

# Digital Transformation of SMEs: The Future of Commerce

Presented By **VISA**



In Partnership With **ESI**THOUGHTLAB maru/matchbox insight



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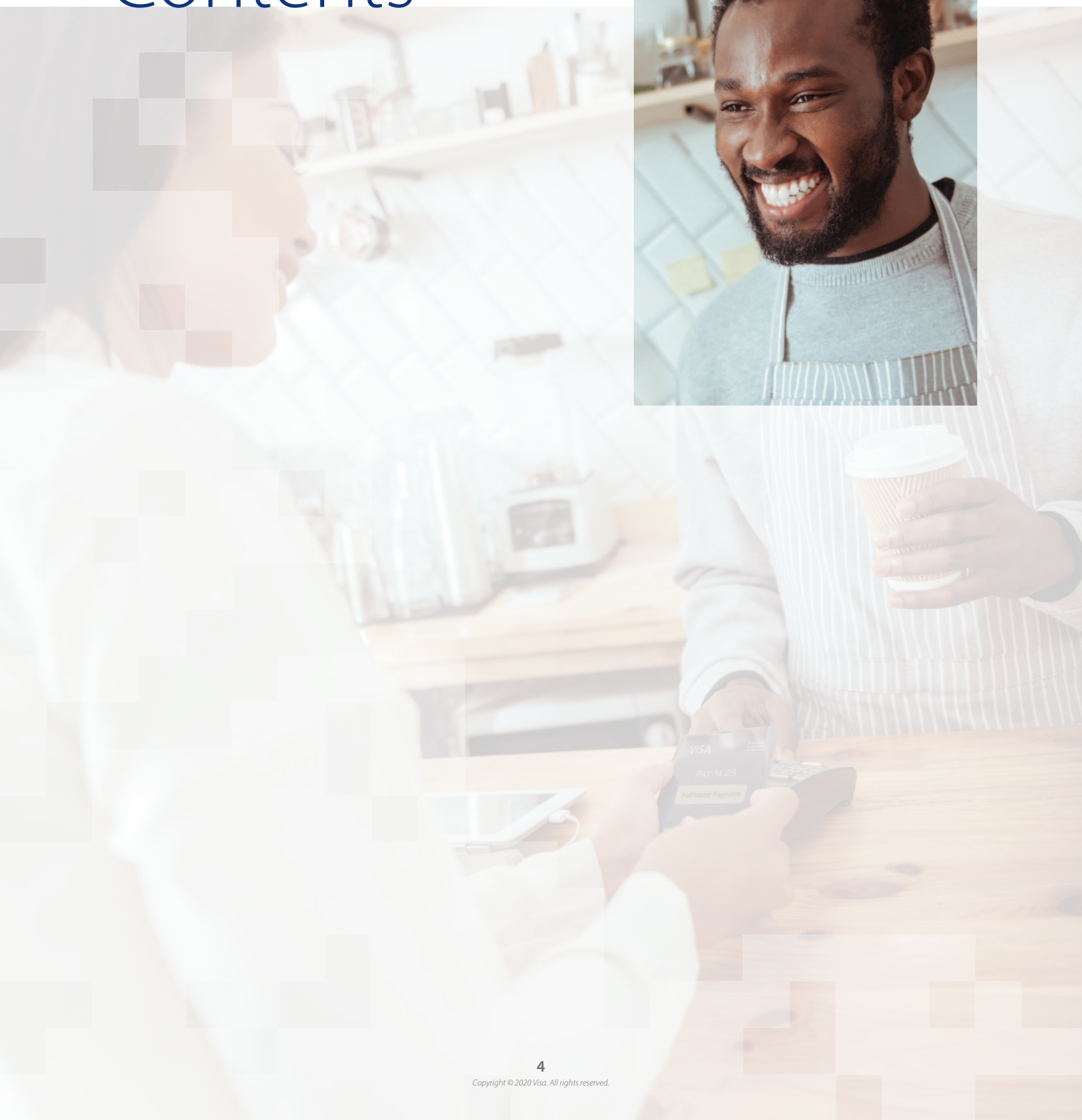
## insight

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Insight Consultancy is a leading specialist cards and payments consultancy, headquartered in London, providing strategic, commercial and operational advice to a global list of clients covering issuers, acquirers, international schemes, processors and retailers. Profitability and analytics are cornerstones of Insight's consulting model and our practitioners are payments experts, each with 15–30 years of industry experience.

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A woman in a plaid shirt and jeans is styling a client's hair in a salon. The client is seated in a salon chair, wearing a pink towel. The salon has a modern, clean aesthetic with large windows and a metal cart in the background.

# Introduction

*The insights provided in this guide are for small and medium sized enterprises<sup>1</sup> (SMEs) in Australia, with a focus on helping businesses grow and improve the customer experience through promotion of technology and digital commerce.*

# Executive Summary

**Fuelled by smart technologies, mobile devices, and 24/7 connectivity, the way consumers browse, shop, and pay has been moving toward digital means.**

Australian consumers were estimated to spend \$16.88 billion online in 2019 (+3.8% vs 2018). This makes up 5.4% of all retail spend, a proportion that will reach 5.7% in 2023. In addition, retail mobile commerce sales was estimated to be \$6.57 billion, representing a year-over-year change of 9.1% and accounting for 39% of total retail e-commerce sales and 2% of total retail sales. In 2023, retail mobile commerce sales will account for 42.7% of total retail ecommerce sales, growing to total \$8.03 billion.<sup>2</sup>

In response to these evolving consumer preferences, commerce itself is undergoing a profound transformation, with businesses looking at digital solutions to improve sales, acquire new customers, and reduce costs. This presents opportunities for SMEs, the 2.3 million firms that make up the vast majority of enterprise in Australia<sup>3</sup>. According to a new 2019 Visa-commissioned Maru/Matchbox survey<sup>4</sup> (“the survey”) only half (56%) of SMEs sell their products and services



online, with 28% of their sales coming from the online channels.

As SMEs are the focus of this research, it's worth taking a moment to understand the size and scale they represent. SMEs are an undisputed engine of the nation's economy. According to the Australian Small Business and Family Enterprise Ombudsman,<sup>5</sup> SMEs make up 99.8% of Australian businesses and employ 68% of the Australian workforce.

SMEs rely on the energy and resilience of family and friends, and the loyalty of hard-won customers. For these reasons, and many others outlined in the pages that follow, this guide focuses on ways that adopting digital commerce can make life better for SMEs.

<sup>1</sup> Small and medium sized businesses assessed by annual sales: Micro, <\$500K, Small/Medium, \$500K-\$10MM. See Methodology for details.

<sup>2</sup> eMarketer, Retail & eCommerce Sales, December 2019.

<sup>3</sup> Small Business Counts: Small Business in the Australian Economy, Australian Small Business and Enterprise Ombudsman, 2019.

<sup>4</sup> Throughout this report, data is drawn from the Visa-commissioned Maru/Matchbox 2019 survey of SMEs and consumers unless otherwise noted. Please see Methodology section for details.

<sup>5</sup> Small Business Counts: Small Business in the Australian Economy, The Australian Small Business and Family Enterprise Ombudsman, July 2019.

To bring these ideas to life, Visa partnered with a number of different industry partners including researchers and industry consultants to answer the question: *Do some SMEs need to transform digitally to prosper in this environment, and if so, how can they start?*

This guide includes findings from the survey of SME decision-makers across three industries: food/dining/grocery, retail/merchandise, and services, along with a survey of Australian consumers asking about their experiences and expectations with digital channels and payments.<sup>6</sup> All data quoted throughout this report is from the 2019 Visa-commissioned Maru/Matchbox survey, unless otherwise stated. What we found was a gap between what consumers want and what some SMEs are doing. The gap suggests that there are opportunities for SMEs to utilise consumer-sought, digital ways to capture revenue, stay in front of customers, and save time and expenses on the daily tasks necessary to run businesses. To help close these

gaps, Digital Transformation of SMEs provides real-life testimonials and 'how-to' primer tips for those interested in next steps. Key findings are interspersed alongside the most important survey learnings, which are:

***Enabling digital consumer discovery and marketing are critically important in today's environment.***

In order to win prospective and existing customers, it's important for SMEs to have a digital presence during the discovery and evaluation stages of the customer shopping journey.

- 89% of consumers say they are motivated to shop at a business if they have an easy to use website.
- Two-thirds (66%) of consumers search online and two-in-five (42%) check the business's website before visiting a new business.
- Two-thirds (69%) prefer to be contacted through a digital channel, such as email, website banners, or business's website.

These behaviours and preferences highlight an opportunity, as currently just over half (56%) of SMEs conduct business online.

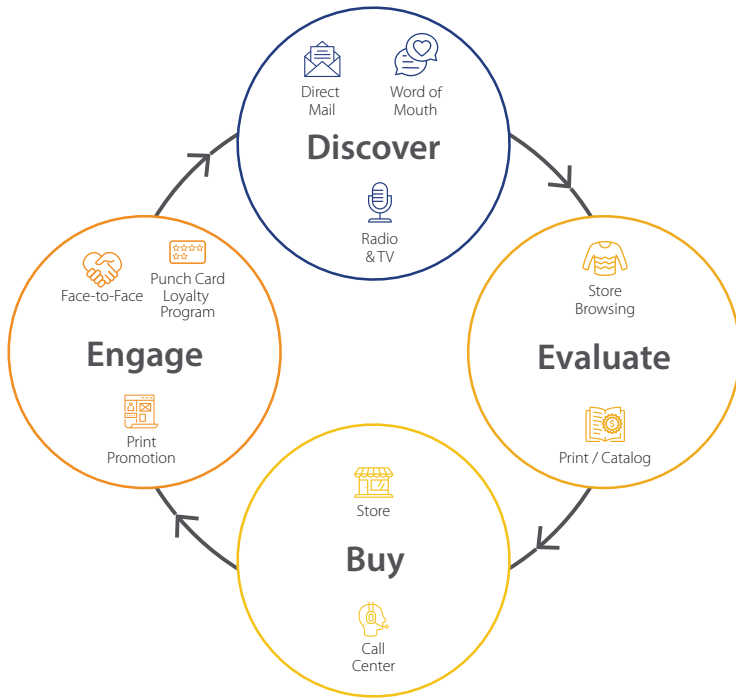


“ The gap suggests that there are opportunities for SMEs to utilise consumer-sought, digital ways to capture revenue, stay in front of customers, and save time and expenses on the daily tasks necessary to run businesses. ”

<sup>6</sup> Digital channels defined as online presence through business or third-party website and/or mobile app. Digital payments defined as payments made through cards or mobile phone. See Methodology section for details.



## Traditional Customer Journey



### **Consumers are looking for experiences that enhance and simplify their lives.**

When shopping or considering where to shop, various service considerations are motivating factors for consumers:

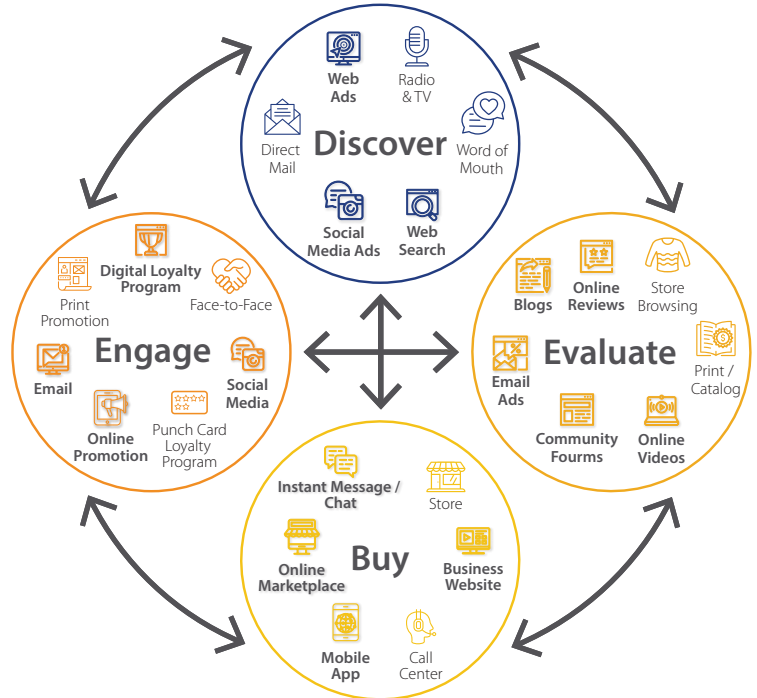
- 80% of consumers mention digital-related benefits as motivating factors to shop at a business, such as the ability to order ahead, participate in loyalty programs and receive fast responses back to inquiries.
- Millennials are most inclined to take advantage of digital services such as mobile checkout, wi-fi at businesses, and webchat for customer service.
- Almost two-thirds (63%) of SMEs agree that customer experiences such as innovative new ordering or payment services will have a positive impact on their business's bottom line.

While many SMEs have acknowledged these considerations, just over half (57%) have offered services such as shipping, online order ahead, and/or self-serve kiosks.

<sup>7</sup> Refers to card, including debit or credit, and mobile payments

<sup>8</sup> The potential increase in revenue from acceptance of digital payments was calculated based on the experience of firms that recently began to accept (within the last 5 years) digital payments and that have been in operation for more than 5 years. Forty-one firms met these criteria. Please see the Methodology for additional details.

## Current Customer Journey



### **Digital payments can positively impact SMEs bottom line.**

Given consumers' preference for digital channels, it's not surprising to see that 75% of consumers ranked a digital payment method, such as a card or bank transfer, as their most preferred payment option. Further, there may be expense and revenue benefits to accepting digital payments<sup>7</sup>:

- 67% of SMEs believe that customers spend more when they use cards versus cash.
- 54% of SMEs reported a 14%<sup>8</sup> increase in sales after accepting digital payments.
- Digital payments can be processed three times faster than non-digital payments when SMEs pay for business expenses, representing a significant time saving for owners and employees.

Currently, two-thirds (64%) of SMEs report that they prefer to accept digital payments from consumers. However, given the potential financial benefits,

showcasing and enabling digital acceptance may help increase revenue and improve efficiency.

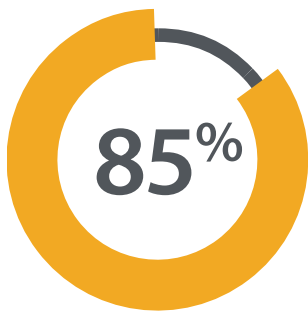
It's important to mention that in addition to consumers expressing preference for digital commerce, 85% also think it's important to support local SMEs – providing a great opportunity for SMEs to increase engagement with consumers.

**Many digital solutions already in the market make life much easier for an SME.**

Australian SMEs can access a range of innovative solutions, from digital invoicing to data reporting, providing owners with greater visibility over their

income, expenses and operations, among many other benefits, including:

- 57% of SMEs surveyed rely on the digital tools provided by their bank or payments provider to monitor their business expenses – these companies are often an excellent source of support in an increasingly digital world.
- The majority of SMEs are unaware of helpful digital tools that may be readily available to them.
- Sending and receiving digital invoices represents a significant opportunity for SMEs, with 78% agreeing that they received money faster from customers when issuing digital invoices compared to paper invoices.



of consumers think it's important to support local SMEs.



A man with grey hair, wearing a striped sweater and light-colored trousers, sits on a wooden stool with a patterned seat. He is holding a white tablet in his left hand and a pen in his right hand, looking thoughtfully towards the camera. The background is a bright, modern interior with a large window, a wooden floor, and a white wall. A laptop and some papers are on a table in the foreground.

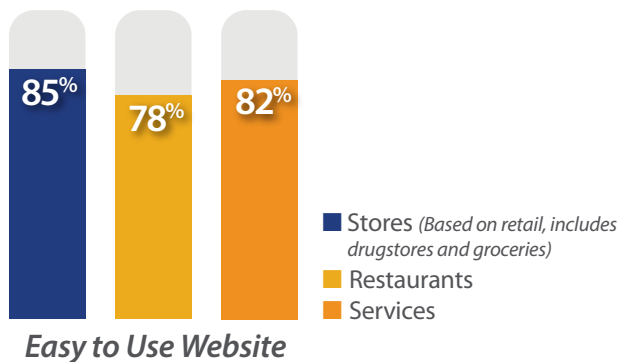
# Enabling Consumer Discovery and Marketing in the Digital Age

**Consumer discovery and marketing play a key role in attracting consumers. Research shows that consumers prefer using digital channels such as a business website, social media, and e-mail when determining where to shop.**

### Websites

While 85% of consumers surveyed think it's important to support local SMEs, they are also heavily reliant on digital channels when considering where to dine and shop. Two-thirds (66%) of survey participants often search online and two-in-five (42%) check a new business's website before visiting in person. Millennials are most likely to search online (85%), followed by Gen X (69%) and Baby Boomers (50%) and Post Boomers (43%).<sup>9</sup> In fact, 89% of consumers surveyed say they are motivated to consider or shop with a business if they have an easy to use website.

### What motivates you to shop with a certain business?



Source: Visa Digital Transformation Research, 2019 Visa-commissioned Maru/Matchbox survey.



Consumers are increasingly making purchases online. Currently, 39% of consumers' retail purchases are made online. This number is expected to grow as 57% of consumers are planning to increase their online purchases in the next five years. On the other hand, 79% of consumers are planning to decrease or keep their in-store purchases the same.

These findings present an opportunity for SMEs to increase their online presence. Currently, 56% of SMEs surveyed have an online presence, such as through a business website or online marketplace. Food/dining/grocery leads on digital channel adoption with three-quarters (75%) online, compared to 59% of retail and 37% of services. Overall, 28% of Australian SME sales come from these channels, with the higher proportion of sales coming from small/medium sized firms (35% versus 25% for micro)<sup>10</sup>.

<sup>9</sup> Age groups are defined as follows: Millennials: 18-34; Gen X: 35-50; Baby Boomers: 51-69; Post Baby Boomers: 70+

<sup>10</sup> Annual sale criteria by SME size – Micro, <\$500K, Small/Medium, \$500K-\$10MM. See Methodology for details.

# How to: Create a website

The following are key steps to consider when creating your business website:

## Create and register a domain name

- Set up your business online by getting a website address, also called a domain name or URL. Domain names should be easy to say, spell, and remember. If your first choice of domain name is already taken, choose another that's different enough to avoid any confusion with similar businesses.
- There are many domain registration websites that can help you get started.

## Select a host and platform

- A "host" connects your website to the wider internet, sets you up on a server, and offers services like email management. Important things to look for are reliability (your host doesn't crash) and flexibility (you can make changes to your website easily and quickly).
- Most hosting providers offer numerous service plans depending on the size of your website and the amount of traffic your website is likely to receive. If considering free Web hosting services, do note that these sites typically deliver advertising like banners and pop-ups on your website.
- Selecting the right "platform" is important if you're taking the Do It Yourself ("DIY") approach. A platform is a tool that helps you design and build your website, offering templates and tips on the ways to craft the look and feel of your website.

► **PRO TIP:** Some hosting companies will offer you a deal if you register a domain name and host with their services. With this option, do note that if you decide to change your hosting company later on, you may have to pull down your domain name and could encounter unexpected hurdles.

## Build your website

- When people visit your website, you want them to instantly understand your business, easily navigate the site, find pricing, and know how to buy and ask questions. Be sure that your website has a clear navigation (search) bar and a call to action button, like "buy now," "make an appointment/reservation," or "contact us."
- Put yourself in the shoes of your customer and think about what else they'd like to see on your website. When developing content, create copy that is not only catchy but also Search Engine Optimisation (SEO) friendly. See the "Promote Your Website" section for more details.
- Business websites usually include the following pages: Homepage, Products/services and Online Ordering, About Us, Contact information. Other considerations include cross-promoting your social media or review sites, along with business policies such as any terms or conditions you may have.
- Consider making your website mobile-friendly. In 2019 retail mobile commerce sales were estimated to be \$6.57 billion, representing a year-over-year change of 9.1% and accounting for 39% of total retail e-commerce sales and 2% of total retail sales. In 2023, retail mobile commerce sales are predicted to account for 42.7% of total retail ecommerce sales, growing to total \$8.02 billion.<sup>11</sup>

► **PRO TIP:** Does your website have a blog section? Within your field, you have unique knowledge that your customers may lack. By sharing knowledge, you can attract traffic from people who are seeking information in your industry, strengthen your brand, and establish yourself as an expert within your field.<sup>12</sup>

## Accept online payments

- Please see Set Up Digital Payment Acceptance section for more details.

<sup>11</sup> eMarketer, Retail & eCommerce Sales, December 2019

<sup>12</sup> Authorize.net, "Keep Customers Coming Back. Five Tips to Increase Customer Retention." March 7, 2018.

# LOCAL INSIGHTS:

## Tropical Soul Dance

**A vibrant Latin dance school in Sydney provides customers with a seamless in-store and online experience and a convenient checkout through digital payments.**

In 2011, Juan Ruiz and Josie Cote launched Tropical Soul Dance, one of Sydney's biggest Latin dance schools. They are both multi-award winning dance professionals with an energetic, graceful style admired by students and dancers alike. From its colourful, spacious studio in the heart of Darlinghurst in Sydney, Tropical Soul has seen impressive growth. With 18 instructors, teaching 450 students per week, there are sessions to suit every taste and skill, ranging from beginners' classes, to professional courses, private lessons and even wedding dance tutorials.

“

Their advertising strategy is not just digital – Juan and Josie also use fliers that attract about 10% of their students and they host community events such as free classes, which drums up a further 20%.

”

For customer acquisition, Tropical Dance has a vibrant social media presence, posting pictures of classes, videos, notices of upcoming events as well as interacting with customers directly by responding to feedback and answering questions. The business also utilises Search Engine Optimisation (SEO) and Google Ads to target people with an interest in dance.

Their advertising strategy is not just digital – Juan and Josie also use fliers that attract about 10% of their students and they host community events such as free classes, which drums up a further 20%. Tropical Soul aims to convert one-off customers to repeat business through their varied membership packages, some of which renew automatically unless customers opt-out. Again, marketing is key to achieving this with posters displayed in gyms, information about packages on their website, and promotional emails and social media posts published regularly.



Tropical Soul has invested in an omni-channel experience as customers can register, book classes and manage their subscriptions via the website and in-person at the studio. A discount is offered for online registrations to encourage customers to use this channel. This, coupled with customers' increasing preference for online or mobile channels, means 60% of payments are made online and 40% is face-to-face. A cloud-based business management software designed specifically for the wellness industry seamlessly delivers the online and in-store payments.

Turning to payments, cards have grown substantially from about 50% of sales when they first started out in 2011 to more than 70% today. Much of this is due to the convenience and speed of tap-and-go card payments. Tropical Soul has made the online checkout experience as easy as possible with the ability to store card details for future use, saving the user from re-entering their card details for each transaction. Within their customer base, this feature has been eagerly embraced by millennials. As well as the benefits to customers, card payments also confer back-office benefits to the business by reducing reconciliation efforts and, through integration with accounting packages, easier bookkeeping.



Turning to payments, cards have grown substantially from about 50% of sales when they first started out in 2011 to more than 70% today.



# How to: Promote Your Website

Once you've built your website, hosted it, and are accepting payments, consider how to best promote your website and bring customers to your store:

- **Search Engine Optimization (SEO)** is used to describe the marketing technique of fine-tuning a website so that customers looking for businesses like yours can quickly find you on search engines.
  - A free technique you can perform on your website is modifying the content and structure of a website's text to match likely searched keywords. Remember that search engines index and rank websites according to your content, and the number of clicks your website receives.
  - Search engines can look for words that not only match keywords but also match your website content – so your website ranking may be disadvantaged if things don't match up. For example, if you're selling shoes, it helps to have footwear related links.
  - We recommend checking out NFI's [Guide to SEO for Your Small Business Website](#) if you would like more details.
- **Pay-Per-Click (PPC)** Advertising refers to advertising on internet search engines.
  - You pay a PPC service to have your ad appear when a chosen keyword or phrase is searched. Typically, you are charged each time a shopper clicks your ad. The ads normally appear under a heading such as "Sponsored Links."
  - While paid advertising can steer more traffic towards your business's website or social channels, it's important to keep in mind that it requires a level of investment and a good understanding of your target audience.



- Some search engines also offer options to list your business and optimize the listing to make it easier for customers to find you.
  - One example is "Google My Business," a tool that manages your online presence across Google, including Search and Maps.<sup>13</sup>

Track your website's performance to help ensure its reach is as wide as possible:

- Setting KPIs (key performance indicators) are a great way to begin tracking your website's performance, as it requires you to set benchmark goals that you'd like to achieve.
- What KPIs should you set? Some of this will depend on why you decided to develop a website.
- A common KPI that businesses track is conversion rate. This measures the number of people that come to your website and take a desired action such as making a purchase or signing up to receive e-mails.
- You can find a variety of web analytics tools online that allow you to track your website's performance and see how you're doing.

<sup>13</sup> <https://www.nfib.com/content/resources/marketing/bizhelp-how-to-make-it-easier-for-customers-to-find-your-business/>

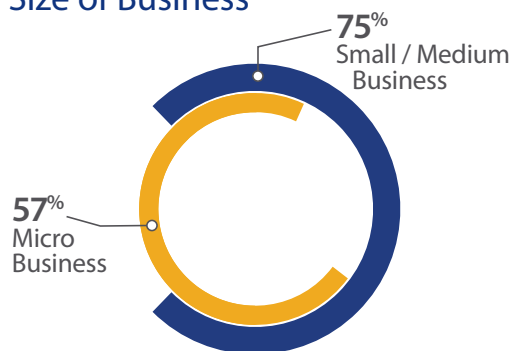


## Digital Marketing

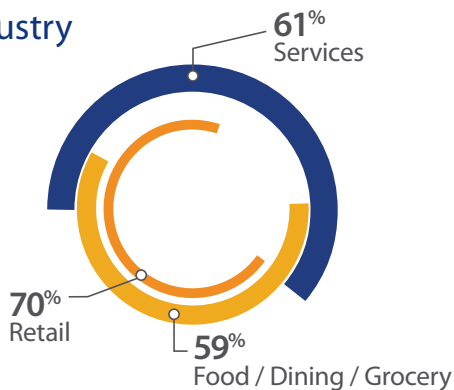
Many SMEs surveyed recognise the importance of marketing, as 90% engage in some form of it. However, there is opportunity to further engage with customers through digital channels as most consumers (69%) prefer to hear from businesses digitally – 44% prefer emails, 15% social media, and 10% turn to a company website – making digital marketing an important channel. Compared to small / medium (75%) businesses, fewer micro businesses (57%) use digital marketing. Retail leads the charge on digital marketing, with 70% adoption, compared to 61% of services and 59% of food/dining/grocery.

### Digital Marketing Usage (%)

#### By Size of Business



#### By Industry



Source for both is Visa Digital Transformation Research, 2019 Visa-commissioned Maru/Matchbox survey.

In addition to the traditional digital channels, review sites are also a great way to market and cross-promote your business online. 62% of consumers mention online reviews are an important consideration when determining whether to shop at SMEs.

## How to: List Your Products in an Online Marketplace

An online marketplace is a third-party e-commerce website that lets sellers post their product for potential new buyers to see and purchase.

Some key considerations to keep in mind:

- There are many marketplaces available to sell products, so picking the right one to sell on is the first step. Think about factors such as the type of product you're offering, who your target audience is, and where they go online to shop.
- Your marketplace listings should showcase all that consumers may need to know about your product, including compelling visuals, information about your brand, and any relevant shipping considerations.
- Here are a few tips to promote your listings within an online marketplace:
  - Make sure your title and description include relevant keywords so that your listing appears in as many searches as possible.
  - Encourage customer reviews. High ratings give your product and brand credibility when a new customer sees your listing. Interact with customers who contact you, and ask them to rate and review your product if they've had a great experience.
  - Marketplaces offer sellers ways to advertise so their products appear at the top of customer searches. Their sales and partnership department can talk you through the process of setting up your business page.

# How to: Market Your Business Online

## E-mail<sup>14</sup>

- Communicating with your customers via email is a great way to engage with your customers. The following are two ways this can be done:
  - **In-store:** Use a system, such as a point of sale (POS) device, which asks customers at check-out time if they want to provide their email address in order to receive promotional communications from your business. To give your customers an eco-friendly experience, you can utilise email addresses to enable digital receipts to be sent immediately post-purchase.
  - **Online:** Ask customers through a “sign up/log in” button on your page and/or during the online checkout process if they want to receive promotional communications.

**▶ PRO TIP:** *Take email marketing a step further by building a directory that helps you target specific customer groups, so your messages are tailored and effective. For example, you could group your customers according to how often they visit your website.*

- A potential next step is to build a campaign calendar. Consider emailing your opted-in customers about your loyalty program, special sales and offerings, event invitations, or links to your social media accounts.
- Help keep customers engaged by applying the following practices:
  - Provide relevant, personalised content to incentivise customers to open the emails.
  - Keep your email communications organised. This includes having a clear and brief subject line. Develop a call to action, or what you want consumers to do. Be sure to design your email and write the copy accordingly.

- Test your content through email marketing programs. Engagement metrics include number of consumers who opened, clicked on, or unsubscribed from your emails.
- Do not send too many emails. We recommend sending emails no more than few times a month, and only send emails when there is compelling content to share.
- Consult with a professional to make sure that your opt-in, use, and unsubscribe practices comply with applicable law.

## Social media

- Social media is another tool for defining or refining your brand identity, engaging with customers, and sharing content. It allows for product announcements, promotions, and even conversations with customers to take place without requiring a web development team.
- Start by creating a profile (account) for your business. It is useful to stay active by posting frequently and answering consumer’s questions to help build and keep consumers engaged. Other tips to keep in mind:
  - Create your own cadence of posting, and read your audience. Similar to emails, if you post too frequently you may risk becoming a nuisance, but not posting enough could jeopardize your relevance. To begin, try posting weekly; if engagement is positive, consider increasing the frequency.
  - Craft your brand’s voice – keep it consistent and don’t be afraid to use your personality to differentiate yourself!
- Help keep consumers engaged by sharing your expertise, asking conversation-starter questions, and engaging with your audience.

<sup>14</sup> Squareup.com, “Everything You Need to Know About E-mail Marketing.” Accessed May 2018. Undated.

- If you have an in-person location, you can make your brand shareable by styling part of the store in a way to encourage selfies and incent customers to post on social media. Include a hashtag on display so that customers know how to tag you, and even consider rewarding consumers for sharing about your business.
- Track performance through metrics such as number of followers, views, and engagement.
- If possible, consider investing in a paid targeting strategy on social media for offers and product marketing. Using criteria such as location, demographics and interests can help to ensure your marketing is seen by those most relevant to your business.

### **Reviews and review sites<sup>15</sup>**

- Create your business's profile on a variety of review sites. Reviews should be easy to find for prospective customers, and cover your business and the product/service you offer.
- If you have an online presence, be sure to direct consumers to your website. Maintain control over your business information, such as hours of operation and your official website, within these review sites. This also allows you to upload photos and respond to reviews. The more places your business appears, the easier people can find you and post feedback.
- To help remain competitive in your industry, your online reviews should be strong and current. Go the extra mile by responding to both positive and negative reviews quickly. New clientele will notice, and if done well, this can help build credibility.
- Remind customers to spread the word. If you're not seeing many reviews, create an appealing promotion to encourage in-store customers to post reviews



online. Make customers aware of your promotion as they make an in-store purchase and include the deal on in-store signage.

- Don't be shy about asking your audience to review your business and your products. Remember that 85% of consumers say supporting local SMEs is important. People who are fans of your business or like it on social media sites are the prime audience to ask for a quick review. Remember to thank your fans when they complete a review.

<sup>15</sup> Restaurant.org, "Manage My Restaurant: Score Positive Online Reviews for Your Restaurant." Accessed May 2018. Undated.

# LOCAL INSIGHTS: The Local Wine Co.

## A focus on social media and marketing pays off for South Australia's 'The Local Wine Co.'

Husband and wife, Nina and Baz Rampal, left behind their corporate jobs in Sydney to seek what they felt was missing in their careers: a meaningful purpose and the joy of bringing people together. They toured Latin America and Europe for six memorable months, exploring different cultures, cuisines and wines, all the while looking for ideas for their new business. Inspired by self-service wine tasting bars in Tuscany, Italy, they noted that the 'pour yourself' approach encouraged people to experiment with new wines and thus found their muse.

A short while later, in January 2018, Nina and Baz launched The Local Wine Co., a company name that explains their mission statement: to be that 'third' place

between home and work where customers feel comfortable and relaxed, socialising over an amazing selection of wines and delicious food such as light bites, cheese and meat platters, pizzas and desserts. Located on King William Road, an upscale part of Adelaide, South Australia, the customers are mostly local residents, aged between 30 to 70. In addition to walk-ins and table reservations, The Local Wine Co. also runs highly popular events like 'meet the winemaker' and 'wine and food pairing' lessons, as well as selling gift cards online.



Customer acquisition is mostly via social media and they have engaged local influencers to drive traffic to their pages, publicise their events and attract new customers who are quickly drawn in by the warm, welcoming venue that prizes quality over quantity.

“

In terms of payments, 80% of sales are card and the remaining 20% is cash. This has significant operational benefits as card acceptance is integrated with their point-of-sale (POS) system and card deposits automatically reconcile on their accounting software, requiring minimal bookkeeping effort from these busy entrepreneurs.

”

As with any new businesses, building a recognisable brand is key to attracting new customers, and Nina and Baz have shown a real flare for this. Customer acquisition is mostly via social media and they have engaged local influencers to drive traffic to their pages, publicise their events and attract new customers who are quickly drawn in by the warm, welcoming venue that prizes quality over quantity. They have invested in professional photography to make sure their website and social media posts stand out in a consumers' ever-busy newsfeed. Nina and Baz also advise other start-up owners to tell the 'story' behind the brand – the history, idea, vision, inspiration and challenges – and this is what customers buy into. In addition to social media, customers are sent regular e-newsletters, detailing upcoming events to promote the bar and encourage repeat visits.



In terms of payments, 80% of sales are card and the remaining 20% is cash. This has significant operational benefits as card acceptance is integrated with their point-of-sale (POS) system and card deposits automatically reconcile on their accounting software, requiring minimal bookkeeping effort from these busy entrepreneurs. By contrast, cash requires extra effort to count, reconcile, protect in a safe and then regularly deposit at their nearest bank branch.

# Enhancing the Customer Experience



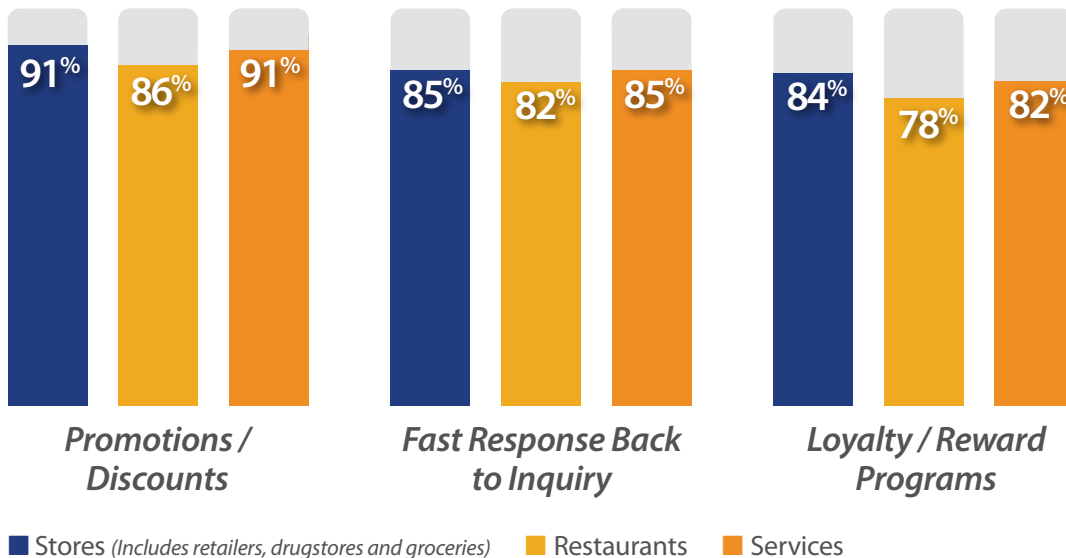
**A strong customer experience can help bring in more customers, increase sales, and create customer loyalty. Digital tools and services that simplify the shopping experience are an important consideration for consumers.**

**Customer Service Considerations**

Consumers are motivated by digital tools and services that will simplify their experiences. For instance, when asked which benefits or services would motivate consumers to shop at businesses, across industries, close to 90% mention loyalty programs, and fast responses back to inquiries.



**What do consumers consistently look for when they're deciding where to spend?**



Source for both is Visa Digital Transformation Research, 2019 Visa-commissioned Maru/Matchbox survey.

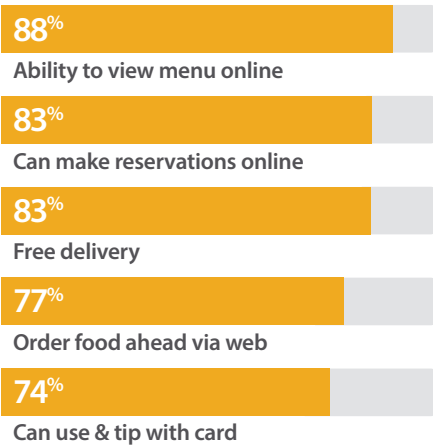
# Most Important Service Considerations for Consumers: By Industry



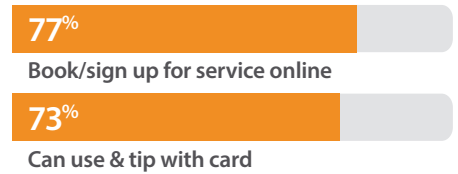
**Stores**  
*(Based on retail, includes drugstores and groceries)*



**Food/Restaurant**



**Services**



For restaurants and services, consumers surveyed were drawn by factors such as the ability to order food ahead or sign up for a service online and being able to use their cards.



When it comes to determining where to shop, services such as free or same day delivery, product discounts or price matching, ability to shop in store and online, and buy online and return in store are considered top motivating factors.

For restaurants and services, consumers surveyed were drawn by factors such as the ability to view menu and order food online, ability to use their cards, and free delivery. In addition to the above considerations, about three-quarters of millennials in the survey specifically mentioned they are also motivated by services such as drive-through pickup and wi-fi at the business location.

Many SMEs have acknowledged such considerations, as 63% agree that innovative new ordering or payment services will have a positive impact on the business's bottom line. However, just over half (57%) of SMEs have tried services like shipping/delivery, online order ahead, and drive-through pickup.



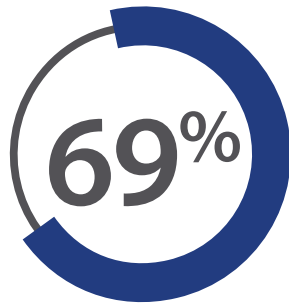
## Loyalty Programs

Loyalty programs, as mentioned earlier, are a significant consideration for consumers. 73% of consumers say they are more likely to choose a business that offers a loyalty program over one that does not. Only 17% of survey respondents prefer the traditional stamp/punch cards; the remaining 83% of consumers prefer a digitally based loyalty program.

While not all SMEs offer loyalty programs, 78% of those that do say their business is highly dependent on customer loyalty. Around two-thirds feel that loyalty programs have a positive impact on average ticket size, repeat customers and revenue.



**% that agree that loyalty program has big impact on:**



Repeat business



Average ticket size



Revenue



# How to: Launch a Loyalty Program

Loyalty programs can help encourage customers to visit and return to your business. You can structure them however you like, but they all boil down to the same format: for each set amount of business the customer gives you, you give them something<sup>16</sup>.

- A few guidelines to consider when creating your loyalty program<sup>17</sup>:
  - Complex rules for earning points may discourage customers from signing up.
  - Customers should earn a reward in a timely manner.
  - Offer a reward that people want, and an easy path to being rewarded. Consider offering customers the flexibility to choose the type of reward such as a discount, or a free item.

- There are multiple providers and options available to help you get up and running with a loyalty program:
  - **POS enabled:** Check to see if your POS provider has a built-in loyalty rewards program. For example, if your POS can prompt customers to provide their email address you can automatically credit customers with points tied to their emails.
  - **Card-linked programs:** Usually offered by payment networks, banks and third parties, these programs allow customers to seamlessly enrol and automatically receive discounts and rewards if their registered card is used to make a purchase at your business<sup>18</sup>.
  - **Plug and play solution:** There are various customer loyalty solutions online. When evaluating these, think about what offers and rewards matter most to your customers and pick the provider that suits your business best.
  - **Customised:** It's also possible to work with a loyalty provider to create a custom program for your customers. Full-service loyalty providers can help analyse, track, and examine your customer's engagement with the loyalty program.
- Once you've set up your loyalty program, promote it to your customers. The more they use it, the more likely they are to turn into loyal customers.
  - Be sure to train employees so they can promote the program and answer any related customer questions.



<sup>16</sup> Authorize.Net, "Keep Customers Coming back." March 9, 2018.

<sup>17</sup> Squareup.com, "How to Set Up a Loyalty Program that Works." Accessed May 2018. Undated.

<sup>18</sup> Visa.com, "Visa Commerce Network." Accessed May 2018. Undated.

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Consider offering customers the flexibility to choose the type of reward such as a discount, or a free item.



# GLOBAL INSIGHTS: Mixt

## Digital loyalty app speeds up lines and grows customer loyalty for a trendy, health-conscious US West Coast restaurant

Frustrated by the lack of delicious, healthy, high-quality lunch options, the Silverglides – Leslie, David, and Drew – launched the first Mixt in 2004.

They knew right from the start they had something great. Long lines formed, people talked, and they quickly grew to 14 restaurants across San Francisco and Los

Angeles. Mixt wanted to reward customers for waiting in those long lines, so they gave out a small wallet-sized loyalty card that got punched every time customers made a purchase. After ten punches, customers got a free meal.

It was the right idea, but the program caused some pain they didn't see coming: handing out the cards ate up time on the already long lines. Customers frequently wanted to combine multiple cards, which slowed checkout even further. It was expensive to print out the cards. And Mixt didn't even know if it was working: were people coming back? Was it getting them loyal customers?

In 2012, Mixt decided to go with a digital, card-linked loyalty program that hands out rewards to customers, just like the old punch cards did. But instead of keeping track of where the punch cards were, potentially losing





them or forgetting them, customers just downloaded the app to their phones. A few clicks later, they put in their credit or debit card numbers, and the loyalty perks – along with the free lunches - automatically piled up.

It was so easy to use that four out of every five people who started the registration process were still enrolled three months later. They also came back twice as often as other customers. And Mixt now knows more about what their best customers like and want. Since Mixt rolled out the program, they've seen a 160% jump in loyalty membership without spending much on marketing.

*Note: MIXT's proprietary loyalty data, 2012-2018.*

“Moving from a traditional loyalty program to a digital loyalty program has done more than just keep lines moving and increase membership. Mixt is now able to gain insights on customers' habits, send e-mail marketing, and delight Mixt Rewards members with birthday surprises.”

Plus, by using a digital loyalty program, Mixt can collect data to help design new dishes, send email marketing, and surprise customers with specials like birthday rewards.

David Silverglide says, “Moving to a card-linked loyalty program was a game-changer for Mixt. As a growing brand, we depend on customer-friendly technology to streamline operations and delight our customers. Our digital loyalty program is no exception - it gives us great data we can really use and ensures our most loyal customers stay loyal!”

# The Impact of Digital Payments<sup>19</sup>



<sup>19</sup>Digital payments defined as bank transfer, cards such as credit, debit, prepaid, mobile payments and peer-to-peer payments. Non-digital payments defined as cash, check and money orders. See Methodology for details.

**On average, 64% of SMEs surveyed prefer digital payments over non-digital payments. However, based on the surveyed SME's responses, digital payments are faster to process<sup>20</sup> and more preferred by consumers.**

**Digital payments can free up employee and owner time.** Businesses spend a significant amount of time processing payments received from customers. For non-digital payments, this includes cash counting and reconciliation, prepping and filling cash registers, preparing deposits, transporting cash and checks to and from the bank, and security monitoring. For digital payments, this includes storing and filing of card signature slips, card reconciliation, checking terminals for security, and dealing with card fraud investigations.

The non-digital payment process that takes the longest is counting cash and reconciling the books, followed by prepping and filling the cash registers, and going to the bank. For digital payments, the process that takes the longest for most firms is dealing with the card signature slips and card reconciliation.

On average, SMEs surveyed estimated that it takes 515 hours to process \$100,000 in non-digital payments compared to 159 hours to process \$100,000 in digital payments. Said another way, SME's surveyed estimated that it takes almost 3.2 times as much time to process non-digital payments compared to digital payments.



By reducing the amount of employee time necessary to process payments, digital payments can free the employee for more productive uses of their time.

“ SME's surveyed estimated that it takes almost 3.2 times as much time to process non-digital payments compared to digital payments. ”

<sup>20</sup> Based on 2019 Visa-commissioned Maru/Matchbox survey data. Analysis on survey data completed by independent third party, ESI ThoughtLab. See Methodology for details.



of SMEs tell us that customers spend more when using card versus cash.

### **Impact on SME's Revenue**

The acceptance of digital payment methods enables businesses to sell more goods and services to consumers who prefer digital payment methods. Two-thirds (67%) of SMEs tell us that customers spend more when using card versus cash. Just over half (54%) say sales increased after they began to accept digital payments – by an overall average of 14.0%.<sup>21</sup>

<sup>21</sup> The potential increased revenue from the acceptance of digital payments was calculated based on the experience of firms that recently began to accept (within the last 5 years) digital payments and that have been in operation for more than 5 years. Forty-one firms met these criteria. Based on survey participants who reported either specific increase or no impact in sales volume after accepting digital payments. No participant reported decrease in sales volume. Please see Methodology for details.



### Top benefits of digital payments

Given Australians' eagerness to embrace new apps and technologies, it's not surprising to see consumers pay for 68% of their discretionary expenses through digital payment methods, such as cards or mobile device. 69% of consumers can imagine a future in which only digital payments will be used. Nearly two-thirds (62%) would choose to shop solely with their card.

Consumers identified the top benefits of digital payments as: convenience (90%), being able to shop online (88%), ease of tracking spending (83%), time savings compared to cash and cheques (76%) and rewards for using their chosen method of payment (76%).

Notably, 82% of consumers dislike shopping at businesses that require minimums or surcharges for digital payment purchases. Among consumers who heavily prefer digital payments, 19% still use cash for small ticket purchases because some merchants prefer or require it. Additionally, displaying welcomed acceptance in store can help shift more volume towards digital and potentially increase revenue. Further, EMV-based contactless cards 'tap to pay' approach is a seamless and secure method, allowing consumers to pay in seconds. Investment in contactless also lays the foundation for acceptance of payment technologies such as mobile devices and wearables. Mobile payment usage is quickly increasing.

It's important to note that "going digital" isn't necessarily an all-or-nothing option but can be a journey towards reducing cash usage. Incremental changes can add significant value, like having more welcomed acceptance in store, establishing a business website with online payments, or eliminating purchase minimums or surcharges for accepting digital payments.

### Top benefits of digital payments

90%

Convenience

88%

Shop online

83%

Ease of tracking spending

76%

Time savings compared to cash and cheques

76%

Rewards for using chosen method of payment



# How to: Set Up Digital Payment Acceptance (In-Store and Online)

- Selecting a payment provider is the first step in enabling your store, website, or mobile device to accept digital payments and deposit the funds automatically into your merchant bank account.
  - Be sure to ask if the payment provider offers tools and solutions that help you manually submit transactions, protects your business and customers from fraud, gives secure online access to transaction records so you can track sales, and charges for customer support.
- When creating a merchant bank account, consider how you'll be accepting payments:
  - If you're already selling products from a retail location, you probably have a Card Present (CP) merchant account. If you plan to sell online or through the phone, you'll also need a Card Not Present (CNP) merchant account.
  - Independent Sales Organisations (ISOs), Merchant Services Providers (MSPs), and Value-Add Resellers (VARs) are some of the organisations that provide merchant accounts.
  - Ready to get started? Details on various industry players, such as acquirers, ISO, and payment aggregators, are available through an internet search or check out <https://www.visa.com.au/run-your-business/accept-visa-payments.html> for more information.
- When evaluating payment gateways, some things to look for:
  - **PCI Compliance**
    - Merchants that accept card payments are required to comply with the Payment Card Industry Data Security Standards (PCI DSS), a set of comprehensive requirements to facilitate the adoption of consistent data security measures.
    - Check to see if the payment gateway offers an information security and compliance management service that can help you comply with PCI DSS.
  - **Fraud prevention**
    - Preventing fraud requires a balance of minimising risk without turning away business. Check to see if the payment gateway offers EMV chip payment terminals to prevent in-store fraud. Also, see if your payment gateway can help you mitigate fraud by using anti-fraud tools like card verification codes, address and postcode verifications, and fraud scoring engines.
  - **Options to accept payments in store**
    - See what kind of alternatives the payment gateway offers to accept card payments in store. For example, a virtual POS or mobile POS is a card reading plug-in for either your computer or phone. With these pieces of hardware, you can easily swipe, dip, or tap customer's cards or phones and accept payment.

*ISOs are companies that have developed partnerships with acquiring member banks to provide merchant accounts or other merchant services to members. They handle credit card processing transactions for small businesses, usually in exchange for a fee or percentage of sales.*



- Contactless cards allow consumers to pay in seconds. Check if the POS system and your payment gateway accepts both EMV contact chip and EMV contactless cards, to offer customers a fast, convenient and secure payment experience.
- **Card on file solution**
  - If applicable for your business, card on file solutions can facilitate checkout, process recurring transactions as well as loyalty programs by securely storing your customer's card information.
- **Digital invoicing**
  - For certain industries, digital invoicing could improve the customer billing experience. Digital invoicing is a convenient way to send customers their bills through email - they simply click a link in the email to pay you securely online, even from mobile devices. If interested, check with your payment gateway if they offer this service.

# GLOBAL INSIGHTS:

## Handy Gentlemen

### **Running an innovative and professional handyman business in London and Surrey – fully digital payments and delivered via an eye-catching motorcycle**

Handy Gentlemen has been performing high quality professional handyman, plumbing and electrical jobs for grateful customers in London and Surrey since 2018. Services ranging from plumbing and heating repairs, to painting and even art hanging, are all conveniently delivered at very affordable rates and with a smile – all courtesy of a motorcycle zipping through London’s hectic traffic.

The entrepreneur behind Handy Gentlemen, Benjamin Charles, started his career as a tradesman. He honed his skills over the years through a series of companies before spotting a gap in the market for a high quality, high-tech and competitively priced offering. The ‘Gentlemen’ in the company name reflects Benjamin’s personal ethos: politeness, friendliness and punctuality are virtues imbued in the business model. His approach paying off, with glowing reviews, a loyal base of repeat customers and a business moving from strength to strength.

From the outset, digital payments have been engineered into the heart of the customer journey; Benjamin designed an entirely digital-only payments experience to maximise convenience. Customers typically pay for services by card via a mobile terminal that is brought along to the job. For corporate customers and larger ticket residential jobs requiring an upfront deposit, invoices are settled by bank transfer.

Avoiding the need to hold, transport and deposit cash has substantially benefitted Benjamin and his team of tradesmen in terms of safety, security and convenience, freeing up more of their time to service customers. “If I have a good week,” Benjamin says, “I don’t want to worry about misplacing cash or being robbed. I use my card for everything and most people I come across don’t hold cash anymore, so it just makes sense to take card payments.”

Picking between the two digital payments used by Handy Gentlemen (card and invoicing/bank transfer), Benjamin has a clear preference. “Payment by card is fast – I’m typically paid within 2–3 days – and customers don’t have to worry about paying an invoice at some later date.” In contrast, payment via invoicing/bank transfer is within 30 days and can require significant effort to chase payments and reconcile sums received in the bank account with invoices issued. Cards also have the added benefit of helping Benjamin monitor performance and growth: “I get a monthly report and congratulatory messages for hitting turnover targets.”



**Customers typically pay for services by card via a mobile terminal that is brought along to the job.**



As Handy Gentlemen continues to grow, it has built up a loyal following of customers and, Benjamin likes to reward his frequent customers with a simple stamp card, but plans are afoot to make this digital too via a dedicated app to match the company's streamlined, efficient website.

“

Payment by card is fast – I'm typically paid within 2–3 days – and customers don't have to worry about paying an invoice at some later date.

”



# How to: Digital-Only Payments

For merchants looking to accept digital-only payments, here are a few general guidelines to follow:

- Test digital-only payments in phases or start by piloting at one location first. Testing will help you determine what operating procedures are needed, what kind of training to provide to employees, and how to best communicate the change to your consumers.
- Work with your payment provider on a contingency plan for those rare service disruptions. Educate employees of the change. Prior to launch, explain to employees the rationale for having a digital-only payments environment.
- Educate customers of the change. Communicate to customers, by sending email marketing communication, so there are no surprises the next time they come to shop. For new customers, put signs up on the door and at the POS so they see that you're digital only. Have a plan in place if a customer insists on using non-digital payments and be able to explain your rationale behind the decision.
- Make sure to check if refusing cash and only accepting digital payments is permissible under applicable law.

## Impact on SME Accounts Payable

Businesses also spend an extensive amount of time paying their suppliers and vendors. Electronic payments allow businesses to save time managing their accounts payable (AP). We estimated the labour time associated with processing accounts payable transactions using digital and non-digital methods.

The survey asked each firm how many AP transactions they have in a typical month and the percentage that were made using various payment methods. The average firm makes 73% of their AP payments using digital methods. Retail (74%) and personal and professional services (77%) make greater use of digital methods compared to food/dining/grocery (67%).

The survey also asked respondents how many hours they spend processing their AP payments and what percentage of the time is spent processing digital and non-digital payments. This allowed us to calculate the number of AP payments that can be processed in an hour.

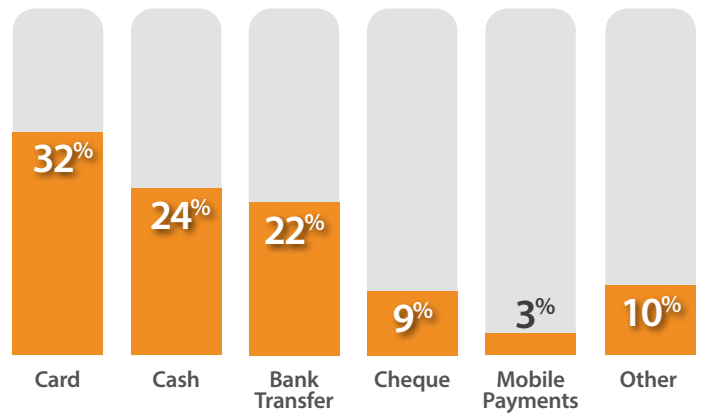
On average, firms can process similar number of AP payments using digital and non-digital methods - 11.1 AP payments per hour using digital methods and 12.8 payments per hour using non-digital methods. While this difference in labour hours for Australian firms is not statistically significant, a similar research in other markets such as the U.K. and Canada has shown a clear savings of labour hours when using digital methods.

By reducing the amount of labour necessary to process AP payments, digital payments have the potential to free employees for more productive uses. Moreover, digital methods can bring other benefits in the form of expense tracking, streamlined bookkeeping, building a business credit, etc.

## SME Card Usage for Business Expenses

SMEs have several options available to them when paying for business expenses, e.g. rent of premises, wages, purchase of supplies and bill payments. SMEs surveyed report that 32% of their business expenses are paid for using a payment card (credit, debit and reloadable prepaid cards), while cash and cheque represent 33% of payments. As illustrated in the previous section of this report, there is scope to shift non-digital to digital payment methods and realise significant time savings as a result of the faster processing times associated with digital payments. SMEs clearly recognise the benefits of digital over non-digital payment methods. When asked, 83% of SMEs agreed that utilising digital payments help them manage their business more effectively, while half (52%) worry about fraud and identity theft when using cheques and bank transfers for payments.

## % Business Purchases By Payment Method



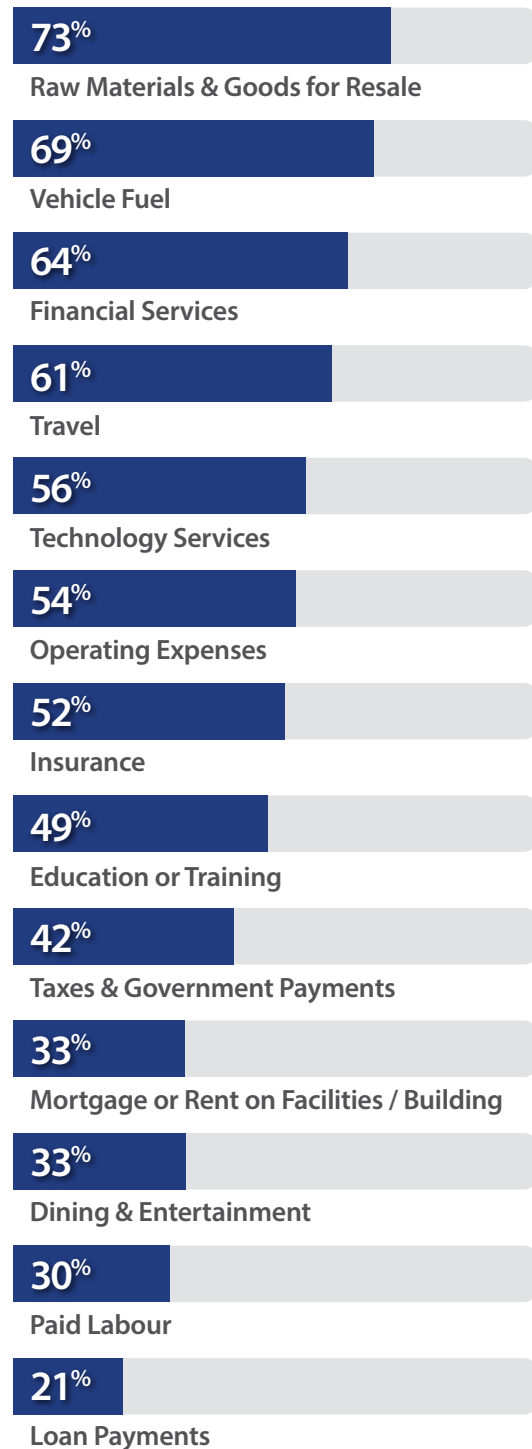
The tendency for SMEs to pay by digital means varies significantly by the category of business purchase. At the highest end of the spectrum, 73% and 69% of purchases in the raw materials and vehicle fuel categories respectively are by credit card. At the other end of the spectrum, expenses related to labour and loan payments see relatively low proportions of spend on card of less than 30%.



Half worry about fraud and identity theft when using cheques and bank transfers for payments.



## % Business Purchases Paid for By Credit Card

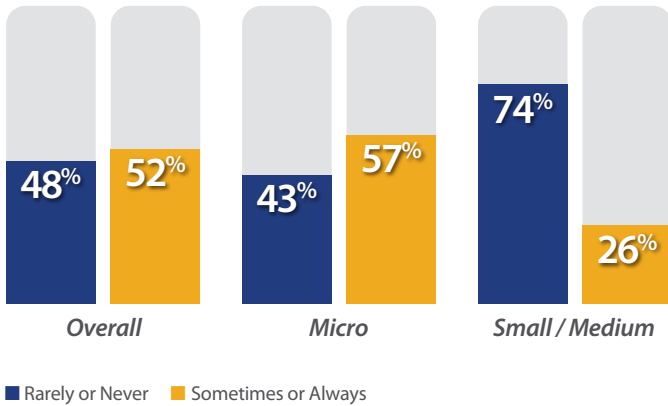


Turning specifically to those using credit cards for their business spending, entrepreneurs are faced with a choice of using business cards or their own personal cards. While four-in-five (85%) use a business credit card, three-quarters (73%) are utilising personal credit cards for business purposes. In doing so, SME owners miss out on benefits associated with using a dedicated business credit card, including:

- **Following business 'best practice'** as separating business from personal expenses is a recommended practice by professional accountants and tax authorities alike.
- **Streamlined bookkeeping and accounting processes** as there is no need for the SME owner to identify personal transactions and because most major accounting software accepts transaction feeds from business cards, with business expenses being uploaded and categorised automatically.
- **Simpler tax filings** as combining business expenses of the SME and personal expenses of the owner complicates tax affairs.
- **Control over how and where business cards are used**, including freezing/unfreezing employee business cards and setting spend limits, transaction alerts, limiting cross-border/international transactions and limiting spend to certain types of merchants/vendors.
- **More control over and visibility of expenses** as business cards offer easier expense tracking for owners and employees alike, as well as access to enhanced reporting/insights.
- **Building a business credit rating** that is separate from the credit rating of the owner. Use of a business credit card is an input into a business's credit rating, whereas use of a personal credit card for business expenses misses out on this important feature.



## % Undergoing Credit Checks by Suppliers Before Being Issued Credit

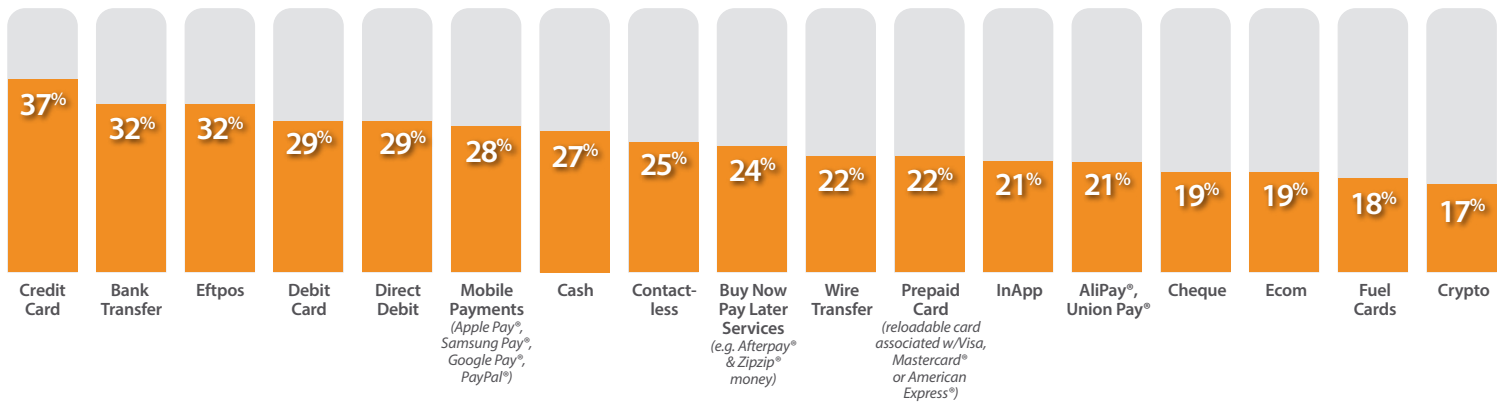


The last point about building a business credit rating is especially important when it comes to applying for loans or business credit cards, or even in dealing with suppliers. It is common for suppliers to offer short-term credit facilities to customers, but these can require credit checks prior to agreeing. Half (52%) of SMEs surveyed were subjected to a credit check by their suppliers before being issued a credit facility, and this percentage seems to increase with the size of the SME: 43% of Micro SMEs were subjected to credit checks by their suppliers, rising to 74% for Small/Medium SMEs.

Across the board, SMEs are starting to acknowledge the benefits of using digital payments for their business spending and are responding by shifting their spend to digital payment methods. When SMEs were asked how likely they were to increase their use of different payment methods over the next 12 months, 37% responded they were 'very likely' or 'extremely likely' to increase their use of credit cards, compared to 19% and 27% for non-digital payment methods cheque and cash respectively.

Delving into the main barriers inhibiting SMEs from using cards more for their business spending, 42% of SMEs surveyed state they don't want to pay a fee, additionally 22% find it's more convenient to use other payment methods and 21% want to avoid debt. From the latter two reasons, there is an opportunity for SME education on card usage in business and associated benefits.

## % SMEs Very / Extremely Likely to Increase Use of Payment Methods in Next 12 Months

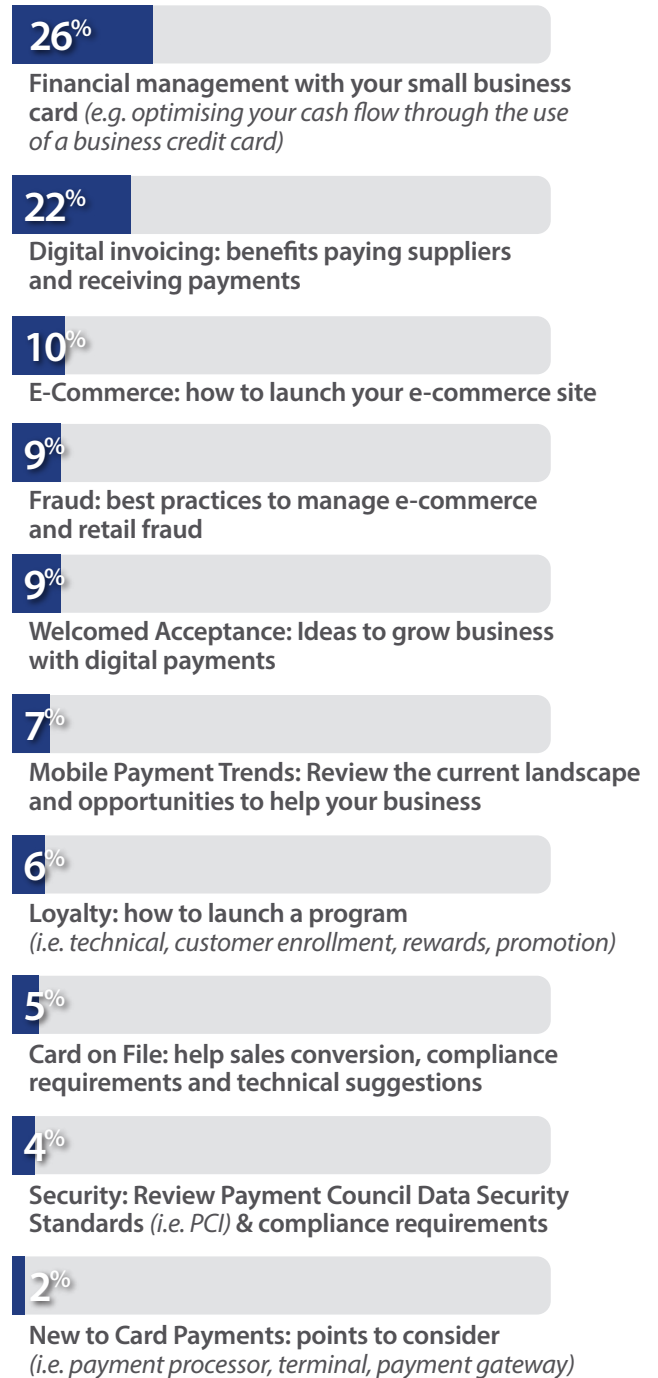


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A trusted business partner to SMEs, such as a financial institution, advertising firm or technology partner would be well-positioned to deliver education to help SMEs manage their businesses and grow. When asked to rank 10 potential educational topics from most to least helpful, two topics clearly came out on top: financial management using your small business credit card (26%) and digital invoicing: benefits paying suppliers and receiving payments (22%).

### % SMEs listing the following educational topics as highest or second-highest priority



A trusted business partner to SMEs, such as a financial institution, advertising firm or technology partner would be well-positioned to deliver education to help SMEs manage their businesses and grow.





## SME Use of Digital Solutions

There is a plethora of digital solutions available for SMEs to make business operations more efficient, support their growth and generally make the lives of busy entrepreneurs easier, freeing them up to focus on what matters most: building their business.

The banks, credit card companies and other financial institutions servicing SMEs have a central and trusted role to play in the provision of digital solutions to SMEs: more than half (57%) of SMEs surveyed stated that they rely on such institutions' online tools to manage and monitor their business expenses – a vital task in running a business. These companies are often a good starting point for gaining an understanding of the digital solutions available to SMEs.

The offerings of major financial institutions can be categorised into six main groups:

- 1. Card Controls** – giving SMEs greater control over where and how business cards are used by employees, e.g. by limiting spend to certain types of merchant, setting spend limits and spend alerts, freezing or unfreezing cards and limiting cross-border/international transactions.
- 2. Payments Education & Business Toolkits** – helpful information about how to maximise the benefits of accepting digital payments from customers, using digital payments for business spending and a mix of resources such as educational articles, helpful hints and tips, blogs about starting a business and tools like business case templates.
- 3. Rewards & Offers** – discounts and special offers for SMEs from participating merchants, suppliers and vendors.

**4. Data Reporting** – tools allowing SMEs to better understand and monitor their income, expenses and other operational key performance indicators (KPIs) via dashboards and reports.

**5. Virtual Cards** – a virtual payment solution providing a single-use account number for each transaction, allowing SMEs to specify the payment amount, date range and other transaction details to control spend, reduce the risk of fraud and make reconciliation processes easier.

**6. Expense Management** – making it easier for SMEs to monitor and control business spending, e.g. tracking employee spending, creating automated digital expense reports and easily categorising transaction.

Even with the diverse range of SME-specific tools available from financial institutions, low awareness is a significant limitation. The majority of SMEs surveyed had ‘never heard’ of the services, though Food/Dining/ Grocery are further ahead of the curve, with higher awareness.. Investigating the digital solutions that may be readily available from your bank, credit card company, financial institution and Visa may reap significant benefits in the long run.

“  
Did you know that your bank might already have available resources for Small Business owners like you to help you get started and run your business more efficiently?  
”

## Benefits of Digital Inquiries

85%

Invoice my customers faster

84%

Seamlessly track payments to invoice

82%

Save time in sending invoices

80%

Reduce costs in sending invoices  
(i.e. postage and paper)

80%

Automatically remind customers to pay

78%

Know when my customer has received / opened the invoice

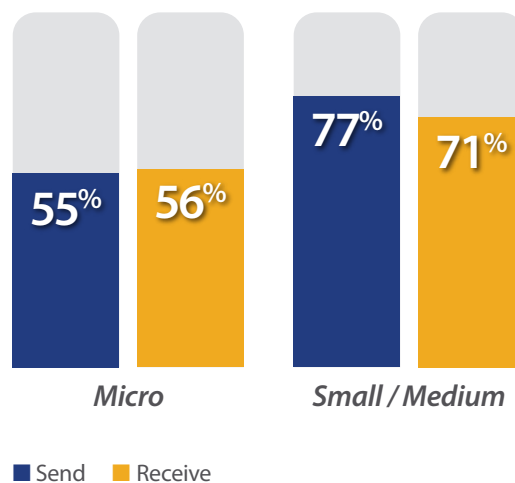
78%

Receive my money faster

More specifically, digital invoicing is an area of keen interest for SMEs, providing a route for income to be received from customers and for suppliers and vendors to be paid in order to, quite literally, ‘keep the lights on’. Across SMEs, there is consensus that sending and receiving digital invoices confers tangible benefits. When asked to identify whether they agreed or disagreed with various benefits of digital invoices, 80% agreed that the cost of sending invoices is reduced compared to paper invoices (e.g. saving on paper, printing and postage), and 82% also agreed that there are time savings. Vivaly, 78% of SMEs somewhat or strongly agreed that they receive money faster from customers via digital invoices, compared to paper.



### Digital Invoice Preference to Send & Receive by SME Size



Looking at SME's invoicing preferences, about three in five prefer to receive (61%) and/or send (61%) digital invoices. This preference for digital invoices is not surprising; greater administrative effort is needed to send, receive and process paper invoices compared to their digital counterparts. Digital invoices confer tangible administrative benefits to busy SMEs such as enabling easier capture in accounting software, tracking whether invoices have been received by recipients, tracking payments and streamlining reconciliation of invoice payments in business bank accounts. Also, as the business becomes larger, this preference is more pronounced: 55% of micro SMEs polled prefer to send digital invoices over paper invoices, compared to 77% of small/medium-sized businesses.

Receiving digital versus paper invoices also has an impact on timing of payments to suppliers and vendors. 61% of paper invoices are paid upon receipt or before the due date, compared to 63% for digital invoices. This two-percentage point difference has a bearing on cash flow as making "just-in-time" payments can improve a business' cash flow compared to paying early. Invoice due dates must be monitored carefully as making late payments may incur penalty fees and adversely impact a business' credit rating. Receiving digital invoices confers clear benefits in terms of being able to monitor due dates and receiving notification of upcoming payments and this is likely a contributor to the improvement in timeliness with digital invoices.

# Other Digital Transformation Tips



In an effort to assist small and medium size businesses with their digital transformation efforts, the following how-tos are provided to address other relevant aspects to support your business.

## How to: Run Other Aspects of Your Business Digitally

You can also use technology when it comes to managing other aspects of your business such as supplier and inventory management, tracking business expenses, and staffing and payroll optimisation.

- **Supplier and inventory management:** A variety of products and software can help you track inventory (including providing alerts when you're running low on an item) and manage purchase orders (POs), invoices, and contracts more efficiently.
- **Tracking business expenses:** Small business debit and credit cards can help track expenses quickly and easily, provide purchase protections, and use controls to protect from any employee misuse.
- **Staffing & payroll optimisation:** A multitude of programs can provide guidance on tasks such as predicting labour costs, scheduling hourly employees, and managing payroll.



# How to: Generate Funds to Grow Your Business

Want to grow and become more digital savvy but don't have the funds? After determining how much you need to borrow and what you can afford, here are some lending options available:

- Loan through a traditional bank or online lender is a good channel if you need a large loan. Be sure to shop around to ensure you secure a good interest rate, payment plan, and terms that suit your needs.
  - When applying for a loan, banks will likely require you to show your business plan and sales forecast, balance sheet and P&L, bank statements and tax information, and any other debts you or your business has. Expect a lender to ask plenty of questions as they're simply trying to learn about your business. Be transparent, focus on the positive and back up your answers in a clear, calm way.<sup>22</sup>
- Credit through a small business credit card provides the needed credit line to fund smaller amounts. A small business card is also beneficial to separate expenses for tax reasons, building business credit, and offering business specific perks such as employee cards and higher credit limit. Some cards may also offer a sign-on bonus, or low interest rate promotion.
  - Qualifying for a credit card is easier than qualifying for a loan but be sure to check the financial terms (such as fees and APR) to determine if it's the right option for you. Search online or visit your local bank on potential small business card products to meet your needs.



- Some businesses are financed by crowdfunding, which involves collecting donations from many people – usually online. There are two basic types of crowdfunding: rewards-based crowdfunding, where donors receive a “reward” once the fundraising goal is reached (a free product sample, for example) and equity crowdfunding, where donors pledge equity in a new company or venture.<sup>23</sup>
  - While crowdfunding can be a great way to increase awareness and exposure, there are risks associated with it as well. Failure to meet fundraising goals can negatively impact a business’ reputation. It’s also unpredictable – while some crowdfunding campaigns are hugely successful, many are not.

<sup>22</sup> Joe Mullich for Capital One Spark Business. “Getting a Small Business Loan,” July 27, 2015.

<sup>23</sup> NFIB. “NFIB’s Guide to Small Business Grants,” April 29, 2016.



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Credit through a small business credit card can provide the needed credit line to fund smaller amounts.



# Conclusion



**Consumer expectations are evolving rapidly to embrace a ‘digital first’ mindset. Many consumers are actively using digital channels to discover and shop for goods and services, creating a significant opportunity for SMEs to grow their business.**

Consumers are also showing preference for tools and technology that enhance and simplify their shopping experience. Many SMEs are attuned to this as two-thirds agree that innovative new ordering or payment services will have a positive impact on the business's bottom line.

These preferences have helped bring change to the payment landscape. 69% of consumers can imagine a future in which only digital payments will be used. Aside from consumer preference, digital payments have been shown to have a positive impact on SME’s bottom line.

Two-thirds (67%) tell us that customers spend more when using card versus cash, and 54% of SMEs surveyed saw an increase in their sales after they started to accept digital payments. And let’s not forget, based on responses from SMEs surveyed, that digital payments can be processed over three times faster than non-digital payments when used for business expenses, yielding substantial time savings for the typical SME.<sup>24</sup>

There is a diverse range of digital tools readily available to SMEs, ranging from digital invoicing, business card controls, educational programs, rewards, offers and data reporting. *In short, digital commerce offers numerous benefits to small and medium sized businesses. We hope the content provided enables you to meet your business’s digital needs.*

**Pathways to Digital Transformation**



<sup>24</sup> Based on 2019 Visa-commissioned Maru/Matchbox survey data. Analysis on survey data completed by independent third party, ESI ThoughtLab. See Methodology for details.

A woman with dark, curly hair is smiling and looking down at a laptop. She is wearing a white blazer over a striped shirt. The background shows a clothing store with racks of clothes. The word "Methodology" is written in a blue, sans-serif font in the upper right corner.

# Methodology

# Quantitative Analysis Details

Note: Survey results based on Visa-commissioned Maru/Matchbox 2019 Small Business Survey. Labour analysis done by independent third-party, ESI ThoughtLab.

More intensive use of digital payments has the potential to help businesses reduce the time that they spend managing their payments. This includes both the time associated with processing payments received from customers as well as the payments that a business makes to their suppliers. By reducing the resources devoted to payment processing, the business, and the economy in general, can become more productive.

To quantify the business impacts we asked businesses across grocery, restaurant, retail, and personal and professional services questions about their acceptance of digital payments and the time associated with processing different payment methods.

We focused on the following impacts:

- Labour savings associated with processing payments received from customers;
- Labour savings associated with processing accounts payable;
- Increased revenue

We surveyed 204 businesses across Australia. The responses included micro (105) and small/medium (99) sized businesses from the personal and professional services (80), food/dining/grocery (76), and retail (48) sectors.

## Micro and Small / Medium Size Business

Fieldwork: 20 minute online survey, fielded: July 31 - August 15

### Target: Micro and Small/Medium Size Businesses

- Focusing on 3 industries and associated criteria listed below
- Responsible for managing finances and/or making payments for business expenses and/or determining types of payment methods accepted
- Decision making authority for payment method selection
- Annual sales \$50,000 - \$10,000,000
- Have storefront or in-person sales

Quotas were set to ensure adequate representation of key industries and business sized segments:\*

|                     | Micro      | Small / Medium | TOTAL      |
|---------------------|------------|----------------|------------|
| # of Employees      | <10        | 10<250         |            |
| Annual Sales        | <\$500K    | \$500K<\$10MM  |            |
| # of Locations      | 1          | 2+             |            |
| Industries          |            |                |            |
| Food/Dining/Grocery | 35         | 41             | 76         |
| Retail              | 24         | 24             | 48         |
| Services            | 46         | 34             | 80         |
| <b>Total</b>        | <b>105</b> | <b>99</b>      | <b>204</b> |

## Consumer

Fieldwork: 30 minute online survey, fielded: August 7 - August 15

### Target: General Consumer

- 18 years or older
- Chequing and/or savings account
- Balanced age, income and regional representation

Quotas were set to ensure adequate representation of age and income groups.

| Income                       | Millennials | Gen X      | Baby Boomers | Post-Baby Boomers | Total       |
|------------------------------|-------------|------------|--------------|-------------------|-------------|
| Low (<\$49,999)              | 154         | 153        | 155          | 158               | 620         |
| Moderate (\$50,000-\$74,999) | 120         | 111        | 131          | 124               | 486         |
| Middle (\$75,000-\$99,999)   | 111         | 119        | 101          | 94                | 425         |
| High (\$100,000+)            | 125         | 126        | 125          | 86                | 462         |
| <b>Total</b>                 | <b>510</b>  | <b>509</b> | <b>512</b>   | <b>462</b>        | <b>1993</b> |

**Recruitment:** Recruited primarily via the Maru Matchbox Springboard Network. Respondents are balanced appropriately by age and gender and, for SMEs, location of business.

**Weighting:** Results are weighted by region and, for SMEs, annual sales; for Consumer, age and gender to Australia census statistics.



The survey asked each firm what percentage of their transactions, both in terms of the number of transactions (Q202b) and the total value of the transactions (Q202a), came through various payment methods. For the purposes of this analysis, we defined the payment methods as follows:

- **Digital:** credit, debit, and pre-paid cards; mobile payments (Apple Pay®, Samsung Pay®, Google Pay®, PayPal®), mobile peer-to-peer, bank transfer. Direct debit, wire transfer, contactless, Eftpos, Alipay®/Union Pay®, Ecom, Inapp, and crypto.
- **Non-digital:** Cash or cheque

## Payment Processing Labour Savings

Businesses spend an inordinate amount of time processing payments received from customers. For cash and cheque payments this includes cash counting and reconciliation, prepping and filling cash registers, preparing deposits, transporting cash and cheques to and from the bank, and security monitoring. For credit, debit, and pre-paid card payments this includes storing and filing of card signature slips, card reconciliation, checking terminals for security, and dealing with card fraud investigations.

To normalise the data and to make it comparable across industries and firm sizes, the accounts receivable labour impacts calculations are based on the number of hours needed to process \$100,000 in revenue.

The survey asked firms how much time was spent in a given month by all employees managing payments (Q303). The questions broke down the time spent into activities associated with each payment method (digital vs. non-digital).

- **Non-digital payments tasks:** Counting cash and reconciling accounting books, prepping and filing cash registers, getting cash and change ready for bank deposits, monitoring the cash box, identifying counterfeit notes, investigating why cash is missing, dealing with bounced cheques, transporting cash and cheques to and from the bank to make deposits or get change, and other non-digital payment-related activities
- **Digital payment tasks:** Storing and filing card signature slips, card reconciliation (e.g. chargebacks), time spent keeping terminals secure, dealing with card fraud investigations, other card management related tasks, and other digital payment related activities

The appropriate activities were aggregated to arrive at the total time spent on digital payments and the time spent processing non-digital payments.

We then estimated the number of hours needed to process \$100,000 in digital payments and \$100,000 in non-digital payments by dividing the number of hours by the respective revenue. The results were then multiplied by \$100,000 to arrive at an estimate of the number of hours required to process \$100,000 in payments. To control for the impact outliers, we dropped the responses that were in the top and bottom 5% of the distribution.

## Accounts Payable Labour Savings

Businesses also spend a lot of time amount of time paying their suppliers and vendors. Electronic payments also allow businesses to save time managing their accounts payables. We estimated the labour time associated with processing accounts payable transactions using digital and non-digital methods.

The survey asked each firm how many AP transaction they have in a typical month (Q701) and the percentage that were made using various payment methods (Q702). The survey also asked respondents how many hours they spend processing their AP payments (Q704) and what percentage of the time is spent processing digital and non-digital payments (Q705). This allowed us to calculate the number of AP payments that can be processed in an hour. To control for the impact outliers, we dropped the responses that were in the top and bottom 5% of the distribution.

## Increased Revenue from Accepting Digital Payments

Digital payment methods have increasingly become the preferred method of payment for consumers. The acceptance of digital payment methods enables merchants



to sell goods and services to consumer that prefer digital payment methods, thereby potentially increasing their revenue. It also allows businesses to sell their products through online channels outside of their local market and to customers that may not have cash on them.

And while increases in revenue can happen for numerous reasons, the merchants surveyed stated that their sales increased following the introduction of digital payments. The increase in revenue was calculated based on the experience of firms that recently began to accept (within the last 5 years) digital payments and that have been in operation for more than 5 years.

The first step in the analysis was to identify firms that began accepting digital payments recently (within the last 5 years) (Q207) and have been in operation for more than 5 years (Q106). Forty-one firms met these criteria.

The survey also asked businesses how their revenue changed as a result of beginning to accept digital payments (Q208 and Q209). We calculated the average impact revenue impact for firms that recently began to accept digital payments.

#### **Notice of Disclaimers**

*To provide small and medium size businesses (SMEs) market insights and tangible strategies to meet evolving consumer demands for a “Digital First” commerce experience, a multi-pronged research program was conducted to assess digital transformation barriers and opportunities for SMEs. Australian consumers and SMEs were asked details on how conduct commerce, accept and receive payments, and the costs and benefits associated with these activities. As part of the full digital commerce picture, we also explored preferences, marketing and advertising activity, new service considerations, and customer loyalty programs. This report summarises the SME and Consumer perspectives.*

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