



Media Release

A Portrait of Small Business in Canada: Adaption, Agility, All At Once.

[OTTAWA] — [January 29, 2024] — The Canadian Chamber of Commerce's Business Data Lab (BDL) released its latest report today, highlighting the new reality for small businesses in Canada's post-pandemic retail landscape, which has been beset by shifting consumer behaviours.

The report, entitled, *A Portrait of Small Business in Canada: Adaption, Agility, All At Once*, explores the integral role small businesses play in Canada's economy and sheds light on how these businesses can thrive despite major economic forces working against them — including the rising cost of doing business, the highest borrowing costs in over two decades and increased pandemic debt loads.

While 98 per cent of Canadian businesses qualify as small businesses, the report goes further in illustrating that micro firms are by far the most common businesses type in Canada, with the median firm having fewer than five employees. This underscores the importance of improving our understanding of the business realities of all small firms, but especially micro firms, while ensuring that adequate financial, operational and regulatory support measures boost the resilience of small and micro businesses for the sake of Canada's economy. Put simply, the survival of micro firms is a macroeconomic issue for Canada.

The report also explores the unique realities, challenges and opportunities for small businesses owned by women, persons with disabilities, members of the LGBTQ2s+ community, immigrants to Canada, Indigenous peoples and visible minorities.

"Small businesses aren't small – they make up 98% of all of Canada's businesses, and this report underlines their importance to strengthening our economy. This report also gives us invaluable insight into the unique realities, challenges and opportunities for small businesses owned by women, persons with disabilities, members of the 2SLGBTQ+ community, immigrants to Canada, Indigenous peoples and visible minorities. Thank you to the Chamber for conducting this important study. This is the type of actionable data we need to strategically support small businesses across the country."

While economic and technological shocks will always be a constant feature of our world, small businesses will need to continue adapting and innovating to stay competitive and satisfy consumer preferences.

"The report highlights that both those who run businesses and policymakers need to carefully consider new strategies if we're going to strengthen small business in Canada," says Marwa Abdou, the report's author and BDL Senior Research Director. "And for its part, government will need to be agile in providing more tailored, strategic and innovative ways to support small business. Small businesses need funding, but they also need resources to help manage costs, innovate, grow, and get exposure to new customers and markets by developing their online visibility, building their reputations, and leveraging accurate and engaging digital information."

The report shows how small businesses of all sizes, ages and industries are already investing in technology to better access data and applications from their computers, tablets or mobile phones —



whether in the office or on the road — to connect better with their customers and employees. However, as the report points out, a business's size is important to its ability to not only adopt technology, but also take advantage of a variety of technology tools. The report finds that even more change is essential.

It also highlights trends to help small businesses adapt to how Canadian shoppers have evolved. While online shopping accelerated as a result of the pandemic, roughly 75% of Canadian shoppers still visit physical stores for key items like groceries, clothing, automotive, electronics, home and garden, and health products. To meet consumer preferences, businesses need to implement on and offline sales strategies to reach customers.

“This report provides yet another signal that we need to focus on supporting growth, especially among small businesses,” says Perrin Beatty, President and CEO of the Canadian Chamber. “We can start by reducing red tape, investing in infrastructure, and enabling an innovation economy. These fundamentals of growth will increase Canadian businesses' ability to compete and attract investment that will benefit Canadians, their families, and our communities.”

Highlights from the report

- In June 2023, there were 1.35 million businesses in Canada with paid employees. The overwhelming majority (**98% of the total**) were conventionally classified as “small” businesses, which collectively employed over 11 million people.
- In the “small business” category, **micro firms** are by far the most common businesses type in Canada. In fact, if all businesses in Canada were sorted by employment size, the median firm would have fewer than five employees, which underscores the importance of improving our understanding of the business realities of all small firms, but especially micro firms.
- Nearly half of all small businesses are in the following **four industries**: professional, scientific, and technical services; construction; retail trade; and health care and social assistance.
- **Immigrants** to Canada own a disproportionate share of private sector businesses (263,850 businesses, or 25.5% of all private sector businesses) compared with their share of population (23%). One strong factor is immigrants' high share of micro businesses (30%), in contrast with their underrepresentation in both scale and mature enterprises.
- The past few years have offered **women** more flexible work arrangements, encouraging them to find more in-demand and higher-paying jobs, while government efforts to increase the availability of affordable childcare have helped women's labour force participation to rebound. With the transition back to the office, barriers that perpetuate gender-based differences in labour force participation threaten this progress.
- An underrepresented group in terms of business ownership (2.2%) compared with their share of the population (22%) is **persons with a disability**. Given the prevalence of disability, this gap signals tremendous untapped potential for entrepreneurship, but also one with significant potential effects on socio-economic outcomes, including labour market participation.
- The **LGBTQ2+** population (4% of Canada's total population) is also somewhat underrepresented as business owners (3.3%), lagging most as owners of mature businesses (0.6%).
- Although they are 5% of the country's population, **Indigenous people's share of businesses** owned remains less than half of that (2.2%), although they appear to be doing better on ownership of mature businesses, the largest type of small business.
- The most recent data (June 2023) show that, compared with pre-pandemic conditions in December 2019, the **number of businesses increased** by 7.3% for large firms, 5.0% for medium firms and only 2.9% for small firms.
- **Retail sales data** show that e-commerce enjoyed a massive spike early in the pandemic, but have since moderated as Canadians go back to in-person shopping. The share of total retail



sales from e-commerce increased rapidly from 3.7% in January 2020 to peak of 10.7% just four months later in April 2020. With the lifting of pandemic related restrictions and stores have reopened for in-person shoppers, this figure has since moderated to 5.7%.

- There is a critical importance of having an **enticing online commercial presence**, with 83% of Canadian retail shoppers reporting they conduct online research before they visit a store. **Having physical stores near customers also supports online sales**, with nearly 1 in 10 Canadians making purchases online from retailers located nearby.
- In addition to age, variation by industry showed a strong trend in **technology adoption**. Overall, average adoption shares across all industries and all technology tools were lowest for micro firms (12%), followed by scale (16%) and then mature firms (22%). Small businesses — particularly scale and mature — in finance and insurance, information and culture, professional services and wholesale trade were consistently among those reporting the highest technology adoption rates.
- Across all industries, a higher proportion of small businesses planned to invest in **artificial intelligence (AI)** and digital technologies. While 62% of micro firms (compared with an average of 55% for all small firms) expressed plans for the latter, 30% of mature firms were keen on investing in AI compared with the all-industry average of 24% for all small businesses. Scale and mature businesses were more likely to adopt multiple technology tools, especially those in finance and insurance, professional services, and wholesale trade.

About the Canadian Chamber of Commerce — The Future of Business Success

The Canadian Chamber of Commerce is Canada's largest and most activated business network — representing over 400 chambers of commerce and boards of trade and more than 200,000 business of all sizes, from all sectors of the economy and from every part of the country — to create the conditions for our collective success. The Canadian Chamber of Commerce is the undisputed champion and catalyst for the future of business success. From working with government on economy-friendly policy to providing services that inform commerce and enable trade, we give each of our members more of what they need to succeed: insight into markets, competitors and trends, influence over the decisions and policies that drive business success and impact on business and economic performance.

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