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Small Businesses on Life Support: Positioning for Recovery

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Calgary small businesses are a driving force for the local economy, accounting for 95 percent of all businesses (City of Calgary, 2019). Not only do small businesses provide a paycheck for residents, but they are also important for the vitality of inner cities (City of Calgary, 2019). Small businesses act as employers, entrepreneurship engines, economic multipliers, and community hubs (Dua, Ellingrud, Mahajan, & Silberg, 2020). As employers, small businesses have accounted for half of private-sector jobs and for two-thirds of net new jobs created from 2000 to 2017 (Dua et al., 2020). Additionally, small businesses create unique entrepreneurial opportunities, especially for women, minorities, and immigrants (Dua et al., 2020). Larger firms also frequently rely on small businesses to act as suppliers or direct customers for B2B services. Nevertheless, approximately 50 percent of small businesses fail by the end of their fifth year (Kolowich, 2020). The primary challenge faced by small business owners are problems with cash flow (Guidant Financial, 2018).

Start-up small businesses, in particular, frequently lack both a credit history and the collateral necessary to obtain a loan, making informal

funding the most common source for new enterprises. About 80 percent of start-ups use personal financing, 45 percent use loans from financial institutions, and 19 percent obtain commercial loans from suppliers (Services, 2016). This can be a difficult roadblock for small businesses, as most of the time, there are just not enough funds available to them to use. Expenses generally exceed income in the early years of a small business and most businesses operate at a loss in the first couple of years. In addition, small businesses make cash flow mistakes too early in their business cycle. One of the fastest cash-flow killers, especially for small businesses, is the product of unpaid invoices from customers (Hecht, 2015). If a business is not diligent in obtaining payments from its customers, they may be on their way to a risky cash flow situation.

Problems in cash flow also may not allow for allocation of funds to marketing. As a result, small businesses may find it challenging to attract and retain customers. Furthermore, large and well-established firms pose a threat of rivalry and hinder the chances of small businesses to gain customers. Larger businesses have the budget to market their products and services more

marketable compared to smaller businesses. In addition, there are staffing differences between small and large-sized business marketing. While small businesses blend marketing with the leadership function due to limited resources, major corporations tend to have a clear designated role to carry out marketing responsibilities (i.e., a vice president of marketing) (Schenck, n.d.).

As a result, small businesses must innovate and adopt novel technological processes to survive. The Business Development Bank of Canada (BDC) has identified investing in technology and developing a solid online presence as two potential areas for future growth (Women's Enterprise Centre, 2020). Small businesses should utilize social media in efforts to resolve previously mentioned challenges. Social media remains a valuable communication avenue. Currently, only 18 percent of small businesses have an online presence but 80 percent of Canadians research online before they buy (Women's Enterprise Centre, 2020). Using social media can not only build brand awareness and increase one's customer base, but can also reduce overhead costs. Approximately 80 percent of small businesses that invest in technology can see a positive return on their investment (Women's Enterprise Centre, 2020). Additionally, small businesses should use webinars to set up community meetings, promotional presentations, and special promotions. For immediate download, companies should have tutorials, demonstrations, or new certification sessions as webcasts or podcasts readily available. To see which ones are cost-effective, small businesses can compare all of their marketing activities and match each activity's cost to the benefit it brings to the small business.

Consumers today desire personalization and instant gratification. Thus, small businesses should invest resources in building an online presence on platforms such as Facebook, YouTube, and Instagram. Small companies tend to be more community-based and individual-oriented. Many small businesses prefer to be heavily active in their neighborhoods, which contributes to consumer relations. With social media, these small businesses can advertise to their current customers and advertise to potential customers.

Their current customers are excellent brand ambassadors and can be used to attract new customers (Post, 2020).

Having personalized customer service and a personalized website for their customers can be highly effective. Companies that prioritize the customer experience generate 60 percent higher profits than their competition (Furgison, 2016). Additionally, customers take note when businesses offer personalized service. A survey shows that 76 percent of clients agree that customer service is a reflection of how they are valued by an organization (Furgison, 2016). It creates a level of treatment that customers enjoy and come to expect if the business provides the personalized service on a consistent basis. Other studies further suggest that many customers agree that the largest motivator for spending is customer service (Amaresan, n.d.).

Governments should also play an active role in assisting small businesses. The health of businesses is an appropriate reflection of the health of a nation's economy. Governments should provide sector-specific support as small businesses are the most vulnerable sector due to effects of COVID-19 (Dua et al., 2020). They should work with private financial institutions to improve access to credit or emergency grants and loans, and incentives for small businesses to upgrade and adopt new tech processes (Dua et al., 2020). In response to the current pandemic, governments should establish local portals to help customers support small businesses (Dua et al., 2020). They are the main employers in Canadian provinces and contribute approximately 38 percent of Canada's gross domestic product (Mire, 2019).