Small Businesses’ Experience with eCommerce during the Pandemic

Transformation of Canada’s Small Businesses Series: Part 3

Highlights deck

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Small business adoption of eCommerce ramps up to adapt to COVID-19

As we are now deep into a second wave, the pandemic continues to challenge small business owners across Canada, pushing many to adapt. In the first two reports of the Transformation of Canada’s Small Businesses research series, we looked at how small businesses have gone digital to communicate with customers, then at the role the pandemic is playing increasing big business dominance and the need for Canadians to support local. Now, in this final piece of the series, we turn to the adoption of eCommerce as a solution for businesses to survive the pandemic and possibly thrive going forward.

COVID-19 lockdowns and ongoing restrictions for health and safety propelled many small businesses to eCommerce. Businesses using eCommerce have increased 65% since the start of the pandemic (20% of small businesses were selling online prior to COVID-19 and 13% have adopted it since March, or are in the process of doing so). Whether eCommerce will be a successful venture for small businesses is still uncertain for most who have adopted it; only one in five say it has brought in significant revenue for their business. Many small businesses are still finding their footing in online sales and could use support from consumers to find them online, eCommerce platforms to help make getting online easier, and governments to help through resource and training initiatives.

Key highlights in this deck, include:

- 152,000 businesses have adopted eCommerce since the start of the pandemic
- One-in-three businesses are selling online now
- Half of businesses could potentially conduct sales online or over the phone
- Small businesses survive with consumers’ support - we encourage them to find local businesses online
Since the start of the pandemic, approximately 152,000 small businesses in Canada have adopted eCommerce or are in the process of doing so.

Businesses’ online status since the start of the COVID-19 pandemic in March 2020

Total adoption = 13%
(~152,000 small businesses newly online due to COVID-19*)

- 8% started selling online
- 5% are in the process of setting up eCommerce
- 20% were selling online beforehand

Question: Is your business currently doing online sales/ecommerce?
Source: CFIB, eCommerce and competition with big business survey, September 17-October 7, 2020, n = 3,601.
Note*: To estimate the number of businesses that newly adopted eCommerce, CFIB used the above survey results and projected them to all Canadian SMEs using Statistics Canada’s business counts for active employer businesses.
The top eCommerce adopters are those that have been hit hardest by the pandemic, including retailers, arts and recreation, hospitality, and health services.

### Shift to online sales since COVID-19, by sector (% response)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Yes, we introduced online sales/eCommerce after the pandemic</th>
<th>No, but we are in the process of setting it up</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Sectors</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Retail</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Arts, Recreation &amp; Info. (e.g. gym, gallery)</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Hospitality</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Health &amp; Education Services (e.g. dentist)</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Wholesale</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Professional Services (e.g. lawyer)</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Transportation</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Finance, Insurance, Real Estate &amp; Leasing</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Personal Services (e.g. barber)</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Enterprise &amp; Admin. Mgmt. (e.g. office admin.)</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Construction</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

**Top adopters:**

- Retail: 21%
- Arts, Recreation & Info.: 19%
- Hospitality: 18%
- Health & Education Services: 17%
- Wholesale: 12%
- Manufacturing: 10%
- Professional Services: 9%
- Transportation: 9%
- Finance, Insurance, Real Estate & Leasing: 8%
- Agriculture: 8%
- Personal Services: 8%
- Enterprise & Admin. Mgmt.: 7%
- Construction: 5%
- Natural Resources: 3%

**Question:** Is your business currently doing online sales/eCommerce?

**Source:** CFIB, eCommerce and competition with big business survey, September 17-October 7, 2020, n = 3,601.
A third of small businesses are now selling online, or will be soon. Those with 20 or more employees are more likely to be selling online than micro businesses

**Currently doing online sales or in the process of adopting, by size of business**

- **Total:** 33%
- **Micro businesses (0-19 employees):** 32%
- **Small businesses with 20+ employees:** 41%

Question: Is your business currently doing online sales/eCommerce?
Source: CFIB, eCommerce and competition with big business survey, September 17-October 7, 2020, n = 3,601.
Across all businesses, one in five say they will increasingly rely on eCommerce to survive COVID-19

“My business will increasingly rely on online sales to survive COVID-19” (Agree)

22%

Sectors that will rely most on online sales in the coming year:

- Retail (34%)
- Wholesale (31%)
- Arts, Rec. & Info. (25%)
- Hospitality (25%)

Question: Please indicate whether you agree or disagree with the following statement: “My business will increasingly rely on online sales to survive COVID-19”.

There is still potential for more businesses to make the move to sell online – half of all small businesses say they would be able to sell online or over the phone quickly if they needed to.

**Percentage of businesses that could transfer some of their sales online or over the phone**

52% of businesses could conduct some sales online.

**Best-suited sectors**
- Professional Services (e.g. lawyers)
- Wholesale
- Finance, Insurance, Real Estate and Leasing

**Least-suited sectors**
- Health & Education Services (e.g. dentist, private school)
- Personal Services (e.g. barber, repairs)

**Question:** What is the maximum percentage of your business’ total dollar sales that could be quickly done online, over the phone or through any other sales channels that do not involve in-person sales? Respondents were asked to choose from a range of categories with options ranging from 0% to 100%. The 52% mentioned above includes all responses, except those who responded ‘0%’ or ‘Don’t know/Unsure’.

Sectors that could adapt the most during the pandemic by selling online or over the phone include professional services like lawyers and accountants, wholesalers, finance & insurance, and manufacturing; the least adaptable are health and personal services.

### Ability to transfer sales online or over the phone quickly

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Can adopt online or phone sales</th>
<th>Cannot adopt online or phone sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Sectors</td>
<td>52%</td>
<td>42%</td>
</tr>
<tr>
<td>Professional Services (e.g. lawyer)</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>Finance, Insurance, Real Estate &amp; Leasing</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>Retail</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Enterprise &amp; Admin. Mgmt. (e.g. office admin.)</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>Arts, Recreation &amp; Info. (e.g. gym. gallery)</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>Transportation</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>Construction</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Health &amp; Education Services (e.g. dentist)</td>
<td>27%</td>
<td>73%</td>
</tr>
<tr>
<td>Personal Services (e.g. barber)</td>
<td>27%</td>
<td>73%</td>
</tr>
</tbody>
</table>

**Question:** What is the maximum percentage of your business’ total dollar sales that could be quickly done online, over the phone or through any other sales channels that do not involve in-person sales? Respondents were asked to choose from a range of categories with options ranging from 0% to 100%. The 52% mentioned above includes all responses, except those who responded ‘0%’ or ‘Don’t know/Unsure’.

A story of survival: The shift towards eCommerce by the Health & Education Services sector is particularly interesting.

At the start of the pandemic, a majority (68%) of businesses in this sector reported they would not be able to sell online or over the phone quickly. By September, however, they became the 5th most likely sector to newly adopt eCommerce (17%), demonstrating the drive these businesses have to survive.

What types of businesses are in this sector? Private schools, daycares, optometrists, dentists, physiotherapists.

Question: What is the maximum percentage of your business’ total dollar sales that could be quickly done online, over the phone or through any other sales channels that do not involve in-person sales? Respondents were asked to choose from a range of categories with options ranging from 0% to 100%.

2) CFIB, eCommerce and competition with big business survey, September 17-October 7, 2020, n = 204.
With the right support, more businesses could sell online. The main reasons cited for not adopting eCommerce are the type of products or services offered, a lack of technical expertise, logistical requirements and the financial costs of selling online.

Here are some of the top reasons we are hearing small businesses are not adopting eCommerce:

- **Lack of knowledge on applying eCommerce to service sectors**: CFIB is hearing from many small businesses in service sectors that they don’t know how to apply eCommerce to their business model. *This is one area where CFIB sees a lot of potential for eCommerce adoption if business owners were armed with the right information, support and technology.*

- **Lack of technical skills and resources**: Setting up eCommerce can be complicated and intimidating; many business owners say they need to hire new team members to help them learn how to set up an online shop and manage this sales channel.

- **Additional cost**: The costs required to set up an eCommerce platform and processing payments acts as a deterrent for some businesses.

- **Incompatible business model**: Many businesses say they don’t have the stock that would be necessary for an online inventory to make it worthwhile, or their products cannot be sold online.

Source: CFIB, National Retail Sector Survey, November 7 to November 25, 2019, n = 1,663.
Small businesses are still working to make eCommerce a successful revenue stream. One in five say selling online has been lucrative, while the rest are struggling to make significant revenue through their online shops.

Which of the following statements best reflects your experience with eCommerce during the pandemic? (% response)

- Selling online has been very successful - has resulted in significant revenue for my business: 18%
- Selling online has been somewhat successful – is only generating a moderate amount of revenue for my business: 38%
- Selling online has been a struggle - has generated little to no revenue for my business: 26%
- It is still too early to tell: 15%
- Don’t know: 4%

Selling online has been more successful for those with more experience with eCommerce (businesses selling online prior to the pandemic)

Source: CFIB, eCommerce and competition with big business survey, September 17-October 7, 2020, n = 976.
There are many ways you can support small businesses during the pandemic

### Consumers: Make it a priority to support local

- ✓ Find small businesses online to order curb-side pickup or purchase from in person.
- ✓ Buy from small businesses online through their website.
- ✓ Recommend small businesses on your social media accounts.
- ✓ Make it a small business holiday season and buy all your gifts locally.
- ✓ Tell your friends and family that you make the effort to shop at small businesses because it is important to you to support your community.

### Governments: Provide small businesses specialized pandemic support

- ✓ Support businesses interested in selling online for the first time (such as through grants to move sales online and enhance digital marketing).
- ✓ Partner with organizations to support small business digital adoption as was done in Ontario with ‘Digital Main Street’, the ‘Le Panier Bleu’ initiative in Quebec, and BC Marketplace.
- ✓ Work with eCommerce platforms to reduce the cost of operating eCommerce stores, which will make selling online more affordable and accessible for small businesses.
We encourage everyone to find and support Canadian small businesses for the holidays and to make a special effort to do so on Small Business Saturday™, November 28th.

To find ways you can shop from small businesses go to SmallBizSaturday.ca
Methodology

This study presents findings from CFIB’s eCommerce and competition with big business survey, completed online between September 17 and October 7, 2020 by 3,607 CFIB members. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/-1.6%, 19 times out of 20.

In addition, findings from the “Your business and COVID-19” surveys have been included, which have been completed online by small businesses across Canada since the beginning of the COVID-19 emergency on a regular basis. See details here: https://www.cfib-fcei.ca/en/covid-19-surveys