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Small Business, Big Impact: Small Retailers' Local Contributions

October 2023

#SmallBusinessEveryDay

Research report sponsored by

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This research was inspired by a series of studies conducted by **Civic Economics**, including a 2019 study done in conjunction with **LOCO BC**. Thank you to LOCO BC for partnering with CFIB to update and expand this research to the rest of Canada.



Overview

Small independent businesses play an undeniable role in contributing to Canadian economies, including by adding to the vibrancy of the local areas they operate in. They provide employment opportunities, unique products, and personalized services and experiences that foster a sense of community connection.

Unfortunately, these businesses face many significant challenges when competing with big, multinational retailers and online giants, and in dealing with consumers undervaluing the significant economic benefits of shopping small.

This report analyzes how Canadian small businesses in the retail sector make direct financial contributions to their local economies and how these contributions set them apart from multinational retailers and online giants. It also discusses the challenges they face with regard to competition and consumer misconceptions.

Key takeaways

- ▶ When a consumer makes a purchase from a small Canadian retail business, 66 cents of every dollar stay within the local provincial economy.
- ▶ Multinational businesses with physical locations in Canada recirculate only 11 cents of every dollar into local economies, and only 8 cents stay local when Canadians buy from online giants.
- ▶ Despite consumers saying they value small businesses and their local contributions, nearly 9 in 10 spend more at big businesses than at independent retailers.
- ▶ When it comes to small independent retailers:
 - Most (84%) believe larger corporations receive preferential treatment from government, and three in four (78%) are losing customers and revenues to their big business competition.
 - Nearly all (97%) contribute to their local communities, many in more ways than one.

Introduction

Small retailers play a crucial role in contributing to their communities' economic vitality and social fabric. They provide employment opportunities, unique products, and personalized services and experiences that foster a sense of connection at the local level. Unfortunately, most consumers undervalue local shopping's significant economic advantages, even if they value

these businesses being in their neighborhoods and want to support them. Small Canadian retail business owners sense this; 95% of them wish consumers better understood that their dollars have a bigger impact within their community when they shop at an independent business (Figure 1).

FIGURE 1 (BUSINESS OWNER AGREEMENT WITH STATEMENT)

Well over 9 in 10 small retailers in Canada wish consumers understood the community value of shopping small



Source: CFIB, Retail Local Contributions survey, May 17-June 14, 2023, n = 588.

Question: Please indicate the extent to which you agree or disagree with the statement: "We wish consumers were more aware that their dollars have a bigger impact within their community when they shop at an independent business."

Given this reality, the Canadian Federation of Independent Business (CFIB) seeks to demonstrate the importance of small retailers and independent businesses to governments and consumers, and to celebrate their local contributions. While we cannot fully quantify the life that small businesses infuse into their surroundings, it is possible to measure some of their impacts, financial and otherwise, to show that shopping local is beneficial to all Canadians.

This report analyzes how Canadian small independent businesses in the retail sector contribute to their local economies, and how these contributions set them apart from multinational retailers and online giants. It also quantifies how much revenue is recirculated into local provincial economies when consumers spend at different types

of retail businesses. This estimate was developed in partnership with LOCO BC and Civic Economics and expands on their 2019 study to determine the local impact of supporting small independent businesses in British Columbia.¹

Next, the report delves into two significant challenges small businesses face: competition with multinational retailers and the impact of consumers' misconceptions about where their money goes after making a purchase on their shopping habits. Finally, the report outlines recommendations for consumers, government, and businesses on how to best support small entrepreneurs and, ultimately, local Canadian economies.

"I think there is a pricelessness to living and working within the same community. Walking down the road and smiling at a customer on the sidewalk or just saying hello to people we recognize makes a community a pleasant place to live.



If there were no more small independent businesses, the reality would be a more heartless community."

- Small retailer, AB

Glossary and methodology

The terms used in this report refer to different types of businesses and set a specific focus for the scope of this research analysis.

Small independent business or small retailer refers to micro-, small-, or medium-sized retail businesses that are independently owned.ⁱⁱ Under this definition, a micro-, small- or medium-sized franchised business that is independently owned also falls in this category.

Multinational retailer, big business, or large retail business refers to largeⁱⁱⁱ retail businesses with physical stores that operate in various countries around the world and have facilities such as warehouses or distribution centres in multiple foreign countries.

Online giant or major online retailer is similar to a multinational retailer, the main difference being that the former only sells its products online.

Finally, the amount that **stays local** or that is **recirculated locally** refers to the share of consumer spending (or the total cents from every dollar) that is directly redistributed by a business within the province where a purchase is made.

For more information about how the amount that stays local was determined, please see the detailed methodology section at the end of this report.



Business size is determined by the number of employees.

- *Micro: 0-4 employees*
- *Small: 5-49 employees*
- *Medium: 50-499 employees*
- *Large: 500+ employees*

Dollars spent at small retailers directly benefit local economies

When consumers choose to make a purchase at a small independent retailer, they contribute, on average, six times more money to their local economy than if the purchase was made at a multinational retailer. This large difference clearly demonstrates that when Canadians shop local, they are directly supporting the province and region they live in.

This report expands on a previous study done by LOCO BC in partnership with Civic Economics that estimated how much of every dollar spent at small independently owned businesses in BC was recirculated into the local provincial economy, and how multinational businesses compared.^{iv} In updating and expanding on their research, this study finds that for every dollar spent at a small retailer, 66 cents stay within the province, compared to just

11 cents when spent at a multinational retailer with a physical location, like Walmart, and only 8 cents when spent at an online giant, like Amazon (Figure 2).

Breaking down the estimated recirculation figure when a consumer shops local, the largest share of each dollar (27 cents) goes towards purchasing goods from other local independent businesses based in the same province. A significant share is also dedicated to labour costs (19 cents), which include wages, salaries, and any benefits paid to employees. The average small business allocates only 6% of its overall revenues to owner compensation and reserves another 3% for charitable donations. This means that, on average, a small business's charitable contributions will equate to half of the profits reserved for the owner(s).

FIGURE 2 (AVERAGE CENTS PER DOLLAR RECIRCULATED AT SMALL VS. MULTINATIONAL RETAILERS AND ONLINE GIANTS)

Two thirds of every dollar spent at a small retailer are recirculated locally - the greatest share reinvested goes to sourcing goods from other independent businesses



Sources: 1) Civic Economics for CFIB, Local Impact estimate for small retailers using results from CFIB, Retail Local Contributions survey, May 17-June 14, 2023, final results, n = 588.

2) Civic Economics for CFIB, Local Impact estimate for multinational retailers and online giants, July 2023.

Question: What share of your retail business's total revenues from last year were spent on each of the following?

“We donate approximately

\$1,000 of value

in baked goods per day,
363 days per year.



I believe that makes us a
unique and significant
contributor to our
community.”

- Small retailer, MB



Across all major regions in Canada, small retailers recirculate over half of every dollar they make in revenue within their local economy.

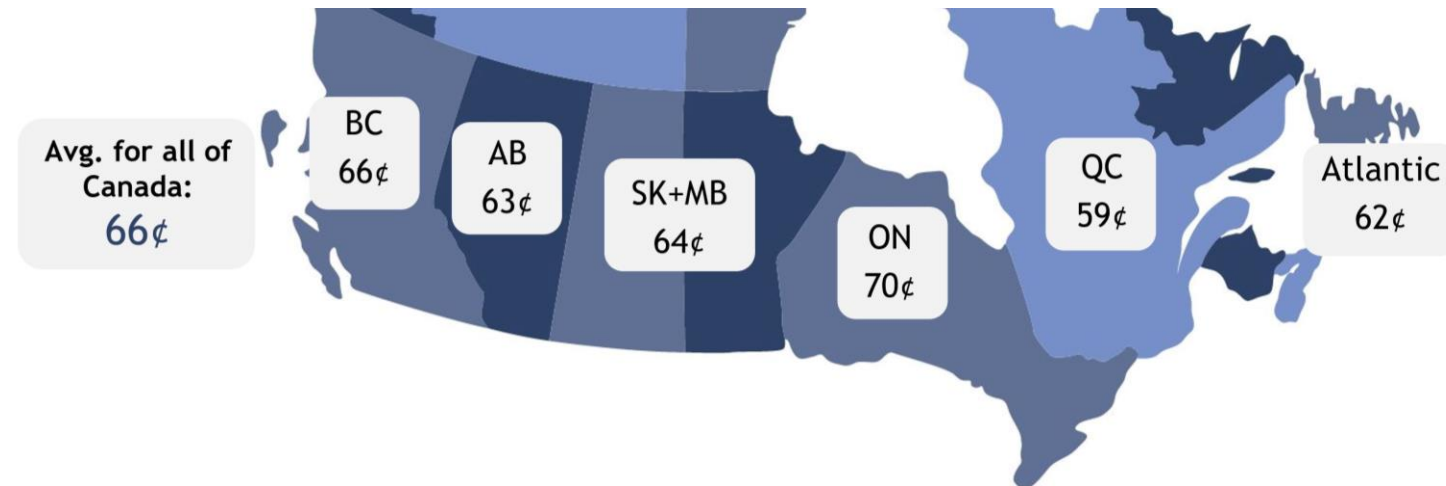
Small Business, Big Impact: Small Retailers' Local Contributions

A dollar spent locally supports more than just the broader independent business ecosystem. The massive 55 cent recirculation gap between small and multinational retailers, and the 58 cent gap between small and major online retailers, clearly demonstrate the benefits of practicing conscious consumerism.

No matter where you shop in Canada, more money stays in provincial economies when a purchase is made at a small retailer (Figure 3). Small businesses in Ontario report the highest average local recirculation figure of any province, at 70 cents from every dollar.

FIGURE 3 (AVERAGE CENTS PER DOLLAR RECIRCULATED BY SMALL RETAILERS, BY PROVINCE/REGION)

Well over half of each dollar spent at a small retailer is recirculated in the local economy, no matter what region



Source: Civic Economics Local Impact estimate using results from CFIB, Retail Local Contributions survey, May 17-June 14, 2023, final results, n = 588.

Of the remaining 34 cents that are not directly recirculated within the province where a small business operates, a significant portion (13 cents, on average) goes to taxes paid to all levels of government. The remaining portion goes to everything else the business pays for that is not captured by the five key spending areas (see Figure 2) for revenues that stay in its province. Excluded costs can include rent, mortgage payments, or payments for business inputs where revenue is spent outside the province in which the business is based or leaves Canada altogether.

For example, revenues spent by a BC retailer to purchase goods from an Ontario business are not directly recirculated in either provincial economy. As a result, these revenues from the BC retailer are not considered as "staying local," and this spending is categorized in the remaining 34 cents that are not recirculated within the local BC economy. That said, it is worth noting that small independent retailers allocate an average of 22% of their total annual revenue to expenditures in other Canadian provinces and territories.

Consumer misconceptions about local impact when shopping at different retailers

When asked to estimate roughly how many cents from every dollar stay in their province when spent at different types of businesses, consumers' answers were way off from the actual amounts. Consumers believe that small independent retailers and large multinational retailers recirculate almost the same share of their revenues, at 38% and 37%, respectively, and that major online retailers recirculate 19% of every dollar (Figure 4). In reality,

shopping at a small business instead of a multinational retailer with a physical store puts six times as much money back into the local provincial economy, and eight times as much as when shopping at a major online retailer. The main revenue that stays local when spent at big businesses like these is the amount redistributed through wages, benefits, or bonuses paid to their employees that live in the province.^v

FIGURE 4 (CONSUMER ESTIMATED RECIRCULATION SHARE VS. ACTUAL, BY BUSINESS TYPE)

Consumers misjudge how much is recirculated locally; small retailers **undervalued**, multinationals and online giants **overestimated** by over 2X



Sources: 1) Angus Reid for CFIB, Omnibus Public Opinion Poll, July 13-19, 2023, final results, n = 1,504.

2) Civic Economics for CFIB, Local Impact estimate for small retailers using results from CFIB, Retail Local Contributions survey, May 17-June 14, 2023, final results, n = 588.

3) Civic Economics for CFIB, Local Impact estimate for multinational retailers and online giants, July 2023.

Question: Roughly how many cents of every dollar you spend at the following types of business do you think are redistributed locally/in your province?

Consumers have a **distorted perception** of how many cents from every dollar stay local when they spend at different types of retail businesses.



While multinational retailers and online giants still generate profits for their owners and allocate revenues to purchase the goods and services they need to operate, they typically make these purchases from other big businesses or source them internally. In either case, the revenues that go towards these inputs are not staying local to the province where purchases are made, and are almost certainly not even staying in Canada.

Clearly, there is a disconnect when it comes to the real contributions small businesses make and what consumers perceive. A large majority of consumers (82%) indicate that it is important to them that the money they spend is redistributed in their community (Figure 5), but most do not have a good sense of the very different levels at which small businesses, multinationals, and online giants recirculate their revenues within local economies.

FIGURE 5 (CONSUMER AGREEMENT WITH STATEMENT)

Over 4 in 5 consumers say it is important to them that the money they spend is **redistributed locally**



Source: Angus Reid for CFIB, Omnibus Public Opinion Poll, July 13-19, 2023, final results, n = 1,504.

Question: Please indicate the extent to which you agree or disagree with the statement: "It is important to me that the money I spend is redistributed in my community (e.g., to support local jobs, sports teams, charities, and community infrastructure, etc.)."

As most people recognize the value of supporting their local economy, raising awareness about the community benefits and positive financial impacts of spending at small retailers may encourage more consumers to shift their shopping habits. If enough Canadians can redirect their spending in this way, it will ultimately contribute to more vibrant and successful provincial economies.

Further, given that local reinvestment is clearly important to consumers, highlighting the current misconceptions around the amounts that are recirculated by different types of businesses could also convince more Canadians to shop at small businesses more often than they do currently.

The only revenues that are recirculated in provincial economies by multinational retailers and online giants are what they pay their employees living in the province.



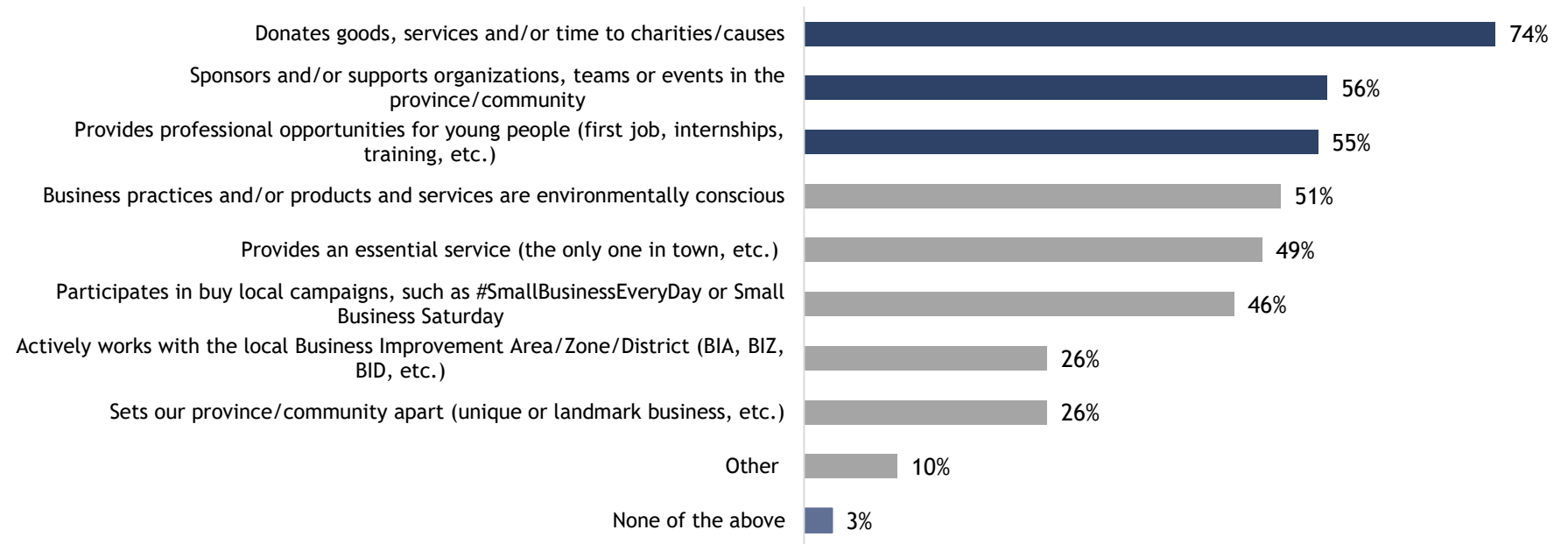
Small businesses' indirect and non-financial local contributions

In addition to their financial contributions to local economies, small Canadian retailers are deeply committed to giving back. This commitment is reflected in their values and reinforces their vital role in nurturing community growth and social development. Nearly all of these businesses (97%) report contributing to their community or province in at least one way (Figure 6).

The most common type of community contribution, made by three out of four small retailers, is donating goods, services, or time to local charities and causes. By sharing their resources and expertise, these business owners actively support local residents' well-being and help address local needs.

FIGURE 6 (INDIRECT AND NON-FINANCIAL LOCAL CONTRIBUTIONS MADE BY SMALL RETAILERS)

Nearly all small retailers contribute to their communities - a majority of them do so by donating to charities, sponsoring local events and teams, and providing job opportunities for youth



Source: CFIB, Retail Local Contributions survey, May 17-June 14, 2023, final results, n = 588.

Question: How does your retail business contribute to its province and/or community? (Select all that apply)

Note: Given that only 3% selected "None of the above," it can be determined that 97% of small independent retailers contribute to their province and/or community in at least one way.

“This month, we celebrate
47 years in 
our community.”

We hold monthly consumer education seminars, donate to our local food bank, sponsor a local school learning garden, and have supported local sports teams and arts events over the years.”

- Small retailer, ON



“When, if ever, have you seen Amazon on the back of a sports jersey?”

- Small retailer, SK

“Small businesses keep dreams alive. People dream about working for themselves. We inspire those dreams and mentor young employees to chase their dreams.”

- Small retailer, ON

Many small retailers also sponsor community events, sports teams, and organizations (56%), fostering a sense of belonging and pride among residents. Small businesses are an integral part of local festivals, craft fairs, and gatherings that bring people together and draw visitors. These types of contributions not only bring enjoyment to those around them—they also cement small entrepreneurs' status as leaders within their communities.

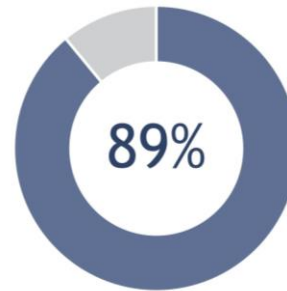
More than half of all small retail businesses (55%) support their community by providing job opportunities for youth (Figure 6, previous page). These investments instill valuable skills and work ethics that serve young people throughout their careers and sow the seeds for an economy's long-term growth and success. In this way, small retailers are not just sources of employment and products; they kick-start the next generation's career path.

Though many Canadians likely recognize that small businesses add to their communities in many ways, their contributions should be kept in perspective when compared to big businesses. Independent retailers tend to face challenges that multinationals do not, such as fewer resources, less access to capital, and red tape.

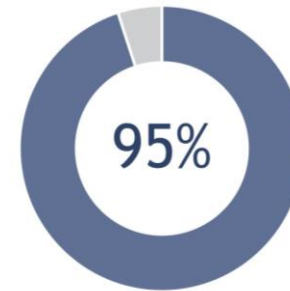
Despite these challenges, nearly nine in ten small retailers are confident that they contribute to their community in ways that big businesses and online giants would not. They also demonstrate even greater generosity when they are succeeding, with 95% giving back more to their community when their business is doing well (Figure 7). This dedication to bettering the local areas they serve not only separates small businesses from multinationals and online giants; it also highlights their role as pillars of local engagement and support.

FIGURE 7 (BUSINESS OWNER AGREEMENT WITH SELECT STATEMENTS)

Small retailers go above and beyond to support their community, and give more when they can



Small retailers that believe they support their community in ways big businesses and online giants would not



Small retailers that give back more to their community when their business is doing well

Source: CFIB, Retail Local Contributions survey, May 17-June 14, 2023, final results, n = 588.

Question: Please indicate the extent to which you agree or disagree with the following statements.

The big business impact: Competition and an unfair playing field

On top of trying to compete with multinational businesses and online giants, small independent retailers also resoundingly feel that their governments are not looking out for them. In fact, over four in five (84%) believe that larger corporations enjoy preferential treatment from government (Figure 8).

Multinational retailers and online giants, with their considerable financial resources, have greater power to purchase political influence and secure favourable decisions from governments. This

may result in preferential treatment in the form of tax breaks, regulatory exemptions, and access to funding opportunities that are not readily available to smaller businesses. It also encourages a “one size fits all” approach that often only works for big businesses and does not reflect Canada’s diverse economy with companies of all sizes. As a result, small entrepreneurs often face added burdens, on top of higher operating costs and fewer resources to invest in growth and development.

FIGURE 8 (BUSINESS OWNER AGREEMENT WITH STATEMENT)

Most small business owners think big businesses get preferential treatment from government



Source: CFIB, Retail Local Contributions survey, May 17-June 14, 2023, final results, n = 588.

Question: Please indicate the extent to which you agree or disagree with the statement: “Big businesses and/or online giants get preferential treatment from government.”

This uneven playing field has big consequences; over three quarters (78%) of small retailers report they are losing customers and revenues to big businesses.^{vi} With the rise of e-commerce and the overwhelming presence of online giants in particular, large corporations use their dominance and advertising power to draw customers to them, even though small businesses offer many of the same products and benefits. Under these circumstances and without government effort to ensure fairness, it is becoming more and more difficult for small independent retailers to compete and maintain their revenues.

The challenge of competing with multinational retailers and online giants is not going away any time soon. Given this reality, the least governments can do is stop the largest businesses from abusing their dominance, such as when online giants take advantage of the imbalance of power when it comes to e-commerce. If government does not level the playing field, there is a risk that small retailers’ market share and profitability will erode, and they will be further disadvantaged against their larger counterparts.



More than
3 in 4
small retailers are
losing revenues
and customers
to big businesses.

Consumer values, shopping habits, and misinformation

Even without being fully aware of the significant contributions they make to their communities, most Canadian consumers agree that independent businesses stand out by providing a superior level of service, and supplying a certain level of local value that goes beyond any one transaction. Given this, it is no surprise that most consumers have extremely positive opinions about small independent businesses.

Over nine in ten Canadians (92%) say that they love having small businesses in their community, and the same number believe that they are important to their community's future (Figure 9). This sentiment is universal across all regions of Canada. While at least 87% of consumers across all age groups agreed on small businesses' importance to their communities, it was notably higher at 95% among Canadians aged 55 or older.^{vii}

FIGURE 9 (CONSUMER AGREEMENT WITH STATEMENT)

9 in 10 consumers love having small independent businesses in their community and think they are important to the community's future



Source: Angus Reid for CFIB, Omnibus Public Opinion Poll, July 13-19, 2023, final results, n = 1,504.

Question: Please indicate the extent to which you agree or disagree with the following statements: "I love having small independent businesses in my community;" "Small independent businesses are important to my community's future."

Consumers' typical overall shopping habits do not align with stated sentiments

Despite the high praise for small businesses, consumers' actual shopping habits do not reflect the same sentiments. When asked about their typical overall shopping habits, most people (87%) indicate they do more of their shopping at large retail businesses, either in-store or online, while just 13% shop more at small independent businesses. Further, looking at the concentration of reported shopping habits at each type of business, it is notable that nearly half (47%) of all consumers do significantly more of their shopping at large retailers compared to just 3% who shop

significantly more at small independent businesses (Figure 10, next page).

There are also some notable differences in consumer shopping habits depending on the region in which they are located. Alberta consumers tended to favour big businesses even more, with an overwhelming 93% indicating they are more likely to shop at larger retailers.^{viii} Saskatchewan and BC reported the greatest share of Canadians that were more likely to shop local, with 20% and 18%

Consumers across all regions and age groups love having small businesses in their community.

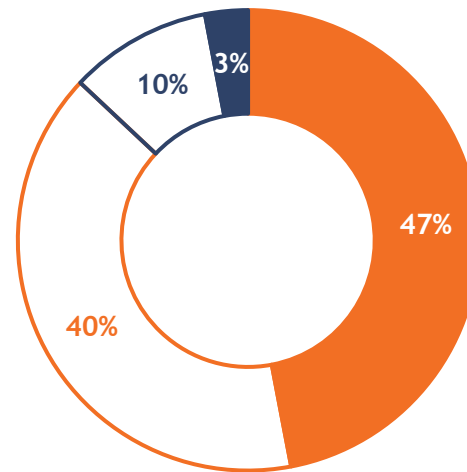


respectively, but consumers in these provinces account for less than one fifth of the country's population.^{ix} Regardless of regional differences, one thing is clear: across the board, consumers are

spending more money buying from big businesses instead of independent retailers, despite indicating that they value small businesses and their strong contribution to their communities.

FIGURE 10 (CONSUMERS' TYPICAL SHOPPING HABITS)

Nearly 9 in 10 consumers do significantly or somewhat more of their shopping at big businesses



- Shop significantly more at large retailers
- Shop somewhat more at large retailers
- Shop somewhat more at small independent businesses
- Shop significantly more at small independent businesses

Source: Angus Reid for CFIB, Omnibus Public Opinion Poll, July 13-19, 2023, final results, n = 1,504.

Question: Which of the following best describes your typical overall shopping habits?

There may be some evidence that these habits have taken hold in recent years, particularly as consumers were forced to alter their shopping habits during the pandemic. Over half of consumers (55%) say they shop more at large retailers now than they did five years ago.^x While this shift may simply be a reflection of the circumstances people faced at that specific point in time, consumers have clearly not reverted to their previous shopping habits.

Luckily, newer habits are often easier to break and, despite the current reality, consumers may be open to shifting some of their spending patterns. More than four in five Canadians (84%) say they would like to do more of their shopping at small independent businesses, and a comparable number (85%) believe that consumers should do what they can to support small businesses over major retailers.^{xi} If these Canadians follow through and change their current practices, everyone will benefit.

Even though most consumers do more of their shopping at large retailers, more than

4 in 5

think consumers should do what they can to

support  small businesses.

“Small businesses are the bread and butter of communities. They help the community thrive and contribute to making it better.”

- Female consumer, ON

Top considerations for consumers when deciding where to shop

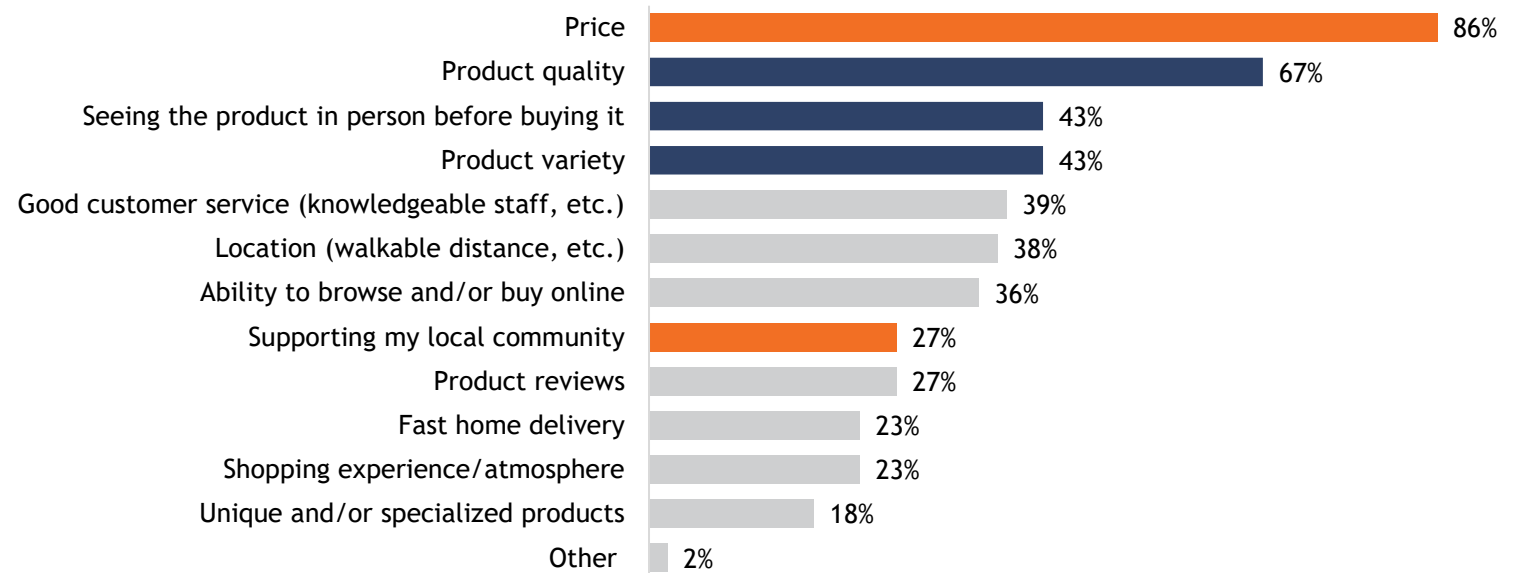
Consumers consider many factors when choosing where to shop. Unsurprisingly, price is by far the top priority. Just under nine in 10 (86%) Canadians said it was important in their decision-making process when choosing where to make a purchase. Product-related factors were also high on the list, with over two-thirds of consumers saying product quality was important, and over two in

five saying that both product variety and seeing a product in person before buying it are key considerations (Figure 11).

Though it appears lower down on the list when considered alongside factors such as price and product features, just over one in four consumers also indicated that supporting their local community was important to them when deciding where to shop.

FIGURE 11 (CONSUMERS' MOST IMPORTANT FACTORS IN DECIDING WHERE TO SHOP)

While **price** is the **top factor for consumers** when deciding where to shop, **1 in 4** also say that **supporting their community** is important to them



Source: Angus Reid for CFIB, Omnibus Public Opinion Poll, July 13-19, 2023, final results, n = 1,504.

Question: When considering where to shop, what is most important to you?

Supporting their local community is an important factor for over a quarter



of consumers when deciding where to shop.

Differences in priorities when shopping at small vs. large multinational retailers

Interestingly, there are some key differences in what consumers prioritize depending on where they tend to do more of their overall shopping. Among those that tend to frequent multinational retailers significantly more, price was even higher on the list, with 90% indicating it was important to them. For consumers that do significantly more of their shopping at small independent businesses, however, the most important factor for three in four (74%) was supporting their local community. While still important, price was selected by far fewer consumers that prefer shopping small (56%).

No one denies that price is an important consideration for any consumer, or that finding a product or service at an affordable cost is particularly important given the current economic climate. Shopping at small independent businesses, however, does not have to come with an unreasonable price tag. Small retailers sell their products at a more affordable level than most people realize, but many consumers automatically turn to multinational businesses and online giants when looking for a deal. Also, while larger businesses have a significant amount of power and resources to keep their

prices low, the reality is that they simply cannot provide the local value that independent businesses do.

Small business owners pride themselves on offering many of the features shoppers value, such as stocking high quality products and allowing customers to try or learn about a product before buying. Further, small business owners often have extensive knowledge and expertise in the products they sell, which allows them to provide real-time answers and exceptional service for their clients.

Some consumers say they shop at large retailers because it allows them to browse products or buy online. However, nearly three in five small retailers also provide this option to their customers (58%) and many others provide alternative solutions, like ordering over the phone for same-day pick-up. Consumers who are interested in shifting some of their spending to small retailers can rest assured that shopping local does not limit them. In fact, they can get the products and services they want with the added bonus of recirculating the dollars they spend directly into their local economy.

Over a third
of consumers say it is
important for them to be
able to browse
products online.

3 in 5 

small retailers already
provide this option.

“We are successfully competing with the convenience of shopping at online giants by offering free local home delivery, and next-day pick up out of a bank of lockers located on our front doorstep.”

- Small retailer, ON

Consumers engage in behaviours that both help and hinder small retailers

Consumer shopping behaviours have big impacts on small businesses. One such behaviour is when customers leave an online review of a product, service, or business. Over the last three years, nearly two thirds of consumers (64%) indicated that they had written a positive review, and there was also a significant share that had written a negative review (41%) (Figure 12).

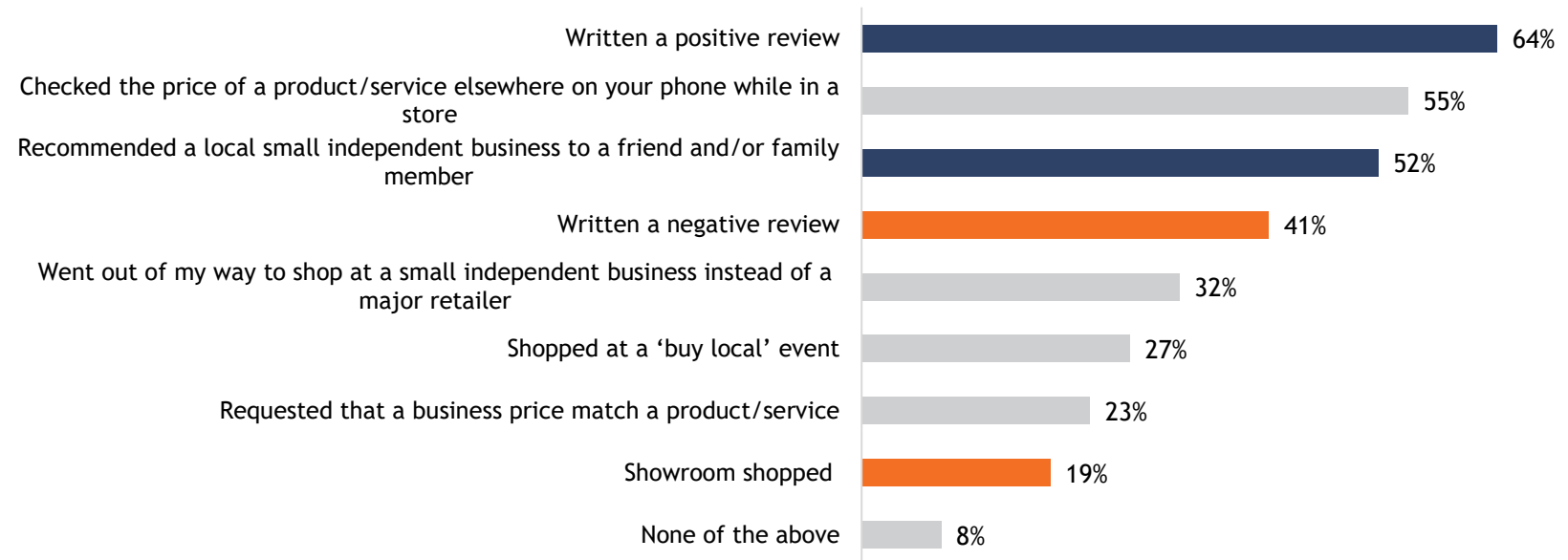
Interestingly, consumers who report doing significantly more of their overall shopping at large retailers (i.e., multinationals and online giants) are more likely to write a negative review (45%) than those that do significantly more shopping at small independent businesses (25%).



Consumers that do more of their shopping at small independent businesses are also significantly **less likely** to write a negative review (25%).

FIGURE 12 (CONSUMER BEHAVIOURS OVER THE LAST THREE YEARS)

Half of consumers have recommended a small independent business to a friend or family member



Source: Angus Reid/CFIB, Omnibus Public Opinion Poll, July 13-19, 2023, final results, n = 1,504.

Question: In the last three years, have you done any of the following as a consumer?

Despite the reality that most Canadians currently do most of their shopping at major retailers, many consumers have supported local retailers in the last three years. Among the top three consumer

actions, over half indicated that they had recommended a local small independent business to one of their friends or family members. Another third of all consumers reported going out of

their way to shop at a smaller business instead of a major retailer, and over a quarter had shopped at a “buy local” event (Figure 12, previous page). Consumers who indicated that they do significantly more of their shopping at small independent businesses were much more likely to engage in both of these behaviours. For example, nearly twice as many (62%) reported going out of their way to shop small instead of at a large retailer than the national average.

Other common practices that many consumers engage in include checking the price of a product or service elsewhere on their phone while in store (55%) and requesting that a business price match a product or service that they are interested in (23%). While comparing prices across different retailers is not inherently bad for small businesses, the fact that most consumers do it demonstrates how difficult it can be for independent retailers to maintain competitive pricing in the age of online giants, which have the capacity to change their prices on a daily basis.

In addition, some consumers engage in certain behaviours that can pose significant challenges for small businesses including “showroom shopping.” Showroom shopping occurs when a potential customer visits a physical store to try out a product firsthand or ask staff members questions about it, but ultimately makes their purchase from another business, often an online giant or multinational retailer.

When asked about this behaviour, one in five consumers shared that they had showroom shopped at least once over the last three years, which is remarkably high given that many retail stores experienced pandemic-related closures during this timeframe. Showroom shopping is less common among consumers who do somewhat more or significantly more of their shopping at small independent businesses; just 10% of those consumers reported that they had showroomed in the last three years.

Well over

1 in 2
consumers

check the price of
products or services
elsewhere on their phone
while in store.



The impacts of showroom shopping are felt by three in five small retailers

With one in five consumers readily admitting to having showroom shopped in the last three years, it is no surprise that this practice is a rising issue for a majority of independent businesses. What is most concerning is that showroom shopping is disproportionately

affecting small retailers; more than three in five of these business report that it is having a negative impact on their bottom line (Figure 13).

FIGURE 13 (BUSINESS OWNER AGREEMENT WITH STATEMENT)

Over 3 in 5 small retailers' revenues are negatively impacted by showroom shopping



Source: CFIB, Retail Local Contributions survey, May 17-June 14, 2023, final results, n = 588.

Question: Please indicate the extent to which you agree or disagree with the statement: "Showroom shopping (customers trying a product in our store and buying it elsewhere) is negatively impacting our business's bottom line."

In addition to using small businesses' stores to test out products that are later bought elsewhere, showroom shopping results in other losses, most notably wasted time. As many entrepreneurs tend to possess a certain expertise and knowledge about the products they sell, it is common for them to devote a significant amount of time to answering customers' questions, suggesting alternatives, and ultimately providing a high level of service. When a consumer makes use of these offerings, only to buy the same product from a multinational business or online giant, local retailers lose not only the sale, but also time and effort they could have dedicated to serving another customer or running their business.

As small retailers experience reduced sales and revenues, they may struggle to maintain their presence and viability, which can lead to job losses or even business closures. Such closures not only affect small entrepreneurs but also have a ripple effect on employees, suppliers, and other local stakeholders who rely on these establishments for their livelihoods.

Addressing the challenges of showroom shopping requires a multifaceted approach, but the potential rewards are worth the effort. Building awareness among consumers about the significance of supporting local businesses and the broader impact of their purchasing decisions fosters a deeper sense of community responsibility and strengthens local economies.

"I receive high praise often for being here and for what I offer. But much of the time that comes from people who only rarely come through my doors, so it allows me to feel like I'm doing something great while steadily going farther

 **into debt.**

It is hard not to become cynical after a while."

- *Small retailer, ON*

Recommendations for supporting small retail businesses

The significant contributions that small retailers and independent businesses in general make to their local economies are undeniable. To ensure the vitality of small businesses and the communities they serve, Canadian governments and consumers should make it a priority to support small local businesses. While we understand Canadians are not going to completely overhaul their spending habits overnight, small changes can have a big impact. To help support small businesses in our communities, provinces, and beyond, here is a list of recommendations that anyone can follow.

For consumers

Shop local first

- ▶ Prioritize shopping at small businesses in your community, in-person or online, over multinationals or online giants.
- ▶ Before making a purchase, consider whether local options are available. Explore your community and discover what small businesses in your area have to offer.
- ▶ Opt for local service providers for tasks like home repairs, landscaping, cleaning, and pet care.

Challenge your thinking about shopping local

- ▶ Small businesses are often more price competitive than you think, and many of them offer online shopping and home delivery options. Changing your current habits does not have to come with a higher price tag or less convenience.

Connect with your community

- ▶ Share positive experiences with local businesses on social media and with friends to support them. Like, follow, and engage with local businesses on social media to boost their visibility.
- ▶ Participate in local festivals, farmers' markets, craft fairs, and community events that showcase local businesses.
- ▶ Follow local business directories, community boards, and social media groups to keep up with local businesses and events.
- ▶ Offer your skills and volunteer time to local businesses and collaborate on mutually beneficial initiatives.

Even small changes in your habits can positively impact your local economy. By consciously choosing to support local independent businesses, you are contributing to the vibrancy and sustainability of your province.



For government

To address small businesses' challenges, particularly around unfair competition, it is essential for policymakers to recognize the significant contributions of small businesses and level the playing field where possible. Small businesses do not expect special treatment; they only want to receive the same level of consideration and opportunities for success that are available to big businesses.

Advance community education

- ▶ Support public awareness campaigns highlighting the positive impacts of supporting local businesses.

Ensure equitable policies

- ▶ Create a level playing field by ensuring that programs, regulations, and tax breaks are accessible to all businesses, and do not give unfair advantages to larger businesses.
- ▶ Make the Canadian Digital Adoption Program (CDAP) more accessible to smaller businesses to help them establish or enhance their online presence and allow flexibility around the use of the grant.
- ▶ As the federal government seeks to modernize competition law in Canada, reforms being made to the *Competition Act* must ensure that small businesses have an equitable opportunity to compete fairly in today's economy.

Reduce costs and red tape

- ▶ Further extend the federal CEBA loan repayment deadline to allow more businesses to access the forgivable portion.
- ▶ Eliminate/freeze the carbon tax.
- ▶ Lower provincial and federal small business tax rates.
- ▶ Reduce profit insensitive costs such as payroll costs and property taxes.
- ▶ Ensure that permits for local events, like festivals or sidewalk sales, are easily accessible to small businesses.
- ▶ Work with Canada Post to reduce shipping rates for small businesses.
- ▶ Prioritize red tape reduction at all levels of government to reduce regulatory burden.

Implementing policies that support small business growth, such as lowering taxes, reducing red tape, and increasing the accessibility of programs that help small businesses adapt to the changing marketplace can help bolster their competitiveness. Encouraging community support and fostering awareness of the impact of consumer choices on local businesses can also play a pivotal role in maintaining the diversity and vibrancy of provincial economies.



For small independent retail businesses

Small retailers face unique challenges in today's competitive market. To continue filling a key role at the local level, there are some strategies entrepreneurs can consider to increase their retention of existing customers, gain new ones, and further establish their local presence.

Enhance customer incentives and experience

- ▶ Provide incentives to encourage consumers to make purchases in-store, such as exclusive discounts, referral programs, and loyalty programs with special rewards for repeat customers.
- ▶ Continue to provide outstanding customer service that is unique to small businesses (e.g., personalized notes in online orders, flexible exchange policies, same-day pick-up).

Build an online presence

- ▶ Develop an easy-to-navigate website with clear product descriptions, clear images, and a straightforward checkout.
- ▶ Maintain an active profile on relevant social media platforms (e.g., Instagram) to showcase products, share positive customer reviews, and tell your business's story.

Collaborate with other local businesses

- ▶ Get involved with local business networks (e.g., your local BIA or Chamber of Commerce) that bring businesses together to learn from each other and collaborate on marketing initiatives that can help foster a more level playing field.
- ▶ Actively participate in local events, sponsorships, and partnerships to further establish your business's strong local ties that set you apart from multinational businesses and online giants.
- ▶ Partner with other small independent businesses in your area to collectively support each other (e.g., to put on special events, recommend each other's products/services).
- ▶ Sourcing the goods and services you need for your business locally is a major contributor to keeping two thirds of every dollar in your province. Do this whenever you can to support other independent businesses like yours.



Conclusion

Understanding how our spending impacts local economies is the first step towards better supporting small businesses. When a purchase is made at a small retailer, 66 cents from every dollar is recirculated provincially, compared to only 11 cents when spent at a large multinational retailer and just 8 cents when spent at an online giant. Beyond their significant reinvestment in local economies, other non-financial contributions made by small businesses further demonstrate their commitment to making sure their communities thrive, with 97% of independent retailers contributing to their province in at least one way (Figure 6).

Despite these many contributions, most consumers across Canada do not currently support small businesses through their day-to-day shopping, even though they simultaneously recognize it is important to do so. The potential impact of this behaviour is significant.

If small businesses struggle or are forced to close due to intense competition from big businesses, both the economic and social fabrics of local regions erode. In addition to the tangible economic loss of consumer dollars being recirculated, losing small retailers and businesses more generally leads to a loss of unique local character and reduced opportunities for community engagement.

To better support small business owners and regions across Canada, consumers and governments can follow the list of recommendations provided in this report to advance the goal of sustaining the vibrancy and diversity of our provinces. Through collective efforts and a shared commitment to supporting small businesses, together we can forge a path towards ensuring our communities are both dynamic and resilient.

“We support our community in every way any chance we get. Involving the other local businesses with sponsorship or donations encourages locals and visitors to check out our local businesses first. We just may have something you're looking for right here.”

- *Small retailer, AB*



“I want people to support us because we are here, but more than that, because we are the best. Support local, yes, and do it because it is better for you, your community, and your wallet.”

- *Small retailer, MB*

Methodology

This report contains information from the following sources:

- ▶ A public opinion poll conducted online by CFIB from July 13-19, 2023, among a representative sample of 1,504 Canadians who are members of the Angus Reid Forum. The survey was conducted in English and French. The results were weighted by education, age, gender, and region to match the population, according to Census data. For comparison purposes only, a probability sample of this size would carry a margin of error of at most +/-2.5%, 19 times out of 20.
- ▶ CFIB's Retail Local Contributions Survey is an online survey completed by 588 CFIB retail members between May 17-June 14, 2023. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of at most +/-4.9%, 19 times out of 20.

Local recirculation estimates

To determine the share of every dollar that is recirculated locally when shopping at different types of businesses, CFIB commissioned the research firm Civic Economics. Thank you to our partners LOCO BC, who had previously partnered with Civic Economics on a report estimating local provincial recirculation by small BC businesses. CFIB worked with both groups to update and expand this research to all major regions across Canada. LOCO BC and their network of BC Buy Local partner organizations, and select BIAs across the country, were also involved in circulating CFIB's Retail Local Contributions survey to small independent retailers. These efforts helped to ensure a high response rate in the province of BC and across other major regions of the country.

Small retailers

Civic Economics used results collected through CFIB's Retail Local Contributions Survey and its own methodology to determine how many cents out of every dollar stay within the local provincial economy when spent at a small retailer.

There are five key spending areas included in the total of 66 cents from every dollar that stay local when spent at a small retailer:

1. **PROFITS OR DIVIDENDS** paid to **OWNERS** of the business living in the province.
2. **WAGES AND BENEFITS** paid to **EMPLOYEES/OWNERS** of the business living in the province (including wages, benefits, bonuses, etc.).
3. Payments for **SERVICES** provided by other independent businesses based in the province (bookkeeping, shipping, attorneys, cleaning, information technology, insurance, telecom, etc.).
4. Payments for **GOODS** purchased from other independent businesses based in the province (for resale, operations, etc.).
5. **DONATIONS** to community or charitable causes within the province (including financial, in-kind, time, etc.).



For these five key spending areas, respondents were asked to estimate how much of their total annual revenues were spent in each area, within the province, in the last year. Civic Economics determined the average share for each spending area, then combined them to reach the total amount that stays local.

TAXES paid by the business to Canadian governments of all levels, and ALL OTHER BUSINESS EXPENSES that small retailers pay for, either inside or outside the province, are **not included** in the amount that is recirculated locally (i.e., this spending falls within the remaining 34 cents). When it comes to TAXES in particular, leaving this figure out on the small retailer side allows us to leave it out for multinational retailers and online giants. We do not have an accurate or dependable way of knowing what these big businesses may or may not pay in taxes to Canadian governments.

Multinational businesses and online giants

Only WAGES AND BENEFITS paid to EMPLOYEES of big businesses living in the province (including wages, benefits, bonuses, etc.) are included in the estimated share of their revenues that are recirculated within a local provincial economy (11 cents for multinationals, 8 cents for online giants). While multinational businesses and online giants still dedicate revenues to the other four spending areas, they would either be making purchases of goods and services from other big businesses, sourcing them internally or, in the case of charitable giving, making donations to national or international organizations. In any case, the revenues spent in these areas are not staying local to the province that a consumer makes a purchase in, and are likely not even staying local to Canada.



Endnotes

ⁱ LOCO BC, The Economic Impact of Local Businesses: A Study on the Local Recirculation of Revenue by BC Retailers and Restaurants, 2019. Link: <https://www.locobc.ca/blogs/loco-bc-2019-study-on-the-the-economic-impact-of-local-business>.

ⁱⁱ Business size is determined by the number of employees: micro = 0-4 employees; small = 5-49 employees; medium = 50-499 employees.

ⁱⁱⁱ Business size is determined by the number of employees: large = 500 or more employees.

^{iv} LOCO BC, The Economic Impact of Local Businesses: A Study on the Local Recirculation of Revenue by BC Retailers and Restaurants, 2019. Link: <https://www.locobc.ca/blogs/loco-bc-2019-study-on-the-the-economic-impact-of-local-business>.

^v See methodology section for further details about what is included in the local recirculation estimates for small independent retailers, multinational retailers, and online giants.

^{vi} CFIB, Retail Local Contributions survey, May 17-June 14, 2023, final results, n = 588.

^{vii} Angus Reid for CFIB, Omnibus Public Opinion Poll, July 13–19, 2023, final results, n = 1,504.

^{viii} Ibid.

^{ix} Statistics Canada, Q3 2023. Table 17-10-0009-01 Population estimates, quarterly. Link: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901>.

^x Angus Reid for CFIB, Omnibus Public Opinion Poll, July 13–19, 2023, final results, n = 1,504.

^{xi} Ibid.

About CFIB

CFIB is a non-partisan organization exclusively representing the interests of 97,000 small and medium-sized businesses in Canada. CFIB's research capacity is second-to-none because it is able to gather timely and concrete information from members about business issues that affect their day-to-day operation and bottom line. In this capacity, CFIB is an excellent source of up-to-date information for governments to consider when developing policies impacting Canada's small business community.

To learn more, visit cfib.ca.

Additional resources

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