases.
- Real estate businesses, either agents or property portals and platforms that benefit from turning around leases and other agreements quickly.
- Property entrepreneurs requiring leases and lodger agreements prepared.
- Law firms interested in using LISA as a customer acquisition tool, by providing access to human lawyers in case the user requires it.

### Acronym Key and Glossary Terms

<b>AI</b>	artificial intelligence
<b>B2B2C</b>	business-to-business-to-consumer
<b>CEO</b>	chief executive officer
<b>CFO</b>	chief financial officer
<b>CIO</b>	chief information officer
<b>CPA</b>	certified public accountant
<b>CSP</b>	communications service provider
<b>iOS</b>	iPhone operating system
<b>LISA</b>	legal intelligence support assistant (Robot Lawyer LISA)
<b>ML</b>	machine learning
<b>NDA</b>	nondisclosure agreement
<b>SMB</b>	small and midsize business
<b>TSP</b>	technology and service provider

## Gartner Recommended Reading

*Some documents may not be available as part of your current Gartner subscription.*

“How CSPs Can Better Target SMBs With More Effective Segmentation”

“Market Trends: CSPs Must Adapt Offerings to Grow Their SMB Opportunity”

“Market Insight: Forget About Company Size When Targeting SMBs, Focus Instead on Business Life Cycle”

“Survey Analysis: SMBs Are Set for Positive IT Spending Outlook in 2018”

“Forecast Overview: Small-and-Midsize-Business External IT Spending, Worldwide, 2018”

“Forecast: Small-and-Midsize-Business IT Spending, Worldwide, 2015-2021, 4Q17 Update”

### Evidence

This research includes information from Gartner’s SMB annual survey, as well as primary and secondary research.

Gartner surveyed organizations in three countries between 26 June 2017 through 16 August 2017 to help Gartner identify and profile “high growth” SMBs to uncover opportunities within that market. The survey aimed to understand SMBs’ IT buying behavior. In all, 1,405 respondents participated in the U.S. (n = 469), the U.K. (n = 461) and China (n = 475). Country and company size (in number of employees) quotas were established to enable the comparison and contrasting of key trends. Qualifying organizations were spread across all industries with five to 499 employees and a maximum revenue of \$1 billion equivalent. Qualified participants were either primary decision makers or influencers for their organization’s IT strategy and investment decisions. Interviews were conducted online and in a native language (English or simplified Chinese). The sample universe was drawn from external panels of IT and business professionals. The survey was developed collaboratively by a team of Gartner analysts that follow these markets. It was reviewed, tested and administered by Gartner’s Research Data and Analytics team.

*Disclaimer:* Please note “total” results do not represent “global” findings, and are a simple average of results for the targeted countries, industries and company size segments in this survey.

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