

Digital Tools in Crisis and Recovery

Small and Medium Business Report

Important notice from Deloitte LLP

This final report (the “Final Report”) has been prepared by Deloitte LLP (“Deloitte”) for Facebook, Inc. in accordance with the contract with them dated 18 May 2020 (“the Contract”) and on the basis of the scope and limitations set out below.

The Final Report has been prepared solely for the purposes of researching how consumers are using digital tools to adapt to the outbreak of COVID-19 and stay connected with businesses, as set out in the Contract. It should not be used for any other purpose or in any other context, and Deloitte accepts no responsibility for its use in either regard including its use by Facebook, Inc. for decision making or reporting to third parties.

The Final Report is provided exclusively for Facebook, Inc.’s use under the terms of the Contract. No party other than Facebook, Inc. is entitled to rely on the Final Report for any purpose whatsoever and Deloitte accepts no responsibility or liability or duty of care to any party other than Facebook, Inc. in respect of the Final Report or any of its contents.

As set out in the Contract, the scope of our work has been limited by the time, information and explanations made available to us. The information contained in the Final Report has been obtained from third party sources that are clearly referenced in the appropriate sections of the Final Report. Deloitte has neither sought to corroborate this information nor to review its overall reasonableness. Further, any results from the analysis contained in the Final Report are reliant on the information available at the time of writing the Final Report and should not be relied upon in subsequent periods.

All copyright and other proprietary rights in the Final Report remain the property of Deloitte LLP and any rights not expressly granted in these terms or in the Contract are reserved.

Any decision to invest, conduct business, enter or exit the markets considered in the Final Report should be made solely on independent advice and no information in the Final Report should be relied upon in any way by any third party. This Final Report and its contents do not constitute financial or other professional advice, and specific advice should be sought about your specific circumstances. In particular, the Final Report does not constitute a recommendation or endorsement by Deloitte to invest or participate in, exit, or otherwise use any of the markets or companies referred to in it. To the fullest extent possible, both Deloitte and Facebook, Inc. disclaim any liability arising out of the use (or non-use) of the Final Report and its contents, including any action or decision taken as a result of such use (or non-use).



Contents

Executive Summary	4
Introduction	6
Impact of COVID-19 on SMBs	8
Customer awareness	11
Supporting purchases	17
Maintaining customer relationships	22
The future of digital tools	28
Appendix	31

Executive Summary

SMBs have increased their usage of digital tools to adapt to the outbreak of COVID-19, supporting them in driving the economic recovery.

Small and Medium-sized Businesses (SMBs) have faced significant challenges in 2020, with many closing temporarily, or even permanently, since the outbreak of COVID-19.¹ Those that have remained open or reopened have been obliged to alter how they interact with their customers, as government restrictions and concerns over health and safety have discouraged in-person interactions. Despite these limitations, many SMBs have managed to adapt to the crisis, turning to digital tools to reach out to and share information with potential customers, conduct sales, and maintain communication and relationships with their customers post-sale.

Based on a survey in August of more than 4,300 SMBs covering 17 countries, this report illustrates how SMBs have adapted to these new challenges, with a particular focus on the growing role of digital tools in interacting with their customers.^{2,3} The findings follow a companion study to this report published in September, which demonstrated how consumers have relied on digital tools to discover and purchase from new small businesses since the pandemic began.⁴

The SMB survey results further document the widespread increase in SMBs' use of digital tools since the COVID-19 outbreak.⁵ The majority of SMBs are turning to digital tools as a substitute for in-person customer interactions. 77% of the SMB

owners and senior managers we surveyed indicated they started using or increased their usage of digital tools at some point in the customer lifecycle, with social media and online messaging experiencing the most growth during the COVID-19 crisis.

Digital tools can bring major benefits to SMBs, as well as to the wider economy, and are associated with better business outcomes.⁶ For example, our analysis demonstrates that, of those now-open SMBs that closed at some point during the pandemic, **an increase in digital tool usage was associated with shorter closure periods.**⁷

At a time when it is otherwise difficult to build awareness among customers through more typical channels, **two thirds of SMBs also reported that they started or increased their usage of digital tools for marketing.**⁸ This is consistent with other research demonstrating a shift towards digital marketing during the pandemic.⁹ In addition, more than half (59%) of SMBs started using, or increased their usage of, social media or online messaging for marketing. Furthermore, **those that increased their digital tool usage were 3.8 times more likely than other SMBs to be targeting new customers** with their marketing efforts, potentially tapping into new markets and new sources of revenue.

77% of SMBs surveyed started using or increased usage of digital tools.



1. See OECD (2020), "[Coronavirus \(COVID-19\): SME policy responses](#)".

2. The survey was conducted by Ipsos over the period 24 July-30 August, 2020. Country coverage included: Australia, Brazil, Canada, France, Germany, India/Indonesia, Israel, Italy, Japan, Mexico, New Zealand, Philippines, Spain, Sri Lanka, United Kingdom (UK), and the United States (US). SMBs that were not operational and had no plans to reopen were excluded from the sample.

3. Unless stated otherwise, all information in this report is drawn from Deloitte survey analysis.

4. See Deloitte (2020), "[Digital Tools in Crisis and Recovery: Consumer Report](#)". Referred to throughout as the Consumer Report.

5. See Google (2020), "[COVID-19 has accelerated digital adoption — the time to transform is now](#)".

6. See for example: UNESCAP (2017), "[Building a Resilient Digital Economy: Fostering SMEs in Central Asia](#)"; Lukonga, I. (2020), "[Harnessing Digital Technologies to Promote SMEs and Inclusive Growth in the Middle East, North Africa, Afghanistan and Pakistan \(MENAP\) Region](#)".

7. See Wall Street Journal (2020), "[Businesses Tap New Digital Tools to Reopen the Workplace](#)".

8. See Goldfarb, A., and Tucker, C., (2019) "[Digital Economics](#)".

9. See IAB, "[COVID Impact on Ad Spend 2020: The Transformation of the Television Marketplace](#)".

SMBs in our sample also stated that **digital channels used for conducting sales, especially social media and online messaging, were the least adversely affected compared with other, non-digital, sales channels.**¹⁰ The finding that these tools enable SMBs to maintain their sources of revenue is consistent with the Consumer Report, which found that 60% of consumers had used these channels more to engage with businesses.

SMBs that reported increasing their usage of digital tools were also 3.5 times more likely to launch new products. In this way, digital tools may also help some SMBs to adapt to changes in consumer preferences and enter new markets, which may drive longer-term economic benefits post-COVID.

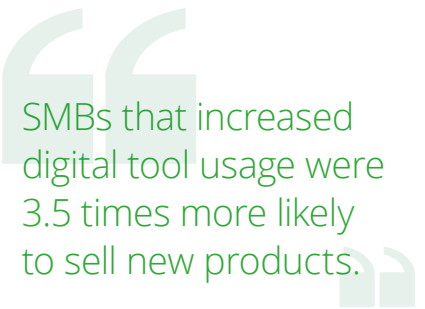
SMBs also indicated that they have been using digital tools to build relationships post-sale as a substitute for in-person interactions. **50% of SMBs reported an increase in usage of online messaging platforms and 42% an increase in messaging through social media** for this purpose. Moreover, social media has become increasingly valuable to SMBs for receiving important information and feedback, with 38% of our sample reporting an increase in customer comments on their social media pages.

Looking at different types of SMBs in our sample, **female and younger business leaders were also more likely to start or increase use of digital tools.** These SMBs have been disproportionately affected by the outbreak of COVID-19, and digital tools are helping them to adapt and overcome some of the challenges of the current environment.¹¹

In addition, SMBs based in **developing countries were more likely to increase their usage of digital tools than those in developed countries.**^{12,13} Furthermore, at the sector level, **SMBs involved in the manufacture and sale of intermediate products, and those in agriculture, increased their digital tool usage** despite lower levels of digitisation in these sectors relative to others.^{14,15}

Looking to the future, **SMBs who have been able to adapt to the challenges presented by the COVID-19 outbreak will play a key role in driving the economic recovery, and digital tools will be an important part of this.**¹⁶ Indeed, COVID-19 may have helped SMBs discover some of the benefits of digital tools, potentially resulting in increased levels of digitisation among some SMBs over the long term. To illustrate this point, 78% of SMBs that have started using digital tools during the crisis expected usage to rise further after the pandemic.¹⁷

Despite these developments, as has been suggested by other research, a lack of digital knowledge is a key ongoing barrier for SMBs. They are also finding it difficult to manage multiple digital tools.¹⁸ Helping SMBs to overcome these barriers and promote the use of digital tools will require collaboration between policymakers, digital tool providers, and SMBs themselves. ➔



SMBs that increased digital tool usage were 3.5 times more likely to sell new products.

10. These SMBs indicated that since the outbreak of COVID-19, social media or online messaging had either experienced the largest increase in supporting sales if multiple channels saw an increase, or experienced no change or the smallest decrease if all other channels decreased.

11. See Pergelova et al. (2018), "[Democratizing Entrepreneurship? Digital Technologies and the Internationalization of Female-Led SMEs](#)"; Women Entrepreneurs Finance Initiative (2020), "[Research and Data on the Impact of the coronavirus on women-led SMEs](#)".

12. Developed and developing nation classification is based on the United Nations Conference on Trade and Development's categorisation of developing nations, please see Appendix 1.

13. This may reflect the higher levels of saturation of digital tools in developed markets and is consistent with trends observed among consumers. See Pew Research Center (2018), "[Social Media Use Continues to Rise in Developing Countries but Plateaus Across Developed Ones](#)".

14. See for example: OECD (2019), "[Digital opportunities for trade in agriculture and food sectors](#)"; McKinsey (2017), "[Measuring B2B's digital gap](#)".

15. This may illustrate that SMBs in these sectors are adapting their business models to engage and serve customers more directly, rather than via intermediaries or as part of a wider supply chain. See EY (2020), "[How to accelerate online direct to consumer strategies beyond COVID-19](#)"; Financial Times (2020), "[UK food wholesalers move into direct selling to consumers](#)".

16. See for example: McKinsey (2020), "[Setting up small and medium-size enterprises for restart and recovery](#)"; McKinsey (2020), "[The COVID-19 recovery will be digital: A plan for the first 90 days](#)"; Financial Times (2020), "[Covid recovery will stem from digital business](#)".

17. See SME Finance Forum (2020), "[The Importance of Going Digital for SMEs](#)".

18. See IAB (2020), "[Digital advertising crucial to SMEs' recovery](#)".

Introduction

Businesses are adapting to the crisis by leveraging digital tools to engage with customers.

From crisis to recovery...

The COVID-19 outbreak has disrupted business operations globally. Government responses to the crisis, such as lockdowns and social distancing restrictions, have directly impacted employment, resulted in supply chain disruption, and increased the costs of keeping both staff and consumers safe. They have also affected how consumers and businesses are able to interact.

With more time spent at home, consumers have been more active online. A recent study produced by Deloitte found that, in the UK alone, 40% of consumers reported shopping more online, and 42% were spending more time on social media.¹⁹ The

companion report to this study (referred to as the 'Consumer Report') found that, of the 38% of consumers who substituted at least one provider, nearly two-thirds had used digital tools to discover these new businesses.²⁰ As a complement to the Consumer Report, this report offers insight into how SMBs have changed their use of digital tools in order to reach and interact with consumers.²¹

SMBs are of critical importance to the economy, accounting for 90% of businesses and 50% of employment around the world.²² However, the crisis poses a much greater threat to SMBs than it does to their larger counterparts. SMBs, for example, may have lower cash reserves or find it

more difficult to access credit facilities, and might not be as financially resilient as larger firms.²³ Given these challenges, some are unable to maintain operations. A global study of online SMBs by Facebook/OECD/World Bank found that 15% of SMBs were closed in August (see Figure 1).²⁴

Given their importance, governments have responded with transitory interventions, providing a lifeline for many SMBs.²⁵ Nevertheless, this has been a challenging time for many SMBs that have traditionally relied upon in-person interaction with consumers. Google Mobility data shows that footfall to retail and recreation locations has fallen by as much as 96% in the worst affected countries, with a decline

Figure 1: Proportion of SMBs closed over time, by region.



Source: Facebook/OECD/World Bank (2020) Global State of Small Business.

19. See Deloitte, [“Digital Consumer Trends 2020”](#).

20. See Deloitte (2020), [“Digital Tools in Crisis and Recovery: Consumer Report”](#), and also see the Consumer Report summary box at the end of this section for an overview.

21. For the purposes of our report, small and medium sized businesses are defined as those with less than 250 employees. This follows the definition set out by the European Commission and other global institutions. See European Commission, [“SME Definition”](#).

22. See World Bank, [“Small and Medium Enterprise \(SMES\) Finance”](#).

23. See OECD, [“Financing small business: a key to economic recovery”](#); SME Finance Forum, [“SME policy response speed, critical to economic recovery”](#); ECB (2020), [“Survey on the Access to Finance of Enterprises: Small businesses report challenging outlook for their access to external financing due to COVID-19”](#); Bartik et. al. (2020), [“How are small businesses adjusting to Covid-19? Early evidence from a survey”](#).

24. See Facebook/OECD/World Bank (2020) Global State of Small Business Wave IV, [“The Future of Business Survey”](#).

25. See OECD, [“Coronavirus \(COVID-19\): SME Policy Responses”](#).

of more than 35% in all countries at some point during the crisis.²⁶

This report demonstrates how SMBs across the world have responded to this shock by leveraging digital tools, such as social media and online messaging apps, to stay connected with consumers. Many SMBs have increased their usage of digital tools since the outbreak of COVID-19. Some are using more of the functionality provided by these tools; others are turning to them for the first time.²⁷ As such, COVID-19 may be bringing about a structural change, accelerating adoption of digital tools. SMBs are discovering the economic benefits of using digital tools as they navigate these new challenges.

Based on a survey we conducted in August 2020, this report draws on the insights of more than 4,300 SMB owners and senior managers in 17 countries.^{28,29} This coverage provided us with a diverse range of developed and emerging economies that differ in terms of their income levels, internet penetration, key sectors and responses to COVID-19.³⁰ The diversity of our sample, although not representative of the SMB population of each country, offers insights on the varied impact on differing sectors and countries.

In the remainder of this report, we analyse how SMBs have used digital tools along the consumer journey to continue to raise awareness, sell products and services,

and communicate with their customers and some of the associated impacts these SMBs have experienced. We also reveal how SMBs expect their use of digital tools to change once the outbreak is over, while considering the barriers to digital adoption that many SMBs may face. We complement this analysis with a number of case studies that give examples of how some SMBs have navigated the crisis.

FROM CRISIS TO RECOVERY: CONSUMER REPORT

In September we published our Consumer Report from our Digital Tools in Crisis and Recovery series.³¹ Drawing on insights from 6,500 consumers surveyed in July 2020, across 13 countries, we examined the impact of COVID-19 on consumers' purchasing patterns and their use of digital tools to search for and interact with businesses. We found that consumers had not only moved their spending online, but also increased their usage of digital tools, including social media, to engage with businesses. Their willingness to continue using digital tools in their interactions with businesses could lead to a permanent structural shift as new habits are formed.

In particular, the report found that:

- As a result of the outbreak, 48% of consumers reported that online spending had increased since the outbreak of COVID-19.
- Nearly 2 in 5 consumers stated that they had substituted a regular place of purchase, with two thirds of these consumers using digital tools to discover a new business.
- Of those who substituted, 60% switched to a small local business, with consumers in developing nations being 50% more likely to have discovered new small businesses through social media.
- Complimenting traditional word of mouth, 40% of consumers had

increased their use of social media and online messaging to obtain product and business recommendations.

- Similarly, 60% of consumers increased their use of social media and online messaging to search for information about, and engage with businesses.



26. See Google, "COVID-19 Community Mobility Reports".

27. See Google (2020), "COVID-19 has accelerated digital adoption — the time to transform is now".

28. Country coverage included: Australia, Brazil, Canada, France, Germany, India, Indonesia, Israel, Italy, Japan, Mexico, New Zealand, Philippines, Spain, Sri Lanka, United Kingdom (UK), and the United States (US).

29. In total, our sample contained 5,051 SMBs, which consisted of approximately 250 SMBs in each country, except in the United States where 1,000 SMBs were surveyed. For the US a sample weight was constructed to scale this down to 250 SMBs for facilitating comparison with other countries. For more details on the sampling methodology, please see Appendix 1.

30. Developed and developing nation classification is based on the United Nations Conference on Trade and Development's categorisation of developing nations, please see Appendix 2.

31. See Deloitte (2020), "Digital Tools in Crisis and Recovery: Consumer Report".

Impact of COVID-19 on SMBs

SMBs have adapted to the limitations placed on physical interactions across all stages of the customer journey.

SMBs have faced a challenging environment...

COVID-19 has had wide-ranging effects on SMBs, such as trade suspension or reduction in workforce.³² At the time of the survey, 65% of SMBs surveyed had closed at some point since the outbreak of COVID-19, and 23% had closed for a period of longer than two months. The country with the highest proportion of closures among SMBs surveyed was Sri Lanka, where 84% of respondents had closed, compared to just 30% in Japan.

The proportion of SMBs that had closed was higher in developing countries than in developed (73% and 60% of SMBs respectively). Of SMBs that had closed and subsequently re-opened, 35% in developing countries had been closed for two months or more, compared with 24% in developed countries.

The differences in closure rates between countries partly reflect the stringency of government restrictions to control the spread of COVID-19.³⁴ However, they may also suggest other important factors, such as the prevalence of the virus, the capacity of governments to deliver support (especially financial), the structure of the economy, and SMBs' resilience in each country considered.³⁵

In the aggregate sample, female-led SMBs were more likely to have closed at some point than male-led SMBs (72% and 57% of respondents respectively in each group had closed).³⁶ Urban-based SMBs also appear to have been more greatly affected, with 69% of respondents closed compared with 56% in rural areas. Older business


FINDINGS FROM THE FUTURE OF BUSINESS SURVEY³³

The Future of Business Survey is an ongoing data collection collaboration between Facebook, the Organisation for Economic Co-operation and Development (OECD), and the World Bank, which has surveyed more than 25,000 SMB business leaders over each of the last four months, in over 50 countries and regions.

This research found that in August, 15% of all SMBs surveyed were closed. This represents a fall of 11 percentage points since May (26%).

SMBs have continued to report lower sales and employment. In August, 56% of open SMBs reported lower sales relative to the same month in 2019, slightly down from 62% in May. Of those that reduced sales, half reported a fall of 50% or more. One-third of SMBs, in aggregate, stated they had reduced employment in response to the pandemic, the same as reported in May.

The financial pressures on SMBs have persisted, leading many to seek financial assistance (17% of SMBs), mostly comprised of government grants and loans. SMBs have been supported by digital tools in this time; in August, 44% made over 25% of their sales via digital channels, for example.



leaders appear most able to remain open, with only 52% of baby boomers closing, compared to 76% of Gen Z leaders.³⁷

These closures have had a significant impact on many SMBs' day-to-day operations. Many have tried to adapt, moving at least some of their operations online. According to the Future of Business Survey, 44% of SMBs in total made more than 25% of their sales in August through digital channels, and 30% of SMBs made more than 50% of their sales through these channels.³⁸

“Across the sample, female-led SMBs were more likely to have closed than male-led SMBs.”

32. See OECD (2020), “[Coronavirus \(COVID-19\): SME policy responses](#)”.

33. See Facebook/OECD/World Bank (2020), “[The Future of Business Survey](#)”.

34. For analysis of the extent of government intervention please see “[University of Oxford COVID-19 Government Response Tracker](#)” (Hale et al. 2020).

35. Some of these SMBs may have closed, either temporarily or permanently due to other factors unrelated to COVID-19.

36. Business leaders are defined by the survey framing as owners or senior managers of the business.

37. For details of age categorisations see Appendix 2 Table 2.

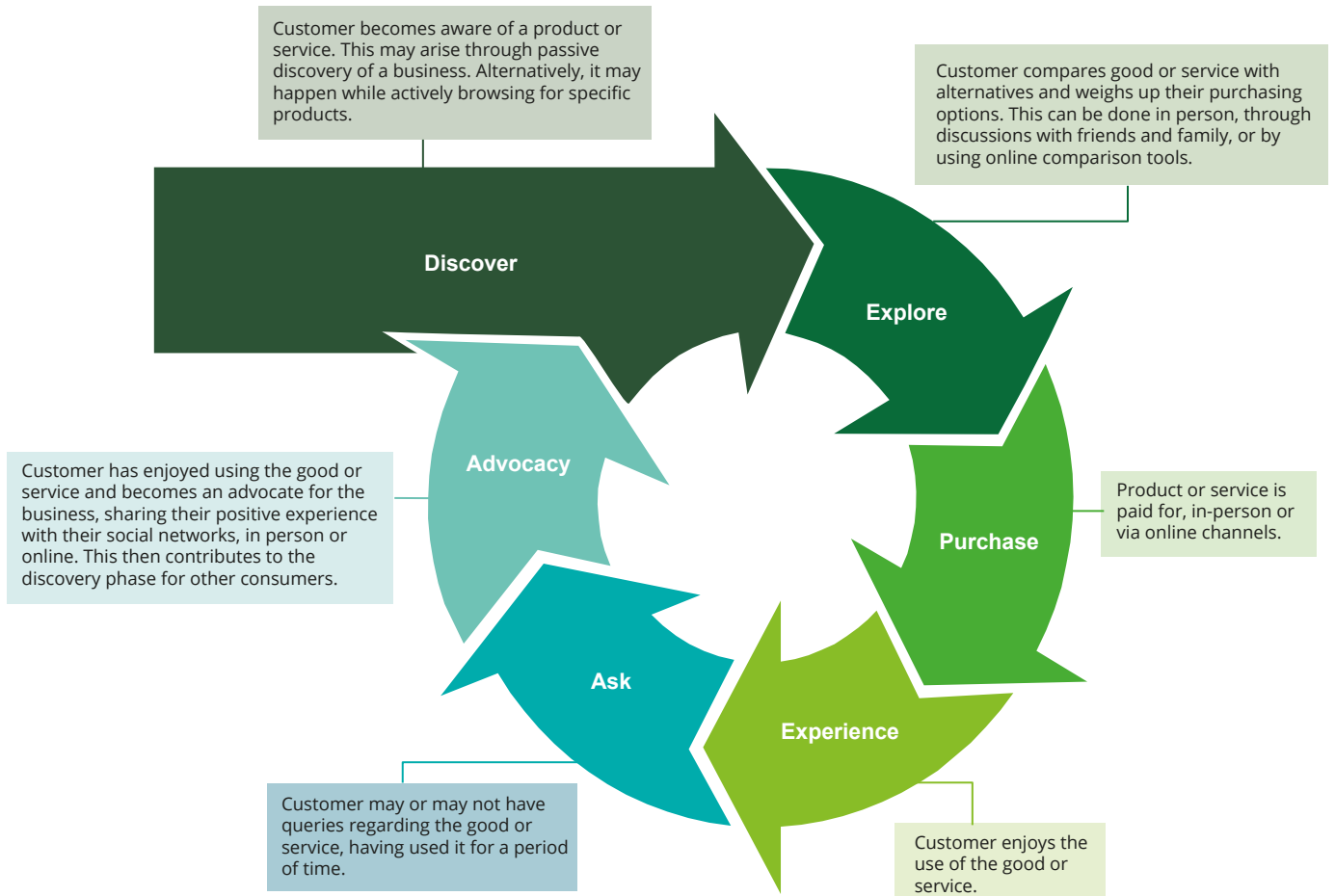
38. The Future of Business Survey is an ongoing data collection collaboration between Facebook, the Organisation for Economic Co-operation and Development (OECD), and the World Bank. See Facebook/OECD/World Bank (2020), “[The Future of Business Survey](#)”. Also see box on page 7 for further summary of the findings.

Digital tools have been key to SMBs maintaining connections with their customers...

Many SMBs have tried to adapt to the challenges, particularly in how they communicate with customers. Interaction between SMBs

and customers can be summarised through a customer lifecycle framework.³⁹ To see how SMBs have used digital tools to interact with customers during the pandemic, we have used in this report a stylised customer journey – see Figure 2.

Figure 2: Overview of stylised customer journey used as framework for analysis.



We have aggregated this journey into three phases, categorised by the key actions performed by businesses during their relationships with the customer.

Customer awareness – This is where the relationship with a customer begins. Businesses must first make potential customers aware of their existence, and the products and services they

provide. They may try to do this through several advertising channels, such as traditional media, email and general digital advertising. Customers also build awareness through word of mouth, and businesses may encourage this through social media campaigns.

Purchase – This is where potential customers are converted to a sale.

Businesses may make contact with customers directly using personalised communication, and will seek to facilitate transactions. Sales can be made in person or via online and digital platforms.

Post-purchase engagement – After the purchase, businesses may keep in contact with the customer to try to develop a relationship and ensure they are fully

39. For other examples of customer lifecycle frameworks, see Interaction Design Foundation (2020), [“Customer Lifecycle Mapping – Getting to Grips with Customers”](#) or Growcode (2019), [“Customer Journey vs. Buyer Lifecycle: What’s the Difference?”](#).

satisfied with their purchase. They may ask for feedback in order to make the customer feel valued. They may also use any interactions to feed into analytics that may suggest other products or services. If successful, the actions in this stage feed back into the awareness phase and restart the customer lifecycle.

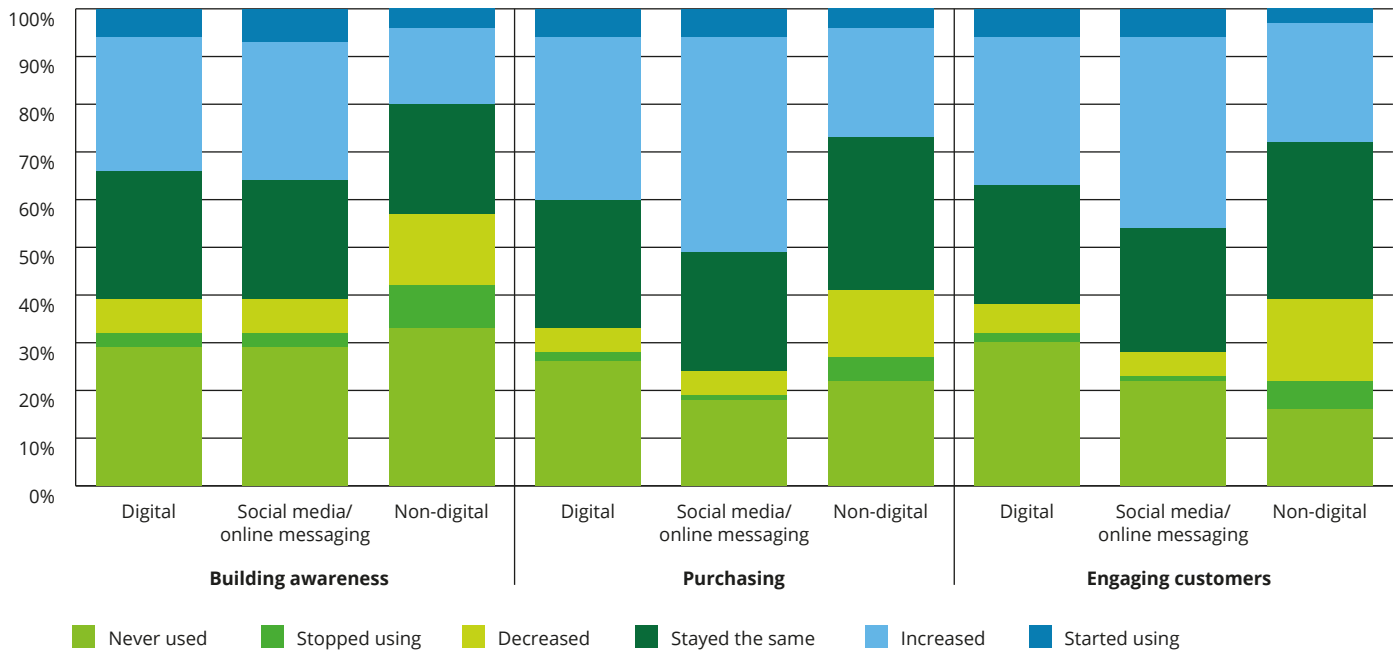
The outbreak of COVID-19, and the resulting government interventions, have affected each stage of this journey. With

consumers limiting their visits to physical stores, businesses are less able to influence in person the customer experience before, during, and after a sale. In response, many consumers are moving online to make purchases.⁴⁰

SMBs in our survey indicated that they have increased their use of digital tools across the entire customer lifecycle during the pandemic. This is especially true for social media and online messaging. Figure

3 shows the stated change in the usage of digital tools, non-digital tools (i.e. other channels of interaction with consumers), and social media and online messaging, across the stages of the customer journey.⁴¹ The move from non-digital to digital is more pronounced in the purchase and post-purchase engagement stages than in customer awareness. The next few chapters of this report discuss the underlying reasons for these changes and their variation across channels.

Figure 3: Stated change in usage by SMBs across different types of tools, by stage in the customer journey as a proportion of respondents.



Source: Deloitte survey analysis.

40. See Digital Commerce, [“More than one-third of consumers shop online weekly since coronavirus hit.”](#)

41. Digital tools includes here website, social media, online messaging, email, online marketplaces, online ordering apps, online payment platforms, video calling, live chat and live streaming services.

Customer awareness

With in-person contact limited, digital tools have enabled SMBs to reach consumers and potentially boost discovery of their businesses.

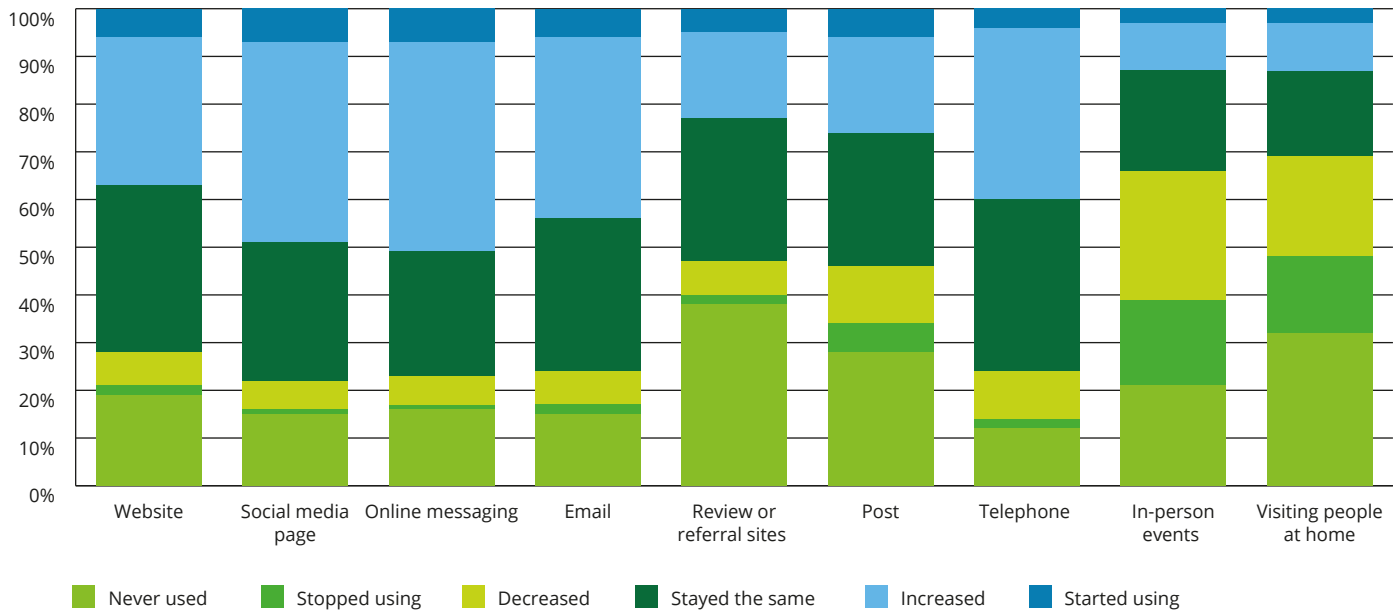
SMBs have increased their usage of digital marketing channels to reach consumers...

Travel restrictions have kept consumers closer to home, so fewer potential customers have passed shops and discovered new businesses. Consumers have also moved online in unprecedented levels.⁴² As a result, business advertising has shifted towards digital in-home channels, such as social media and streaming platforms.⁴³

Across all respondents in our survey, the use of in-person events for marketing purposes dropped sharply (net decrease of 32%), while use of all non-physical channels increased significantly.⁴⁴ Online messaging apps (43%) and social media pages (41%) saw the largest net increases, outpacing the increases in email (34%) and website (28%) use, suggesting SMBs favour these over more traditional digital channels (see Figure 4).

Use of in-person events for marketing purposes dropped sharply, while use of all non-physical channels increased significantly.

Figure 4: Stated change in use of tools for unpaid marketing since the outbreak of COVID-19 as a proportion of respondents.



Source: Deloitte survey analysis.

42. See Digital Commerce, [“Online merchants gain an extra \\$107 billion in 2020 thanks to pandemic”](#).

43. See World Economic Forum, [“This is how COVID-19 is affecting the advertising industry”](#).

44. Net increase/decrease refers to the proportion of SMBs surveyed that have started using or increased usage of a tool or channel, less the proportion of SMBs that have stopped using or decreased usage of the tool or channel.

BUILDING AWARENESS WITH SOCIAL MEDIA AND ONLINE MESSAGING APPS

Even prior to COVID-19, the number of SMBs using social media and online messaging had been increasing, as had the amount the average SMB was spending on these channels.⁴⁵ The most common use of social media for SMBs is to build awareness. This can take the form of many actions, both paid and unpaid.

Unpaid	Maintaining a presence	Many SMBs will maintain a business page on social media or online messaging apps, allowing consumers to access up-to-date information. Consumers may also be able to leave comments or reviews to which SMBs can respond.
	Posting content	The majority of SMBs using social media or online messaging create or repurpose content to post to their followers and wider social network users. The most common postings are images or infographics. ⁴⁴
	Live streaming	An increasing number of SMBs use live streaming services on social media and online messaging apps to promote their business to a wide range of consumers in real-time.
Paid	Search	SMBs can pay for promoted listings in search engine results.
	Display	SMBs can utilise a range of display advertising content. It can take the form of banners shown in display units. It can also be displayed before or after video content.
	Classifieds	SMBs can pay for listings on classified ad websites. This includes recruitment and property services.
	Other	There are a number of other channels including audio advertising on music streaming services and other emerging technologies such as virtual or augmented reality.

This trend was more pronounced in developing countries, where 79% of SMBs surveyed had started using, or increased their usage of, some sort of digital tool since the outbreak of COVID-19, compared to 61% in developed countries. For example, SMBs in India (93%) and Brazil (88%) were the most likely to adopt or expand their use of digital tools, while Japan (30%) and Germany (53%) were the least likely. This mirrors trends in consumer behaviour identified in the Consumer Report, which found that twice as many consumers in developing countries were switching businesses compared with those in developed countries. These consumers were also more likely to use digital tools such as social media to discover businesses. The greater increase in the use

of digital tools seen in developing countries also fits in with the wider increase in digitalisation in these countries in recent years. This contrasts with developed countries where digital adoption has flattened.⁴⁷

Among SMBs that had increased their usage of social media, 77% reported an increase in their use of Facebook, more so than any other platform. While Instagram saw the next largest proportion of SMBs increasing their usage in developed countries (51%), more respondents in developing countries increased their usage of WhatsApp (73%).⁴⁸ This reflects the network effects underlying platform choice.⁴⁹

Digital tools have become a more important discovery mechanism for consumers to find new businesses, allowing SMBs to build and sustain awareness.

45. See Eurostat, [“Social media - statistics on the use by enterprises”](#).

46. See Clutch, [“How Small Businesses Use Social Media in 2018”](#).

47. See Pew Research Center, [“Social Media Use Continues to Rise in Developing Countries but Plateaus Across Developed Ones”](#).

48. Reported platform use is based on the SMB sample. This does not reflect aggregate platform usage statistics and should not be interpreted as such.

49. See Harvard Business Review (2019), [“Why Some Platforms Thrive and Others Don’t”](#).

With physical channels restricted, and consumers spending more time online, the relative effectiveness of building awareness through digital channels has risen.⁵⁰ This has meant that SMBs have had a greater incentive to focus marketing efforts on these, as opposed to physical channels. For example, Tameme, a manufacture of baby furniture, has increased its use of digital

tools, such as social media, to build awareness of its products since the outbreak of COVID-19 (see “Tameme – Live streaming to reach customers”). As such, the evidence from both SMBs and consumers suggests that digital tools have become a key discovery mechanism for consumers to find new businesses, allowing SMBs to build and sustain awareness.

TAMEME – LIVE STREAMING TO REACH CUSTOMERS

Founded in 2010 in Xalapa, Mexico, Tameme makes clothes, baby furniture and nursery accessories. It currently has a staff of four and serves about 60 customers per month. The goal of Karla Amen, Tameme’s founder, is to create products that reflect the energy and vibrancy that babies bring to those around them. A self-proclaimed ‘momprenneur’, Karla says Tameme wants to empower women through the message of ‘moms helping other moms’.

Karla posts videos about her experiences as a mother and also hosts other ‘mom-preneurs’ on her Facebook page. *“When our customers take part in a Facebook live session, they ask questions and really engage with us. There is a lot of interaction and they often end up promoting our products to their friends,”* says Karla. 95% of customers who visited Tameme’s physical store in Xalapa first got in touch through the Facebook fan page. As a result of the COVID-19 pandemic, Tameme has had to shut down its physical location in Xalapa and convert into an online-only business. It has been a challenge to deliver the customer experience Tameme has prided itself on: *“Earlier on, parents could come and see how we made our products. They saw that everything was handmade and that made them appreciate our products more.”* However, digital tools such as video streaming have helped Tameme continue to give its customers a great experience. Between March and September, Karla has put out

almost seven hours of live content via Facebook live, double what she put out between 2010 and 2019. In using social media in this way Tameme has been able to maintain awareness among potential customers, while also addressing key issues for mothers and helping to build a community around them.

Tameme’s plan now involves creating a website on e-commerce platform Shopify which would allow the business to expand its reach and offer its customers more payment options, continuing its journey as a more digitally-enabled business.



Picture 1: Karla, founder of Tameme. Source: Karla Amen.

SMBs’ use of paid advertising has also increased...

While some digital marketing channels are available to businesses at zero financial cost, some SMBs also undertake paid advertising.⁵¹ This form of marketing may be more visible to digital platform users, shared more widely across a platform or medium, and enable businesses to specify the users that do see it, based on their characteristics.⁵² This means the right message can reach the right customers in a more efficient manner.

SMBs reported an increase in their usage of all forms of paid digital advertising covered in our survey, while alternatives such as print media experienced little or no growth. The largest net increase was reported in targeted adverts on social media, reflecting overall trends in marketing expenditure. Although overall advertising spend is expected to contract 20% year-on-year in 2020, digital advertising spend has been growing, and IAB UK has identified digital advertising as having a “crucial role” in supporting SMBs through

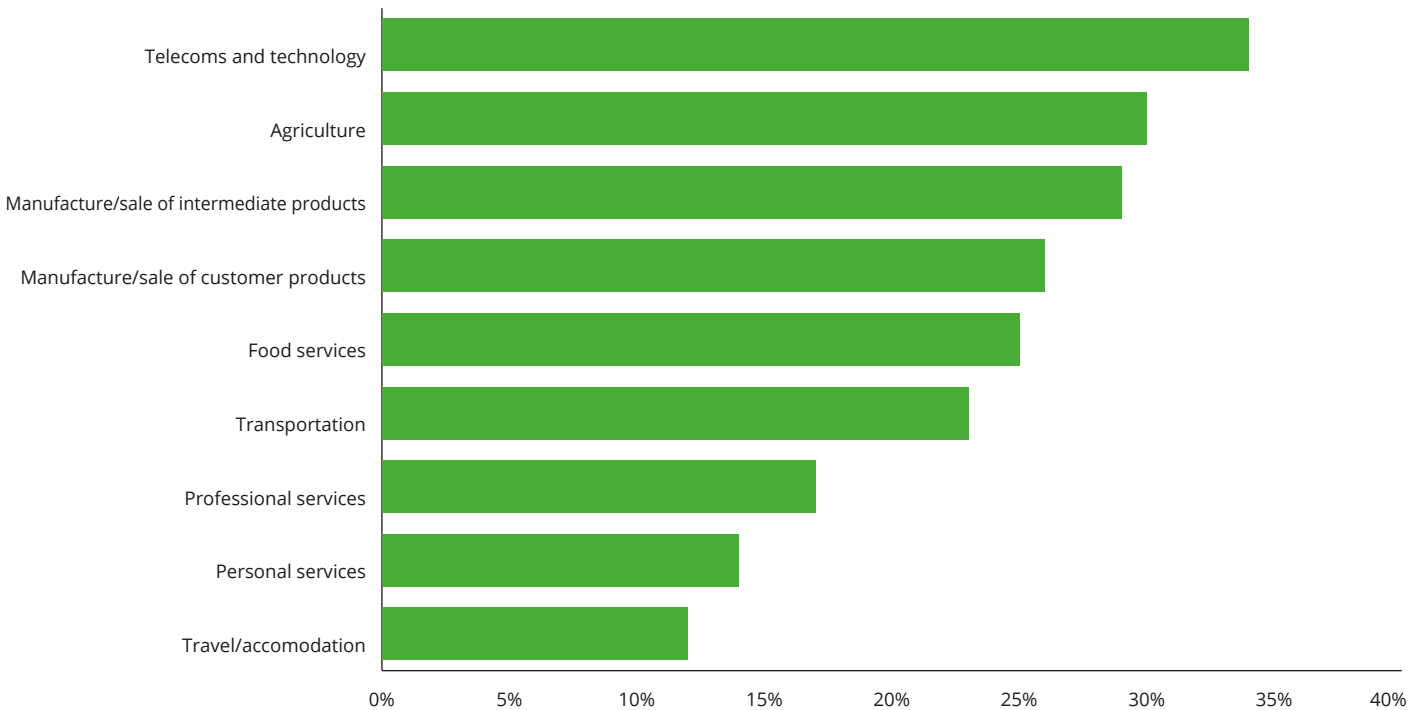
All forms of paid digital advertising in our survey increased, with the largest rise reported in targeted social media adverts.

50. Deloitte’s Digital Consumer Trends survey found that for countries across Europe, Asia-Pacific and Latin America, 33% of consumers have been spending more time on social media since the outbreak of COVID-19. See Deloitte, [“Digital Consumer Trends 2020”](#).

51. Paid advertising refers to businesses paying to have advertisements displayed or shared across a medium or platform. It contrasts with unpaid activities where businesses can display and share material and information for free.

52. See Medium, [“7 Reasons to Consider Paid Social Media Advertising”](#).

Figure 5: Stated net change in use of targeted advertising on social media, by business sector.



Source: Deloitte survey analysis.

the pandemic.^{53,54} For example, Rover Pet Products, a Australian pet supplies manufacturer, increased its use of target advertising in response to the pandemic, resulting in overall growth of the business (see “Rover Pet Products – a focus on paid advertising”).

The increase in use of targeted advertising on social media has varied across sectors (see Figure 5). SMBs in the telecoms and technology sector led the way in the use of paid digital advertising. Indeed, 34% of SMBs in this sector stated that they had increased targeted advertising on social media since the outbreak of COVID-19. Agriculture SMBs and manufacturers, and sellers of intermediate products, also reported an overall net increase of more than 25%. Traditionally, these are less digitally-focused SMBs.⁵⁵ Indeed, the change in these sectors was driven by those that started using targeted advertising on social media for the first time (15% and 10% of SMBs surveyed in

each sector respectively, higher than in all other sectors).

SMBs in these sectors are more likely to be B2B2C (i.e. they sell products to consumers via an intermediary), and so are more reliant on non-digital methods, such as trade shows, to build awareness. Supply chain disruption caused by the outbreak of COVID-19, and temporary shortages in certain products, such as foodstuffs and basic necessities, have led some SMBs in these sectors to pivot towards B2C (i.e. they sell directly to consumers), adopting digital channels in order to reach and build awareness among consumers.⁵⁶

At the other end of the spectrum, travel and accommodation, and personal services SMBs saw the lowest increase in use of digital tools. SMBs in these sectors have been severely impacted by the pandemic and the restrictions imposed, with potentially less scope to adapt to the crisis. Among our sample, 81% and 69% of SMBs

in these sectors closed, higher than in all other sectors apart from food services.

As well as the differences across sectors, age had a significant impact on the use of paid advertising. Gen Z and millennial-operated SMBs were more likely to use paid digital advertising than Gen X and baby boomers. Also, digital tool usage was more likely to have registered zero or negative net change among baby boomer-led SMBs since the outbreak of COVID-19. However, across all age groups, the most popular paid channel was targeted ads on social media, which even saw a net rise in usage among baby boomer-led SMBs (see Figure 6).

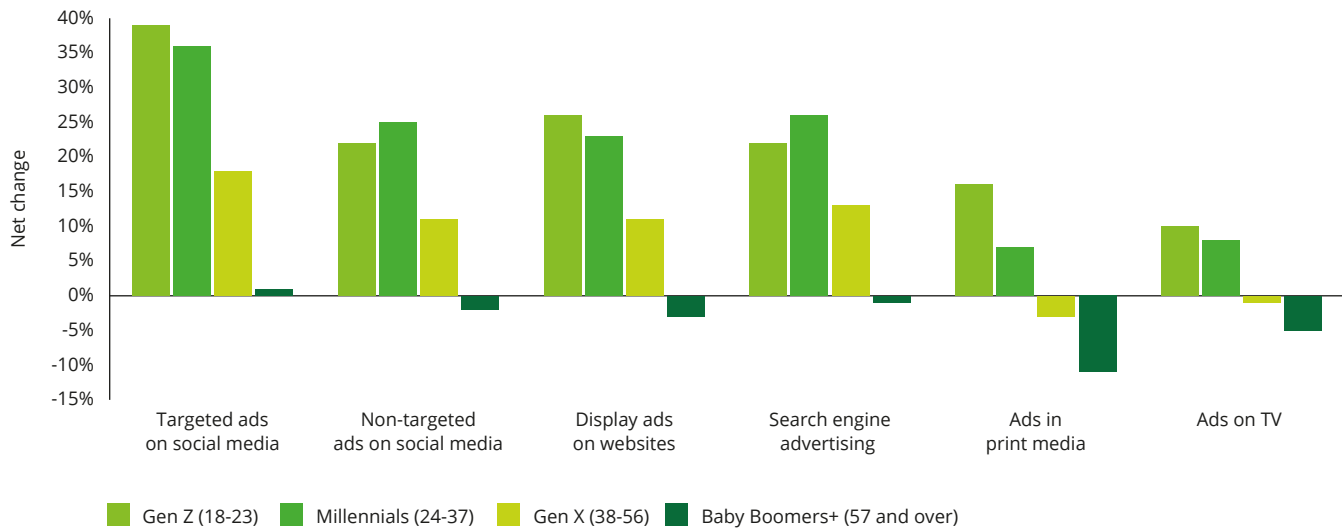
53. See IAB, “COVID Impact on Ad Spend 2020: The Transformation of the Television Marketplace”.

54. See IAB UK (2020), “Digital advertising crucial to SMEs’ recovery”.

55. See for example: OECD (2019), “Digital opportunities for trade in agriculture and food sectors”; McKinsey (2017), “Measuring B2B’s digital gap”.

56. See EY (2020), “How to accelerate online direct to consumer strategies beyond COVID-19”; Financial Times (2020), “UK food wholesalers move into direct selling to consumers”.

Figure 6: Stated net change in use of paid advertising, by business leader age group.



Source: Deloitte survey analysis.

ROVER PET PRODUCTS – A FOCUS ON PAID ADVERTISING

Rover Pet Products is an online pet supplies business based in Rutherford, Australia. It manufactures pet products, such as dog beds and treats and sells direct to the customer through its website, as well as through independent retailers. As an online business, it was a frequent user of digital tools even prior to the outbreak of COVID-19.

The pandemic brought uncertainty. However, owner Bryan decided to tackle this by investing heavily in advertising. Focusing on its status as a supplier of locally sourced products,

Rover Pet products used targeted and boosted posts on social media, as well as general advertising, to drive awareness of its products. As a result, the company trebled its revenue. Bryan attributes this success to a number of circumstances, but digital tools, and in particular social media, have been a key part of this growth: *“I always used social media for promoting our business, but since the start of the pandemic I have really tried to be there every step of the way and respond to potential customers as quickly as possible. This, and our focus on advertising, have definitely been two of the key drivers of growth.”*

SMBs value social media for the ability to reach the right customers...

Respondents have highlighted social media as a key digital tool for building customer awareness during the pandemic. Among respondents that reported using social media for building awareness, over half (54%) stated that they used social media to increase their customer reach.

This finding is reflected in the targeted actions taken by SMBs in our survey. While close to half of respondents indicated that they were targeting existing customers, one third also indicated they were targeting

new customers. This percentage increased for those that were adopters of digital tools. Controlling for other factors, those that increased digital tool usage were 3.8 more likely than other SMBs to be targeting new customers with their marketing efforts.^{57, 58}

In addition, more SMBs were targeting potential customers within their geographic market than outside of it (40% compared to 28%). Analysis in the Consumer Report also found that many consumers have been turning to local businesses during the COVID-19 crisis. This highlights the

Those that increased digital tool usage were nearly four times more likely than other SMBs to be targeting new customers with their marketing efforts.

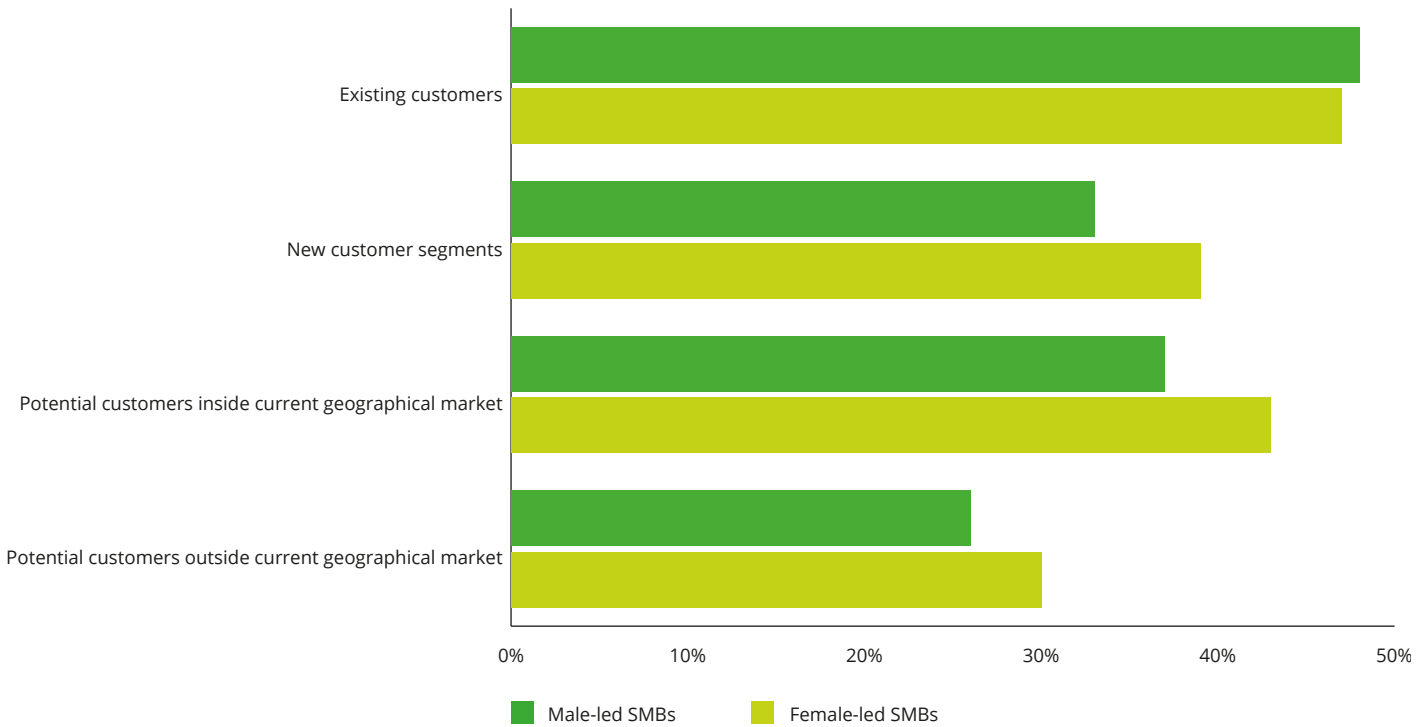
57. A logistic regression of respondent characteristics, including increasing use of digital tools, on a categorical variable for SMBs that targeted new customers. A logistic regression allows us to analyse how likely an outcome is based on individuals' specific characteristics, all else being equal. Please see Appendix 2 for more details on the method and see Appendix 2 Table 3 for more details on the regression used in this case.
 58. Analysis of the usage of digital tools by SMBs and business outcomes presented in this report do not necessarily indicate a causal relationship. See Appendix 2 for more details.

increasing support consumers and SMBs are willing to show for the local community, with consumers and local businesses more reliant on each other for the products and income they need.⁵⁹ However, this may also be due to a reduction in mobility forcing consumers to shop locally.

These patterns were not identical across all SMBs. Female-led businesses were more likely to increase their marketing efforts towards potential new customers of all types (see Figure 7) in comparison with male-led businesses, which were more likely to focus on existing customers.

Female-led businesses were more likely to increase their marketing efforts towards potential new customers.

Figure 7: Stated net change in use of targeted advertising on social media, by business sector.



Source: Deloitte survey analysis.

59. See YouGov, ["Could COVID-19 ultimately save the high street?"](#).

Supporting purchases

Digital channels have supported sales, and have been used to launch new products and services.

SMBs are increasing their usage of digital sales channels at a time when in-person sales are limited...

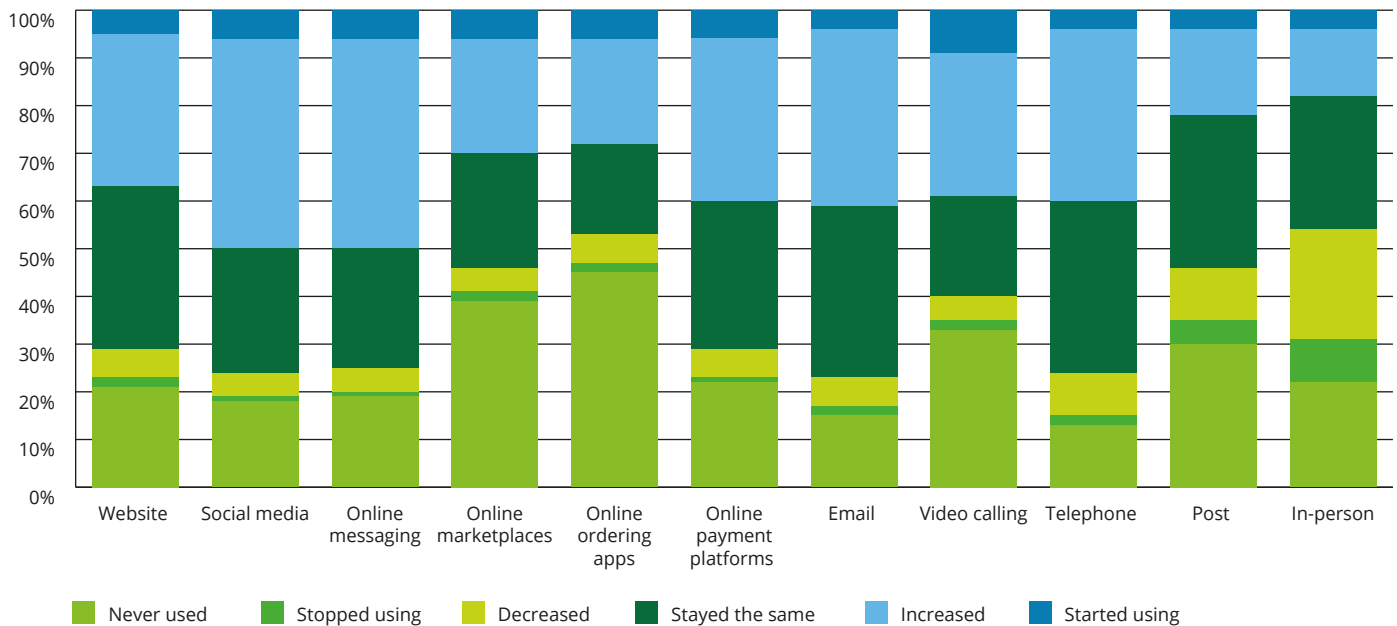
Concerns and risks regarding virus transmission, and restrictions imposed by governments, have led to much higher transaction costs for businesses and customers for in-person points of sales. This has put pressure on revenues, but digital sales channels have a clear role during this time in providing customers with remote access to SMBs' products and

services and, ultimately, enabling many SMBs to continue to operate.⁶⁰

SMBs surveyed have reported an increase in digital tools to facilitate sales (see Figure 8).⁶¹ Online messaging and social media were the most popular sales channels for adoption and use during the pandemic, with net change figures of 44% and 43% respectively.^{62,63} In contrast, in-person sales was the only channel to see a negative net change in use at -15%. This suggests digital

channels may have been key to easing the customer sales experience for many SMBs during the COVID-19 pandemic. For example, US-based Ettiene Market was forced to close two of its physical stores during the pandemic, but has since pivoted much of its business to ecommerce (see "Ettiene Market – The pivot to digital").

Figure 8: Stated change in use of different sales channels since the outbreak of COVID-19 as a proportion of respondents that are currently making sales.



Source: Deloitte survey analysis.

60. See additional Deloitte research in understanding how SMBs can use digital sales channels to navigate the outbreak of COVID-19, for example "[Changing consumer, digital marketing and impact of Covid-19](#)" and "[Virtual Sales amid COVID-19 and after](#)".

61. Sales channels can be identified as direct or indirect. Direct refers to a channel where a sale is made and transaction carried out (e.g. in-person point of sale, online marketplaces, and ordering apps). Indirect refers to a channel where sales can be originated or converted based on interactions with customers (e.g. enquiring or placing orders over social media, to be completed in store or via another platform). While there are no channels which fall exclusively into one group or the other, this classification helps to illustrate the different roles certain channels may play in the overall sales process.

62. Respondents who were not open at the time of the survey were excluded from questions related to the sale of products because they were not making sales at the time of the survey. For more details see Appendix 1.

63. In fact, just under half of SMB respondents (49%) stated that they had started using, or had increased their usage of, social media for making sales, with 50% indicated this for online messaging.

ETTIENE MARKET – THE PIVOT TO DIGITAL

Many SMBs have lost their primary sales channel due to physical restrictions, and are using digital tools to pivot their business models. Ettiene Market is a kitchen and pantry store in McKinney, Texas that aims to provide its customers with the experience of a traditional English shop. Prior to COVID-19, Ettiene Market had physical stores in four locations, with an emphasis on building strong relationships with customers and a focus on selling this experience rather than a specific product.

The impact of the pandemic led to two of these stores being permanently closed, with the remainder experiencing a greatly reduced footfall. As a result, Ettiene Market began focusing more on those products which could be safely shipped to customers, such as homeware and kitchen utensils. Facebook and Instagram were used to engage with consumers and increase awareness of these products. Subsequently, orders through the online store grew 3000%. Not only did digital tools enable this pivot to online sales, but Coryanne Ettiene, founder of Ettiene Market attributes the increase directly to the online content produced. By posting videos and photos on social media of Coryanne in her home, Ettiene Market was able to retain a personal connection with customers and create awareness of products, even without actively promoting them. *“Customers often ask how I am and what I’m doing, so still being able to be the face of the company, albeit virtually, is really invaluable.”*

For example, Coryanne regularly posts Instagram stories updating customers on what she is doing. In one, she used an Ettiene Market mug and, despite making no specific mention of the product, it sold out on their website within 24 hours.



Picture 2: Coryanne, founder of Ettiene Market.
Source: Instagram (@ettienemarket).

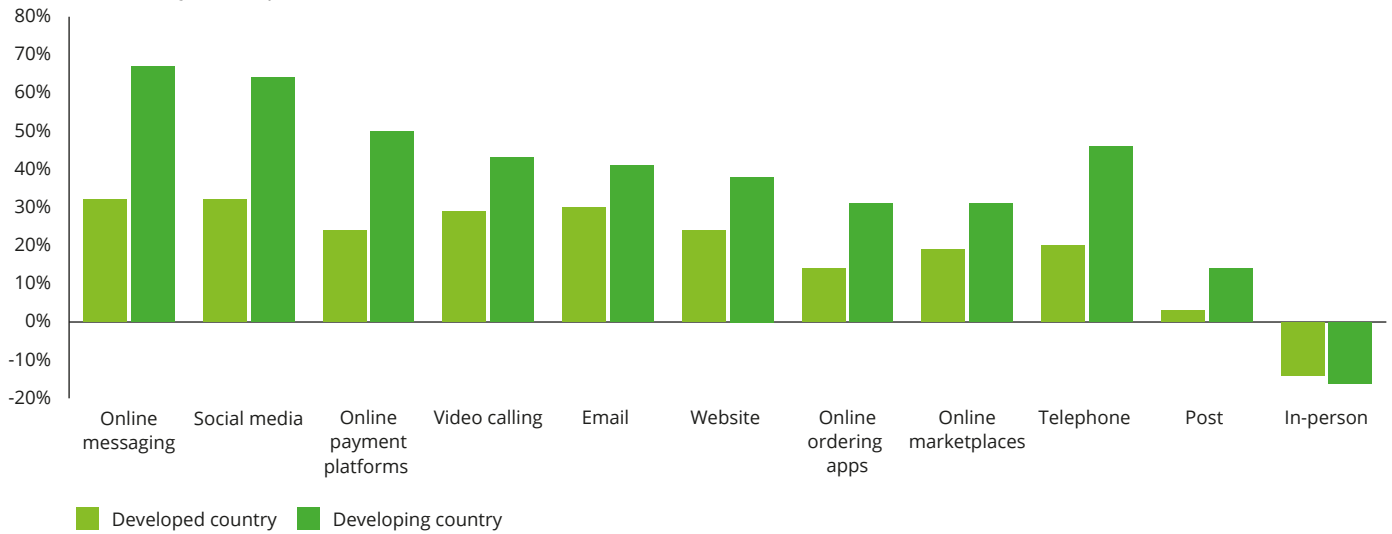
Within developing countries, these trends were amplified, with the net change in use of social media, online messaging, online ordering apps, telephone and online payment platforms twice as high as those in developed countries, as shown in Figure 9. This was most pronounced in Brazil, India, and Mexico, where more than 80% of SMBs started using or increased their usage of social media or online messaging since the outbreak of COVID-19. In contrast, this figure was 13% in Japan and 39% in UK.

This difference could in part be explained by more SMBs moving away from physical channels. The proportion of SMBs that decreased or stopped using in-person points of sale in developing countries was twice as high as in developed countries. However, this could also reflect the greater increases in digital adoption in developing countries, a trend which preceded the outbreak of COVID-19.⁶⁴

Online messaging and social media were the most popular sales channels to adopt and use during the pandemic, with net increases in use of 44% and 43% respectively.

64. See Pew Research Center, [“Social Media Use Continues to Rise in Developing Countries but Plateaus Across Developed Ones”](#).

Figure 9: Stated net change in use of different sales channels among surveyed SMBs since the outbreak of COVID-19, by country development.



Source: Deloitte survey analysis.

Digital channels have been the least adversely affected by the crisis when making sales...

SMBs using multiple sales channels were also asked about the performance of these different channels, specifically, which channel had seen the largest increase or smallest decrease in sales, either direct or indirect.⁶⁵ Almost one third of respondents using multiple channels reported that social media and online messaging had performed the best, proving to be the most resilient for 29% of these SMBs. Other digital tools that were highlighted by respondents were their own website (8%), video calling platforms (7%), and online marketplaces (7%).

Some of these sales may not be directly attributable to social media and online messaging. However, these patterns may reflect that these channels have been important for originating, developing and converting sales. This is perhaps due to the

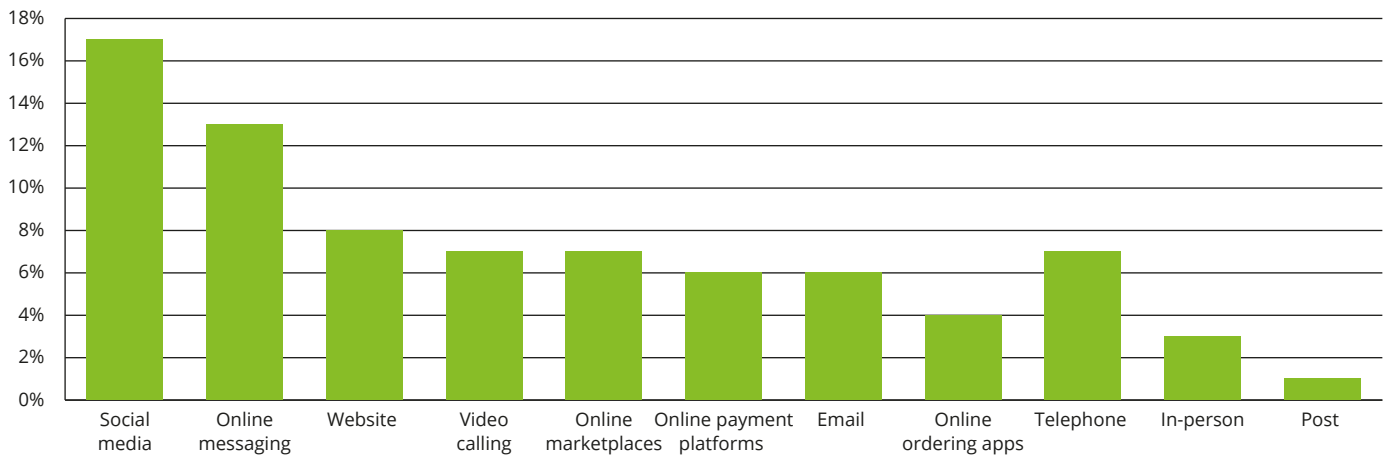
reach that social media platforms have, and the increasing amounts of time consumers are spending online, and on social media.⁶⁶

Female-led SMBs highlighted social media more often than male-led SMBs (20% and 13% respectively). In addition, 21% of respondents from developing countries highlighted online messaging, compared to 8% in developed countries, reflecting the importance of messaging platforms in developing countries as a source of sales for SMBs. Controlling for other factors, SMBs in developing countries were almost 1.5 times more likely to select social media as the most resilient channel, rising to more than two and half times for online messaging.⁶⁷ This was particularly the case in Brazil and Mexico, where 38% and 24% of respondents identified online messaging as the most resilient channel, respectively.

“Almost one third of respondents using multiple channels reported that social media and online messaging had performed the best, proving to be the most resilient for 29% of these SMBs.”

65. This also includes sales channels which were identified by SMBs as not having changed when the other sales channels used by the respondent had all decreased.
 66. Deloitte’s Digital Consumer Trends survey found that 42% of respondents had increased their use of social media during lockdown in the UK, higher than any other activity included in the survey. See Deloitte (2020), “[Lasting lockdown habits: a new digital consumer?](#)”
 67. A logistic regression of respondent characteristics on a categorical variable for SMBs that identified social media as the channel that had experienced either the largest increase or smallest decrease in making sales. Please see Appendix 2 Table 4 for more details.

Figure 10: SMB sales channels with the largest increase, or smallest decrease in sales out of SMBs using multiple sales channels.



Source: Deloitte survey analysis.

SMBs are using digital channels to sell new products...

A large majority of businesses surveyed (76%) reported selling new products during the pandemic. While the survey results do not allow for a direct comparison with the rate at which businesses introduced new products prior to the outbreak of COVID-19, it is noteworthy that more than three quarters of SMBs surveyed were still adapting their product offerings and innovating. This may involve making updates to existing products or services, introducing new products or services, or even pivoting their entire business model.⁶⁸

Using digital tools may help with the introduction of new products in a number of ways. Firstly, digital tools in general may help with product ideation, development, and market analysis, through access to greater levels of information regarding consumer preferences, suppliers, and the competitive landscape. Secondly, using digital tools as channels to market and sell new products may enable SMBs to reach greater and more diverse audiences. Existing research supports this idea. General findings link digitalisation with the ability to gather market knowledge more

efficiently, connect with consumers, and enter new markets.⁶⁹

Indeed, among businesses surveyed, digital tools have been a key component in introducing new products or services. This was the case for Docks Beers, a brewery based in Grimbsy, UK, that increased the number of new products it released during the pandemic, and relied on social media to do so (see “Docks Beers – Using digital tools to sell new products”). In fact, two thirds of those who sold new products did so through some form of digital channel, and 50% used social media or online messaging, the most popular channels for selling new products among the sample.⁷⁰

When considering the differences across sectors, there is a clear relationship between the introduction of new products and digital tool use, and in particular social media and online messaging (see Figure 11). Controlling for other factors, SMBs that had increased their usage of digital tools for making sales were 3.5 times more likely to have sold new products since the outbreak of COVID-19.⁷¹ This rose to 3.7 times for those increasing their use of online messaging for this purpose.⁷²

Two thirds of those who sold new products did so through some form of digital channel, and 50% used social media or online messaging.

68. See PYMNTS, “SMBs Pivot and Change Business Models to Survive COVID-19”.

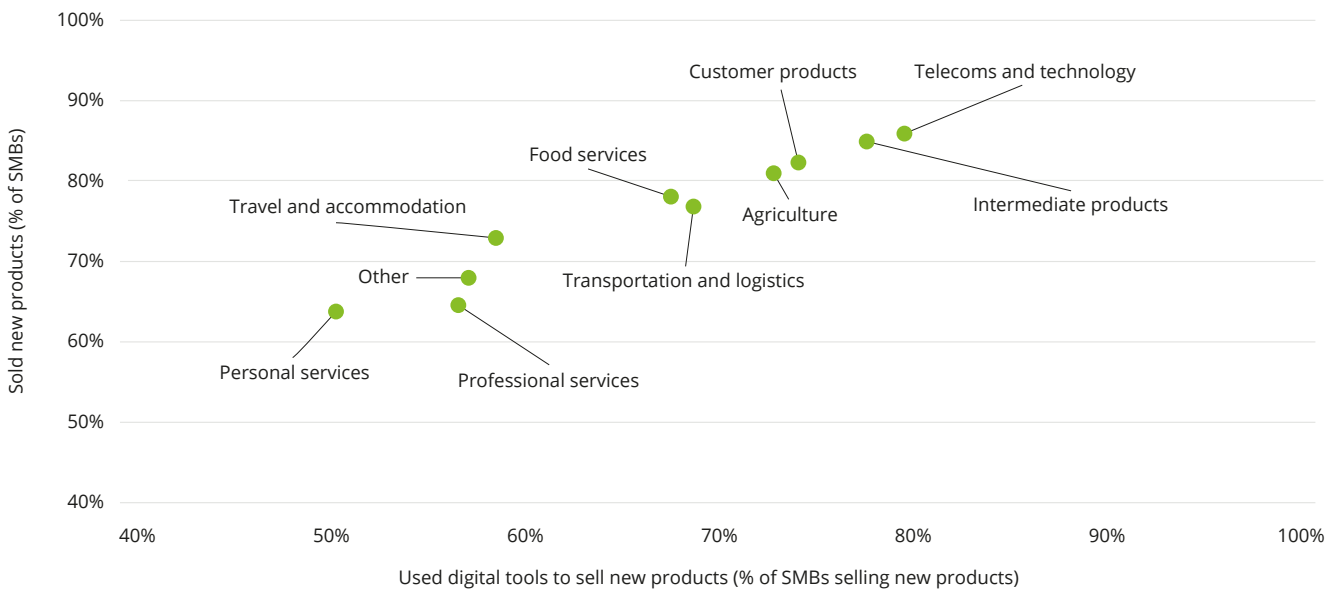
69. See Albena Pergelova, Tatiana Manolova, Ralitsa SimeonovaDGaneva, and Desislava Yordanova (2018), “Democratizing Entrepreneurship? Digital Technologies and the Internationalization of Female-Led SMEs”.

70. Separately, 32% of SMBs reported using social media to sell new products and 29% used online messaging. The next most popular channels for new products were telephone (24%), website (23%) and email (21%).

71. A logistic regression of respondent characteristics, including increasing use of digital tools for making sales, on a categorical variable for SMBs that sold new products since the outbreak of COVID-19. See Table 7 for further information.

72. A logistic regression of respondent characteristics, including increasing use of social media for making sales, on a categorical variable for SMBs that sold new products since the outbreak of COVID-19. See Table 8 for further information.

Figure 11: SMBs selling new products plotted against the proportion of these SMBs using digital tools, by sector.



Source: Deloitte survey analysis.

DOCKS BEERS – USING DIGITAL TOOLS TO SELL NEW PRODUCTS

While social media and online messaging may not always be a direct outlet for selling, many SMBs rely on it to generate sales. For example, Docks Beers, based in Grimsby, UK, is a brewery that produces craft beers. In 2016 the business converted an old church into a new brewery and dedicated tap room with the space to sell directly to customers. Since then, turnover has increased five-fold and an event space, designed to hold music and comedy shows as well as other live events, was opened in March 2020. Prior to the outbreak of COVID-19, the majority of Docks Beers products were sold to its many taproom customers as well as to wholesale and on-trade businesses – the pubs and bars that sell their product onto consumers.

Lockdown restrictions had a huge impact on the business. With enforced closures of pubs and bars, almost all operations had to be ceased. In response, Docks Beers quickly pivoted to ecommerce, refining their website to facilitate online sales. Crucial to this strategy was a focus on the approximately 40,000 followers across social media accounts. By creating content that guided customers to their website, referrals from these platforms to the Docks Beers online shop rose from 30% of all referrals to 70% whilst lockdown restrictions were in place.

Social media is also enabling Docks Beers to promote new products, something co-owner Will Douglas thinks is an important part of the company's success: *"We've launched far more beers in the last seven months than we did in the previous seven months, as well as a new gin and a new rum, and we rely heavily on social media to publicise the launch of those new products."*

Overall, Will believes that the COVID-19 pandemic has given the business time to focus on its digital footprint, something that he values at all stages of the customer journey: *"As an owner, I have come to view the business through digital eyes, rather than just physical versus virtual sales."*



Picture 3: Docks Beers brewery. Source: Will Douglas.

Maintaining customer relationships

SMBs are using digital tools to remain connected to their customers after a sale, to develop relationships, and improve retention.

Digital tools have enabled businesses and consumers to stay connected...

One of the most significant changes for many SMBs, resulting from the outbreak of COVID-19, is in engagement with customers post-sales. In-person communication is key for many businesses to deepen relationships with their customers and better understand their needs, something that is vitally important for SMBs.^{73,74}

Across all SMBs surveyed, in-person communication at this stage saw a net decrease of 18% since the outbreak

of COVID-19, with 10% of respondents reporting that these types of interactions had ceased altogether (see Figure 12). As such, the manner in which SMBs can perform these activities has changed.

Many SMBs, like Pé no Chão, a specialist childcare provider based in Brazil, have moved to digital tools such as social media and live streaming to stay connected with their customers and build relationships to sustain their business (see “Pé no Chão – Virtual play space”).

10% of respondents reported that in-person communications with customers after a sale had ceased entirely.

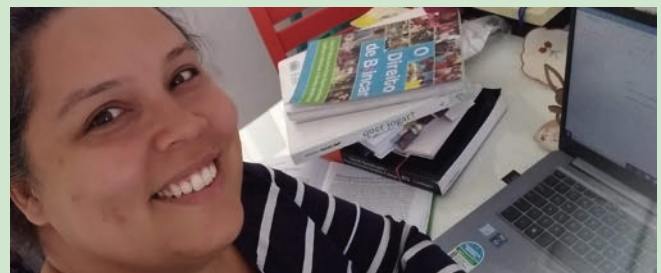
PÉ NO CHÃO – VIRTUAL PLAY SPACE

Set up in 2016 in Guarulhos, Brazil, Pé no Chão provides children under the age of six with a safe place to play and learn. Pé no Chão and its founders Daniela Falcao and Gabriela Miranda de Souza wanted to change the way children learn because they felt that traditional schools were not meeting the educational needs of young children. Pé no Chão’s team of ten specialist early childhood educators use games and other interactive activities to create a friendly playful environment where children can learn at their own pace without stress.

Since its inception, Pé no Chão has used social media to inform parents about their services. They have relied on this, and direct word of mouth, to reach new clients. Due to the outbreak of COVID-19, Pé no Chão had to close its physical play area. Daniela and her team were very aware of the importance of keeping children connected with each other and so increased their use of social media in order to provide entertainment to the children and parents digitally. According to Daniela, they focused on this because it provides easy access to communication with their customers: *“We use Instagram the most – a lot of mothers are already on Instagram and it’s easy for them to share our content”*. As a result, Pé no Chão has been able to grow their audience by 200 followers

a month during the pandemic, during which time they also achieved their maximum reach to date of more than 30,000 people.

As well as increasing their amount of content, Pé no Chão turned to previously little-used features of social media. They used live streaming to hold interactive sessions with both children, such as a virtual bingo session, and with parents, such as workshops on optimising the home learning environment. Daniela sees this as key to maintaining relationships and, ultimately, to building awareness of their business: *“We want parents to remember us so that when this is over they come back”*.

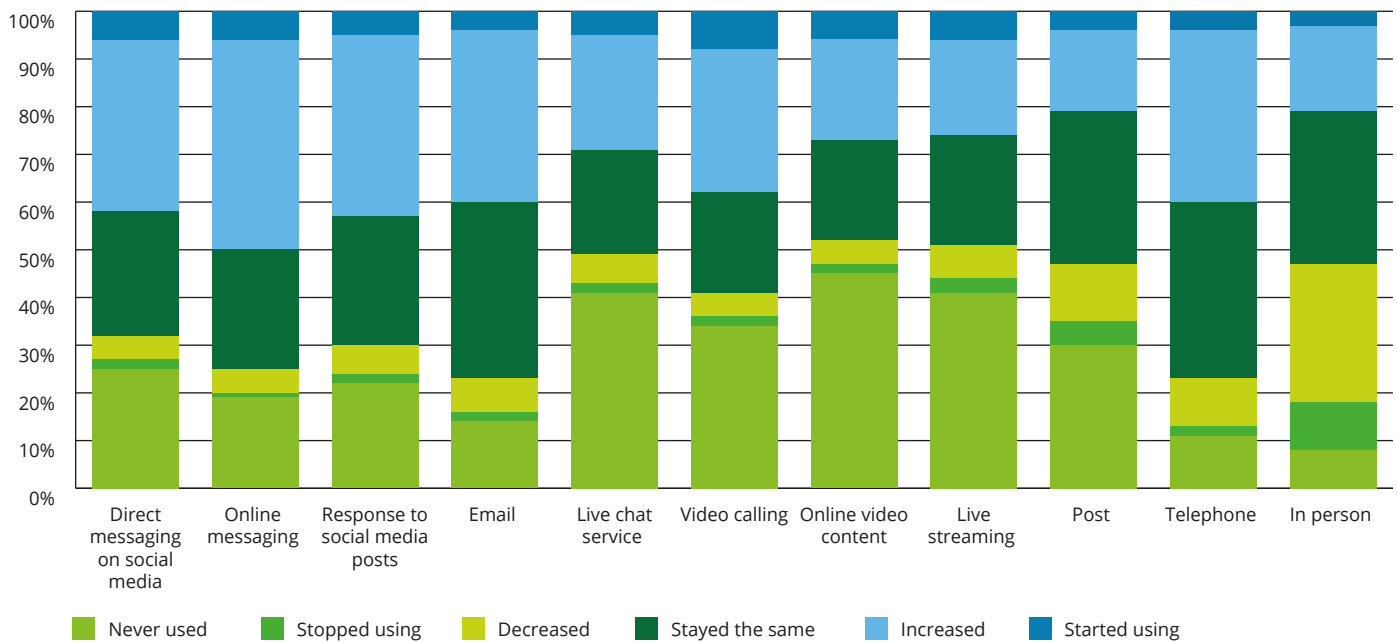


Picture 4: Daniela Falcao, founder of Pé no Chão. Source: Daniela Falcao.

73. See Small Business (2017), [“Lack of human interaction loses customers”](#).

74. According to survey by Salesforce, 86% of respondents said they were willing to pay a little more to support a small business, but 76% reported that they expected these business to understand their needs and emotions. See [“How Do Small Businesses Earn Customer Loyalty?”](#).

Figure 12: Stated change in use of methods of after-sales communication since outbreak of COVID-19 as a proportion of respondents.



Source: Deloitte survey analysis.

SMBs in our survey increased their use of social media and online messaging channels in particular. The largest net increase was in their use of online messaging (44%), followed by response to social media posts (37%) and direct messaging through social media (35%). Again, there was variation between countries, with SMBs in developing countries more likely to increase their usage of digital tools for communication than those in developed countries. For example, 93% of businesses surveyed in India started using, or increased their usage of, some form of digital tool, compared to just 35% in Japan and 56% in Germany. This difference in the change in usage between developed and developing was even more pronounced when looking specifically at social media and online messaging platforms. Controlling for other characteristics, SMBs in developing countries were more than twice as likely as those in developed countries to have

increased the use of these channels to communicate after a sale.⁷⁵

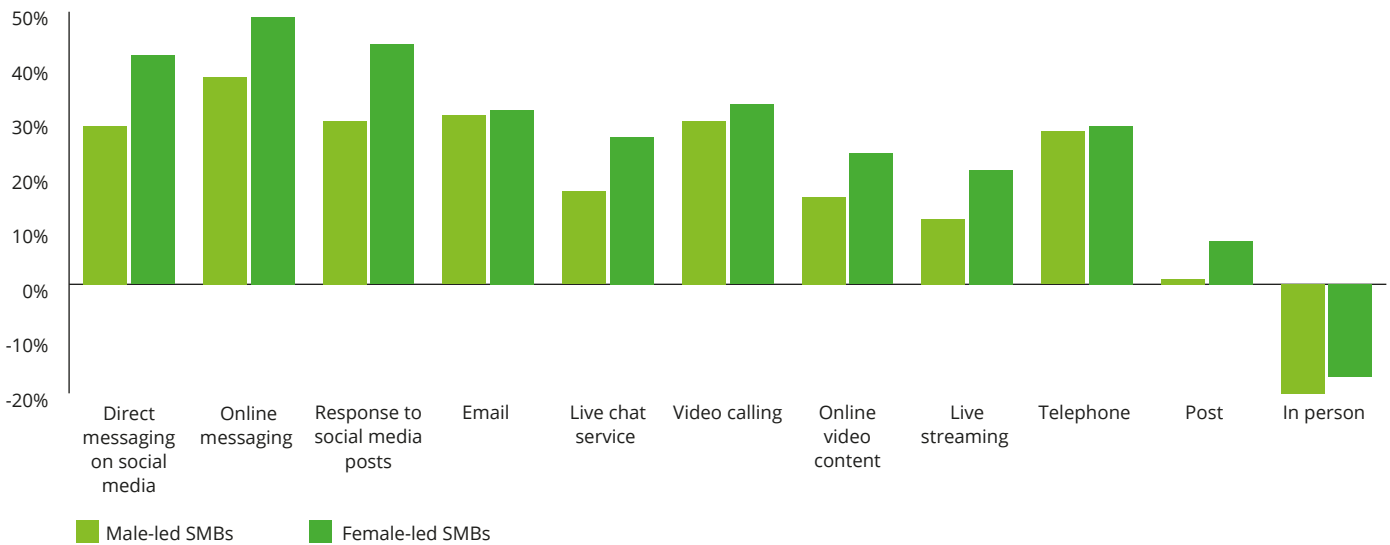
There was also a clear gender divide. Despite a smaller net decrease in the use of physical channels, there was a greater net increase in all other channels among female-led SMBs than among male-led SMBs (see Figure 13). This was especially the case for social media and online messaging apps, where 68% of female-led SMBs used at least one of these channels, compared to 56% of male-led SMBs. This might again illustrate how SMBs are adapting in differing ways to the pandemic, with female-led SMBs more digitally oriented in their response to the crisis. Controlling for other characteristics, female-operated businesses were one and a half times more likely to have increased their use of social media or online messaging to communicate after a sale.⁷⁶

SMBs in developing countries were more than twice as likely as those in developed countries to have increased the use of social media or online messaging to communicate after a sale.

75. A logistic regression of respondent characteristics on a categorical variable for SMBs that started using, or increased use of, social media or online messaging for communicating post-sale since the outbreak of COVID-19. See Table 4 for further information.

76. A logistic regression of respondent characteristics on a categorical variable for SMBs that started using, or increased use of, social media or online messaging since the outbreak of COVID-19. See Table 5 for further information.

Figure 13: Stated net change in use of communication channels, by gender of business leader.



Source: Deloitte survey analysis.

Direct messaging is being used to maintain a personal connection with customers after a sale is completed...

While much of the awareness stage of the customer journey relies on reaching the widest possible audience, post-sales communications require a greater level of personalisation. Direct messaging provides an efficient channel for SMBs to achieve this, in place of in-person communication.⁷⁷ SMBs are using these channels to keep customers informed at a time when, for many, up-to-date communication is most needed. Messaging apps are also increasingly used by customers, making it more convenient for them to receive information and communications from SMBs via these platforms.⁷⁸

As we have seen, there has been an increase in the use of direct messaging among SMBs surveyed, through both social media and online messaging apps. However, the choice of these platforms once again differed significantly between countries. When communicating with customers, those in developing countries reported a larger increase in the use of

both online messaging apps and to a lesser extent direct messaging through social media. In the developing countries surveyed, nearly three quarters of respondents used WhatsApp or Facebook Messenger more since the outbreak of COVID-19, compared to just over half in developed countries. This finding was most stark in Brazil and India, where more than 90% reported an increase in the use of WhatsApp, compared to 27% in Canada, and 31% in US. This follows the trends seen in the Consumer Report, and reflects the fact that users in developing countries already favoured these platforms.⁷⁹

Differences in communication channels also varied according to the geographical location of businesses within countries. The net increase in the use of both online messaging apps and direct messaging through social media was twice as large for SMBs in urban areas compared to those in rural areas. In addition, controlling for other factors, SMBs in urban areas were 1.7 times more likely to start using or increase their use of direct messaging than those in rural areas.⁸⁰ This may be because many

Net increase in the use of both online messaging apps and direct messaging through social media was twice as large for SMBs in urban areas than for those in rural areas.

77. See Forbes (2018), [“Messenger Marketing: The New Way To Do Business”](#).
 78. Use of online messaging apps has grown across the globe, as demonstrated by Messenger People. See Messenger People [“WhatsApp, WeChat and Facebook Messenger Apps – Global Messenger Usage, Penetration and Statistics”](#).
 79. Global Web Index’s annual [“Flagship Report”](#), regularly finds that individuals in developing countries report spending much longer on social media platforms per day than those in developed countries.
 80. A logistic regression of respondent characteristics on a categorical variable for SMBs that started using, or increased use of, direct messaging since the outbreak of COVID-19. See Table 6 for further information.

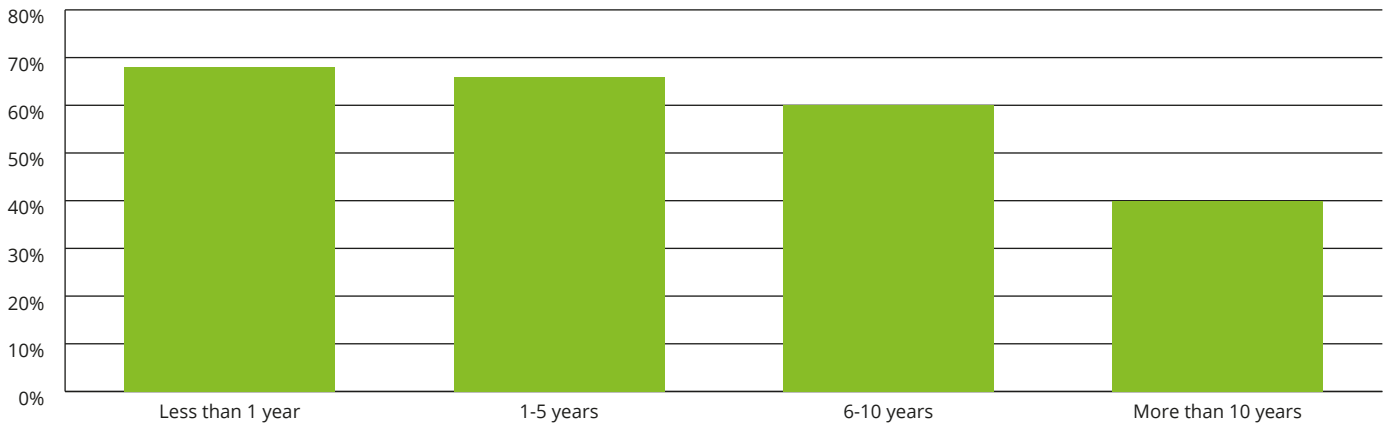
rural areas suffer from weaker digital infrastructure, as well as a lower base of digital skills and knowledge.⁸¹

More mature businesses were also less likely to communicate through any form of

direct messaging. 40% of SMBs that were founded more than ten years ago used this method of communication, compared to 66% of SMBs that first opened within the last five years (see Figure 14). This may be because more established businesses

already have well-developed customer service channels, and therefore may be less willing to change their approach to operations.

Figure 14: Proportion of SMBs using direct messaging, by time since business first opened.



Source: Deloitte survey analysis.

For many SMBs, the outbreak of COVID-19 has led to an even greater need for fast communication. For example, more than half of respondents that reported using direct messaging did so to inform customers of changes to their business. This percentage was highest in the food services, and travel and accommodation sectors, two sectors that have experienced dramatic changes to the way in which they are able to do business.⁸² This highlights the importance of these channels to businesses that need a direct and instant method of keeping consumers up to date. This was the case for Tonki Design, a manufacture of customisable cardboard photo frames that greatly increased their use of direct messaging during the pandemic in order to respond to customer queries (see “Tonki – A personal touch”).

SMBs value direct messaging for a number of reasons. Of respondents who used some form of direct messaging, 57% reported that the speed of communication was a key benefit, the highest proportion of any response. In addition, 54% of respondents stated that these platforms were a good alternative to in-person engagement, suggesting that more than half of the SMBs surveyed have turned to direct messaging as a replacement in some way for physical channels in developing customer relationships. In addition, more than half of SMBs using direct messaging reported that customers preferred to use this channel, further supporting the hypothesis that the use of these tools is, at least partially, driven by customers.

54% of respondents stated that these platforms were a good alternative to in-person engagement, suggesting that over half of the SMBs surveyed have turned to direct messaging as a replacement for physical channels.

81. For example, a survey by Pew Research found that Rural America is 12 percentage points behind less likely to have access to home broadband. See [Pew Research](#).

82. See Aldermore, “[Hospitality and leisure sectors worst affected by Covid-19 amongst UK SMEs](#)”.

TONKI – A PERSONAL TOUCH

Tonki Design manufactures customisable cardboard photo frames for sale direct to customers. It sells a single product and uses social media platforms, including Facebook and Instagram, to build awareness for its brand through paid and unpaid content.

The business is based in Northern Italy, a region that was affected particularly badly by COVID-19. Tonki initially ceased operations entirely. Subsequently, founders Ruggero and Alessandra made the decision to change their messaging from a focus on the product to a new approach, creating content that highlighted their own personal stories with a focus on positive messaging. Digital tools, especially online messaging apps such as WhatsApp, enabled Tonki to stay directly engaged with its customers in way that resonated with many of them.

As a result, once operations were able to resume, Tonki had amassed 26,000 orders against a normal production capacity of 800. Ruggero attributes much of this success to the ability to respond to all messages from customers, providing a personal touch to their communications.



Picture 5: Alessandra and Ruggero, founders of Tonki.
Source: Ruggero Frigoli.

Customers are using digital channels to share their experiences with other consumers and promote SMBs...

Digital channels also enable customers to participate in the promotion of SMBs and their products. Not only does this improve the visibility of SMBs and reduce customer acquisition costs, it also allows SMBs to engage with their community, moving the customer relationship beyond the purely commercial and create positive social outcomes.⁸³

Analysis in the Consumer Report found that more than one quarter of consumers who had discovered a small business did so because of comments on social media. It also found that, when comparing products or services, requesting opinions through online messaging or social media increased more than any other channel since the outbreak of COVID-19.

This trend was mirrored in the SMB survey. During the COVID-19 crisis, SMBs reported

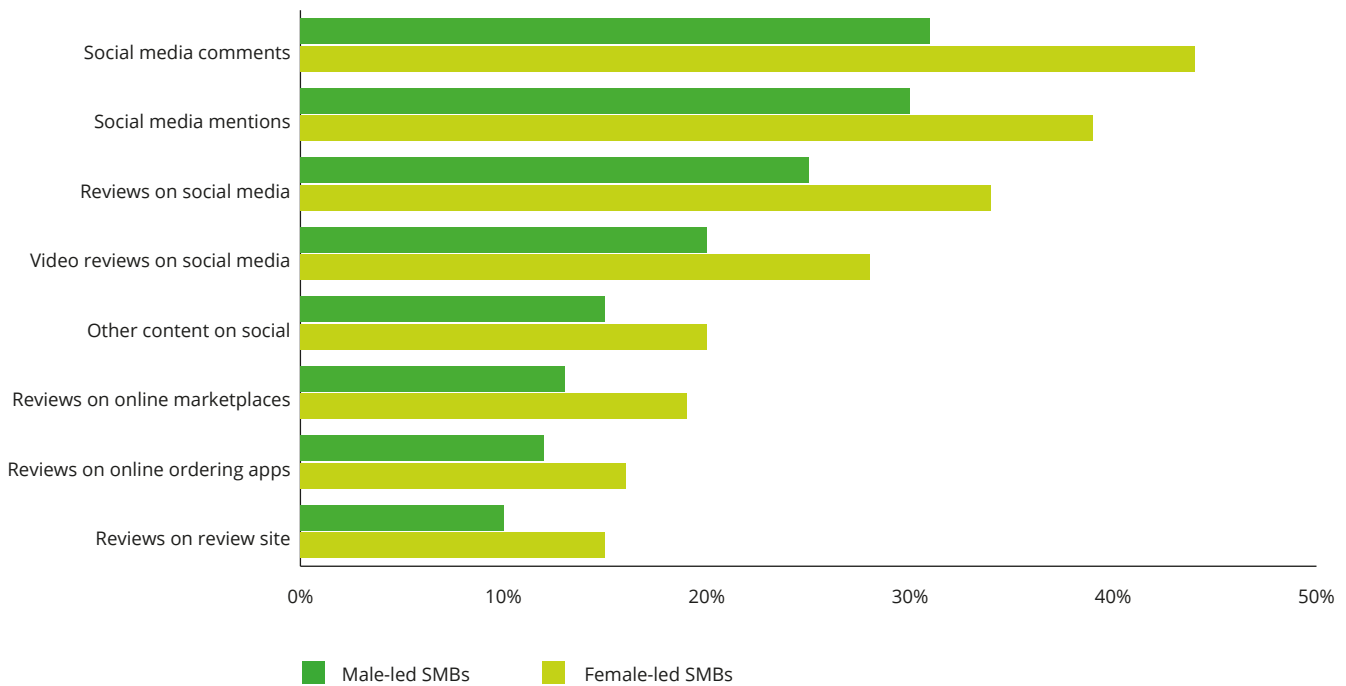
increases in customer actions across many digital channels. For example 38% of SMBs reported an increase in comments on social media business pages, with an increase in general mentions on social media reported by 34%.⁸⁴ Reviews on social media were reported to have increased by 29% across all SMBs, significantly higher than reviews on both online marketplaces (16%) and online ordering apps (14%). This was the case across all sectors, including those that used those channels heavily for making sales, such as restaurants with ordering apps, again suggesting that social media is important for consumers wishing to share their thoughts on businesses.

Significantly more female-led businesses reported an increase in customer-led interactions, especially on social media, than male-operated SMBs (see Figure 15). This may potentially be due to the extra time and resources they put into reaching out to consumers on these channels.⁸⁵

Reviews on social media increased by 29% across all SMBs, significantly higher than reviews on both online marketplaces (16%) and online ordering apps (14%).

83. For example, a survey by Alignable found that 95% of SMBs in the US donated to charity, and 90% of these were to local organisations. See Globe Newswire, [“Survey Shows Small Business Philanthropy on the Rise”](#).
84. A social media mention being whenever a brand is referenced on the platform. For example, being ‘tagged’ on Facebook. For more details see Big Commerce, [“What are mentions — and why they matter for ecommerce”](#).
85. See Facebook (2019), [“The role of social media, mentors and finance among women small business owners”](#). Based on findings from the Future of Business Survey.

Figure 15: Proportion of SMBs reporting an increase in different customer actions, by gender of business leader.



Source: Deloitte survey analysis.

A GENERATIONAL DIVIDE

Analysis in the Consumer Report found significant differences in the way that consumers in different age brackets use digital tools. This has also proven to be the case for SMB leaders. In addition to the differences in paid digital advertising (see Figure 7), there is a clear generational divide along the entire customer lifecycle journey.

Younger business leaders (e.g. Gen Z and millennials) were much more likely to report an increase in their usage of digital tools to make sales (85%), compared with baby boomers (48%). They were also three times as likely to indicate social media and online messaging as the best-performing channels for supporting sales than their older counterparts.⁸⁶ Baby boomers themselves were more likely to highlight telephone and website sales channels compared to other channels.

Businesses leaders in the baby boomer age group were also less likely to make any change to their messaging as a

result of COVID-19. While 69% of these respondents altered their messaging, this compares to 94% of Gen Z business leaders. They were also less likely to use digital tools for these communications, with 46% of baby boomers increasing their usage of these channels to communicate after sales, compared to 85% of Gen Z respondents.

These patterns indicate that younger business owners in our sample are more reliant on digital tools at all stages of the consumer lifecycle, and results indicate this trend may continue. More than two thirds of Gen Z and millennial business leaders stated that they expect to increase their use of digital tools in the future, compared to 39% of baby boomers. Whether these differences are due to general attitudes towards online tools, or a result of variations in digital literacy, these findings certainly indicate that older age groups risk getting left behind in an increasingly digital world

86. A logistic regression of respondent characteristics on a categorical variable for SMBs that identified social media or online messaging as the channel that had experienced either the largest increase or smallest decrease in making sales. See Appendix 2 Table 4 for further information.

The future of digital tools

SMBs are looking to a more digital future, while overcoming the key challenges in the adoption of digital tools.

With the help of digital tools, SMBs are navigating the crisis by staying connected with their customers...


SMBs play a major role in economies around the world, where they represent 90% of businesses and account for 50% of employment globally.⁸⁷ Their role in aiding the economic recovery following this crisis, as well as previous crises, is widely recognised by global institutions.⁸⁸ It is not certain when the health crisis will end, or whether further government interventions will be put in place in the future. It is clear, however, that many SMBs will struggle to continue operations without significant changes to the way they do business.

SMBs in our survey have increased their use of digital tools throughout the customer journey in response to the impact of COVID-19, using them to build awareness of their business, maintain access to their products, and stay connected with their customers. Our analysis indicates that this trend is associated with positive outcomes for these businesses.⁸⁹ Across our sample, SMBs that increased their use of digital tools were more than 50% more likely to

close for less than two months.⁹⁰ In other words, users of digital tools were more likely to reopen sooner after closing, even when controlling for other factors such as country, and business size.⁹¹ This suggests that digital tools are, at the very least, an important tool for those SMBs that have been able to reopen relatively quickly.⁹² Moreover, digital tool usage is associated with SMBs reaching new customers, introducing new products and maintaining a source of revenue.

Therefore, it is likely that businesses have boosted their understanding of the benefits of digital tools. This is particularly true for those using them for the first time, and may lead to a longer-term shift online.⁹³ Digital tools can foster efficiencies such as reduced communication and advertising costs, the expansion of a consumer base, and reductions in fixed costs, such as physical outlets.^{94, 95}

Furthermore, digital tools have transformed many wholesale or B2B2C firms into operations that engage with consumers, and sell directly to them.⁹⁶ This brings many benefits to the consumer,



SMBs that increased their use of digital tools were more than 50% more likely to close for less than two months. In other words, users of digital tools were more likely to reopen sooner after.



including increased competition, choice and potentially lower prices. As many businesses have already allocated the fixed costs of moving from offline to digital channels in response to the crisis, COVID-19 will be the watershed moment that accelerated adoption of digital tools and strategies.⁹⁷

87. See World Bank, "[Small and Medium Enterprise \(SMEs\) Finance](#)".

88. See OECD (2013), "[Financing small business: a key to economic recovery](#)", and see SME Finance Forum (2020), "[SME policy response speed, critical to economic recovery](#)".

89. See for example: UNESCAP (2017), "[Building a Resilient Digital Economy: Fostering SMEs in Central Asia](#)"; Lukonga, I. (2020), "[Harnessing Digital Technologies to Promote SMEs and Inclusive Growth in the Middle East, North Africa, Afghanistan and Pakistan \(MENAP\) Region](#)".

90. A logistic regression of respondent characteristics, including starting using or increasing use of digital tools overall, on a categorical variable of stayed closed for less than two months. This relationship also holds separately for use of digital tools for all actions analysed in our survey: marketing, selling, and communicating. See Appendix 2 Table 9 for further information.

91. Looking instead at the likelihood of closing, rather than the duration of closure, there is no significant relationship with use of digital tools based on the survey sample. This is most likely because characteristics such as country and sector have been the key drivers of the need of SMBs to close. See Appendix 2 Table 10 for details.

92. See Wall Street Journal (2020), "[Businesses Tap New Digital Tools to Reopen the Workplace](#)".

93. See McKinsey (2020), "[The COVID-19 recovery will be digital: A plan for the first 90 days](#)"; Google (2020), "[COVID-19 has accelerated digital adoption](#)"; SME Finance Forum (2020), "[The Importance of Going Digital for SMEs](#)".

94. Research by Boston Consulting Group (BCG), found that businesses that made the greatest use of digital tools saw up to 20% more revenue at the same time as 30% more cost savings as a result. See BCG (2019), "[The Dividends of Digital Marketing Maturity](#)".

95. For an in-depth discussion on the benefits of digital tools for business and consumers, see Goldfarb, A., and Tucker, C., (2019) "[Digital Economics](#)".

96. See Accenture (2020), "[Respond, Reset and Renew](#)".

97. See for example: McKinsey (2020), "[Setting up small and medium-size enterprises for restart and recovery](#)"; McKinsey (2020), "[The COVID-19 recovery will be digital: A plan for the first 90 days](#)"; Financial Times (2020), "[Covid recovery will stem from digital business](#)".

Digital tools will continue to be used by many SMB adopters once the crisis has abated...

This longer-term shift to digital is supported by our survey, in which 61% of respondents expected their future use of digital tools to increase in comparison with current levels. This proportion rises to more than three quarters of respondents in developing nations, compared to just over half of those in developed nations (see Figure 16). This suggests that respondents in developing nations, who were more likely to report an increased usage of digital tools than those in developed nations, are still looking to move further in this direction once the pandemic is over.

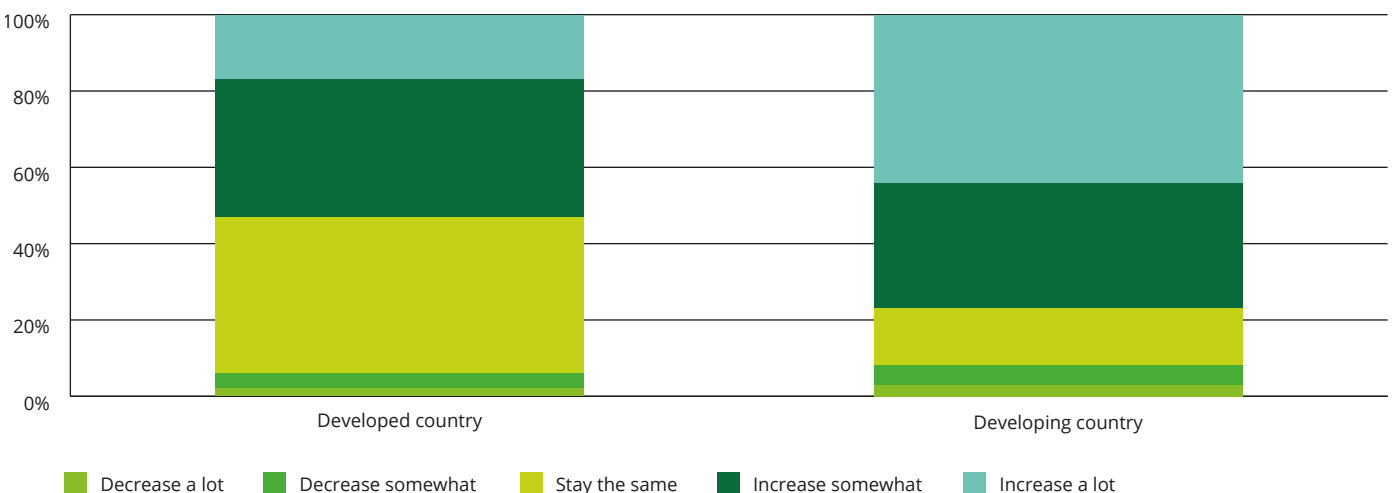
Differences in future expectations were not just limited to respondents' countries. For businesses that had started using a new digital tool for the first time, 78% stated that they expect to increase their use of digital tools once the pandemic is over. For these SMBs, the push to adopt digital tools in response to the pandemic may have been an important step on the digital learning curve, helping them understand the practicalities and benefits of being a more digitally-driven business.⁹⁸

Furthermore, analysis showed a location divide, with urban-based businesses nearly 50% more likely to state that they expected to increase their use of digital tools in comparison with rural businesses. Similarly, businesses that had ceased operating for any amount of time since the outbreak were 30% more likely to expect their usage to increase than those businesses that did not close.⁹⁹

Businesses' expectation that digital tools may become a more important part of their market strategy also reflects the fact that consumer behaviour is also changing in response to COVID-19.¹⁰⁰ As such, it is important that businesses also respond to this structural change as consumers form new long-term online shopping habits. Moreover, for SMBs that rely on a physical presence, such as dine-in restaurants and tourism, digital tools may be part of the new COVID-safe environments that will be paramount in their recovery, while also providing an enhanced consumer experience. For example, table ordering apps in restaurants can provide not only a safe way for consumers to order and pay for food and drinks, but also generate efficiencies for the business.¹⁰¹

78% of businesses that had started using a new digital tool for the first time stated that they expect to increase their use of digital tools once the pandemic is over.

Figure 16: Reported expected change in the use of digital tools by SMBs once the COVID-19 pandemic is over as a proportion of respondents, by country development.



Source: Deloitte survey analysis.

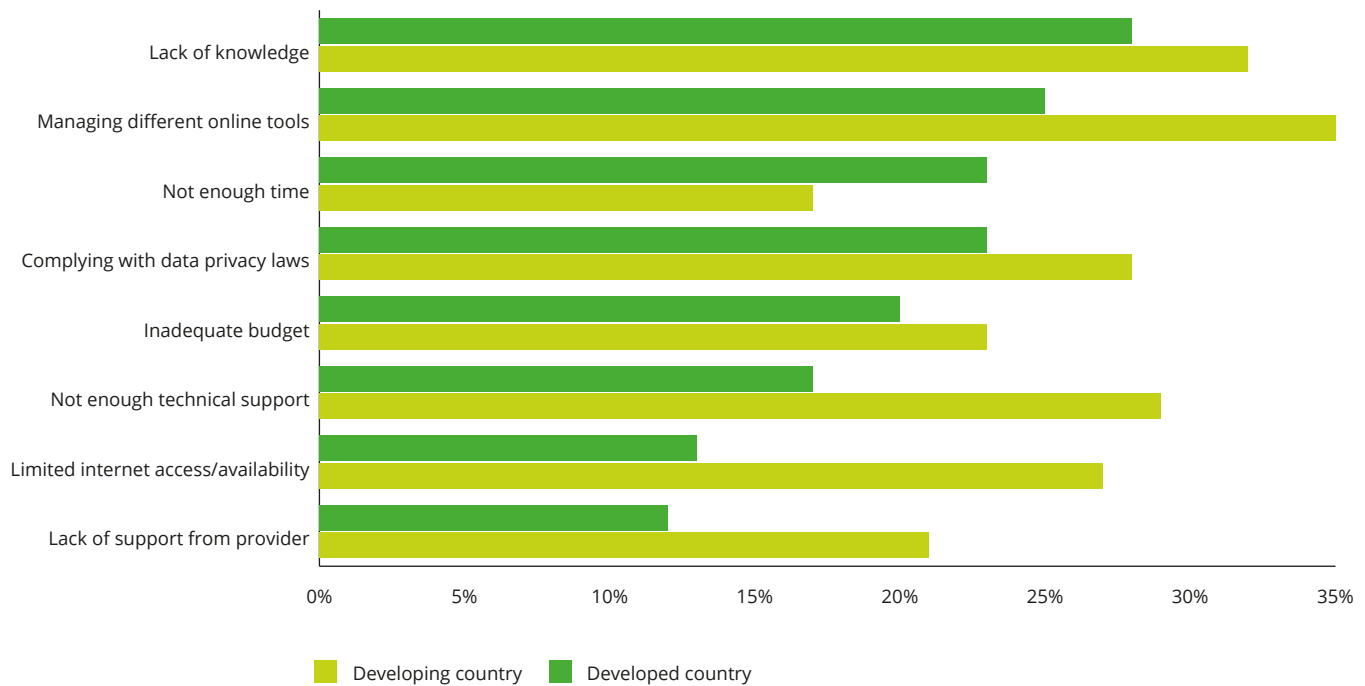
98. See McKinsey (2020), "How COVID-19 has pushed companies over the technology tipping point—and transformed business forever".

99. A logistic regression of respondent characteristics, including having closed at any point during the pandemic, on a categorical variable for SMBs that expected to increase their use of digital tools once the pandemic is over. See Table 11 for further information.

100. See Deloitte "Digital Tools in Crisis and Recovery: Consumer Report".

101. See Restaurant Business, "How the coronavirus is reshaping ordering and payment".

Figure 17: Proportion of respondents stating which key challenges they face in increasing digital tool usage.



Source: Deloitte survey analysis.

Key challenges to widening adoption of digital tools remain...

While our survey has shown that many SMBs have widened their use of digital tools, there still remain barriers to their adoption or expansion for some. Across our sample, 87% of businesses reported at least one key barrier to increasing use of digital tools. This rises to 92% of SMBs in developing nations (see Figure 17). Across our respondents, a lack of knowledge (29%) and difficulty managing multiple digital tools (28%) were the most commonly stated barriers. A lack of knowledge was most severe in Sri Lanka, with 48% of respondents reporting this as a key barrier. This was also the case for older respondents, with 32% of baby boomers reporting this as a concern, nearly twice that for Gen Z respondents, for example.

Limited internet access represented the biggest reported difference between developing (27%) and developed nations

(13%). This was most significant for respondents in the Philippines (41%) and Indonesia (38%). Developing nations also reported a lack of support from digital tool providers and technical experts as challenges. Taken together, these findings may reflect a greater divide between countries in the expansion of infrastructure, particularly relating to the extension of coverage to more rural areas, and to digital literacy.¹⁰²

Concerns relating to compliance with data privacy laws and regulations also varied by country. The proportion of SMBs reporting this as a key challenge was greatest in the Philippines (43%), but was also reported by one third of respondents in Germany, Mexico and Spain. This compared to only 12% of respondents in Sri Lanka and Israel. Data privacy is a growing concern around the world. However, these results may reflect the differences in regulation in each country.¹⁰³

There are a number of businesses that have been slower to adopt digital tools. SMBs operated by older business leaders, smaller SMBs, and SMBs based in rural areas, have seen much smaller increases in digital tools than their larger, more urban counterparts. A number of reasons could explain this. An absence of affordable internet access or digital literacy skills, for example, will leave some SMBs unable to respond to the accelerating movement online.¹⁰⁴ These businesses risk being left behind in the push for economic recovery. This may damage not only their own future prospects, but also the welfare of those customers that rely on their services. It is important that policymakers, technology companies, and SMBs themselves look to reduce the barriers to the use of digital tools, such as a lack of infrastructure and knowledge.

102. See World Economic Forum (2020), [“Accelerating Digital Inclusion in the New Normal”](#), and [“COVID-19 could widen the digital gap”](#).
 103. See Consumers International, [“The State of Data Protection Rules Around the World”](#).
 104. See United Nations (2020), [“Accelerating the Need to Bridge Digital Divides”](#).

Appendix

Appendix 1: Survey Methodology

The Digital Tools SMB Survey was fielded in the period 24 July-30 August, 2020 and was administered across 17 countries. Our sample included at least 250 responses per country with a total of 5,051 completed surveys. A summary of these countries can be found in Table 1.

In the United States, 1,000 SMBs were surveyed, but a sample weight was constructed to scale this down to 250 for comparison with other countries. A targeted sampling approach was used for the study, focusing on business owners and senior managers across nine industries, who represent businesses of under 250 employees, either sell products to end-customers directly or sell products or services that don't need to be refined or processed before they can be sold on to end customers. Additionally, SMBs that were closed at the time of the survey were included if they had plans to reopen.

In addition, to ensure industry coverage, soft quotas of around 20-30 completes per industry, were to reach 250 interviews in each country.¹⁰⁵ During the fieldwork, the number of responses for the "Other" industry category was monitored and limited to no more than 10%.

All surveys were conducted through the Ipsos online survey panel network. For this survey, multiple outgoing sample replicates were deployed throughout the field period, so that soft quotas were achieved appropriately and the total sample in each country includes early and late responders, as well as weekday and weekend responders. This procedure has also allowed panellists with different lifestyles and schedules a chance to respond.

The survey focused on how COVID-19 had impacted respondents' businesses and how their use of digital and non-digital tools for the purposes of interacting with consumers had changed. The questions specifically referred to changes *'since the outbreak of COVID-19'* and when asked about their use of these tools to interact with consumers, respondents were asked to indicate whether they had 'started using', 'increased', 'stayed the same' 'decreased', 'stopped using' or 'never used' for the individual tools. When asked to select specific tools, they were asked what they were using *'more'* since the outbreak of COVID-19. Respondents were also asked about impacts to their business alongside standard socio-economic questions such as business size, revenue and respondent age and gender.

Table 1: Country coverage summary. Source: Deloitte survey analysis.

Country	Number of respondents
Australia	250
Brazil	250
Canada	250
France	250
Germany	250
India	270
Indonesia	250
Israel	250
Italy	250
Japan	250
México	250
New Zealand	250
Philippines	250
Spain	250
Sri Lanka	250
United Kingdom	281
United States	1,000



¹⁰⁵The industries covered by the survey were as follows: agriculture; telecommunications, technology and media; manufacture and/or sale of customer products; manufacture and/or sale of intermediate products; transportation and logistics; travel and accommodation; food services; professional services; personal and other services.

Appendix 2: Lockdown Stringency

Category definitions

The survey analysis reported required the construction of different socioeconomic respondent groupings from demographic data. The definition of these groupings is as follows:

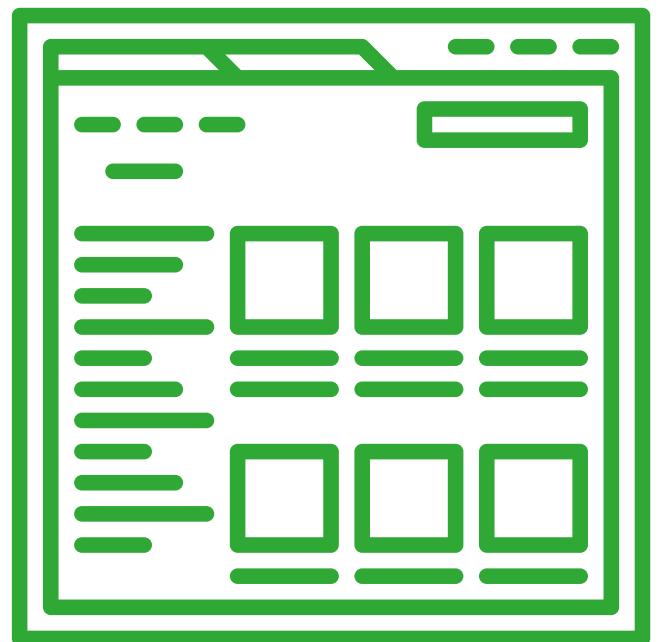
Table 2: Category definition for survey analysis.

Category	Basis for categorisation
Developing country	Countries were split into two groups, Developed and Developing, based on the United Nations Conference on Trade and Development categorisation of developing nations as follows: ¹⁰⁶
	Developed - Australia, Canada, France, Germany Italy, Japan, New Zealand, Spain, United Kingdom, United States Developing - Brazil, India, Indonesia, Israel, Mexico, Philippines, Sri Lanka
Age group	Respondents were split into one of four groups based on their age as follows: ¹⁰⁷
	Gen Z - 18-23
	Millennials - 24-37
	Gen X - 38-56 Baby Boomers – 57 and over

Regression analysis and significance testing

Throughout the report, we have used regression analysis to report on the statistically significant characteristics (independent variables) of survey respondents in relation to key question responses (dependent variables), such as use of digital tools. Although these models use key control variables, such as SMB revenue and number of employees amongst others, they should be interpreted as providing indications of how variables are associated, and not be interpreted as causal.

In this section we report the output of logistic regressions, which enable us to report the coefficients as odds ratios. Using these ratios allows us to analyse the difference in likelihood of an outcome based on individuals' specific characteristics. As an example, Table 5 reports the logistic regression of a respondent's characteristic on whether an individual started using, or increased their usage of, social media or online messaging for after-sales communication. The odds ratio for gender, which is 1.483, can be interpreted as the probability that a female-led business increased usage of social media or online messaging being 48.3% higher (more likely) than a male-operated businesses (the reference group), all else being equal.



106. See UNCTAD, [“Classifications Handbook”](#).

107. Age groups in our analysis follow other COVID-19 consumer research in grouping by generation (see [Global Web Index](#)).

Those more likely to be targeting new customers

The logistic estimates for the regression of which businesses were most likely to target new customers during the pandemic are reported in Table 3.

Table 3: Logistic regressions of respondent characteristics on whether respondent targeted new customers during the pandemic. Source: Deloitte survey analysis.¹⁰⁸

	Target new customers
Gender	1.126
Age	1.035**
Age2	1.000**
1 to 9 employees	1.356***
10 to 49 employees	1.742***
50 to 149 employees	1.883***
150 to 249 employees	1.996***
Developing country	1.036***
Suburban	0.942
Rural	1.002
6 to 10 years since opening	0.873
More than 10 years since opening	0.743***
Increased digital tool usage	3.792***
Intercept	0.055***
Further controls	Sector fixed effects, Income dummies
Observations	4199
Pseudo R ²	0.195

Robust standard errors were used; * p < 0.10, ** p < 0.05, *** p < 0.01.

108. Gender takes the value of 1 for female-operated businesses and 0 for male operated businesses (the reference group). Similarly Developing Country takes the value of 1 for a developing country and 0 for a developed country. The variables baby boomers, 0 employees, urban, and less than 5 years since opening are excluded and form the reference group.

Those more likely to report social media or online messaging as the channel through which sales saw the greatest increase or smallest decrease

The logistic estimates for the regression of which businesses were most likely to have seen social media or online messaging apps experience the greatest increase, or smallest decrease, in sales since the outbreak of COVID-19 are reported in Table 4.

Table 4: Logistic regressions of respondent characteristics on whether social media or online messaging saw the greatest increase or smallest decrease in sales since outbreak of COVID-19. Source: Deloitte survey analysis.¹⁰⁹

	Social media	Online Messaging
Gender	1.364***	1.228*
Gen Z age group	2.433***	1.961**
Millennial age group	2.549***	1.921***
Gen X age group	1.515**	2.391***
1 to 9 employees	1.216	0.996
10 to 49 employees	1.256	0.860
50 to 149 employees	1.043	0.904
150 to 249 employees	0.712	0.717
Developing country	1.505***	2.670***
Suburban	0.756**	0.829
Rural	0.647***	0.966
6 to 10 years since opening	0.767**	1.027
More than 10 years since opening	0.821	0.767*
Intercept	0.060***	0.052***
Further controls	Sector fixed effects, Income dummies	Sector fixed effects, Income dummies
Observations	3663	3642
Pseudo R ²	0.067	0.065

Robust standard errors were used; * p < 0.10, ** p < 0.05, *** p < 0.01.

109. Gender takes the value of 1 for female-operated businesses and 0 for male operated businesses (the reference group). Similarly Developing Country takes the value of 1 for a developing country and 0 for a developed country. The variables baby boomers, 0 employees, urban, and less than 5 years since opening are excluded and form the reference group.

Those more likely to have increased use of social media or online messaging for after-sales communications

The logistic estimates for the regression of which SMBs were more likely have started using, or increased use of, social media or online messaging for any form of after-sales communications with customers since the outbreak of COVID-19 are reported in Table 5.

Table 5: Logistic regression of respondent characteristics on whether respondent started using, or increased use of, social media or online messaging for after-sales communications since the outbreak of COVID-19. Source: Deloitte survey analysis.

	Target new customers
Gender	1.526***
Age	0.980
Age2	1.000
1 to 9 employees	1.580***
10 to 49 employees	1.777***
50 to 149 employees	3.642***
150 to 249 employees	3.577***
Developing country	2.288***
Suburban	0.787***
Rural	0.537***
6 to 10 years since opening	0.878
More than 10 years since opening	0.585***
Intercept	2.803**
Further controls	Sector fixed effects, Income dummies
Observations	4199
Pseudo R ²	0.195
Robust standard errors were used; * p < 0.10, ** p < 0.05, *** p < 0.01.	

Those more likely to have increased use of direct messaging with customers post-sale

The logistic estimates for the regression of which SMBs were more likely have started using, or increased use of, direct messaging with customers since the outbreak of COVID-19 are reported in Table 6. Direct messaging is defined as direct communications with customers through social media and messaging apps, not including indirect channels such as posts, comments etc.

Table 6: Logistic regression of respondent characteristics on whether respondent started using, or increased use of, direct messaging for after-sales communications. Source: Deloitte survey analysis.

	Target new customers
Gender	1.483***
Age	1.019
Age2	1.000***
1 to 9 employees	1.394***
10 to 49 employees	1.542***
50 to 149 employees	2.710***
150 to 249 employees	2.724***
Developing country	2.812***
Suburban	0.743***
Rural	0.576***
6 to 10 years since opening	0.818**
More than 10 years since opening	0.620***
Intercept	1.060
Further controls	Sector fixed effects, Income dummies
Observations	4199
Pseudo R ²	0.177

Robust standard errors were used; * p < 0.10, ** p < 0.05, *** p < 0.01.

Those more likely to have sold new products based on digital tools use for making sales

Table 7 reports the logistic estimates for the regression of the usage of digital tools to make sales on selling new products since the outbreak of COVID-19.

Table 7: Logistic regression of starting to use or increasing use of digital tools for making sales on whether the respondent sold new products since the outbreak of COVID-19. Source: Deloitte survey analysis.

	Target new customers
Gender	1.231**
Age	0.936***
Age2	1.000*
1 to 9 employees	1.129
10 to 49 employees	1.384**
50 to 149 employees	1.773***
150 to 249 employees	2.546***
Developing country	3.227***
Suburban	1.608***
Rural	0.959
6 to 10 years since opening	0.748**
More than 10 years since opening	0.559***
Increased making sales through digital	3.556***
Intercept	8.063***
Further controls	Sector fixed effects, Income dummies
Observations	3822
Pseudo R^2	0.229

Robust standard errors were used; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Those more likely to have sold new products based on social media/online messaging use for making sales

Table 8 reports the logistic estimates for the regression of use of social media/online messaging to make sales on selling new products since the outbreak of COVID-19.

Table 8: Logistic regression of starting to use or increasing use of social media/online messaging for making sales on whether the respondent sold new products since the outbreak of COVID-19. Source: Deloitte survey analysis.

	Target new customers
Gender	1.210**
Age	0.933***
Age2	1.000**
1 to 9 employees	1.154
10 to 49 employees	1.461**
50 to 149 employees	1.913***
150 to 249 employees	2.941***
Developing country	2.778***
Suburban	1.594***
Rural	0.919
6 to 10 years since opening	0.746**
More than 10 years since opening	0.577***
Increased making sales through social media/online messaging	3.700***
Intercept	9.502***
Further controls	Sector fixed effects, Income dummies
Observations	3822
Pseudo R ²	0.230

Robust standard errors were used; * p < 0.10, ** p < 0.05, *** p < 0.01.

Those more likely to have closed for less than two months

Table 9 reports the logistic estimates for the regression of use of digital tools on closing for a period shorter than two months. Column 1 uses change in overall digital tools use, column 2 change in digital tool use for marketing, column 3 change in digital tool use for making sales, and column 4 change in digital tool use for communicating post-sale.

Table 9: Logistic regression of starting to use or increasing use of digital tools on whether the respondent closed for a period shorter than 2 months since the outbreak of COVID-19. Source: Deloitte survey analysis.

	Closed for less than 2 months (1)	Closed for less than 2 months (2)	Closed for less than 2 months (3)	Closed for less than 2 months (4)
Gender	1.094	1.092	1.103	1.100
Age	0.911***	0.911***	0.909***	0.909***
Age2	1.001***	1.001***	1.001***	1.001***
1 to 9 employees	0.853	0.845	0.851	0.851
10 to 49 employees	1.558**	1.553**	1.562**	1.546**
50 to 149 employees	2.351***	2.346***	2.375***	2.373***
150 to 249 employees	2.187**	2.206**	2.236**	2.221**
Developing country	0.540***	0.539***	0.539***	0.532***
Suburban	1.274**	1.265*	1.264*	1.265*
Rural	0.979	0.979	0.973	0.986
6 to 10 years since opening	0.909	0.900	0.906	0.904
More than 10 years since opening	0.729**	0.728**	0.723**	0.724**
Started or increased overall digital tool usage	1.538***	-	-	-
Started or increased marketing digital tool usage	-	1.384***	-	-
Started or increased making sales digital tool usage	-	-	1.388***	-
Started or increased communications post-sales digital tool usage	-	-	-	1.427***
Intercept	35.735***	39.904***	39.921***	41.268***
Further controls	Sector fixed effects, Income dummies	Sector fixed effects, Income dummies	Sector fixed effects, Income dummies	Sector fixed effects, Income dummies
Observations	2339	2339	2339	2339
Pseudo R ²	0.116	0.114	0.114	0.115

Robust standard errors were used; * p < 0.10, ** p < 0.05, *** p < 0.01.0.01.

Those more likely to have closed at any point

Table 10 reports the logistic estimates for the regression of use of digital marketing, paid or unpaid, on closing at any point since the outbreak of COVID-19.

Table 10: Logistic regression of having used digital tools for marketing purposes prior to COVID-19 on whether the respondent closed at any point since the outbreak of COVID-19. Source: Deloitte survey analysis.

	Closed
Gender	1.687***
Age	0.977
Age2	1.000
1 to 9 employees	1.144
10 to 49 employees	1.181
50 to 149 employees	1.541***
150 to 249 employees	0.894
Developing country	1.365***
Suburban	0.766***
Rural	0.660***
6 to 10 years since opening	1.083
More than 10 years since opening	0.741***
Used digital advertising prior to COVID-19	1.076
Intercept	2.281**
Further controls	Sector fixed effects, Income dummies
Observations	4199
Pseudo R^2	0.075

Robust standard errors were used; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Those more likely to expect a future increase in the use of digital tools

The logistic estimates for the regression of which SMBs were more likely to expect digital tools usage to increase after the pandemic is reported in table 11.

Table 11: Logistic regression of respondent characteristics on whether respondent expected use of digital tools to increase after the pandemic. Source: Deloitte survey analysis.

	Closed
Gender	1.168**
Age	1.035**
Age2	1.000***
1 to 9 employees	1.427***
10 to 49 employees	1.804***
50 to 149 employees	2.673***
150 to 249 employees	2.438***
Developing country	2.214***
Suburban	0.770***
Rural	0.652***
6 to 10 years since opening	0.750***
More than 10 years since opening	0.741***
Business closed at any point during pandemic	1.314***
Intercept	0.690
Further controls	Sector fixed effects, Income dummies
Observations	4199
Pseudo R ²	0.116

Robust standard errors were used; * p < 0.10, ** p < 0.05, *** p < 0.01.

Appendix 3: Summary results

Table 12: Overview of select SMB responses by country. Source: Deloitte Survey Analysis.

	Australia	Brazil	Canada	France	Germany	India	Indonesia	Israel	Italy	Japan	México	Spain	New Zealand	Philippines	Sri Lanka	UK	US
% of SMBs surveyed reported that they started using or increased their overall usage of...																	
Social media platforms	34%	80%	42%	45%	20%	68%	59%	42%	48%	10%	69%	46%	38%	71%	42%	31%	51%
Online messaging platforms	36%	81%	42%	43%	36%	78%	65%	48%	56%	14%	72%	55%	43%	68%	47%	35%	49%
Online payment platforms	33%	70%	38%	36%	24%	75%	55%	30%	38%	12%	58%	39%	34%	65%	20%	27%	49%
% of SMBs surveyed reported that they started using or increased their usage of the following for (unpaid) marketing purposes...																	
Their business website	36%	49%	35%	39%	30%	56%	45%	21%	36%	13%	45%	41%	35%	47%	20%	29%	46%
Email communications and marketing	44%	60%	43%	40%	35%	74%	43%	35%	41%	17%	54%	46%	38%	55%	28%	34%	53%
Business profile/page on social media	35%	79%	46%	52%	26%	74%	60%	42%	43%	14%	68%	52%	39%	70%	46%	33%	51%
Online messaging platforms	37%	81%	40%	46%	32%	83%	65%	47%	51%	10%	74%	54%	37%	73%	50%	32%	49%
% of SMBs surveyed reported that they started using or increased their usage of the following for (paid) marketing purposes...																	
Targeted advertising or sponsored posts on social media	24%	49%	29%	39%	16%	62%	44%	22%	31%	4%	44%	30%	25%	40%	26%	22%	44%
Non-targeted advertising on social media	20%	44%	22%	29%	16%	48%	34%	19%	22%	3%	29%	37%	19%	24%	29%	15%	35%
Display advertising on third party websites (excl. social media)	20%	33%	22%	29%	17%	56%	35%	12%	17%	6%	28%	23%	19%	26%	15%	14%	36%
Partnerships with social media influencers	20%	36%	14%	34%	18%	58%	34%	15%	18%	3%	30%	23%	15%	25%	16%	16%	32%
Search engine advertising	22%	44%	26%	28%	17%	53%	33%	14%	22%	3%	32%	28%	20%	33%	16%	17%	37%
% of SMBs surveyed reported they have sold new products/services through...																	
Their business website	24%	34%	24%	20%	19%	31%	28%	19%	20%	11%	19%	30%	23%	32%	16%	21%	27%
Social media platforms	20%	52%	25%	28%	12%	52%	56%	25%	25%	7%	46%	29%	26%	70%	36%	17%	31%
Online messaging platforms	18%	62%	17%	15%	9%	46%	62%	27%	19%	3%	52%	26%	21%	56%	37%	13%	21%
Online marketplaces	21%	22%	17%	19%	17%	33%	30%	4%	17%	8%	17%	16%	8%	24%	2%	18%	25%
Online ordering apps	9%	16%	5%	11%	5%	27%	34%	3%	5%	3%	16%	11%	10%	19%	7%	5%	16%
Online payment platforms	15%	29%	13%	15%	9%	31%	25%	10%	8%	3%	17%	21%	18%	32%	9%	13%	21%



This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2020 Deloitte LLP. All rights reserved.

Designed by Deloitte CoRe Creative Services. RITM0565405