BIG EXPECTATIONS, SMALL BUSINESSES:  
WHAT CUSTOMERS WANT

September 2019
Introduction

Any business-savvy manager knows that when a customer has a problem, the way that issue is handled can have profound impacts on future purchases. A good service experience can result in more business from not just that customer, but also from personal or work contacts with whom they share those positive stories. On the flip side, customers who have bad experiences can do real damage to a company, especially if they advise friends, family, and co-workers to avoid those products or services.

Small businesses have an opportunity to differentiate by offering great customer service. Relatively small operations can usually respond with greater flexibility and develop deeper personal relationships with repeat customers. But how much do customers care? Does the level of customer service that small businesses provide help or hurt? Will customers choose smaller providers if they can get better customer service over larger companies with pricing power? What can small businesses do to ensure they are focusing their efforts on the areas that their customers find most valuable?

The following report is based on a survey of over 1,000 individuals in the United States who received customer service from a small business within the past two years. The goal was to capture hard data on the impact of customer service on business outcomes at small companies. To enable comparison with larger businesses, certain questions were repeated from a similar December 2018 survey of consumers in the United States who had received customer service from businesses of any size.

Key Findings

• Great customer service can be a clear advantage for small businesses
  - Customers say better customer service is the biggest advantage that small businesses offer when compared to larger companies
  - 91% prefer to support small businesses when it is convenient and 74% actively look for ways to support small businesses even if it’s not convenient
  - 77% don’t mind paying more if they get great customer service
  - 71% expect better customer service from small businesses
  - Customer service factors such as the speed of response, having a feeling of relationship, and enjoying interactions matter significantly more when working with small businesses

• Customer service directly impacts the long-term revenue of small businesses
  - 86% will choose a vendor based on a smooth customer service experience and 85% will choose a vendor based on a quick response to an initial service inquiry
  - 94% positively change their buying behavior (buy more, recommend to others, etc.) after a good customer service experience with a small business
  - 95% negatively change their buying behavior (stop buying, switch companies, etc.) after a bad customer service experience with a small business
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Communication channels matter to customers of small businesses
- 63% have used chat, social media, text, or self-service to receive customer service with a small business
- Customers are more likely to prefer text, social media, and self-serve customer service channels when working with a small business than with a large business
- Gen Z is most likely to value having multiple options for contacting customer service at a small business
- 86% of small business customers will usually or always look for self-service options before contacting customer service directly

Detailed Findings: Great customer service can be a clear advantage for small businesses

Better customer service is the top advantage of working with small businesses

Customers who work with small businesses like doing it. Almost everybody (99%) can cite distinct benefits from working with a small business when compared to a larger company. Advantages reported included ease in establishing relationships (65%), convenience (44%), availability of unique solutions (32%) and simply feeling good about supporting smaller organizations (65%).

According to survey participants, the top advantage of working with a small business is customer service. Almost three-quarters (73%) say that small businesses offer the advantage of better, more personal customer service compared to working with larger companies. Interestingly, price is rarely seen as an advantage with only a quarter (27%) saying that small businesses offer better pricing.
Customers like supporting small businesses — and will pay more for great service

Customers in the United States report a strong affinity to working with small businesses. All things being equal, customers like the idea that they are supporting small businesses. The vast majority (91%) report that they prefer supporting small businesses when it is convenient. It is particularly noteworthy that even when it is not convenient, large numbers of customers (74%) will actively look for ways to support small businesses!

![Bar chart showing customer preferences]

This preference for supporting small businesses is so ingrained in the culture of customers in the United States that more than three quarters (77%) report that they will pay more to work with them — with the caveat that they expect great customer service. This data paints a clear picture that investing in great customer service can be an effective way for small businesses to respond to pricing pressures from larger companies.

Customers expect better service when dealing with small businesses

Simply giving lip service to customer service is not enough for a small business. Customers who work with small businesses have high expectations. Most (71%) expect that small companies will give better customer service, with only a very small number (4%) willing to give small companies a pass and accept a lower level of service.

![Pie chart showing customer expectations]

How are your expectations for customer service different when dealing with a small business than with a large one?
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Expectations that small businesses give good customer service are typically met. There isn’t a huge difference when the likelihood of good customer experience at a small company is compared to any size company, but that is only because the numbers are so high in both cases. When asked about good customer service interactions, most customers said they had experienced good customer service when thinking of any size of business (94%). That high number increases to include almost everybody (98%) when considering only small businesses.

![Graph showing good customer service interactions for any business and small business.]

However, when we asked about bad customer service interactions, we see that bad customer service interactions are more common in bigger companies. Two-thirds (66%) report having a bad customer service interaction across any size business compared to well under half (42%) reporting the same with a small business.

![Graph showing bad customer service interactions for any business and small business.]

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Most aspects of customer service are more important when dealing with a small business

Customers do not evaluate customer service experiences from small businesses in the same way they do from larger companies. The standards for small businesses are much higher across almost all aspects of the experience.

When asked if specific customer service factors matter more or less when working with a small business compared to a larger one, more than twice as many survey participants ranked service factors as more important when working with a small business. This included speed of response (53% vs. 23%), working with someone who knows the specific situation (51% vs. 15%), the feeling of having a relationship (50% vs. 23%), time to resolve an inquiry (46% vs. 21%), being flexible (43% vs. 14%), and enjoying the interaction with staff (40% vs. 19%).

The only exception to this trend was price. Price was the single factor that more survey participants cite as being less important when working with a small business.
Detailed Findings: Customer service directly impacts the long-term revenue of small businesses

Customer service directly impacts vendor choice

While there is significant data about the quality of customer service experiences, especially at companies that track NPS or similar satisfaction metrics, there is little data to link specific customer service factors to business outcomes such as vendor choice. We asked participants to rank the impact of customer service factors on their choice of companies they buy from to see if there was a link between excellence in customer service and where they spend their money. We found a clear link.

Most customers say that when they are evaluating the companies they buy from there are specific customer service factors that are important. A smooth experience (86%) matters. Most customers will prioritize vendors that don’t make them constantly repeat the same information or send reminder inquiries. The same is true of acknowledging an initial inquiry quickly (85%). It should be noted that in both of these cases hardly any customers (only 1%) say that these aspects of customer service have no impact on vendor selection.

Buying behaviors change based on customer service experiences

As we saw earlier, almost everyone (98%) who received customer service from a small business reports having had a good customer service experience. It is particularly important to understand that these good experiences have a direct impact on buying behaviors. Almost everyone who had a good customer experience (94%) report that they changed their behavior in some way. Almost two-thirds (63%) report that they bought more products or services as a direct result of that interaction and more than half (54%) recommended those products or services to someone they knew.
Bad customer service interactions also had an impact. As we saw above, few customers report having a bad interaction (42%) when working with small businesses, but the impact of those experiences was usually (95%) negative for business outcomes. Half (50%) completely stopped buying from the company, close to half (46%) switched providers for that product or service, and well over a quarter (29%) told people they knew not to buy those products or services.

The negative impact of a bad customer interaction was particularly notable among older generations. Baby Boomers (77%) were much more likely to report that they had stopped buying from a company than Gen Z (31%). Men (55%) were somewhat more likely than women (46%) to report that they had stopped buying based on a bad customer service interaction.

The data is clear. There is a direct effect of customer service interactions — both good ones and bad ones — on future buying behaviors.
Detailed Findings: Communication channels matter to customers of small businesses

There is a high use of “alternative” channels to communicate with small businesses

In recent years, the number of channels available to small businesses to serve their customers has exploded. It was not long ago that a phone number was the sole contact method customers expected from the small businesses that they worked with and only tech-savvy firms offered email communications. Since then there has been a huge evolution in digital channels. From chat applications to texting to a range of social media platforms, today’s customer communication can happen across a wide range of formats. At the same time, the growth of self-serve options has many customers avoiding direct communication for many issues.

Traditional channels remain the most common for customer service communications including phone (73%), email (62%) and in-person (57%). But other digital channels are starting to see significant use among small businesses. More than a third have communicated with customer service using live chat (36%) and about a quarter have used social media (26%) or texting (24%). A third (34%) have used a self-service version of customer service such as a website, knowledgebase, or online help system.

These new digital channels have often been called “alternate” channels, but with two-thirds (63%) of small business customers reporting having used one of these for customer service communications, there is a clear momentum towards becoming mainstream.
Having multiple options to contact customer service is more important to younger generations

We can expect to see the demand for using digital channels to communicate with customer service at small businesses to increase in the coming years, driven primarily by younger, digital-savvy generations. Gen Z (32%) and Millennials (25%) were much more likely to identify having multiple options to contact customer service as a key part of a good customer service experience with a small business.

Customers have a wide range of customer service channel preferences

Customers report a wide range of preferred channels for customer service when working with small businesses. While email and phone do top the list, all digital channels show significant numbers of customers who report that is their favorite way to communicate with their vendors. Small businesses will not meet changing customer demands by sticking only to traditional channels.

When asking about preferred channels, simple requests such as shipping updates or address changes do have slightly different channel preferences than when dealing with more complicated help requests related to rebates or product malfunctioning. Phone jumps dramatically as the clearly preferred channel once issues become complex.
There is a clear generational difference in preferences for social media, which can be expected to drive the growth in that channel as these younger generations age and gain increased spending power. Gen Z is far more likely to prefer social media for both simple (40%) and complex (34%) customer service from small businesses, with only a small number of Baby Boomers reporting the same (10% and 5% respectively).

Customers are more likely to prefer text, social media, and self-service channels from small businesses

For small businesses that want to differentiate from larger companies on the basis of excellent customer service, digital channels may offer an opportunity. When preferred channels among customers of only small businesses are compared to the preferences of customers at any sized business, we see a notably higher interest in digital channels including SMS/text, self-service, and social media. This trend holds for both simple information requests and more complicated help requests.
Customers use self-service, especially when interacting with small businesses

Self-service is another area customers of small businesses are more likely to report a higher use of digital channels. Larger companies may have a reputation for offering more technology options, but that does not keep customers from trying to find self-service options at small businesses. A remarkable 86% of small business customers will attempt to find a solution using a self-serve option before they contact customer service directly. This is a higher rate of attempting self-service than seen across businesses of any size. Small businesses can feel confident that if they take the time to invest in self-serve options, they will be used and appreciated by customers.
Survey Methodology and Participant Demographics

In May 2019, 1,001 individuals completed an online survey about their recent experiences with customer service at small businesses. For this study, “small business” was defined as a local or online business with fewer than 100 employees including, but not limited to, financial and legal services, restaurant and food delivery services, healthcare, retail, personal care, travel, consulting, education, entertainment, media, and technology. To enable comparison with larger businesses, certain questions were repeated from a similar December 2018 survey of consumers who had received customer service from businesses of any size.

All participants lived in the United States and represented a wide range of ages, annual household incomes, and gender identities. Questions were asked on a range of topics including perceptions of small businesses, experiences with customer service from small businesses, and comparisons to expectations and experiences with larger businesses.

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