

Transformation of Canada's Small Businesses Series

Report #1: Connecting with Customers During the Pandemic

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As provinces continue to adjust measures to flatten the COVID-19 curve, small businesses have been left to adapt to a crisis that changes their day-to-day realities in ways they never anticipated. Many businesses shut down for a period and reopened as lockdown measures eased, others remained open throughout the pandemic while grappling with ways to ensure their customers and staff were safe.

In this series, *Transformation of Canada's Small Businesses*, we will look at how small businesses are handling the pandemic, how they are adapting now and strategizing for the long road ahead.

This first report is focused on how small businesses have changed their direct communications with their customers in the face of lockdowns and ongoing social distancing requirements¹.

The key findings for how customer communications have transformed since the start of the pandemic are:

- Half (51%) of business owners say their businesses will rely more on digital communication channels in the coming year
- Since the beginning of the pandemic, two-in-five (41%) small businesses have reduced in-person communication with their customers; six per cent stopped meeting with their customers entirely
- The digital communication channel most likely to be adopted by small businesses since the start of the pandemic is video conferencing (15%)

¹ Insights for this report are taken from CFIB's *Your Business and COVID-19 Survey #19*, which had 5,487 responses from Canadian business owners. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/-1.3%, 19 times out of 20. CFIB thanks Facebook for their support of this work. The views and opinions expressed here are solely of CFIB.

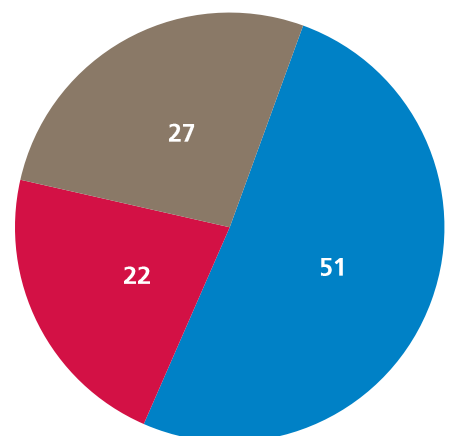
- Email is the communication channel that has seen the greatest shift in businesses starting or increasing use (48%) since the start of the pandemic, followed by phone (40%), video conferencing (39%), and social networking platforms (32%)
- Business owners could use solutions to make managing digital communication easier: almost half (46%) are overwhelmed by having to keep track of too many digital communication channels and two-in-five (38%) forget to monitor messages coming in from their customers on the platforms they are using. These challenges are even more prevalent among businesses using social media and messaging apps to communicate directly with customers (54% are overwhelmed and 44% forget to monitor messages)

Adapting Communication Channels

The pandemic continues to restrict the ability for many small businesses to connect with their customers in the ways they did pre-COVID-19. As a result, the use of digital communication channels is accelerating. Half (51%) of business owners say they are going to rely on digital communication a lot more in the coming year (see Figure 1).

Figure 1

My business is going to rely on digital communication channels a lot more in the coming year (% response)



■ Agree ■ Disagree ■ Don't know/ N/A

While business owners are planning ahead, many have already made significant adjustments to how they communicate with their customers.

In-person Communications

Prior to COVID-19, 93 per cent of small businesses met with their customers face-to-face, but with less consumer traffic and new social distancing rules to reduce the spread of the disease, many businesses pivoted away from this fundamental means of conducting commerce. In fact, the number of small businesses not seeing their customers in person nearly doubled from seven to 12 per cent. Another 41 per cent of businesses reduced their in-person communication with customers (see Figure 2). This is a tectonic shift for businesses, as these changes are not easily made and have critical impacts on business operations and long-term viability.

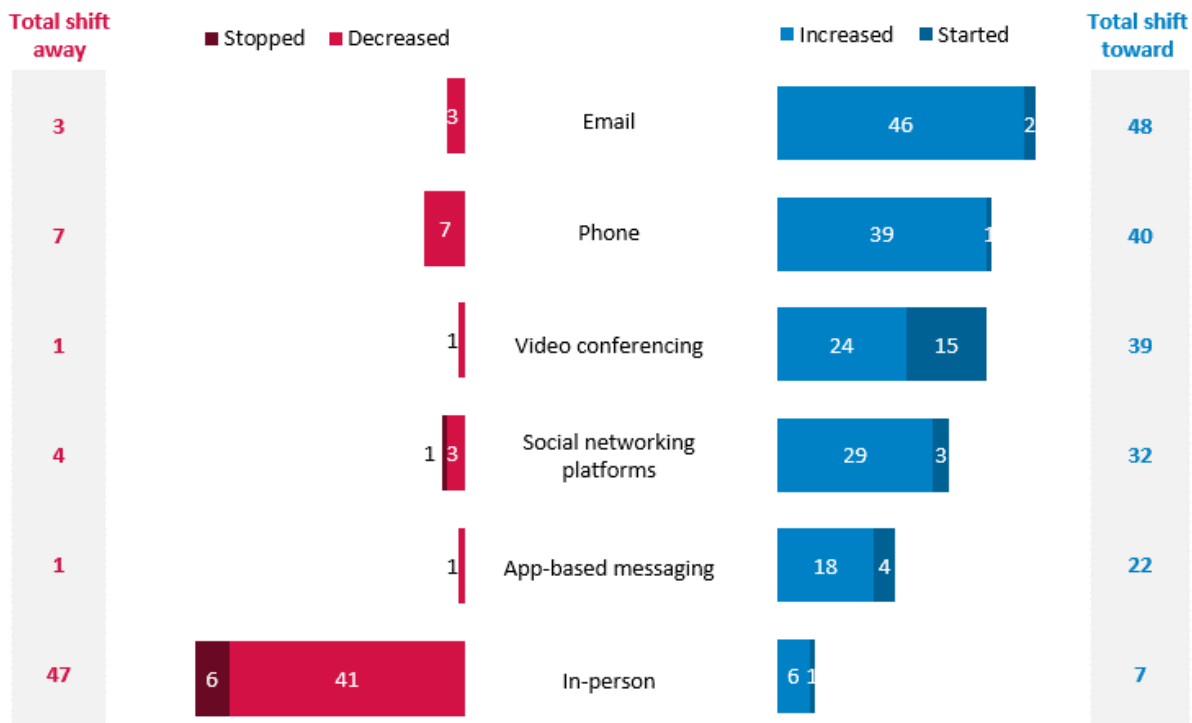
Business-to-business (B2B) operations have greater ability to shift away from in-person contact with their customers. Since the start of COVID-19, 17 per cent of B2B businesses stopped their in-person dealings entirely and 52 per cent reduced their face-to-face interactions. Businesses that sell to consumers (B2C) are less able to make

significant changes on this front – only three per cent stopped in-person interactions and 33 per cent decreased these touch points with customers.

While meeting in person continues to be a fundamental part of doing business and will not be broadly replaced, technology will continue to play an important role in helping businesses adapt to the ongoing need to social distance from customers for the duration of the pandemic.

Figure 2

Shift in Communication Channel Use Since the Start of COVID-19
(% response among all businesses)



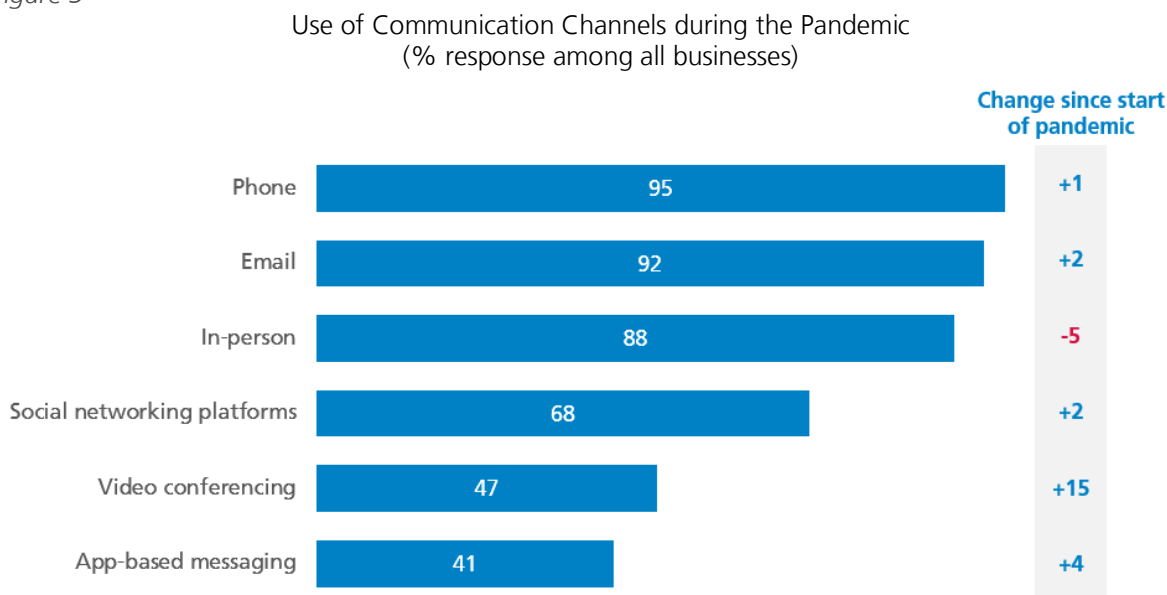
Phone & Email

Modern technologies allow us to adapt to the pandemic in ways no generations facing major disease outbreaks were able to before. Phone and email have become vital tools to connect with customers during the pandemic – 95 per cent and 92 per cent of business owners are using these channels to connect with their customers (see Figure 3). Nearly half (48%) have added or increased their use of email and 40 per cent have increased their use of the phone.

Phone and email have been reliable tools for businesses to facilitate operational changes necessary during the pandemic, including organizing curbside pick-up and

answering customers' questions about whether they are open. These tools are vital for both B2B and B2C businesses.

Figure 3



New Digital Communication Channels

We start to see differences in how businesses adapted their one-on-one communications when looking at newer digital frontiers, including social networking platforms, video conferencing and app-based messaging.

The greatest adoption in communication channels since the start of COVID-19 has been video conferencing (15%). Looking specifically at B2B businesses, one-in-five (19%) introduced video conferencing into their business and two-in-five (38%) are using it more than before the pandemic. In total, 65 per cent of small businesses selling B2B say they are using video conferencing now, compared to 39 per cent of B2C businesses. Still, this is a surprisingly sizeable proportion of B2C businesses using video conferencing to connect with consumers and shows the desire business owners have to maintain a personal connection with their customers while they navigate social distancing.

The adoption of video conferencing certainly won't surprise anyone reading this, with countless memes and viral videos focused on the adoption of Zoom into our everyday vernacular and experiences. "You're on mute," may just become the phrase of the year for those in finance, insurance & real estate, and professional services, which are most likely to have started or increased use of video conferencing (65% and 61%, respectively). These two sectors are also most likely to be watching for their customers' messages to come in on their phones, with 33 per cent and 30 per cent having started or increased their use of app-based messaging, respectively.

Small businesses are just a text away from their customers with app-based messaging platforms like Apple's iMessage, WhatsApp, and Viber. App-based messaging is more likely to be used by B2B businesses – with half (52%) using these channels to connect with their customers, compared to 37 per cent of B2C businesses.

So, where are B2C businesses going to chat with their customers during the pandemic? The primary new digital frontier for B2C businesses is social networking platforms, like Facebook Messenger and Instagram Direct. Four-in-five (78%) small B2C businesses are using social networking platforms to connect with their customers, compared to half (53%) of B2B businesses.

While a third (37%) of B2C businesses increased their use of social networking platforms (as did 16% of B2B businesses), we do not see much 'new' adoption of these tools. If they were not on these platforms before they have not jumped to adopt them because of the pandemic, possibly because of some of the challenges these tools present.

Challenges of Digital Communication

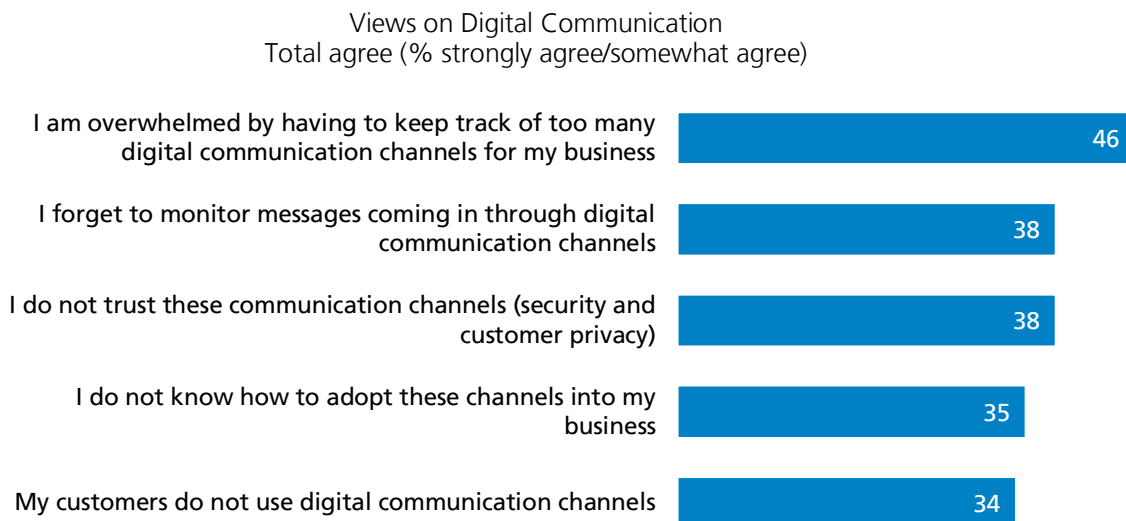
Increasing the use of digital communication, including video conferencing, app-based messaging and social media platforms, to connect with customers is not equivalent to getting a makeover from your fairy god mother – there is real work involved, including operational changes and additional resource needs, as well as security and privacy implications. Here are some of the main hurdles small business owners face in using digital communication to communicate with their customers:

- Some small business owners who are trying to leverage digital platforms to help get through the pandemic find the shift difficult because this is an entirely new world for them. The learning curve is a real challenge with **one-in-three (35%) saying they don't know how to adopt these channels into their business** (see Figure 4).
- Small businesses don't typically have digital marketing teams to manage online communications. As a result, many business owners are taking on this responsibility themselves and **nearly half (46%) say they are overwhelmed by the effort it takes to keep track of too many digital channels** (54% among those using social media and messaging apps to communicate with customers).
- During the pandemic, business owners have been telling us they are beyond stressed and overworked. Digital communication adds the expectation for instant responses, which can be very difficult for business owners to meet. In fact, **many (38%) forget to monitor the messages coming in through all the digital channels they have** (44% among those using social media and messaging apps to communicate with customers).
- There are also other barriers for small businesses venturing into the digital realm to connect with customers, including connectivity in rural areas and ensuring

customer privacy (38% question digital platforms' ability to protect their customers' security and privacy).

- Digital communication may also simply not be an option for some businesses – 34 per cent say their customers don't use digital communication channels.

Figure 4



What does the future of one-on-one communications look like for small business?

Canadian small businesses are facing a tough year and difficult decisions ahead. Many are in a battle to stay open, while keeping staff and customers safe. For most businesses, there is just no replacing the in-person experience and they are eager to get back to normalcy as soon as possible.

For half, digital communication channels are going to be an increasingly important tool to help their business survive. This transformation is not an easy one, and small businesses could use more support to adapt, as well as solutions to make these tools easier to manage.

Through it all, business owners are grateful to their customers who are continuing to support them every day by using the many communication channels available, be it emailing, calling, reaching out through Facebook or Instagram, or still meeting in-person while social distancing.

Stay tuned for the next report in our *Transformation of Canada's Small Businesses Series*.

Appendix

Figure 5: Communication Channel Use since the Start of COVID-19
(% response among all businesses)

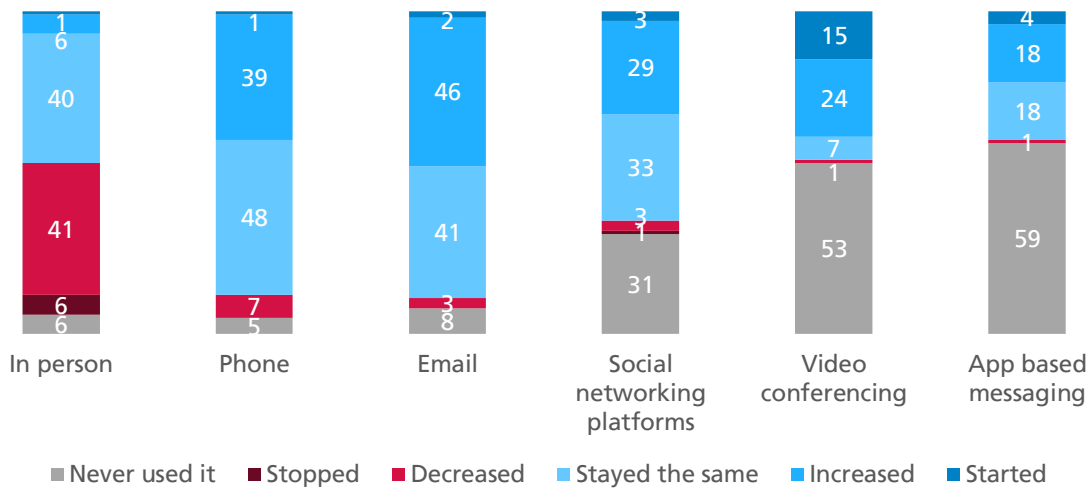


Figure 6: Communication Channel Use since the Start of COVID-19
(% response among B2C businesses)

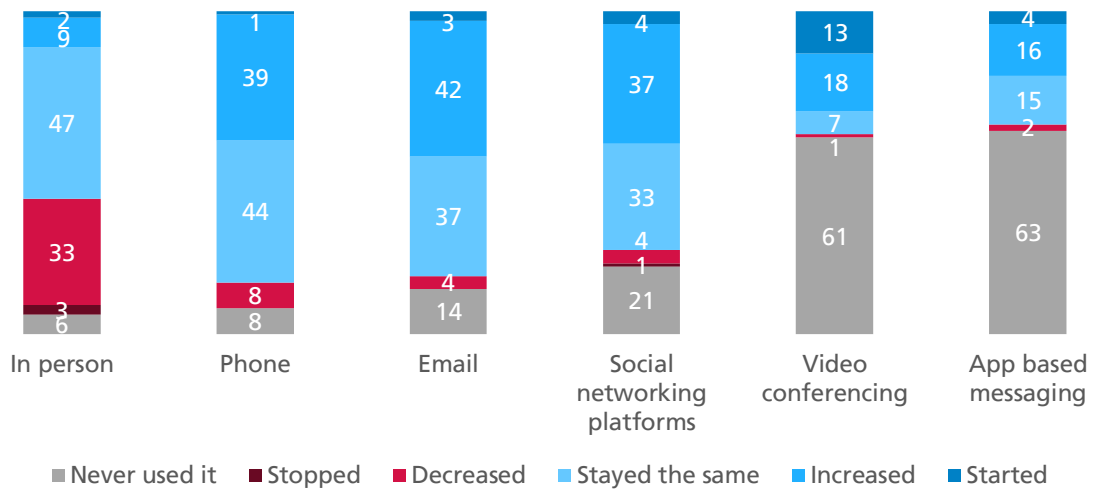


Figure 7: Communication Channel Use since the Start of COVID-19
(% response among B2B businesses)

