From Hesitation to Innovation: The AI Adoption Blueprint for Businesses

FINAL REPORT – TEAM 5

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Executive Summary

This report presents a comprehensive analysis of AI adoption among U.S. microbusinesses, offering critical insights for GoDaddy and the strategic positioning of its AI assistant, **Airo**. Based on survey data, the study identifies three key user personas—**Confident**, **Lukewarm**, and **Not Confident**—with the majority falling into the Lukewarm group. These users are open to AI but lack conviction, representing a high-potential segment for conversion. Confidence levels vary significantly by demographics, with younger males showing higher confidence, while older women—despite being more likely to adopt AI—demonstrate lower self-assurance. Business size and revenue trends indicate that solo entrepreneurs and small teams are more open to AI, but mid-sized firms earning $15K–$25K per month are best positioned for growth, making them ideal candidates for Airo's advanced automation and scaling features. Key drivers of adoption include belief in AI's ability to help small businesses compete and the use of AI for services like **Booking Sales**, **Business Advice**, and **Customer Service**—where confidence is highest. Conversely, lack of familiarity and perceived irrelevance remain the most cited barriers to adoption, not cost or complexity. Logistic regression and classification tree models further confirm that **beliefs, industry type**, and **AI tool diversity** are major predictors of confidence and adoption. Strategically, GoDaddy should focus on converting Lukewarm users through guided onboarding, promote Airo's strongest services as entry points, and develop education-first campaigns to address the awareness gap. Tailored messaging by age, gender, and industry—paired with peer success stories and embedded in-platform prompts—can deepen trust and drive engagement. Airo should be positioned not just as a tool, but as a co-pilot for business growth—empowering microbusinesses to scale smarter, work more efficiently, and build lasting confidence in AI.

Data Preparation

A thorough data preparation method was utilized to analyze microbusiness AI adoption tendencies. Structured and methodical data cleaning, transformation, and enrichment stages were followed on the raw dataset ("VF_US_National_FEB24_RawData.xlsx"):

Variable Selection: Only those variables directly relevant to the topic and questions were chosen, like Business demographics (size, revenue, industry), Entrepreneur demographics (age, gender), AI tool adoption and use, Artificial intelligence confidence and impact and Adoption and operational issues with AI. This targeted selection minimized noise and facilitated modeling and visualization.

Manage Missing Values and Special Codes: Survey data often includes placeholder codes for missing or inapplicable responses (-7, -8, -9, 98, 99). These were coded as "Unavailable" or "Not Applicable" where needed.

Recoding and Converting Data Types: To enable better visualization and enhance interpretation and analysis, numeric variables were converted to descriptive factors or ordered factors. For example, q3a (company size) became "Just Myself", "2–4 employees", etc. Logically ordering ordinal factors like confidence in AI (q83) and agreement with AI's competitive benefits (q93) showed rising optimism or confidence.

Derived Variables: Several new variables were created to enrich the dataset. According to respondents' year of birth (d12), age was determined and transformed into categories as 0–20, 20–40, 40–60, 60+, and "Unavailable".

Models: To ensure compatibility with our predictive models variables with respondent IDs and open-ended text inputs were removed. One consolidated dataset (df_cleaned) was used for general analysis. A specialized version (df_persona) with normalized confidence scores and restructured

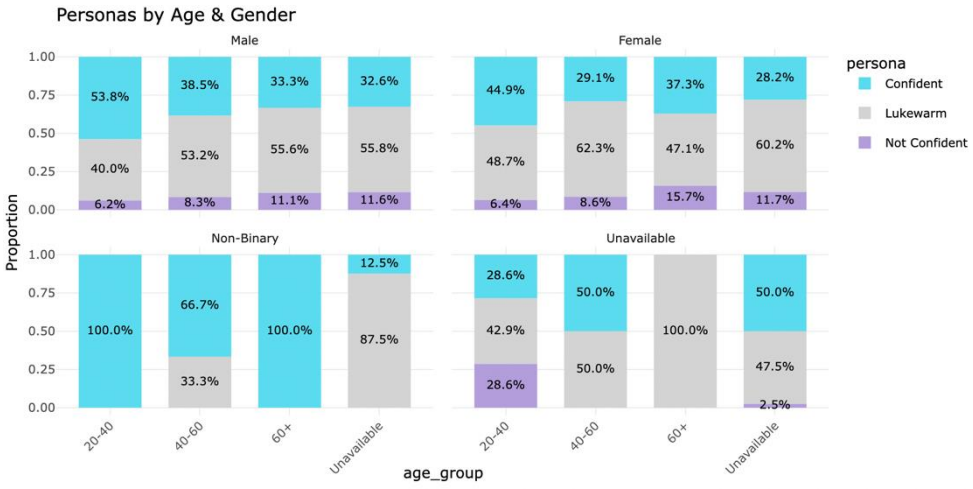
categorical variables included AI adopters and non-adopters in persona construction and further transformed as needed for modelling.

Quality Checks: Finally, str() was used to check the cleaned datasets' structure, and unique value and missing data summaries were printed to verify transformations. This made the dataset robust for elaborate visualizations, statistical modeling, and grouping.

AI Confidence & Customer Persona Analysis

AI Confidence (Q83), collected data on a scale from 1-7 (not confident to vary confident) and divided into three customer personas, based on statistical summaries, Confident (6-7), Lukewarm-Neutral Confidence (3,4,5) and Not Confident (1-2). These AI confidence personas were plotted against the various variables theorized to affect ai confidence levels.

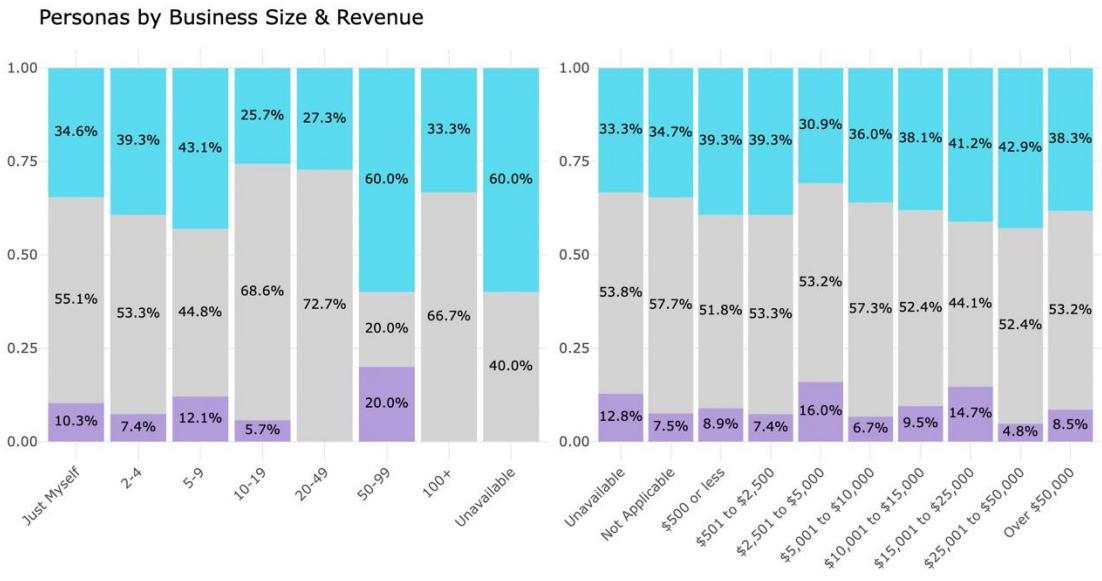
Age and Gender:



Younger respondents (ages 20–40) and middle aged (40-60) showed higher confidence trends, particularly among males making them a prime segment for early adoption and ambassador roles in GoDaddy's AI tool promotion. Confidence among females 60+ drops to 28.2%, with the highest "Not Confident" rate (15.7%) across all groups. This indicates a clear opportunity for targeted education and onboarding efforts to build trust and usability. Among both

males and females 40+, lukewarm sentiment ranges from 53% to 62%, signaling latent interest that can be activated through tailored use cases and success stories.

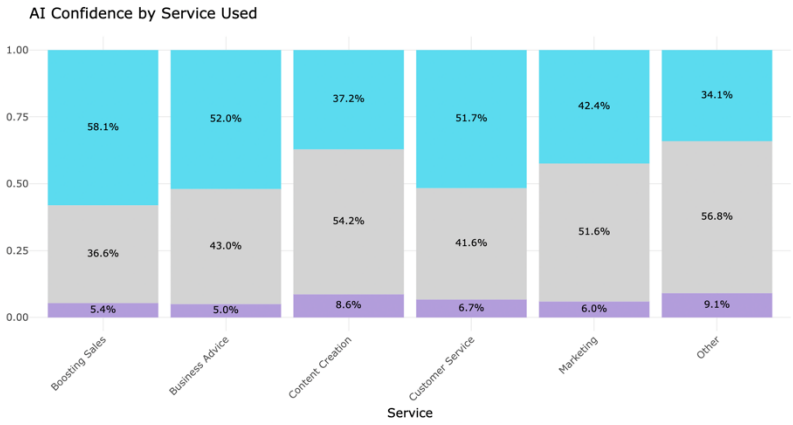
Business Size and Revenue



Confidence decreases as team size grows (up to a point). Smaller teams (1–4 people) show higher AI confidence (34.6–43.1%), but this drops significantly for mid-sized teams (10–49) to 25.7–27.3%. This suggests that microbusinesses and solo entrepreneurs may be more agile and open to trying new AI tools. Larger teams (50+ and 100+) surprisingly show a rebound in confidence (33–60%), which could reflect better access to resources or tech-oriented teams. Not confident persona is the highest among smallest teams. Solo owners and very small teams (5–9) have the highest 'Not Confident' percentages (10.3% and 12.1%), suggesting a need for hands-on support and simple onboarding experiences. AI confidence grows with revenue but not linearly. Confidence grows gradually from $501–$10,000 range (36–39.3%), peaks at $10K–$25K (41.2%), then stabilizes. Not Confident personas spike at the $25,001–$50,000 revenue level (14.7%), suggesting possible resistance or fear of disruption among growing businesses.

Microbusinesses and mid-revenue customers are a prime opportunity. Though they are mostly Lukewarm, they represent high potential for confidence conversion through case studies and guided experiences. Larger teams (50+) and higher revenue brackets show readiness; these segments may benefit from advanced features, beta testing, or co-creation opportunities. For lower revenue and small teams, simplified toolkits, low-risk trials, and peer testimonials could ease adoption fears.

AI Service Usage



This chart provides a breakdown of user personas—Confident, Lukewarm, and Not Confident—across different types of AI services. One of the most notable findings is that users who utilize AI for Booking Sales report the highest level of confidence. Approximately 58.1% of users in this category identify as confident, while only 5.4% fall into the not confident category. This indicates that the Booking Sales feature is effectively delivering value to users and is perceived as a reliable tool. As a result, this service can serve as a strategic entry point for onboarding new or hesitant users into AI adoption.

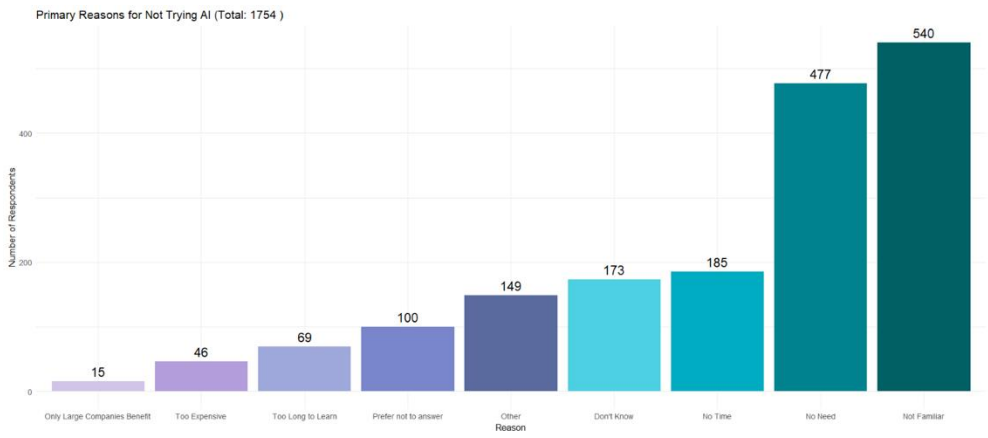
Similarly, high levels of confidence are observed among users of Business Advice and Customer Service functionalities, with 52.0% and 51.7% of users respectively categorized as confident.

These services appear to meet user expectations and demonstrate tangible utility, making them strong candidates for core positioning in GoDaddy's AI service portfolio. Their success suggests that further promoting these offerings could help expand confident AI usage among a broader segment of the user base. Conversely, services related to Content Creation and Other use cases show the lowest confidence levels, at 37.2% and 34.1%. These segments also exhibit relatively higher proportions of not confident users, particularly for "Other" services (9.1%) and "Content Creation" (8.6%). This suggests the need for targeted improvements in terms of user experience design, clearer onboarding instructions, and effective demonstrations of value. Enhancing clarity and usability in these areas could significantly improve user trust and satisfaction.

Across all service types, the Lukewarm persona constitutes the majority group, ranging from 36% to over 56% depending on the service. This represents a significant opportunity for intervention. With well-designed engagement strategies—such as step-by-step tutorials, contextual use cases, or interactive demos—these users could be gradually nudged toward greater confidence. These mid-tier users should be a key focus of conversion efforts, as they have already shown a willingness to experiment with AI tools.

This service-wise breakdown of AI confidence levels provides critical direction for the overarching goal to foster wider and deeper adoption of AI tools among microbusiness users. By emphasizing services that naturally build confidence, improving underperforming tools, and focusing on converting the Lukewarm majority, GoDaddy can make substantial progress in cultivating a more AI-empowered user base.

Barriers to AI Adoption: Understanding Why Businesses do not Adopt AI



Primary Reasons for Not Adopting AI

Despite AI's growing role in business operations, many businesses remain hesitant to integrate AI into their workflows. The primary barriers are lack of familiarity with AI and no perceived business need, suggesting that many business owners are either unaware of AI's capabilities or do not see a clear application for it. Additionally, time constraints, uncertainty about AI benefits, and general confusion contribute to hesitancy, highlighting the need for more clarity on AI's practical impact. Interestingly, cost and learning difficulty were among the least-cited reasons, contradicting the assumption that AI is financially inaccessible for small businesses. This indicates that the primary challenge is not affordability but rather awareness and understanding of AI's business value.

Logistic Regression Predictive Model of AI Adoption

To understand the key predictors of AI adoption among businesses, we constructed a logistic regression model using survey variables related to business size (Q3A), revenue (Q11AA), gender (D1), age group (D12), industry type (Q5B_1 to Q5B_29), and beliefs that AI will help small businesses compete with large businesses (Q93). The dependent variable (Q80_3) captured whether respondents had adopted AI tools for their business.

Key Findings

1. **Belief that AI will help small businesses (Q93) is a statistically significant variable**

Model Coefficients

☐ Show full coefficient table

Predictor	Estimate	p_value
Age Group: 40–60	12.46	0.97
Age Group: 20–40	12.42	0.97
Age Group: Unavailable	12.14	0.97
Age Group: 60+	12.12	0.97
Belief: Completely Disagree	2.01	**0**
(Intercept)	-14.97	0.97
Belief: Completely Agree	-1.03	**0.01**
Industry: Construction	-0.96	**0**
Business Size: Unavailable	-0.78	0.32
Industry: Agriculture	-0.63	0.19

Q93 emerged as the most statistically significant predictor of AI adoption. Every response level—from "Completely Disagree" to "Completely Agree"—showed significance, with the strongest effects seen in the "Completely Disagree" and "Somewhat Disagree" groups. Interestingly, these groups had positive coefficients, meaning respondents who disagreed with the statement "AI helps small businesses compete with large businesses" were more likely to adopt AI. A plausible interpretation can be that many business owners may use AI for tactical purposes such as automating tasks or generating content yet still disagree with the broader claim that AI can fundamentally close the gap between small and large enterprises. This means that respondent may still think of AI as only capable of properly handling repetitive day-to-day menial tasks and may not see the potential fundamental impact that AI can bring.

2. **Gender is a meaningful predictor**

The analysis found that female respondents were significantly more likely to adopt AI tools than their male counterparts (Estimate = 0.22, p = 0.026). In contrast, responses from non-binary individuals and those with unavailable gender data did not yield statistically significant results.

While the model establishes this relationship, it does not point to a clear underlying reason for this difference. This makes gender a valuable variable for future analysis and targeted research, particularly if GoDaddy is interested in designing outreach strategies or product offerings that reflect user demographics.

3. **Industry Type Has Strong Predictive Power**

Several industry categories demonstrated clear influence on AI adoption. Businesses in **Marketing/PR** showed the strongest positive association (Estimate = 1.20, $p < 0.001$), which aligns with the high compatibility between AI and content generation, advertising, and campaign optimization. Similarly, **Real Estate**, **Education**, and **Professional Services** industries showed statistically significant and positive coefficients, indicating a higher likelihood of adoption. These sectors are increasingly leveraging AI for customer engagement, virtual experiences, and workflow automation. Conversely, the **Construction** industry exhibited a strong negative relationship with AI adoption (Estimate = –1.16, $p < 0.001$). This likely reflects limited digitization and fewer perceived AI use cases within the industry, alongside potential barriers such as lack of technical skills or relevance to daily operations.

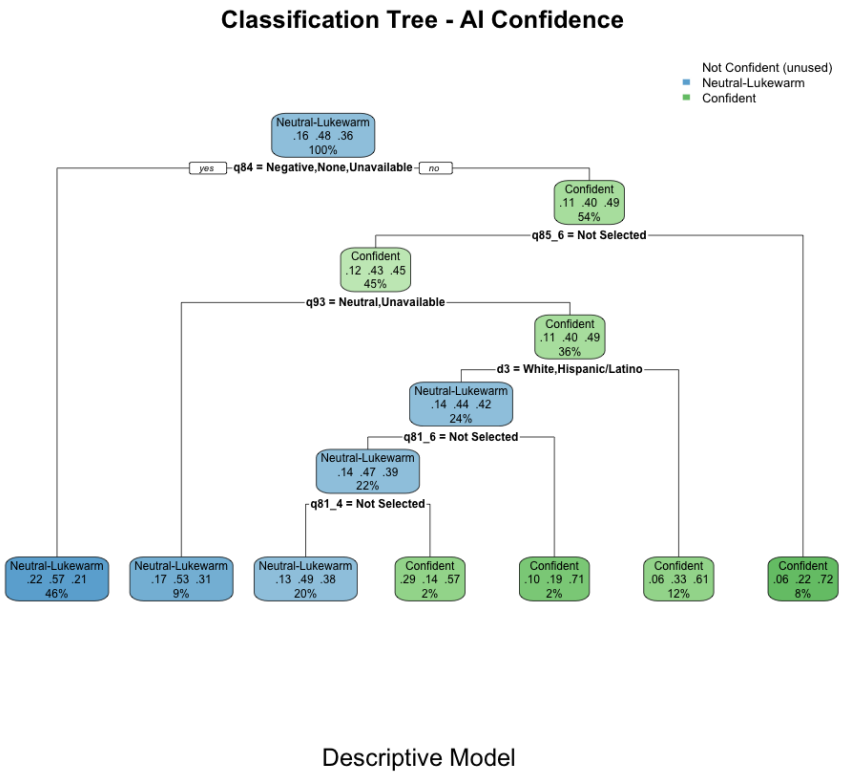
4. **Revenue Levels Show Marginal Significance in Mid-Growth Segment**

Revenue was also not a strong overall predictor, but one segment — businesses earning between **$15,001 and $25,000 monthly** — showed a **marginally significant** positive effect (Estimate = 0.55, $p = 0.078$). This suggests that businesses at a mid-growth stage may be more inclined to adopt AI, possibly to scale operations or improve efficiency during a phase of increasing complexity as compared to smaller or very large businesses.

5. **Business Size and Age Group**

The analysis showed that neither the number of employees in a business nor the age group of the respondent had a clear influence on whether they adopted AI tools. These factors didn't show strong or consistent patterns in the data. This suggests that AI adoption is not necessarily driven by how large a business is or the age of its owner, but rather by other factors such as industry type or beliefs about AI.

Classification Tree of AI Confidence



Descriptive Model

The classification tree (CART) model learned from sixteen categorical survey items that encompassed questions about AI impact (Q84), depth of AI use (Q85_6), competitive beliefs (Q93), ethnicity (D3) and tool usage (Q81_6 for Gemini and Q81_4 for Jasper AI).

Key Insights

Positive Impact Is the Strongest Divide: People who have experienced AI impact (Q84) show distinct separation from those who have not or cannot respond. Any person who experiences an AI impact shifts toward confidence while those without AI impact stay neutral to lukewarm.

Depth of Use Drives a Second Lift: The second important factor for "experienced impact" group is the extent to which they use AI for technical tasks (Q85_6) including writing code or building automated workflows. AI users who apply their tools in advanced technical applications exhibit higher levels of confidence, but basic text generation users maintain neutral confidence levels.

Competitive Mindset Amplifies Confidence: Small business owners who already use AI technically experience a confidence increase when they believe that AI will help their business compete with large firms (Q93). Owners develop a stronger sense of expertise when they understand AI as a strategic instrument above its basic productivity capabilities.

Demographic Gaps Remain: The tree maintains its splits even after considering impact alongside depth of use and competitive mindset and ethnicity (D3). The analysis reveals that White and Hispanic/Latino owners demonstrate higher confidence levels than other demographic groups under similar circumstances because under-represented founders may need more role models and peer networks and tailored resources.

Tool Diversity Correlates with Peak Confidence: The highest confidence scores occur among owners who use Gemini (Q81_6) followed by Jasper AI (Q81_4) within this demographic segment. Users who test different specialized platforms experience improved both their abilities and their self-assurance.

Strategic Recommendations for GoDaddy & Airo

This study reveals nuanced insights into AI adoption among microbusinesses and offers GoDaddy an opportunity to craft targeted strategies that support wider and deeper use of AI tools. The following strategic recommendations are derived from the comprehensive persona segmentation, service usage analysis, and predictive modeling outcomes.

1. Prioritize "Lukewarm" Users for Confidence Building

Across all personas and services, the majority of users fall into the “Lukewarm” category. These users have already begun exploring AI tools but lack the confidence to fully integrate them into their operations. To convert this segment into high-confidence users:

- Develop guided onboarding programs tailored to business type and user role.
- Offer step-by-step walkthroughs, microlearning modules, and real-time customer support for onboarding.
- Leverage email marketing and platform nudges that highlight easy wins and time savings using AI tools.

2. Position Booking Sales and Business Advice Tools as Gateway Services

Users who engage with Booking Sales and Business Advice services report the highest confidence levels. These tools can be GoDaddy’s flagship AI offerings for encouraging adoption:

- Feature these tools prominently on dashboards or AI landing pages.
- Use these tools in AI trial campaigns, bundled with onboarding credits or limited-time benefits.
- Build testimonials and case studies from successful users in these service categories to drive FOMO and relatability.

3. Tailor Messaging by Age and Gender Demographics

Persona analysis reveals that confidence in AI is highest among males aged 20–40 and lowest among women aged 60+. At the same time, women are statistically more likely to adopt AI overall:

- Use relatable storytelling and female-led testimonials to resonate with hesitant older female users.

- Run age- and gender-targeted social media campaigns, featuring influencers and microbusiness leaders who reflect each demographic.
- Incentivize referrals from younger adopters to increase cross-generational uptake.

4. Equip Mid-Sized, Mid-Revenue Firms with Airo as a Scaling Assistant

Businesses earning $15K–$25K/month and teams of 10–49 employees show a readiness to adopt AI but lower confidence. Airo can be positioned as a scaling co-pilot for these growth-stage firms.

- Promote Airo's automation and analytics tools as ways to handle growing complexity without increasing headcount.
- Introduce "Growth Kits" powered by Airo, pre-configured solutions for scaling tasks like newsletter management, appointment handling, or SEO improvements.
- Offer Airo Premium for mid-sized teams, unlocking collaboration features and reporting tailored to multi-user environments.

5. Address the 'Awareness Gap' Through Education-First Campaigns

The leading reason businesses haven't adopted AI is a lack of familiarity, followed by "no perceived need." This indicates an urgent need to bridge the knowledge gap:

- **Launch an "AI for Microbusiness 101" hub** with interactive explainer videos, workshops, and real-life business stories.
- Run **regional or virtual bootcamps** in partnership with local business development centers or chambers of commerce.
- **Integrate pop-up prompts and AI usage tips** directly within GoDaddy's platform to nudge curiosity and exploration.

6. Segment Industry-Focused Adoption Programs

Logistic regression confirms that industry is a key driver of AI adoption. Marketing/PR, Real Estate, Education, and Professional Services are highly receptive, while Construction and Agriculture lag behind:

- **Create industry-specific onboarding flows**, tailored use cases, and dedicated support pages for high-potential industries.
- **Invest in pilot programs and influencer partnerships** within hesitant sectors to demonstrate value through peer success.

7. Enhance Tool Diversity and Promote Advanced Use Cases

CART modeling shows confidence grows with usage of multiple tools and deeper applications like automation and coding:

- Introduce a **"Next Steps with AI" journey**, nudging existing users to explore advanced functionalities.
- Bundle AI products together to **encourage tool stacking** (e.g., Gemini + Jasper + Marketing Insights).