

## ***CLIENT DYNAMICS REPORT***

## EXECUTIVE SUMMARY

<b>PURPOSE OF THE STUDY</b>	SMEs too comfortable with their old ways
	Limits growth
	Demonstrate the importance of digitalization for SMEs
<b>METHODOLOGY</b>	Data collected by iTransform, obtained from SMEs during consultations
<b>DESCRIPTION OF THE SAMPLE</b>	17 Atlantic SMEs
	Hire between 2 and 300 employees
	Annual sales between \$50,000 and \$30 million
<b>INDUSTRIES CONCERNED</b>	Agriculture, forestry, fishing and hunting
	Administrative and support services, waste management and sanitation
	Accommodation and food services
	Retail trade
	Manufacturing
<b>ISSUES RAISED BY COMPANIES</b>	Lack of efficiency, missed revenue opportunity, lack of productivity, lack of sales performance, lack of profitability, negative/inconsistent customer experience, lack of project accuracy.
<b>SYMPTOMS VS. PROBLEMS</b>	Managers often raise the following symptoms
	We don't notice the problem immediately
	The symptom raised is caused by a deeper problem
	List of problems according to symptoms
<b>CASE STUDIES</b>	Industries: Entertainment and Leisure Services, Fishing, Construction
<b>SOLUTIONS TO PROBLEMS</b>	The same solution can solve different problems
	There are countless system and software providers
	Adapted solutions and systems must be adopted
	This is why an in-depth study is necessary
<b>IMPACTS OF DIGITAL SOLUTIONS</b>	Average annual opportunity cost: \$30,228.91
	Average annual investment required: \$12,8583.92
	Average annual return on investment: 155
	Average number of months to repay the investment: 10

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## INTRODUCTION

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With the arrival of artificial intelligence, the Internet of Things, Big Data and all other elements of what is now considered the 4th industrial revolution, the methods of operation of companies and the purchasing habits of consumers have radically changed. To meet the ever-changing needs of society and stay ahead of the fierce competition, it is important to ensure that you are well-integrated and adapted to this industrial revolution. Many small and medium-sized enterprises (SMEs) are entrenched in their established methods and processes from years past and do not see the point of going digital until they encounter a major problem that forces them to change.

To begin this study, the purpose of the study will be demonstrated, followed by the methodology used to collect and analyze the data. Then, a description of the sample will be presented, followed by the industries concerned and the problems frequently encountered by companies in these industries. In addition, a distinction will be made between the problems and the associated symptoms. A few case studies will then support the need for digital solutions, followed by a summary of the possible solutions to the frequently encountered problems and the impacts that these digital solutions have had on these small and medium-sized companies.

## 1. PURPOSE OF THE STUDY

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Many SMEs are very comfortable in their old ways of doing or managing things. However, this comfort is often what limits the growth or reaching the full potential of these promising companies. This study aims to educate SMEs to take the first step and be proactive in digitizing their business. With this study, companies will be able to more easily detect problems or symptoms of bigger problems and act proactively before the problem becomes too big or too late.

## 2. METHODOLOGY

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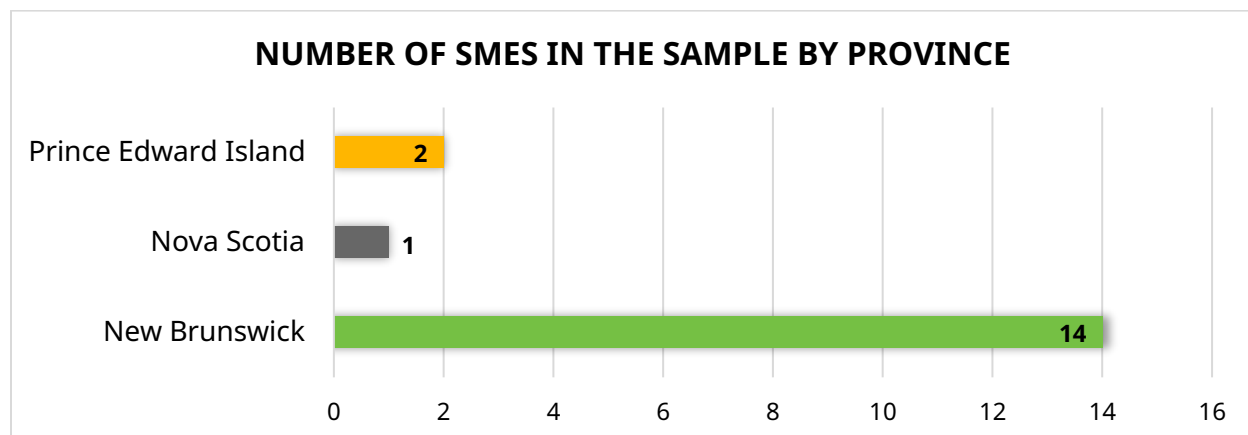
The data for this study was collected by iTransform, a digital solution consulting company, during several consultations with their clients. During the consultations, data was recorded and compiled for this research. External data was also used to enrich and support the information presented.

## 3. DESCRIPTION OF THE SAMPLE

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The sample used is composed of 1 Atlantic 7SME. The businesses in the sample employ between 2 and 300 employees, with an average of 49, and have annual revenues of \$50,000 to \$30 million Canadian, with an average of \$5 million. These SMEs operate in various industries: agriculture, forestry, fishing and hunting, accommodation and food services, retail trade, construction, manufacturing and arts, entertainment and recreation.

**Figure 1 - Number of SMEs in the sample by province**

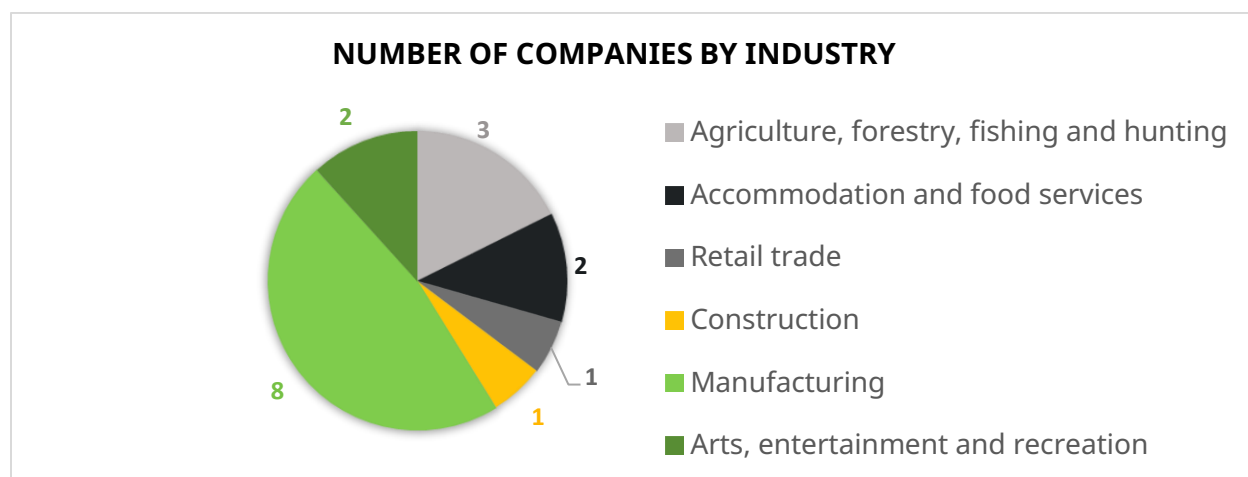


#### 4. INDUSTRIES CONCERNED

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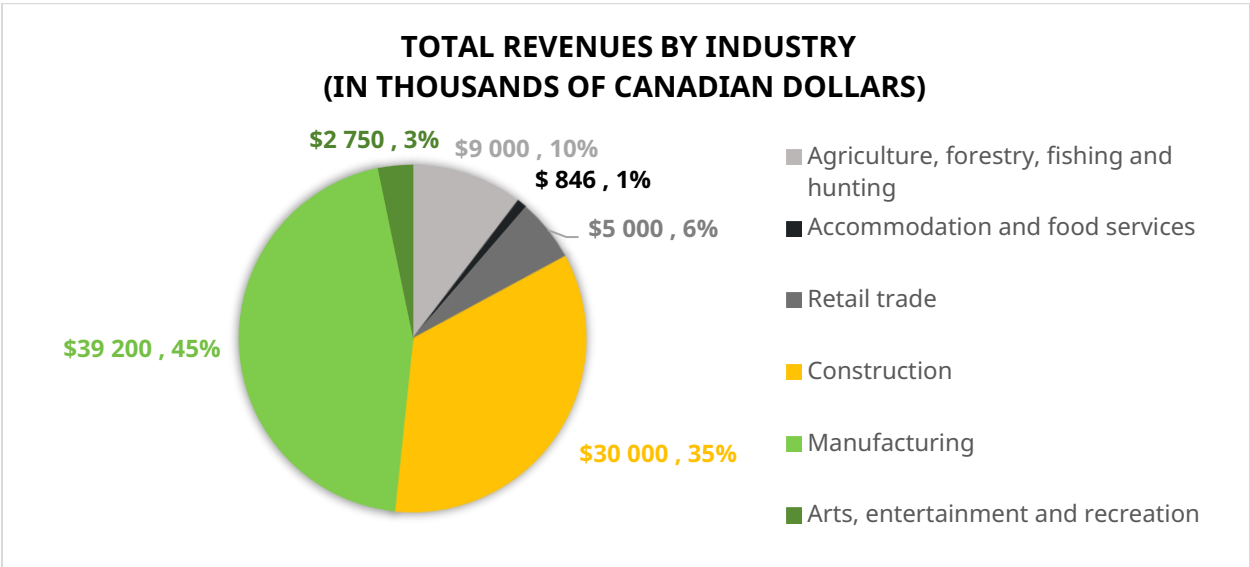
In the sample, whether by revenue or by the number of employees, the industries most involved are agriculture, forestry, fishing and hunting, manufacturing, and construction. The other three industries represent only a small portion of the sample. However, when it comes to digital transformation, all industries can benefit. Among the SMEs in the sample, a variety of companies from different industries have had the opportunity to benefit from digital solutions.

**Figure 2 - Number of companies in the sample by industry**

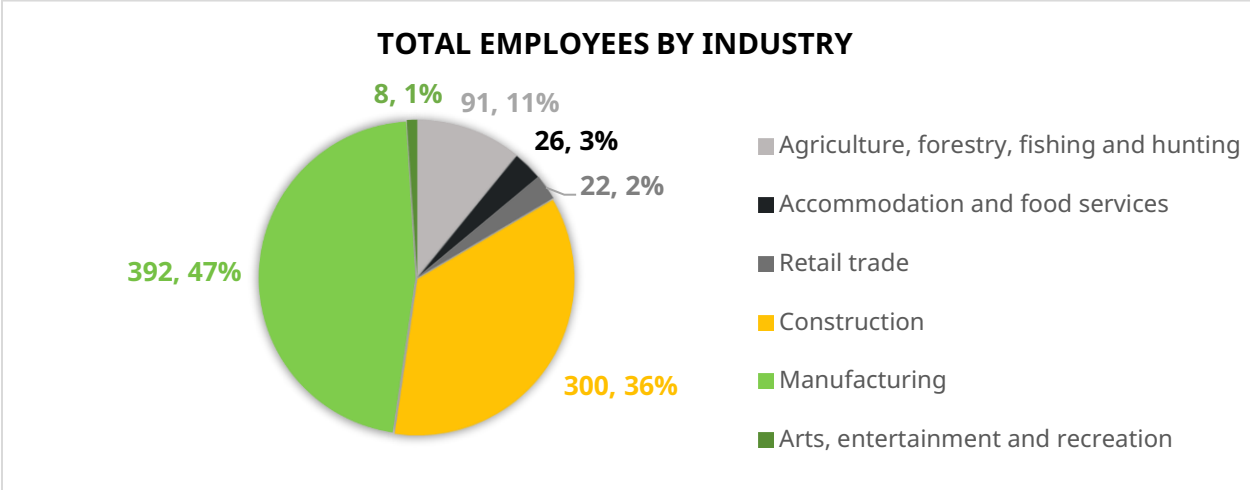


The figure below shows the total revenues generated by the SMEs in the study sample. The total revenues of these firms exceed C\$86 million, with an average of about C\$5 million. This represents a significant amount of revenue for the Atlantic Provinces. The figure shows the number of jobs that these SMEs create in their region. There are a total of 839 jobs currently. With this small sample, it is easy to see how important SMEs are to the job creation and prosperity of their province.

**Figure 3 - Total Sample Revenue by Industry**



**Figure 4 - Total Sample Employees by Industry**

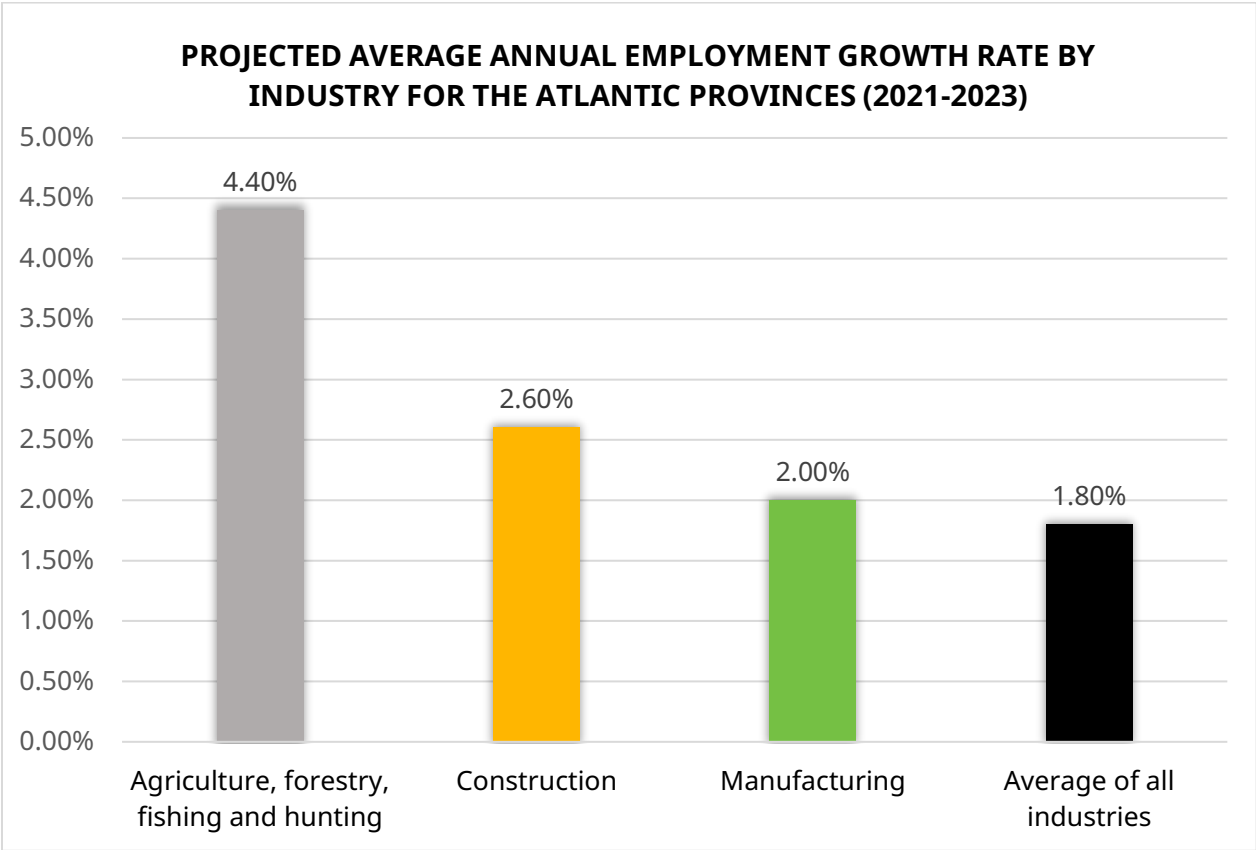


## 5. TOP 3 INDUSTRY CATEGORIES

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For this study, the targeted industries will be the three that represent a larger share of the market studied according to the sample. It is important to mention, however, that regardless of industry, digitalization is critical to the development and growth of a business. As illustrated in Figure 5, the manufacturing, construction, and agriculture, forestry, fishing, and hunting industries will enjoy strong growth by 2023.

**Figure 5 - Projected Average Annual Employment Growth Rate by Industry for the Atlantic Provinces (2021-2023)**

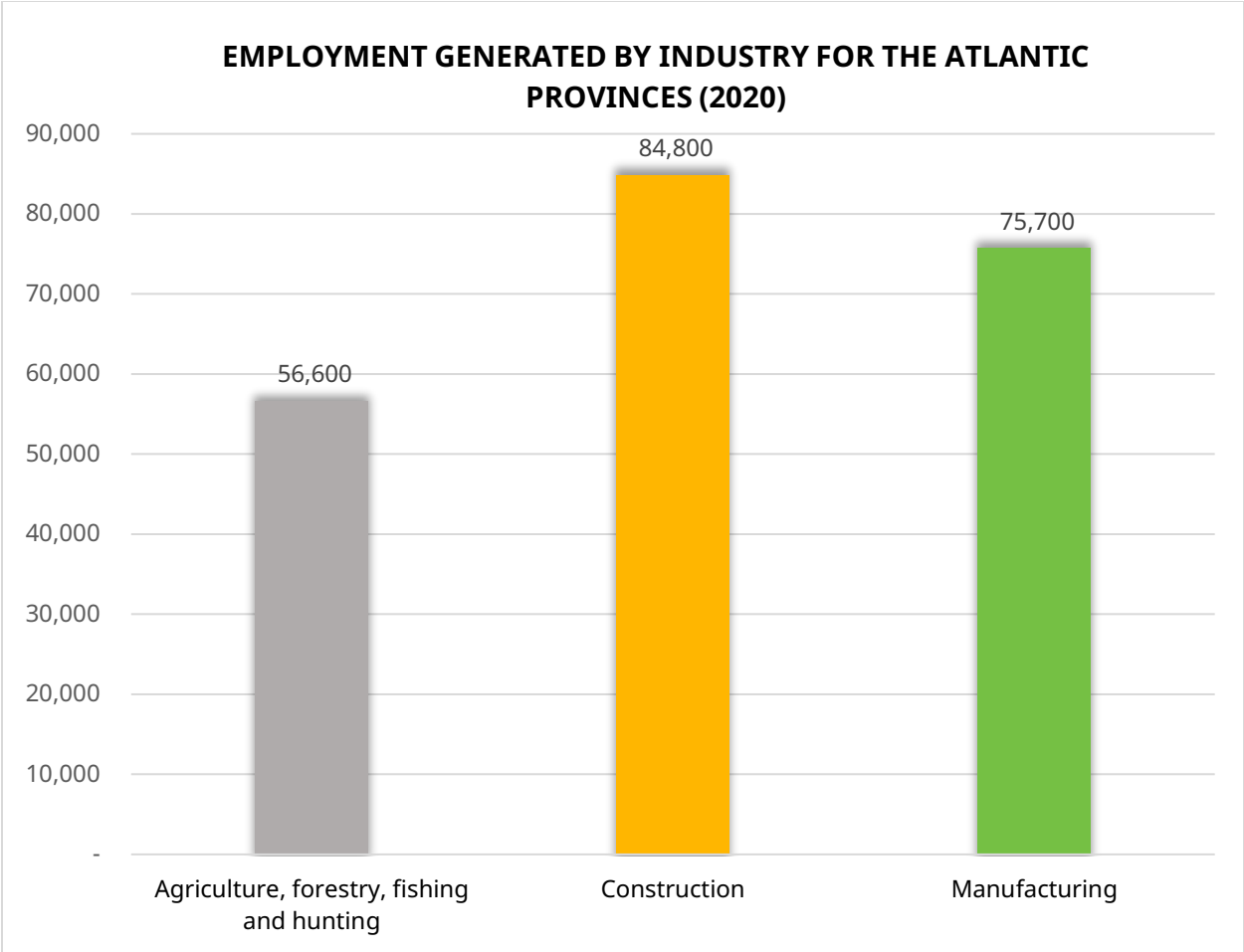


SOURCE: Employment and Social Development Canada, 2021



Figure 6 shows the total number of jobs that these industries create in the Atlantic Provinces, according to Employment and Social Development Canada. These three industries alone employ 217,100 people. With the growth shown in the previous figure, the number of jobs is likely to increase in the coming years as well.

**Figure 6 - Employment generated by industry for the Atlantic Provinces**



SOURCE: Employment and Social Development Canada, 2021

With strong growth comes change. As revenues and sales increase along with customer demand, Atlantic SMEs must be able to adapt the production of their products or services. Another factor not to be overlooked is the growth of competition in these industries. The

more competitors there are, the more you have to be able to increase your production rate, operate more efficiently and have more effective work methods. This is where the role of digitalization becomes important. Despite their success and experience in their field, the companies studied encountered challenges that were holding them back and could have taken away their competitive advantage if left unresolved. Most of these companies' problems are common to all industries. Thus, this report aims to help SMEs detect the symptoms of common problems and identify the associated issues so they can seek help from digital transformation specialists.

## 6. ISSUES RAISED BY COMPANIES

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Table 1 below lists the problems frequently encountered by the businesses in the sample. Owners realize that they need professional help when they see the damage these problems are causing. Managers and contractors often know the solution to their problems, but do not have the knowledge, expertise, resources or time to fix them themselves. In addition, there are certain risks to becoming an expert in a field. It can result in unnecessary costs, time or additional resources, aggravate the problem or create additional problems. This is why it is important to call upon experts in digital transformation. These people will thoroughly analyze the company's objectives and processes to offer them personalized recommendations adapted to their needs and objectives according to their strengths and resources.

**Table 1 - Problems listed by the companies in the sample**

FREQUENTLY ENCOUNTERED PROBLEMS	PROPORTION
Lack of efficiency	35%
Missed revenue opportunity	15%
Lack of productivity	15%
Lack of business performance	14%
Loss of revenue/ Lack of profitability	11%
Negative/inconsistent customer experience	7%
Lack of precision in projects	2%

## 7. SYMPTOMS VS. PROBLEMS

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When experts analyze a company and ask them what their problem is, managers tend to list symptoms of problems. In the previous table, we notice that the problems raised by managers and entrepreneurs are actually symptoms or effects of real problems. Most of the time, the problem will not be noticed immediately; it is only noticed when its symptoms appear and cause significant damage that can no longer be ignored. Table 2 shows the problems that were associated with the symptoms raised by the companies. Regardless of the industry, the symptoms observed or experienced are often the same. However, to discover the problem behind these symptoms, a thorough analysis of the company is necessary. In order to get rid of the symptoms and side effects of a problem, the source or cause must be found.

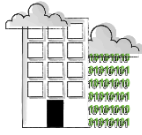
**Table 2 - Symptoms according to the problems encountered in the sample**

SYMPTOMS	PROBLEMS
<b>LACK OF EFFICIENCY</b>	<ul style="list-style-type: none"> <li>✓ Management and manual publication of schedules</li> <li>✓ Lack of internal IT skills</li> <li>✓ Obsolete systems</li> <li>✓ Lack of data structures</li> <li>✓ Manual inventory management</li> <li>✓ Manual data collection</li> </ul>
<b>MISSED REVENUE OPPORTUNITY</b>	<ul style="list-style-type: none"> <li>✓ Lack of sales planning and management</li> <li>✓ Lack of sales and marketing tools</li> <li>✓ Lack of digital workspace</li> <li>✓ Lack of online sales capabilities</li> </ul>
<b>LACK OF PRODUCTIVITY</b>	<ul style="list-style-type: none"> <li>✓ Management and manual processing of the payroll</li> <li>✓ Reactive management</li> <li>✓ Lack of manpower</li> <li>✓ Poor communication</li> <li>✓ Lack of digital skills</li> </ul>
<b>LACK OF BUSINESS PERFORMANCE</b>	<ul style="list-style-type: none"> <li>✓ Lack of systems integration</li> <li>✓ Manual sales management</li> <li>✓ No visibility on work performance</li> <li>✓ Lack of sales and marketing planning</li> </ul>
<b>LOSS OF REVENUE/ LACK OF PROFITABILITY</b>	<ul style="list-style-type: none"> <li>✓ Frequent fluctuation of material prices</li> <li>✓ Lack of project management tools</li> <li>✓ Lack of engagement/conversions on social networks</li> <li>✓ Obsolete brand image</li> </ul>

**8. CASE STUDIES**

The following case studies were conducted with clients of a digital transformation consulting firm who had the opportunity to benefit from digital solutions adapted to their needs and strengths in order to better seize opportunities and achieve their goals.

## INDUSTRY: ENTERTAINMENT AND LEISURE SERVICES



### CONTEXT

A not-for-profit outdoor recreation and entertainment services organization in New Brunswick must increase its revenues to ensure its short, medium and long-term viability.



### CHALLENGES

Due to the lack of available financial resources and the absence of adapted digital tools, this leads to inefficiencies and missed revenue opportunities. Because of these challenges, the company is not able to exploit its full potential and offer the best experience to its customers.



### SOLUTION

iTransform worked with the team to develop a digital roadmap with detailed solutions to implement. This tool will enable the organization to grow revenue, improve the customer experience and develop sustainable partnerships.

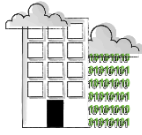


### QUICK RESULTS

- ✓ Implementation of a strategic plan and branding strategy to generate more revenue.
- ✓ Improve customer experience and brand awareness with a marketing plan that focuses on the company's strengths to better capture its opportunities.
- ✓ Increase productivity with a modern accounting system.



## INDUSTRY: FISHING



### CONTEXT

A lobster fishing company located in New Brunswick has as objectives to increase its production as well as to digitalize and automate its production and processes.



### CHALLENGES

Its outdated IT and digital infrastructure and lack of digital knowledge and skills create a problem of efficiency and effectiveness that is felt in its operations and production.



### SOLUTION

iTransform has created a well-defined, goal-oriented digital roadmap that will enable them to benefit from increased efficiency and effectiveness in their operations and finances.

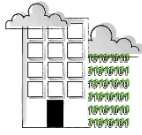


### QUICK RESULTS

- ✓ Increase productivity by digitizing the time collection process with the implementation of new software and technological tools.
- ✓ Significantly improve the company's overall efficiency with an MRP adapted to its needs.
- ✓ Modernize the company's technological infrastructure (addition of computers, tablets, etc.) to optimize productivity.



## INDUSTRY: CONSTRUCTION



### CONTEXT

A construction company with approximately 300 employees operating in New Brunswick could not operate at full capacity and therefore could not realize its full potential.



### CHALLENGES

A lack of human resources, high staff turnover and a lack of IT knowledge were just a few of the problems the company was facing. These challenges resulted in inefficiency, lack of profitability and customer frustration.



### SOLUTION

On a digital roadmap, iTransform has raised and suggested the necessary actions and tools to adopt so that the company can benefit from an expansion of its market share and an increase in its productivity.



### QUICK RESULTS

- ✓ Leverage the company's strengths with a marketing plan to take advantage of market opportunities and monetize them to increase revenue and market share.
- ✓ Increase profitability with a quoting system to quickly create accurate, complete and consistent proposals.
- ✓ Implement a learning management system (LMS) to improve the experience (customers and partners) and increase overall efficiency.



## 9. SUMMARY OF SOLUTIONS TO THE PROBLEMS

The solutions to frequently encountered problems are quite similar. The following table presents the solutions generally offered according to the type of problem encountered.

**Table 3 - Digital solutions to problems encountered in SMEs**

TYPE OF PROBLEM	TYPE OF INITIATIVE	SOLUTIONS
<b>EFFICIENCY</b>	Technological	<ul style="list-style-type: none"> <li>✓ MRP</li> <li>✓ LMS</li> <li>✓ Accounting system</li> </ul>
	Human	<ul style="list-style-type: none"> <li>✓ Training programs</li> <li>✓ Systems Coordinator</li> </ul>
	Process	<ul style="list-style-type: none"> <li>✓ Process mapping</li> <li>✓ Inventory management</li> </ul>
	Strategic	<ul style="list-style-type: none"> <li>✓ Data management strategy</li> </ul>
<b>PRODUCTIVITY</b>	Technological	<ul style="list-style-type: none"> <li>✓ MRP</li> <li>✓ LMS</li> <li>✓ IT infrastructure</li> <li>✓ Business Intelligence Dashboards</li> </ul>
	Human	<ul style="list-style-type: none"> <li>✓ Training programs</li> </ul>
	Process	<ul style="list-style-type: none"> <li>✓ Process mapping</li> </ul>
	Strategic	<ul style="list-style-type: none"> <li>✓ Strategic plan</li> <li>✓ Data management strategy</li> </ul>
<b>PROFITABILITY</b>	Technological	<ul style="list-style-type: none"> <li>✓ Quotation system</li> <li>✓ Manufacturing management system</li> <li>✓ Accounting system</li> </ul>
	Human	<ul style="list-style-type: none"> <li>✓ Training (customer &amp; partner integration)</li> </ul>
	Process	<ul style="list-style-type: none"> <li>✓ Process mapping</li> </ul>
	Strategic	<ul style="list-style-type: none"> <li>✓ Brand strategy</li> <li>✓ Key Performance Indicators</li> <li>✓ Strategic plan</li> </ul>
<b>CUSTOMER EXPERIENCE</b>	Technological	<ul style="list-style-type: none"> <li>✓ Modern website</li> <li>✓ SMS system</li> <li>✓ CRM System</li> </ul>



As can be seen, certain solutions recur in different problems. This does not mean that any one system or solution can solve all problems. What you need to know is that there are countless vendors for a single type of system. For example, for MRP systems, there are more than 100 vendors. Nor is it enough to look for the best MRP or accounting system and implement it in a company to solve all the problems. The key to a successful digital transformation is to adopt solutions and systems that are tailored to the specific needs of the business, that suit the employees and their skills, the available budget, the systems already in place and the size of the business. This is why a thorough study of the company, including its goals, employees, skills, needs, systems and processes, is crucial. With this information gathered, digital transformation experts are then able to create a detailed digital roadmap tailored to the company in question. The mistake many SME owners make is to adopt systems only because their competitor uses it or another entrepreneur suggested it. If the system in question is not appropriate for the business, it will have the opposite effect. It could bring more problems, increase information processing time, duplicate work, slow down processes and many others.

## 10. IMPACTS OF DIGITAL SOLUTIONS ON BUSINESSES

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Many managers believe that it is not necessary to invest in a digital solution to solve their problems and support the idea that manual process management is still "correct" and "sufficient". The fact that the old methods "work for now" or that the problems encountered are "not too serious" is not enough. If we take the time to calculate the impact that these problems or outdated methods have on the company, we quickly realize the extent of the situation and the consequences that these elements will have on the company in the medium and long term. These impacts are called "costs of inaction" (COI). The cost of

inaction is an estimate of the annual savings that the company will realize compared to the current state. It is calculated based on the organization's reported operational hourly rate, the number of stakeholders involved, and the number of daily, weekly, or monthly hours spent performing the task in the current state. This represents the annual cost of the problem and its consequences. In order to have a better representation of the positive impact of a digital transformation on the companies in the sample, we calculate the return on investment (ROI). ROI is an indicator of the performance or effectiveness of an investment. It is calculated on the basis of the investment and the estimated investment cost. It helps decision-makers when considering investments in different initiatives. In the following table, we can see the average inaction costs of the companies in the sample according to the type of problem encountered. This allows us to compare the costs of inaction with the investments needed to solve the problems. In the table, we see that the cost of inaction is generally higher than the average investment needed to solve it. This means that investments in digital solutions are mostly quickly profitable. On average, the investment is paid back within 10 months. The excuse that managers tend to use to justify maintaining outdated processes and equipment is the lack of financial resources to modernize and digitalize them. However, thanks to the comparison table, it confirms that the inefficiency and ineffectiveness of obsolete processes or equipment are considerably more harmful to a company.

**Table 4 - Comparison of COI, investment, ROI, and payback times by problem type**

TYPE OF PROBLEM ENCOUNTERED	AVERAGE ANNUAL COI	AVERAGE INVESTMENT REQUIRED	AVERAGE ROI	REPAYMENT (MONTHS)
Technological	34 016,67 \$	14 169,77 \$	359 %	6
Process	32 779,26 \$	14 044,44 \$	179 %	7
Human	29 893,33 \$	24 015,38 \$	158 %	11
Business Intelligence	29 622,67 \$	5 000,00 \$	35 %	15
Strategic	24 832,63 \$	9 893,94 \$	220 %	8
Information/data	7 800,00 \$	10 000,00 \$	-22 %	15
<b>Total</b>	<b>30 228,91 \$</b>	<b>12 853,92 \$</b>	<b>155%</b>	<b>10</b>

## CONCLUSION

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In conclusion, this study is valuable for SME managers and entrepreneurs in order to make them aware of the importance of digital transformation. Regardless of the industry in which an SME operates, competition is present and the market is changing. That's why you have to be proactive and not reactive. You can't wait to experience the symptoms of problems or to be inundated with problems to the point where they prevent the company from moving forward. You have to anticipate, plan, foresee. You have to have a game plan. Being proactive means making the decision to improve, not waiting for the pace to slow down. To be proactive is to innovate, without waiting to be obsolete. Being proactive is to keep moving forward, even when you are the first. Thus, to remain or arrive at the head of the market, it is essential to adapt, to innovate and especially not to be afraid of change and technology. To lead a successful change, it is essential to have an open mind, good leadership and involved managers.

Through this report, the benefits of digital transformation were demonstrated and the necessary investments were justified. The data presented in this study shows that investing in digital solutions is a good strategic decision to make and represents a wise investment. Indeed, a digital transformation may seem complex and time-consuming, but with the right experts to create the digital roadmap and to accompany the company in this process, it is only one step closer to success.

## REFERENCES

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## AUTHOR OF THE STUDY

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This study was conducted by iTransform, a digital transformation company. iTransform is a Canadian company founded in 2019 with the goal of helping small and medium-sized enterprises (SMEs) navigate their journey to full digitalization. No matter what stage your business is in right now; iTransform works on every aspect of your business to help you digitize processes and better connect with your customers. Their mission is to give small and medium-sized businesses the tools and resources they need to compete in their industry. iTransform accompanies you throughout the digital transformation process by providing you with simple solutions that deliver quick results and move your business forward. By working with iTransform, you get all the support you need and reap several benefits:

- ✓ Improve your data collection
- ✓ Manage your resources better
- ✓ Create a better customer experience

To learn more about iTransform visit:

<https://www.itransform.co/>

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