

Small Business Now Report: What Small Businesses Need to Know Heading Into The Holiday Season and 2023

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Most small businesses saw somewhat of a return to “normal” activity this year, which was a welcome relief after the challenges they’ve dealt with in recent years. Consumer [spending remained high](#) through the first half of the year and [summer travel picked up](#).

However, small businesses in America are still facing a variety of obstacles on a daily basis — many of which are outside of what they can control.

Meanwhile, consumers are facing their own challenges, rewriting everything from where they communicate to when they shop.

Our second annual Small Business Now Report explores where these challenges are having the biggest impact, and it delivers insights small businesses can use to [build stronger customer relationships](#), finish 2022 on a positive note, and prime themselves for a successful year in 2023.

Here’s what we discovered:

Recession fears are mounting, but consumers aren’t running away from small businesses

Inflation has been the main story of 2022, and for good reason — it continues to have a major impact on both businesses and consumers. October’s consumer price index shows core [inflation has hit a 40-year high](#), and it’s making everything from fuel to food costs soar.

Now, whispers of a possible recession have [started to grow louder](#), and small businesses are feeling nervous about what it might mean for their operations.

- The top concern for small businesses about a potential recession is having to increase prices. Other concerns include not being able to give/get pay increases and having to work more/longer hours.
- Over half of small businesses we polled fear the continued effects of inflation will impact consumer spending into 2023.
- 40 percent of small businesses are struggling to attract new employees, and 21 percent are concerned about retaining current staff members.

As it turns out, it's right to think people would be price sensitive during a recession.

When we polled consumers, 85 percent told us they would likely pull back on spending, with more than half cutting "convenience", "lifestyle" and "entertainment" purchases first. Small businesses in those categories might want to insulate themselves by starting to plan for a potential recession right away.

However, despite the impact inflation is having on both small businesses and consumers, optimism still shines through. Consumers may be recalibrating their spending, but not necessarily at the expense of small businesses.

- More than one-third of consumers would try to support SMBs more often during a recession, and 29 percent are willing to pay a little more to do it.
- 84 percent of small businesses didn't express concern about surviving a recession, and 90 percent are confident they will still be in business a year from now.

The big takeaway here is that a recession doesn't have to be the end of the world for small businesses. Yes, they may have to raise prices, but that alone won't drive consumers away — many will still go out of their way to support the [businesses that power their communities](#) and demonstrate their value.

Americans are holiday shopping early this year, but small businesses haven't accelerated their preparations to match

The holiday season is a critical time of year for small businesses and nonprofits, and it's [crept forward](#) in recent years. This season, October looks to be an inflection point for both small businesses and consumers.

- 36 percent of Americans began their holiday shopping before October 1st
- Outside of inflation, the top three reasons consumers plan to shop early all relate to concerns about shipping.
- 52 percent of small businesses said they don't start holiday planning until October at the earliest — and 1 in 10 plan to wait until December.
- Just 16 percent of small businesses said they are ordering holiday inventory early, and only 15 percent plan to increase their marketing/ad spend.

This gap should be eye-opening for small businesses.

By waiting until October to begin holiday planning, they are potentially missing out on current customers who are ready to buy and new customers who might be looking for them.

In addition to shopping earlier, 40 percent of consumers told us they plan to spend less on holiday gifts this year than they did in 2021, due to inflation. However, there is still plenty of holiday cheer out there when it comes to supporting small businesses.

- 35 percent of holiday shoppers told us they feel it's important to buy locally this holiday season, and another 44 percent plan to donate funds or volunteer their time to nonprofits.
- Nearly half (48 percent) of those who plan to avoid box stores and major online retailers choose to do so because it's important to them to support small businesses.
- Similarly, 39 percent feel they can get more unique gifts from small businesses, and 34 percent of those who plan to avoid big box stores and major online retailers feel small

businesses offer a more enjoyable shopping experience.

It's clear from our findings that the holiday season will be impacted by rising inflation and other fears. Small businesses need to recognize that shoppers have shifted the season forward and take action now to engage with them before the bulk of holiday shopping begins in November.

Email marketing is a great way to reach new and existing customers and show them what you have to offer this holiday season. Adding coupons, discounts or other exclusive content can help boost engagement and give shoppers a reason to buy, even as they are tightening their wallets.

SMS marketing is gaining popularity, but consumers still prefer small businesses to email them first

Email may seem like old technology, but it's still around because, quite simply, *it works*.

Almost everybody has an email address, and the content is easy to both create and consume. While the volume of email has certainly increased over the years, consumers still recognize the value of an email, and 55 percent rank it as their preferred way for businesses to communicate with them.

In our research, across every generation, email always came out on top.

However, there is a behavioral shift beginning to take shape.

- Consumers now rank SMS as their second favorite way to hear from businesses.
- 1 in 10 have shifted their preferences in the last year and now prefer text messages over both email and social media.

There's still a big gap before SMS catches up with email, but small businesses should be aware that SMS might give them an opportunity to start engaging their customers in different ways.

Because they must voluntarily opt in, text subscribers often have a much more intimate relationship with the business than a social media follower or an email subscriber. That makes them more likely to take action.

- 83 percent of consumers who received texts from a small business in the last year said they read the message, and 74 percent found the content helpful, interesting, or useful.
- 39 percent who signed up for texts from SMBs did so to claim a deal or discount.
- 20 percent said they made at least one purchase after receiving a text from a small business.

We know [SMS marketing](#) can be a very effective marketing channel, and the small businesses who have tried it are likely seeing positive results. But, it's important to remember that it's still new technology. Adoption is slow because many small businesses feel like they're not quite ready to add another channel into their marketing mix.

- 31 percent of small businesses we polled said they've tested out sending text messages to customers.
- 17 percent have wanted to but faced some sort of obstacle (time, education, etc).
- Only 12 percent said they started SMS marketing in the last 12 months.

Small businesses who are feeling good about their [email marketing strategy](#) should consider adding SMS marketing into the mix — particularly as we approach the holidays. Consumers are motivated by things like reminders and discounts, so text messages can be an effective way to drive more business during a crucial time of year. Keep it brief, and don't just copy and paste the same email copy into a text message, or your customers will likely opt out.

Putting it all together

It's a challenging time for small businesses, but there is reason to be optimistic. Americans may be adjusting their spending habits, but we know that doesn't always come at the cost of abandoning the businesses that power their lives and their communities.

There's plenty of intent to support small in the upcoming holiday season, and with more technology at their fingertips than ever before, small businesses have an opportunity to stand out and be successful, no matter what the economic conditions are.

For more than 25 years, Constant Contact has helped millions of small businesses and nonprofits achieve their marketing goals and grow their businesses. If you want to make sure you're doing all you can to engage your customers, and market your business online, reach out to our [Marketing Advisors](#). We'd love to help you and your business thrive.

Study Methodology

Constant Contact's Small Business Now Report results are comprised of two separate surveys targeting small business decision-makers and consumers. All figures, unless otherwise stated, are from YouGov Plc. The total sample size for small business decision makers (head of a team, group, or small organization and above – aged 18+) was 507.

Fieldwork was undertaken between the 9th – 14th of September and all figures have been weighted and are representative of small-medium business decision-makers of businesses with 500 or fewer employees. For consumers, total sample size was 1112 adults and fieldwork was undertaken between 16th – 20th September, 2022.

The figures have been weighted and are representative of all US adults (aged 18+).

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