



# Digital Tools in Crisis and Recovery: U.S. Report

# Executive Summary

The evolving COVID-19 pandemic and resulting government restrictions are disrupting how consumers and small and medium-sized businesses (SMBs) across the United States are able to interact. With consumers spending more time at home and online, SMBs are leveraging digital tools to move their operations online, bringing their businesses to customers and, vitally, enabling many SMBs to stay operational.<sup>1</sup> This report provides a detailed investigation of the United States, drawing on the analysis of two recent multi-country studies conducted by Deloitte that included surveys of 1,000 SMB owners and senior managers and over 5,000 consumers in the United States.<sup>2</sup> The findings illustrate how American SMBs have leveraged digital tools to overcome these challenges and continue to reach their customers.<sup>3</sup>

**“Two in every five SMBs are turning to paid targeted advertising on social media, more than any other channel, including social engine and website display advertising.”**

With **41% of American consumers in our survey reporting that they have been spending more time on social media since the outbreak**, two in every five SMBs have turned to targeted advertising on social media, more than any other digital channel, including search engine and website display advertising. That gives SMBs the ability not only to increase their visibility to customers online, but also to better target new and existing customers locally, as well as farther afield. **SMBs that reported using targeted advertising on social media were twice as likely to target new customers.<sup>4,5</sup> Users of the Facebook Family of Apps were almost three times more likely.<sup>6</sup>**

Digital tools are facilitating local economic activity. **Over half of consumers surveyed who have stopped purchasing from an old business reported that they switched to a local small business.** Social media was a key enabler for two out of five consumers surveyed, who said that they discovered a new small business through advertisements, Business Pages, or content posted by SMBs on the platform.

Social media has been critical to both sales and innovation for SMBs during the pandemic. Indeed, it has served as a lifeline, as **SMBs surveyed said that social media had been the most resilient channel for making sales since the outbreak, more than their own websites or online marketplaces.<sup>7</sup>** Digital tools have provided a platform to launch new products — **SMBs that used targeted advertising on social media were twice as likely to sell new products. Users of the Facebook Family of Apps were three times as likely.**

Consumers are discovering the benefits of a simplified and streamlined online experience, such as reduced search times and 24/7 access to businesses, and this trend looks likely to continue.<sup>8</sup> SMBs that have leveraged

**“SMBs that reported using targeted advertising on social media were nearly twice as likely to report having higher revenues than in the previous year.”**

digital tools are better positioned to respond to these changes in consumer behavior and will benefit from reduced communication and advertising costs, as well as reductions in fixed costs, such as physical outlets.<sup>9</sup> The benefits may already be evident. In our sample, SMBs that reported using targeted advertising on social media were nearly twice as likely to report higher revenues than in the previous year. That underlines why **four out of five SMBs said that they expect to increase their use of digital tools going forward**, as they position themselves to navigate the new normal.

Our findings reinforce expectations from the World Economic Forum, and others, that digital tools are likely to be critical in the economic recovery going forward.<sup>10</sup> The structural shift in both consumers' and SMBs' use of digital tools is bringing with it efficiencies, as well as reducing barriers and frictions to commerce. Investment in digital tools may therefore foster a more equal and inclusive economic recovery across the United States.<sup>11</sup>

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# Introduction

**As the COVID-19 pandemic evolves and consumers continue to spend more time online, SMBs are pivoting to digital tools to provide a seamless customer experience.**

Small and medium-sized businesses (SMBs) are the lifeblood of the U.S. economy, accounting for 99.9% of businesses and 47% of employment.<sup>12</sup> However, the COVID-19 crisis has posed a great risk for SMBs as they may have lower cash reserves or greater difficulties accessing credit than larger businesses.<sup>13</sup> In particular, female SMB leaders are facing significant challenges balancing domestic responsibilities and work.<sup>14</sup> Indeed, some studies estimate that up to a third of SMBs may have closed permanently in the first four months of the COVID-19 pandemic.<sup>15</sup>

In response to the COVID-19 pandemic, many SMBs globally and in the United States are discovering new ways to adapt.<sup>16</sup> For example, research by Facebook, the Organisation for Economic Co-operation and Development (OECD), and the World Bank (2020) showed that 43% of SMBs surveyed across 50 countries had made over a quarter of their sales online in October 2020, compared to 37% of SMBs in 2019.<sup>17</sup>

This report provides a detailed investigation of the United States, drawing on the analysis of two recent multi-country studies conducted by Deloitte that included surveys of 1,000 SMB owners and senior managers, and over 5,000 consumers, in the United States.<sup>18, 19</sup> We complement this analysis with two case studies that provide examples of how some SMBs have navigated the crisis.<sup>20</sup> The findings illustrate how SMBs have leveraged digital tools to overcome the challenges of the current crisis and have continued to reach consumers whose lives have been disrupted.

The report illustrates how paid advertising, including targeted advertising on social media, has enabled SMBs to reach existing and new customers, both locally and farther afield. The report also looks at how direct online communications through social media and online messaging have allowed a personal and seamless customer experience, further nurturing digital-born discovery and converting it into digital sales.

In the remainder of this report, we examine the survey results, using existing findings from the literature to contextualize our results. We also highlight findings for female-led SMBs and consumers from minority groups, who have been disproportionately affected by the pandemic.<sup>21</sup>

# COVID-19 as a catalyst for digital transformation

## SMBs are pivoting to a digital customer experience as consumers move their lives online.

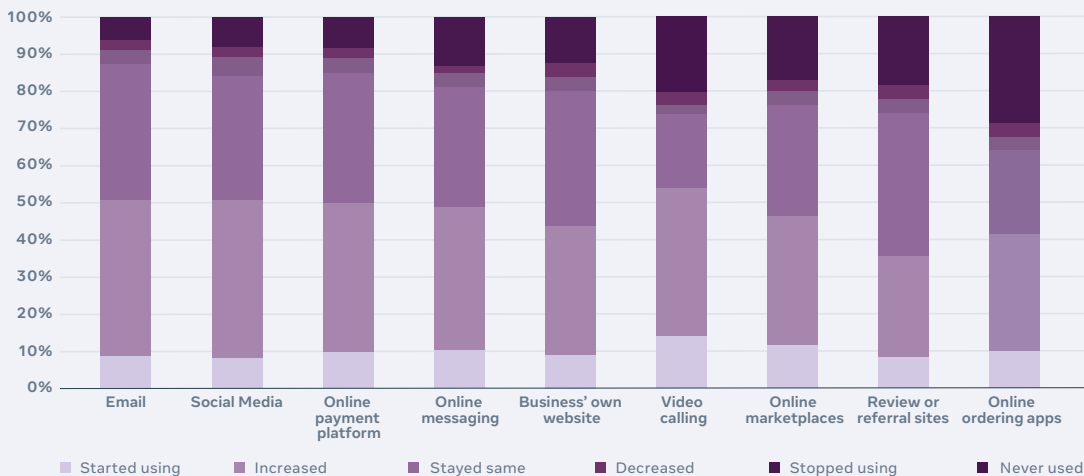
The effects of COVID-19 on the SMBs in our sample have been wide-ranging. Nearly two-thirds said that they had closed at some point since the outbreak of COVID-19, with 14% closing for a period of longer than two months. These closures had a direct effect on employees, with nearly two-thirds of SMBs stating that one or more employees had been furloughed, sick, or made redundant since the outbreak of COVID-19. As the pandemic continues to evolve, SMBs remain anxious about the welfare of their businesses.<sup>22</sup>

The impact on SMBs is directly linked to the disruption in the day-to-day routines of

**Female-led SMBs were hit harder, with nearly 70% reporting that they had closed at some point since the outbreak, compared to just over half of male-led SMBs.** This finding is consistent with research by Facebook, the OECD, and the World Bank (2020), which also found that these businesses were more likely to close, with female business leaders facing a disproportionate burden of domestic responsibilities, reducing the time available to concentrate on their businesses.<sup>23</sup>

consumers resulting from mobility restrictions and concerns about infection, the risk of losing their jobs, and changing consumption patterns.<sup>24</sup> Indeed, over half of consumers surveyed reported that the employment of a member of their household

**FIGURE 1:** Stated change across different types of tools used by SMBs. Source: Digital Tools SMB Survey.



was affected, and 41% reported that they were working from home more.<sup>25</sup>

Nearly half of consumers reported spending more time on the Internet since the pandemic began, with 45% spending more time on social media and online messaging apps. Crucially, digital tools are enabling SMBs to capitalize on this, by pivoting to remote and online channels and bringing their businesses to their customers' homes.<sup>26</sup> In addition, 84% of SMBs reported that they had started using, or increased their usage of, digital tools throughout their businesses since the outbreak of COVID-19. That was particularly the case for social media and online messaging, which 62% of SMBs had started using, or increased their usage of, during the pandemic. Notably, usage of social media increased more than any other digital tool, including video calling (54%), which seeks to replicate face-to-face interaction.

**“84% of SMBs reported that they had started using, or increased their usage of, digital tools throughout their businesses since the outbreak of COVID-19. That was particularly the case for social media and online messaging, which 62% of SMBs had started using, or increased their usage of, during the pandemic—more than any other digital tool.”**

# Digital advertising for awareness

## SMBs are leveraging targeted advertising to bring discovery of their products and services to their customers' homes.

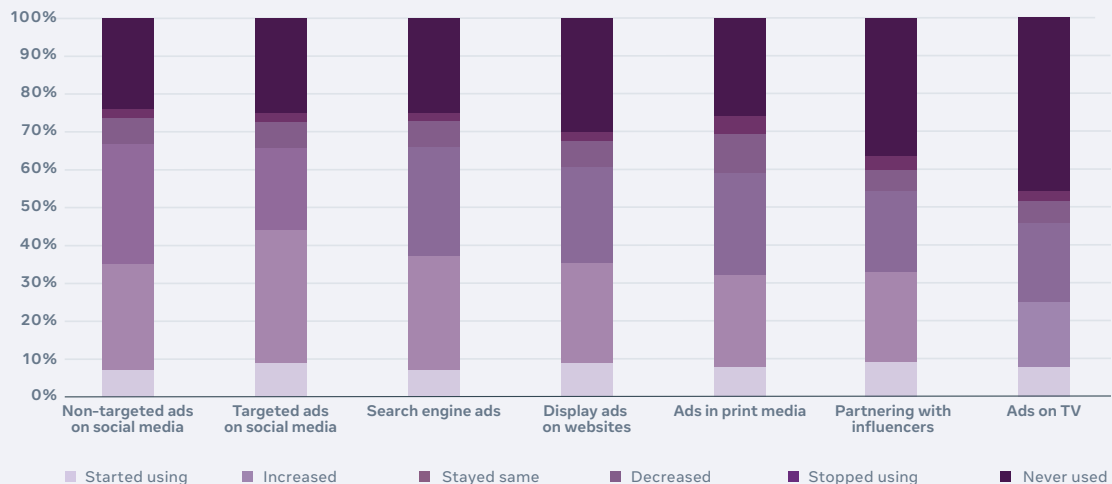
As a result of mobility restrictions in combination with concerns about infection, many consumers are spending less time shopping in person. As a result, they are missing opportunities to discover new businesses, products, and in-store experiences they might otherwise have had. For SMBs, it is vital to continue to raise brand awareness at this time and show that they are still open for business.

Following consumers online, SMBs in our survey were moving away from physical advertising and expanding their use of online channels to raise customer awareness.

In addition to increasing their usage of free channels such as email, SMBs have embraced paid digital advertising, which has allowed them to increase their visibility to customers online and better target new and existing customers, both locally and farther afield. Digital advertising also enables SMBs to

**Female-led SMBs reported a greater net increase across all free and paid digital channels for raising awareness, compared to male-led SMBs.** In particular, female-led SMBs reported a net increase of 38% in targeted advertising on social media, compared to 32% of male-led SMBs. The Facebook Family of Apps also played a bigger role for female-led SMBs, with two-thirds reporting that they had started or increased their use, compared to 56% of male-led SMBs.

**FIGURE 2:** Stated change in use of tools for paid advertising since the outbreak of COVID-19 as a proportion of all SMBs surveyed. Source: Digital Tools SMB survey.





personalize their advertisements, tailoring them to help reach the most relevant potential customers.

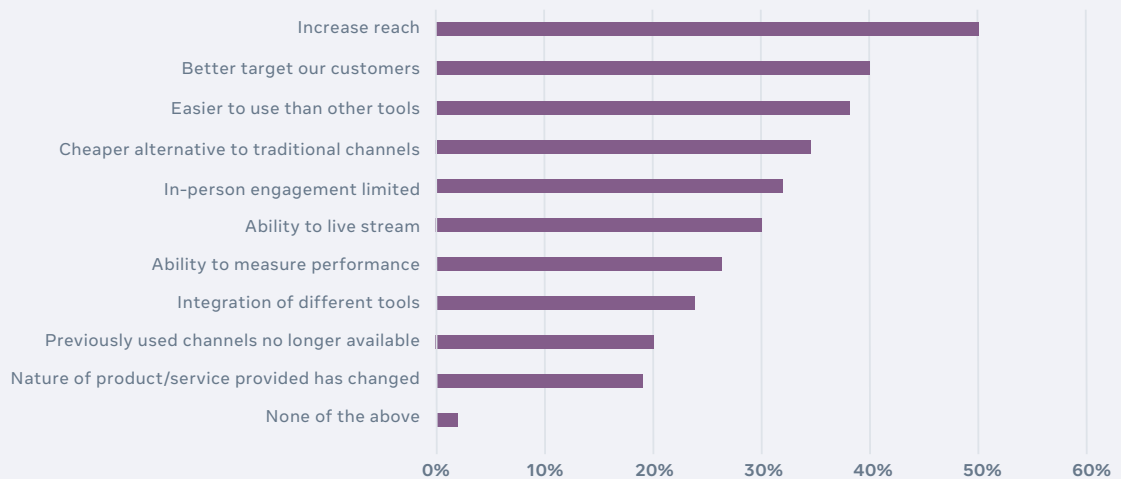
**“SMBs that used targeted advertising on social media were nearly twice as likely to have reported increased revenue compared to last year.”**

Surveyed SMBs reported net increases in all paid digital advertising channels (see Figure 2).<sup>27</sup> Overall, 44% of SMBs surveyed said they started using, or increased their usage of, targeted advertisements on social media, more than for search engine advertising (37%) and display advertising (36%). Further analysis shows that SMBs that used targeted advertising on social media were nearly twice as likely to report that they increased their revenue compared to last year.<sup>28, 29, 30</sup>

**Minority groups are using digital tools more than the U.S. average to discover new businesses.** Research shows that minorities in the United States, particularly African Americans, have seen higher rates of unemployment and worse health effects as a result of the pandemic, compared to non-minorities.<sup>31</sup> In the face of greater income shocks and health concerns, digital tools can help consumers find new businesses that offer better deals or home delivery. Across our survey, 61% of Hispanic consumers used digital tools to discover a new business, as compared to 59% for African Americans and 52% for Asian Americans.

In addition to paid digital advertising, SMBs also increased their usage of free digital tools to increase brand awareness. SMBs reported a large net increase in their use of online channels, with the usage of email (45%) seeing the largest increase, followed by social media pages (44%), while in-person engagement saw the largest net decrease (-23%).

**FIGURE 3:** Stated reasons by SMBs for choosing the Facebook Family of Apps since the outbreak of COVID-19, as a proportion of all SMBs that started using, or increased their usage of, these apps. Source: Digital Tools SMB Survey.



Across both free and paid advertising, nearly two-thirds of SMBs reported that they had started using, or increased their usage of, the Facebook Family of Apps for building awareness.<sup>32</sup> Half of SMBs said that the Facebook Family of Apps allowed them to increase their reach, with 40% stating they could better target customers (see Figure 3). Consistent with research by the World Economic Forum that found advertisers are prioritizing digital channels, SMBs in our survey are focusing their advertising spend on the platforms that customers are using more heavily compared to other platforms.<sup>33</sup>

These efforts to raise awareness appear to be effective. Just over half of consumers who reported switching to a new business reported that they discovered this new business via using digital tools. Social media (e.g., advertisements, Business Page updates) was reported as the most common method of discovery (39%), more than word-of-mouth (32%) and search engines (25%). Even for those consumers who had not switched businesses, 50% still reported discovering a new business through social media.

SMBs were using digital advertising not only to expand their reach, but also to help focus on the customers most important to them. In addition, 43% of SMBs reported primarily aiming their marketing activities toward

**“Half of SMBs said that the Facebook Family of Apps allowed them to increase their reach, with 40% stating they could better target consumers.”**

customers within their local area, with a third of SMBs targeting farther afield. Through these efforts, SMBs sought to both consolidate their existing customer base (44%) and expand into new customer segments (41%).

Targeted advertising and social media have been especially useful for the latter, allowing businesses to be discovered by consumers who are more likely to be interested in their specific products and services. Analysis shows that SMBs that reported using targeted advertising on social media were twice as likely to target new customers.<sup>34</sup> Users of the Facebook Family of Apps were three times as likely to do so. New York-based Tonawanda Dance Arts is one such business; it exclusively uses targeted advertising on Facebook and Instagram to attract new customers, experimenting with highly specific and accurate targeting options (see “Case Study – Tonawanda Dance Arts” p. 12).

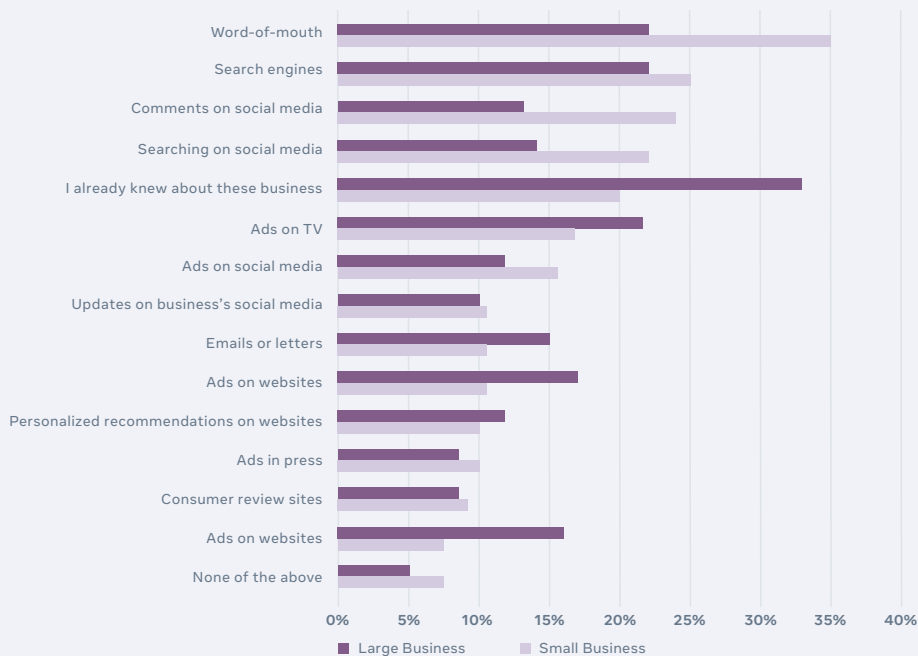
Indeed, targeting locally appears to be effective, as just over half of consumers in our survey (52%) switched to a small local business. For many of those who switched, it wasn't just out of necessity due to the crisis; over one-third chose to do so to support their local community. This finding reflects the importance of local SMBs to consumers, as

**“Social media overall was key in discovering new businesses, but its usage was greater for finding small businesses (44%) compared to large (33%).”**

Social media overall was key for consumers discovering new businesses. Considering all actions on social media, it was used more often than any other channel, and used more often to find small businesses (44%) compared to large businesses (33%). Looking to the future, a quarter of consumers said they expected to increase the amount they spend at local small businesses, with 19% saying that they would decrease their spending at large businesses not local to them.

local businesses have become more central to U.S. communities, driven in part by greater confidence in their quality and safety.<sup>35</sup>

**FIGURE 4:** Proportion of all consumers that discovered new businesses that used channel to discover the business, by business size. Source: Digital Tools Consumer Survey.<sup>36</sup>



CASE STUDY

# Tonawanda Dance Arts

Tonawanda Dance Arts is a children's dance studio based in Tonawanda, New York, founded by Melanie Boniszewski, who manages the business with her daughter, Kelsey. Even prior to the outbreak of COVID-19, Melanie and Kelsey primarily used Facebook to stay in touch with their clientele. During the pandemic, they have become even more reliant on social media to keep their customers up to date. They have been utilizing Facebook Groups to create a boutique experience by posting photos and recorded dance lessons on a regular basis, for existing customers to engage with at their convenience.

When trying to attract new customers, Melanie and Kelsey use Facebook and Instagram exclusively for paid marketing and are heavily reliant on targeted advertising. These campaigns focus on customers in the local area who are most likely to be interested in their services. According to Kelsey, they chose Facebook because of the granularity of targeting options it offers for experimenting with different audiences. That allows them to reach their target audience more efficiently: "We used to use mailer packs sent to people's homes, and that would go to every single family in a ZIP code, but only 10% may be interested, and then only 5% actually look us up. Targeting on social media allows us to run a much more cost-effective campaign."



**"We used to use mailer packs sent to people's homes, and that would go to every single family in a ZIP code, but only 10% may be interested, and then only 5% actually look us up. Targeting on social media allows us to run a much more cost-effective campaign."**

**Melanie Boniszewski**, Founder of Tonawanda Dance Arts

This personalization is translating into results. Nearly 60% of participants in the studio's Discover Dance event, one of the key events in the enrollment season, originated from Facebook advertising. This advertising also seems to be drawing the right type of potential customers. Of those who signed up for trial sessions through these campaigns, 100% converted into full-time members.

SECTION 03

# Converting digital awareness into online sales

**As consumers have moved their purchases online, SMBs have expanded their online channels to generate sales and launch new products.**

More time spent online has been coupled with an increase in purchases — 49% of consumers surveyed reported increasing the amount of money they spend online.

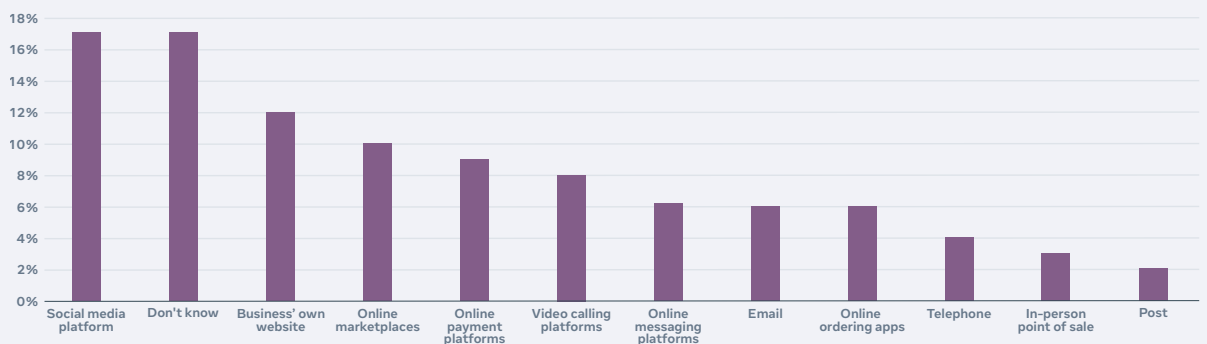
Digital tools and social media enable a smooth customer journey, from discovery of a good or service to a purchase being made.<sup>37</sup> As a result, SMBs are converting the greater digital awareness of their products and services into sales, and they are doing so through online channels.

Overall, SMBs surveyed reported a net increase in the usage of digital sales channels since the outbreak of COVID-19.<sup>38</sup> SMBs increased their net usage of social media the most (49%) across all channels, greater than

**Female-led SMBs have utilized and benefited from social media more during the pandemic.** These businesses reported a greater net increase in the use of social media for making sales at 51% compared to 45% for male-led SMBs. Female-led SMBs were also more likely to report social media as the most resilient sales channel (18%) compared to male-led SMBs (15%).

their net usage of online payment platforms (46%) and even their own business websites (42%). Many of these SMBs are relying on these channels to replace in-person points of sale. For example, Ettiene Market, a kitchen and pantry business based in McKinney, Texas, pivoted to online sales when two of its physical stores had to close (see “Case Study – Ettiene Market” on p. 16).

**FIGURE 5:** Proportion of revenue-generating SMBs that reported which channel saw the highest increase, or lowest decrease, in sales since the outbreak of COVID-19. Source: Digital Tools SMB Survey.<sup>39</sup>



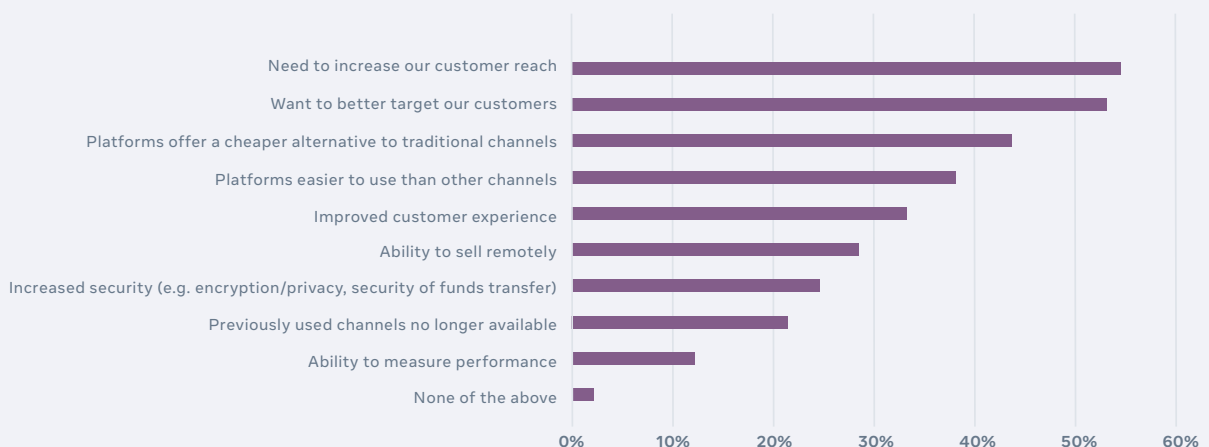
Furthermore, 17% of SMBs stated that social media was the most resilient channel for making sales, defined as the channel that saw the largest increase, or smallest decrease, in sales since the outbreak of COVID-19, more than any other channel (see Figure 5).<sup>40</sup> That was particularly the case for SMBs that started using, or increased their usage of, targeted advertising; 22% of these businesses reported that social media had been the most resilient channel for making sales.

With consumer purchasing patterns shifting toward essential spending categories, many SMBs are taking the initiative and responding to customers' changing needs.<sup>41</sup> SMBs adapted not only their methods for making sales, but also the range of products and services they offer. A majority of SMBs (79%) in our sample reported selling new products or services during the pandemic. This shift was even greater for those that used targeted advertising on social media. Those SMBs were more

than twice as likely to introduce new products, while SMBs using the Facebook Family of Apps were almost three times more likely to sell new products than those that did not use them.<sup>42</sup>

**“SMBs that use targeted advertising on social media were more than twice as likely to introduce new products, while SMBs using the Facebook Family of Apps were almost three times more likely to sell new products.”**

**FIGURE 6:** Proportion of users of Facebook Family of Apps stating reason for use.  
Source: Digital Tools SMB Survey.



In the absence of in-person interactions, digital technologies, and especially social media, enable businesses to sell new products as consumers are able to fully inform themselves before making a purchase. Recent research found that social media sharing represents more than half of the information used in consumer buying decisions.<sup>43</sup> This research was reflected in our survey results. SMBs reported social media (31%) as the channel most frequently used to sell new products, greater than their own business websites (27%) and online marketplaces (25%). Of SMBs that used the Facebook Family of Apps for marketing, 53% did so to better target customers, while 43% said that it offered a cheaper alternative to traditional channels.

**“Of SMBs that used the Facebook Family of Apps for marketing, 53% did so to better target customers, while 43% said that it offered a cheaper alternative to traditional channels.”**

CASE STUDY

# Ettiene Market



Ettiene Market is a kitchen and pantry store in McKinney, Texas. Founder Coryanne Ettiene aims to provide her customers with the experience of a traditional English shop. Prior to COVID-19, there were four Ettiene Market store locations, and Coryanne focused on building strong relationships with her customers and selling an overall experience rather than a specific product.

The effect of the pandemic led to two of these stores being permanently closed, with the other stores experiencing a greatly reduced and variable footfall. As a result, Coryanne began focusing more on those products that could be safely shipped to customers, such as homeware and kitchen utensils. She used Facebook and Instagram to engage with consumers and increase awareness of these products. Subsequently, orders through the online store grew 3,000%. Not only did digital tools enable this pivot to online sales, but Coryanne also attributes the increase directly to the online content she produced and shared. By posting videos and photos on social media from her home, Coryanne was able to retain a personal connection with her 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.”

**“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.”**

**Coryanne Ettiene**, Founder of Ettiene Market

Coryanne has found the most success on Instagram, as it enables her to focus on her key target audience. She targets advertisements at people who like the Ettiene Market Instagram page and their friends, encouraging a personal connection. Coryanne also believes the aspirational nature of content on Instagram fits with the type of products she sells and the customers with whom she engages.



SECTION 04

# Enriching post-sale communications

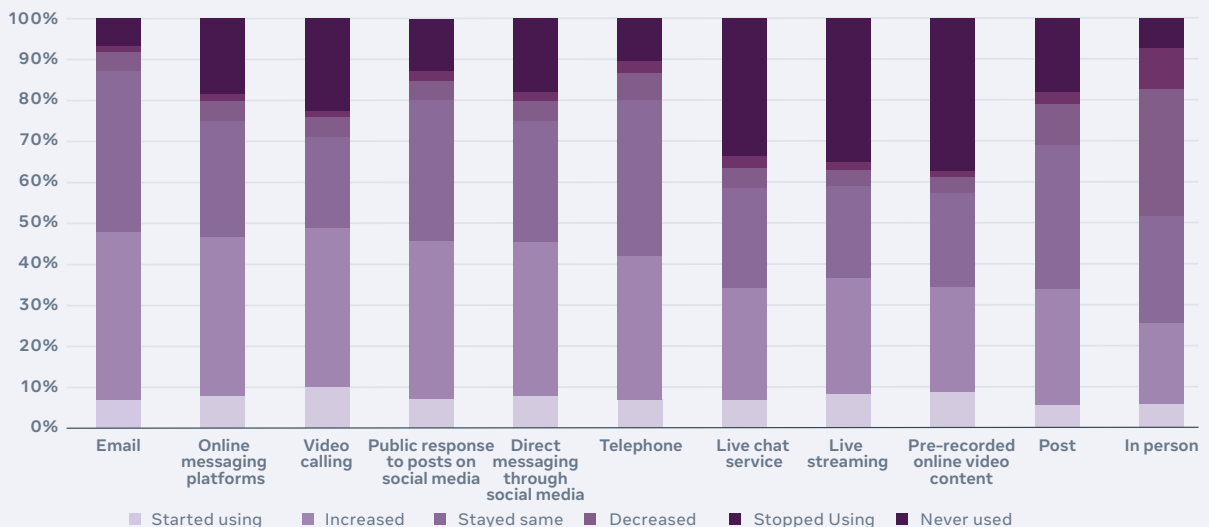
## U.S. SMBs are embracing digital communication channels to foster relationships as consumers move their engagement online.

After-sales communication is an important stage for consumers to interact with businesses. Consumers may want to ask questions about the products they purchased, discuss upgrades, or raise a complaint. For many SMBs, this is a crucial opportunity in the customer journey to foster long-term relationships. Research has found that acquiring a new customer can be up to 25 times more expensive than retaining existing ones, and increasing customer retention rates by 5% can increase profits by 25% to 95%.<sup>44</sup> SMBs are therefore leveraging digital tools to provide seamless communication channels that encourage repeat customers and improve business performance.

Since the outbreak of COVID-19, many consumers have increased their online engagement with businesses. Of those surveyed, 42% reported that their use of digital channels has increased. Social media usage increased most significantly, with 36% of consumers indicating that they increased their usage of social media in some form when communicating with businesses.

Social media and online messaging are providing efficient avenues through which consumers can communicate with businesses, allowing them to share rich personalized content in their own time and to deepen discussions. Similarly, swift and reliable channels for searching for information are critical at this time; 64% of consumers stated that they had increased their use of digital tools for searching for business information. Consumers reported social media and online messaging as the primary

**FIGURE 7:** Stated change in tools used for post-sales communications by SMBs since the outbreak of COVID-19 as a proportion of all SMBs surveyed. Source: Digital Tools SMB Survey.



channels, with 40% having used these channels more for this purpose.

SMBs are responding to this change in consumer behavior, pivoting to digital channels to ensure that customer relationships remain strong. Across our sample, 69% of SMBs had started using or increased their usage of some form of social media to communicate after a sale. Indeed, net use of all digital communication channels increased (see Figure 6), with the largest individual increase reported in the use of email (42%), followed by online messaging, video calling, and public responses on social media (all at 40%).

**“Recent research found that 96% of Americans were more likely to do business with a company that interacts with them in a personalized way.”**

In a time of great uncertainty, many SMBs have turned to direct messaging to keep their customers informed. Overall, 58% of SMBs surveyed started using, or increased their usage of, direct messaging through social media or online messaging apps. In addition, 51% reported that they used it to inform customers about changes to their businesses, while 46% used direct messaging to inform customers of new products and services. Relative to public posts, direct messaging allows for a

greater level of personalization and privacy when communicating with customers. Personalization is of increasing importance for customer retention, according to a recent study finding that 96% of Americans were more likely to do business with a company that interacts with them in a personalized way.<sup>45</sup>

SMBs indicated that they had increased their usage of Facebook Messenger (56%) for direct messaging, more than Instagram (35%) and WhatsApp (31%). These messaging tools are providing a convenient, personal substitute to in-person interactions. Overall, 46% of SMBs stated that they chose direct messaging due to improved speed of communications, while 45% did so because the platform is a good alternative to in-person engagement.

**Female-led SMBs were more likely to directly message their customers.** Female-led SMBs reported a greater net increase in the use of messaging on social media (42%) and online messaging (43%) for post-sales communications than male-led SMBs (35% and 36%, respectively). Direct messaging was also more important for female-led SMBs, with 60% reporting an increased usage of this channel compared to 55% of male-led SMBs. This finding is consistent with recent research suggesting that women have been pivoting online during the pandemic.<sup>46</sup>

# Building a digital future

## **U.S. SMBs have created a seamless digital experience from discovery to delivery in response to consumers moving their lives more online.**

It is not yet clear when, or to what extent, the COVID-19 crisis will end. However, our surveys have shown that SMBs are leveraging digital tools to create a seamless digital experience, in response to changing consumer behavior. That has enabled consumers to experience enriched, remote communications that are both visual and interactive.

As a result, COVID-19 has accelerated the adoption of digital and online tools.<sup>47</sup> Consumers are discovering the benefits of a simplified and streamlined online experience, such as reduced time searching, low-cost communications, and 24/7 access to businesses.<sup>48</sup> These are all significant welfare-enhancing benefits that will likely incentivize habit formation, with effects lasting long beyond the health crisis.<sup>49</sup> Equally, SMBs are also discovering the benefits of reduced communication and advertising costs, as well as reductions in fixed costs, such as physical outlets.

As consumers continue to move online, SMBs that have leveraged digital tools are likely better positioned to respond to changing consumer behavior now and in the future. Indeed, 63% of SMBs in our sample expect their use of digital tools to increase in the future. That rises to four out of five SMBs for those that used targeted advertising on social media. These SMBs reported being more confident about the future of their businesses, with four out of five feeling optimistic compared to 70% of SMBs that didn't use targeted advertising.

Overall, this research has shown how SMBs have leveraged digital tools to continue reaching customers whose lives have been disrupted. SMBs that embraced targeted advertising and the Facebook Family of Apps were more likely to target new customers and

**“In addition, 63% of SMBs in our sample expect their use of digital tools to increase in the future. That rises to four out of five SMBs for those that used targeted advertising on social media. These SMBs are more confident about the future of their businesses, with four out of five feeling optimistic compared to 70% of SMBs that didn't use targeted advertising.”**

sell new products. Furthermore, SMBs that used targeted advertising on social media were more likely to report having higher revenues this year than in the previous year. COVID-19 is leading to a structural shift in both consumers' and SMBs' use of digital tools, leading to efficiencies and reductions in barriers and frictions to commerce. Wider investment in digital tools is helping to lessen the effect of the pandemic for many businesses now and may also foster a more equal and inclusive economic recovery.<sup>50</sup>

# Survey methodology

The Digital Tools in Crisis and Recovery Study is part of a multi-country study of consumers and SMBs in collaboration with Deloitte. The analysis featured in this report draws insights from the data gathered as part of this workstream on consumers and SMBs from the United States (see Table 1). The Digital Tools surveys were conducted through Ipsos' online survey panel network.

For the consumer survey, Ipsos deployed sampling quotas on several key geo-demographic characteristics, including gender, age, education, race/ethnicity, and region, to achieve a balanced sample reflective of the 18+ online population in the United States. After data cleansing, Ipsos developed sample weights separately based on the same geo-demographic variables, including race/ethnicity as the quota scheme, correcting for differences in cooperation rates among subgroups.

For the SMB survey, a targeted sampling approach was used for the study, focusing on business owners and senior managers across nine industries, representing businesses with under 250 employees that either sell products to end consumers directly or sell products or services that do not need to be refined or processed before they can be sold to end customers. Additionally, SMBs that were closed at the time of the survey were included if they had plans to reopen. To ensure industry coverage, soft quotas of around 20-30 completes per industry were used to reach 250 interviews in each county.<sup>51</sup> During the fieldwork, the number of responses for the "Other" industry category was monitored and limited to no more than 10%. Weighting was not used for SMB respondents and, as it was an online survey, the results likely reflect SMBs that have at least some digital skills and capabilities.

Table 1: Sample sizes across SMBs and consumers. Source: Digital Tools Consumer and SMB Survey.

Respondents	Target	Sample Size	Fieldwork date
<b>U.S. Small and Medium-Sized Businesses (SMBs)</b>	Diverse range of SMB owners and senior managers	1,000	July 24 – August 30, 2020
<b>U.S. Consumers</b>	Representative sample of the 18+ online population.	5,002	July 7 – July 29, 2020

Across both surveys, multiple outgoing sample replicates were deployed throughout the fielding period, such that the total achieved sample includes early and late responders, as well as weekday and weekend responders, allowing panelists with different lifestyles and schedules the opportunity to respond.

The consumer survey focused on how COVID-19 has impacted respondents' purchasing behavior and the channels through which they were able to continue engaging with, and purchasing from, businesses. The questions referred specifically to changes "since the outbreak of COVID-19" and when asked about their engagement with businesses, respondents were asked what they were doing "more" of since the outbreak of COVID-19. Respondents were also asked about effects on their employment, alongside standard socio-economic questions such as employment status, age, gender, income, and education.

The SMB survey focused on how COVID-19 had affected 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" each tool. When asked to select specific tools, they were asked what they were using "more" of since the outbreak of COVID-19.

Respondents were also asked about effects on their businesses alongside standard socio-economic questions such as business size, revenue, and respondent age and gender.

# Regression analysis

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 the use of digital tools. Although these models use key control variables, such as SMB revenue and number of employees, among others, while also testing the effect of different specifications on coefficients, they should be interpreted as providing indications of how variables are associated and should not be interpreted as causal due to potential endogeneity issues. In this section, we report the estimates of odds ratios from logistic regressions, which enable us to provide a comparison between the odds of two groups (e.g., SMBs that are users of targeted advertising and those that are not), in achieving a given outcome (e.g., increasing their revenue compared to last year). In other words, odds ratios allow us to analyze the difference between how much more or less likely an outcome is based on specific characteristics and survey answers of SMBs.

## SMBs more likely to be targeting new customers

The logit estimates for the regression of which SMBs were more likely to target new customers during the pandemic are reported in Table 2. The first column presents results for the association between an SMB using

targeted advertising on social media and targeting new customers. Column 2 reports the same regression but instead looks at the association between an SMB being a Facebook Family of Apps user and targeting new customers.

Table 2: Logistic regressions of respondent characteristics and social media usage, on whether respondent targeted new customers during the pandemic. Source: Digital Tools SMB Survey.<sup>52</sup>

	Target new customers (1)	Target new customers (2)
Age of respondent	1.001	1.000
Age <sup>2</sup> of respondent	1.000	1.000
1 to 9 employees	1.442	1.330
10 to 49 employees	2.257***	2.338***
50 to 149 employees	2.421***	2.384***
150 to 249 employees	1.776	1.633
Suburban	0.911	0.923
Rural	0.785	0.727
6 to 10 years since opening	1.042	1.080
More than 10 years since opening	1.048	1.029
Female-led SMB	1.281	1.193
Target ads user	2.132***	-
Facebook Family of Apps user	-	2.791***
Intercept	0.292	0.233
Further controls	Sector fixed effects, Income dummies	Sector fixed effects, Income dummies
Observations	972	972
Pseudo R <sup>2</sup>	0.097	0.110

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

## Those more likely to be selling new products

The logit estimates for the regression of which SMBs were more likely to sell new products during the pandemic are reported in Table 3. The first column presents results for the association between a SMB being a user of targeted advertising on social media selling

new products. Column 2 reports the same regression but instead looks at the association between a SMB being a Facebook Family of Apps user and selling new products.

Table 3: Logistic regressions of respondent characteristics and social media usage, on whether respondent sold new products during the pandemic. Source: Digital Tools SMB survey.

	Selling new products (1)	Selling new products (2)
Age of respondent	0.885**	0.886**
Age <sup>2</sup> of respondent	1.000	1.000
1 to 9 employees	1.161	1.004
10 to 49 employees	2.074*	1.890
50 to 149 employees	3.076***	2.635**
150 to 249 employees	4.357**	3.678**
Suburban	0.645*	0.647*
Rural	0.671	0.619
6 to 10 years since opening	0.904	0.965
More than 10 years since opening	0.543**	0.530**
Female-led SMB	1.122	1.031
Target ads user	2.261***	-
Facebook Family of Apps user	-	2.840***
Intercept	312.61	286.767
Further controls	Sector fixed effects, Income dummies	Sector fixed effects, Income dummies
Observations	902	902
Pseudo R <sup>2</sup>	0.217	0.229

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



### Those more likely to be earning higher or lower revenue compared to last year

The multinomial logit regression results in Table 4 present estimates for the odds (relative risk) of an SMB having either higher or lower revenue than last year, compared to

having the same revenue as last year (the baseline group). Results are presented for the association between an SMB using targeted advertising on social media and reporting a change in revenue.

Table 4: Multinomial logistic regression of respondent characteristics and use of targeted ads, on whether respondents' revenue was higher or lower last year, compared to staying the same. Source: Digital Tools SMB Survey.

Revenue change compared to last year	
<b>Revenue higher than last year</b>	
6 to 10 years since opening	0.598*
More than 10 years since opening	0.392***
Female-led SMB	0.848
Target ads user	1.867**
Intercept	0.193
<b>Revenue higher than last year (base group)</b>	
<b>Revenue lower than last year</b>	
6 to 10 years since opening	0.818
More than 10 years since opening	0.785
Female-led SMB	0.743
Target ads user	1.122
Intercept	0.167
Further controls	Sector fixed effects, Income dummies, Age of respondent, Number of employees, Rural/Suburban dummies
Observations	881
Pseudo R <sup>2</sup>	0.093

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

# SMB summary statistics

Table 5: Overview of select SMB statistics. Source: Deloitte Survey Analysis.

<b>Gender of business leader</b>	
Male	42%
Female	58%
<b>Age of business leader</b>	
18-23	4%
24-37	34%
38-56	48%
57 and over	15%
<b>Sector</b>	
Agriculture	9%
Food services (e.g., restaurants, caterers)	10%
Manufacture and/or sale of customer products (e.g., clothing, small electronics, furniture)	11%
Manufacture and/or sale of intermediate products (e.g., construction or manufacturing equipment, raw or processed construction, or manufacturing materials)	11%
Personal and other services (e.g., hairdressing, cleaning, construction, landscaping)	11%
Professional services (e.g., financial advisory, legal, education, healthcare, real estate)	12%
Telecommunications, technology, and media (e.g., computer software, mobile apps, music)	11%
Transportation and logistics (e.g., taxis, minibus)	6%
Travel and accommodation (e.g., hotels, tour operators, travel agents)	9%
Other	10%
<b>Region</b>	
Urban	44%
Suburban	41%
Rural	15%

Table 5: Overview of select SMB statistics. Source: Deloitte Survey Analysis.

<b>Number of employees</b>	
1 to 9	25%
0 (no employees, owner only)	17%
50 to 149	25%
150 to 249	11%
10 to 49	23%
<b>Annual turnover</b>	
\$ 0 to 9,999	7%
\$ 10,000 to 49,999	13%
\$ 50,000 to 99,999	11%
\$ 100,000 to 499,999	17%
\$ 500,000 to 999,999	19%
\$ 1,000,000 to 1,999,999	15%
\$ 2,000,000 to 9,999,999	13%
\$ 10,000,000 to 49,999,999	4%
More than \$ 50,000,000	1%
<b>Time since business first opened</b>	
Less than 5 years	38%
6-10 years	30%
More than 10 years	33%

# End Notes

1. See SME Finance Forum (2020), [“The Importance of Going Digital for SMEs.”](#)
2. The consumer survey was fielded July 7–29, 2020, with the SMB survey fielded August 24–30, 2020. The surveys were conducted using Ipsos’ online panels and designed in collaboration with Deloitte. See Appendix 1 for further details.
3. This reflects research by Cisco, which found that digitalization had become a necessity with over 70% of small businesses globally accelerating digitalization as a response to the crisis. See Cisco (2020), [“2020 Small Business Digital Transformation.”](#)
4. SMBs that used targeted advertising on social media are defined as those that have started or increased their usage of targeted advertisements on social media or had used it prior to the crisis and kept their usage the same.
5. “More likely” here, and throughout the report, refers to the comparison between the odds of two groups (the odds ratio) achieving a given outcome, as estimated by a logistic regression. Please see Appendix 2 for further details.
6. Facebook Family of Apps users are defined as those who have either started using, or increased their usage of, Facebook, WhatsApp, or Instagram for raising brand awareness.
7. “Most resilient” is defined as the channel that saw the largest increase or smallest decrease in sales since the outbreak of COVID-19.
8. Research by Global Web Index (GWI) suggests that, in the United States, 27% report that they will work from home more in the future, with over a third stating they will shop more online following the outbreak. See GWI (2020), [“Coronavirus Research July 2020.”](#)
9. For a full discussion on the benefit of digital technologies, including the key areas of cost savings for both consumers and businesses, see Goldfarb, A., and Tucker, C. (2019), [“Digital Economics.”](#)
10. See World Economic Forum (2020), [“How Digital Entrepreneurs Will Help Shape the World After the COVID-19 Pandemic.”](#) and McKinsey (2020), [“The COVID-19 Recovery Will Be Digital: A Plan for the First 90 Days.”](#)
11. See United Nations (2020), “Accentuating the Need to Bridge Digital Divides.”
12. See Office of Advocacy of the U.S. Small Business Administration (2020), [“2020 Small Business Profile.”](#)
13. See Federal Reserve Bank of New York (2020), [“Can Small Firms Weather the Economic Effects of COVID-19?”](#)
14. Research by McKinsey suggests that as many as 2 million women are considering leaving the U.S. workforce due to the challenges created by COVID-19. See McKinsey (2020), [“Women in the Workplace 2020.”](#)

15. See McKinsey (2020), [“Which Small Businesses Are Most Vulnerable to COVID-19 – and When,”](#) and Yelp (2020), [“Local Economic Impact Report”](#) for further insights on closures.
16. See Financial Times (2020), [“Independent Businesses in Britain Are Coping With COVID Better Than Big Chains, Data Show.”](#)
17. Results from Global State of Small Business Report (Wave VI), conducted in late October 2020. See Facebook/OECD/World Bank (2020), [“The Future of Business Survey.”](#)
18. The consumer sample is representative of the U.S. 18+ online population. The SMB population is not representative of the U.S. SMB population but draws from a diverse range of businesses from across the United States. For further details about the methodology, see Appendix 1.
19. See Deloitte (2020), [“Digital Tools in Crisis and Recovery: Consumer Report,”](#) and Deloitte (2020), [“Digital Tools in Crisis and Recovery: Small and Medium Business Report.”](#)
20. Conducted separately from the Digital Tools SMB Survey, the case studies draw on interviews with two U.S. SMBs: Ettiene Market, a kitchen and pantry store in McKinney, Texas, and Tonawanda Dance Arts, a children’s dance studio based in Tonawanda, New York.
21. For a discussion on the disproportionate economic and health effects on women and people of racial-ethnic minorities, see Forbes (2020), [“COVID-19’s Impact on Women of Color,”](#) and The New York Times (2020), [“Why Some Women Call This Recession a ‘Shecession.’”](#)
22. Research by Facebook, OECD, and the World Bank reports SMBs’ most cited near-term challenges as a lack of demand (43%) and cash flow constraints (35%). See Facebook/OECD/World Bank (2020), [“The Future of Business Survey.”](#)
23. See Facebook/OECD/World Bank (2020), [“The Future of Business Survey.”](#)
24. Research by McKinsey in late September 2020 shows that U.S. consumers believe that their routines (71%) and their finances (54%) will be affected for at least another four months. See McKinsey (2020), [“Survey: U.S. Consumer Sentiment During the Coronavirus Crisis.”](#)
25. “Directly affected” includes having their pay benefits or bonus affected, working hours reduced, or being furloughed.
26. See SME Finance Forum (2020), [“The Importance of Going Digital for SMEs.”](#)
27. A net change is defined as the percentage of respondents stating that they had started or increased their usage of a given digital channel minus the percentage that decreased or stopped their usage of the same channel.
28. “Users of targeted advertising on social media” refers to SMBs that had started or increased their usage of targeted advertising on social media and/or were users prior to COVID-19 but had maintained the same usage.
29. This finding is based on logistic regression of respondent characteristics, including use of targeted advertising on social media and the Facebook Family of Apps, on a categorical variable for SMBs that sold new products since the outbreak of COVID-19. Regression results presented here should be interpreted as providing indications of how variables are associated and should not be interpreted as causal due to potential endogeneity issues. See Appendix 2, Table 4 for further information.

30. “More likely” throughout this report refers to the odds ratio for a given explanatory variable as estimated by a logistic or multinomial logistic regression. The “odds ratio” can be defined as the ratio of the odds of a given outcome occurring for one group relative to the odds of the outcome occurring for a second group, where “odds” is defined as the probability of an event occurring over the probability of an event not occurring. In this instance, we used a multinomial logit model to estimate the odds ratio (also known as the relative risk). That can be interpreted as the odds of SMBs that are users of targeted advertising increasing their revenue compared to last year were 1.867 times as large as the odds of SMBs that did not use targeted advertising increasing their revenue compared to last year, relative to having the same revenue as last year (the reference group). See Appendix 2 for further information.
31. Racial-ethnic minorities in the United States, particularly African Americans, have been hit harder by the health and economic impacts of COVID-19, compared to non-minorities. For research on the disparities in health effects, see BMJ (2020), [“Covid-19: Black People and Other Minorities Are Hardest Hit in US.”](#) and economic impacts, see Fairlie, R., et al. (2020), [“The Impacts of COVID-19 On Minority Unemployment: First Evidence From April 2020 CPS Microdata.”](#)
32. In the rest of this report, we will refer to SMBs that had started using, or increased their usage of, the Facebook Family of Apps for building awareness as “users of the Facebook Family of Apps.” The Facebook Family of Apps here includes Facebook, WhatsApp, and/or Instagram for building brand awareness.
33. See World Economic Forum (2020), [“This Is How COVID-19 Is Affecting the Advertising Industry.”](#)
34. A logistic regression of respondent characteristics, including use of targeted advertising on social media and the Facebook Family of Apps, on a categorical variable for SMBs that targeted new customers since the outbreak of COVID-19. See Appendix 2, Table 2 for further information.
35. See McKinsey (2020), [“Reimagining Marketing in the Next Normal.”](#)
36. Only the channels that were reported by more than 10% of consumers are shown.
37. A survey by ODM Group found that 74% of consumers rely on social networks to guide purchase decisions. See Sprout Social (2011), [“Social Networks Influence 74% of Consumers’ Buying Decisions.”](#)
38. A net change is defined as the percentage of respondents stating that they had started or increased their usage of a given digital channel minus the percentage that decreased or stopped their usage of the same channel.
39. As some businesses surveyed were closed at the time of response, only those that identified as currently generating revenue were fielded questions regarding which channel saw the highest increase or lowest decrease in sales.
40. Survey respondents were asked one of the following two questions based on their reported change in use of different sales channels: “Since the outbreak of COVID-19, which of the following has seen the highest increase in sales?” or “Since the outbreak of COVID-19, which of the following has seen the smallest decrease in sales?” Possible responses were also shaped by the response to prior questions regarding sales channel usage.

41. Research by J.P. Morgan estimated that market growth across several staple purchase categories was more than 25% during the pandemic and continues to remain above levels seen prior to the outbreak of COVID-19. See J.P. Morgan (2020), [“How COVID-19 Has Transformed Consumer Spending Habits.”](#) Results from our consumer survey saw spending reductions on non-essentials such as travel and restaurants (both down by more than 50%) and increases in spending on household essentials and groceries (both up by 25%).
42. A logistic regression of respondent characteristics, including use of targeted advertising on social media and the Facebook Family of Apps, on a categorical variable for SMBs that sold new products since the outbreak of COVID-19. See Appendix 2, Table 3 for further information.
43. A study by Nielsen found that social media sharing accounts for 54 percent of information usage for the consumer buying decision. See Relevance (2020), [“The Role of Social Media in Consumer Decision Making.”](#) Our survey results also suggested social media was more important than dedicated comparison sites when comparing products and services.
44. See Harvard Business Review (2014), [“The Value of Keeping the Right Customers.”](#) and Bain and Company (2011), [“Prescription for Cutting Costs.”](#)
45. The 2019 survey by LivePerson also found that 49% would spend more with a brand that offers the option to communicate through direct messaging platforms. See LivePerson (2019), [“How Consumers View Conversational Commerce in 2019.”](#)
46. Recent survey data found that almost a quarter of female entrepreneurs reported business model changes since the outbreak of COVID-19, with the transition or expansion to online services and sales stated as a clear opportunity. See Manolova, S., et al. (2020), [“Pivoting To Stay The Course: How Women Entrepreneurs Take Advantage of Opportunities Created by the COVID-19 Pandemic.”](#)
47. Data from McKinsey suggests that consumer and business digital adoption advanced by five years in the space of eight weeks. See McKinsey (2020), [“The COVID-19 Recovery Will Be Digital: A Plan for the First 90 Days.”](#)
48. For a full discussion on the benefit of digital technologies, including the key areas of cost savings for both consumers and businesses, see Goldfarb, A., and Tucker, C. (2019), [“Digital Economics.”](#)
49. Research by Global Web Index (GWI) suggests that in the United States, 27% of workers report that they will work from home more in the future, with over one-third stating that they will shop more online following the outbreak. See GWI (2020), [“Coronavirus Research July 2020.”](#)
50. See United Nations (2020), [“Accentuating the Need to Bridge Digital Divides.”](#)
51. The 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.
52. The regression includes a number of dummy variables, which can either take the value of either 1 or 0 for a given characteristic or action. For example, “female-led SMB” takes the value of 1 for female-operated businesses and 0 for male-operated businesses. Here the variable “male-led SMBs” is excluded from the regression to avoid the dummy variable trap and forms part of the reference group (the intercept). Also excluded in forming the relevant reference groups are “no employees (owner only),” “urban,” “less than 5 years since opening,” and “non-target ads user.” Age of respondent is a continuous variable, with age<sup>2</sup> included to take into account non-linear effects of age.

FACEBOOK