

Digital Transformation of SMEs:

The Future of Commerce

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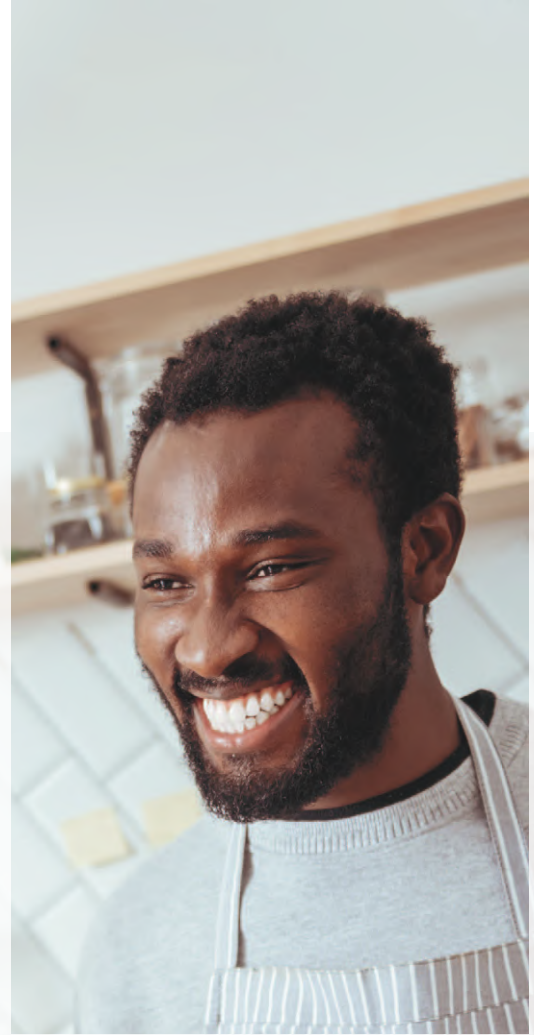
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A woman with long dark hair, wearing a red and black plaid shirt and blue jeans, is styling a client's hair in a salon. The client is seated in a white salon chair, wearing a pink towel. The background shows a modern salon interior with large windows and other salon equipment.

Introduction

The insights provided in this paper are for small and medium size enterprises¹ (SMEs) in the United Kingdom (UK), with a focus on helping businesses grow and improve the customer experience through promotion of technology and digital commerce. We hope you enjoy reading it!

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

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: UK consumers will spend £106.46 billion (\$141.93 billion) online in 2019 (+10.9% vs 2018). This will make up 22.3% of all retail spend, a proportion that will reach 27.9% in 2023. In 2019 mobile commerce will grow 16.7%, passing £50 billion (\$66.66 billion) for the first time. In 2020, mobile commerce sales will account for more than half of all retail ecommerce sales, growing 15.3% to total £58.89 billion (\$78.51 billion). Smartphone commerce already accounts for the majority share of mobile commerce, and that share is expected to increase from 58.9% in 2019 to 71.2% by 2023.²

In response to these evolving consumer preferences, commerce itself is undergoing a profound transformation, with businesses looking more at digital solutions to improve sales, acquire new customers, and



reduce costs. This presents opportunities for SMEs, the 5.7 million firms which make up the vast majority of enterprise in the UK³. According to a new 2019 Visa-commissioned Maru/Matchbox survey⁴ ("the survey") only half (54%) of SMEs sell their products and services online, with 27% 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 UK Parliament Business, Energy and Industrial Strategy Committee⁵, SMEs make up 99.9% of all private sector businesses in the UK and employ 16.3 million people, or 60% of the UK's private sector workers.

² eMarketer, UK eCommerce 2019, June 2019

³ Business Statistics- UK Parliament UK, December 12, 2018.

⁴ 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.

⁵ UK Parliament Business, Energy and Industrial Strategy Committee, 'Small businesses and productivity', November 2019

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

To bring these ideas to life, Visa partnered with a number of different industry partners including trade associations, banks, 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 paper includes findings from the survey of SME decision-makers across three industries: food/dining/grocery, retail/merchandise, and services, along with a survey of UK consumers asking them about their experience and expectations with digital channels and payments.⁶ All data quoted throughout this report is from this 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 utilize 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 arising from the survey are as follows:

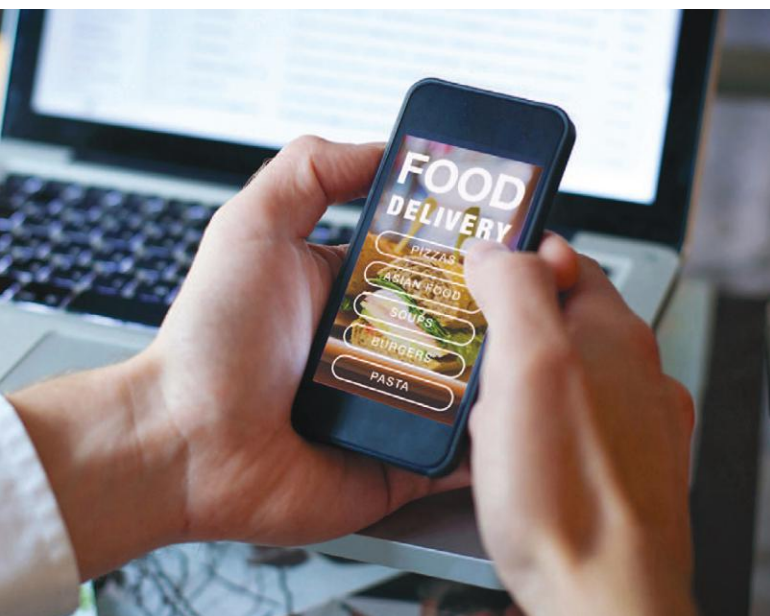
Enabling digital consumer discovery and marketing are critically important in today's environment.

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.

- 90% of consumers say they are motivated to shop at a business if they have an easy to use website. Two-thirds of consumers search online (66%) and nearly half check the business's website (46%) before visiting a new business.
- Nearly three-quarters (72%) prefer to be contacted through a digital channel, such as email, website banners, or business's website.

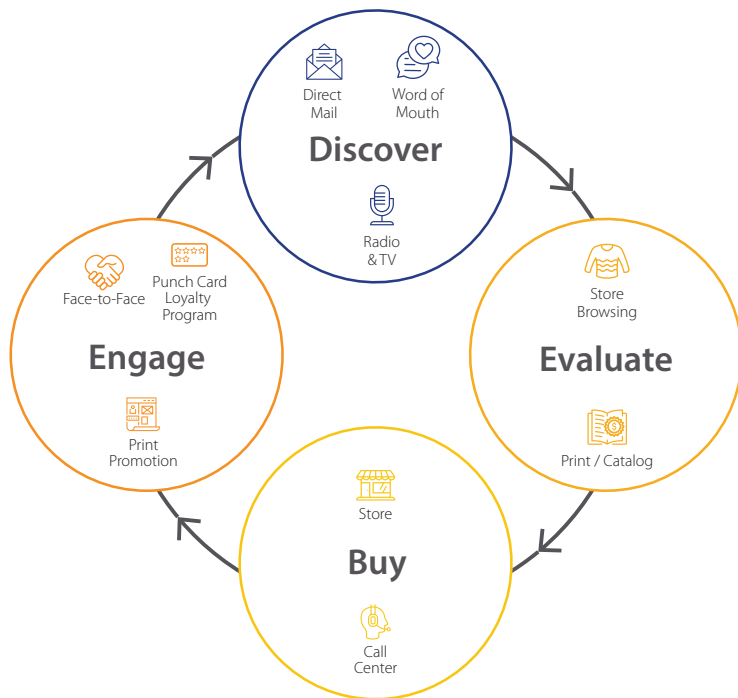
These behaviours and preferences highlight an opportunity, as currently less than half of SMEs conduct business online.

“ The gap suggests that there are opportunities for SMEs to utilize 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. ”



⁶ 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:

- Over 80% of consumers mention digital-related benefits as motivating factors to shop at a business, such as the ability to participate in loyalty programs, browse and purchase online and receive fast responses back to inquiries.
- Millennials and Gen Xers are most inclined to take advantage of digital services such as shipping or delivery incentives, self-serve kiosks, and Wi-Fi access onsite.
- Over half (53%) 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.

⁷ Refers to card, including debit or credit, and mobile payments.

⁸ 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. Fifty-one firms met these criteria. Please see the Methodology for additional details.

Current Customer Journey



While many SMEs have acknowledged these considerations, only a quarter (29%) have tried services such as shipping, online order ahead, or self-serve kiosks.

Digital payments can positively impact SME's bottom line.

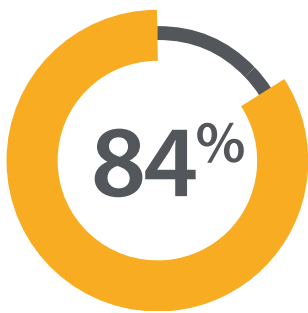
Given consumers' preference for digital channels, it's not surprising to see that 81% of consumers ranked a digital payment method, such as a card or bank transfer, as their #1 preferred payment option. Further, there may be expense and revenue benefits to accepting digital payments⁷:

- 57% of SMEs believe that customers spend more when they use cards versus cash.
- 45% of SMEs saw an increase in sales after they started to accept digital payments – by an average of 12.0%.⁷

- Digital payments can be processed seven times faster than non-digital payments when SMEs pay for business expenses, representing a significant time saving for owners and employees alike.

Currently, only three-in-five (62%) 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, 84% also think it's important to support local SMEs – providing a great opportunity for SMEs to increase engagement with consumers.



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





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

Ranging from digital invoicing to payment card controls, educational programs geared towards SMEs, rewards and offers to save money on business purchases, and data reporting tools giving SMEs much more visibility over their income, expenses and operations – to name just a few – there is a wide array of digital tools out there to make life easier:

- 49% of SMEs surveyed rely on the digital tools provided by their bank or credit card company to monitor their business expenses – these companies are often an excellent source of support in an increasingly digital world.
- About four-in-five were unaware of helpful digital tools that may be readily available to them.
- Sending and receiving digital invoices represents a significant opportunity for SMEs, with 69% agreeing that they received money faster from customers when issuing digital invoices compared to paper invoices.

CASE STUDY:

The Arienas Collective

Giving artists a fairer business model to run experiences and events, supported by quick and convenient card payments

Named after an idyllic loch in the Scottish Highlands, The Arienas Collective provides creative experiences and workshops run by artists of all kinds, set in a cosy Georgian mews house in Edinburgh's historic New Town. The word 'collective' in the name hints at its civic-minded ethos of supporting budding and established artists: revenues generated from customers paying to participate in the experiences are netted off from the event costs, and the artists retain the majority of the resulting profits. This commercial arrangement is much fairer and more transparent for artists, who often find themselves facing steep venue fees and revenue-sharing models.

The idea came to Lynn Powell, the entrepreneur behind this venture, from a source close to her heart. "The Arienas Collective was set up to meet the needs of my daughter, an artist, looking for alternative ways to earn money, one of which is delivering workshops. Artists often struggle to be paid a reasonable amount for their skills, with many juggling several jobs to make ends meet." With this insight into the creative industry, Lynn quickly spotted a gap in the market as "artists can't always afford a venue, especially in central Edinburgh." Lynn has a background in marketing, and in addition to organizing the venue she applies her keen business skills to support the artists in her collective.

The Arienas Collective is mostly found via search engine, supplemented by a website and an active social media profile across Facebook, Instagram and Twitter, where upcoming events, artwork and artists' profiles are posted. Lynn maintains a customer mailing list and used Facebook advertising campaigns early on in her business journey to acquire new customers.

Online bookings for experiences and workshops are the primary channel for Lynn's business, via the company website. To keep start-up costs low, Lynn set up the website using a website builder, with off-the-shelf online card acceptance. Convenience is key and customers can enter their card details directly or use a digital wallet.





A card terminal spurs customers on to make a purchase, even if they don't have enough cash on them or they didn't plan on making an additional purchase.

Accepting online card payments has even changed the way Lynn handles business expenses. Card payments received from customers are retained in the digital wallet and, where possible, Lynn uses this balance to pay suppliers.

For face-to-face transactions, "I saw artists using mobile card terminals at markets and how useful they were," Lynn says, and now The Arienas Collective uses mobile terminals to take payments. For Lynn and her artists, accepting cards also encourages customer spending: "a card terminal spurs customers on to make a purchase, even if they don't have enough cash on them or they didn't plan on making an additional purchase." Using the same e-commerce and face-to-face card acceptance provider keeps things simpler for Lynn, keeping all card payments in one place.

A man with grey hair, wearing a grey and white striped sweater and light-colored trousers, is sitting on a wooden stool with a patterned cushion. He is holding a pen in his right hand and a white notepad in his left hand, looking thoughtfully towards the camera. The room is bright and airy, with large windows in the background. On the floor in the foreground, there is a laptop, some papers, and a white coffee cup. The overall atmosphere is professional and creative.

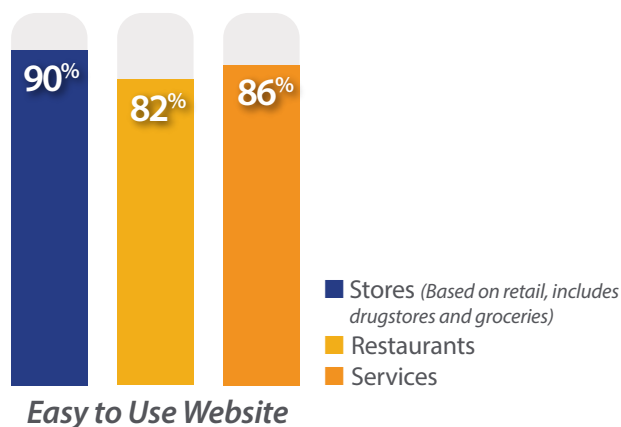
Enabling Consumer Discovery and Marketing in the Digital Age

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 84% 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 of survey participants often search online (66%) and half check a new business's website (46%) before visiting in person. Millennials are most likely to do so (59%), followed by Gen X (51%) and Baby Boomers (42%) and Post Boomers (27%). In fact, 90% 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.

⁹ Annual sale criteria by SME size – Micro, <£500K, Small/Medium, £500K-£10MM. See Methodology for details.



Consumers are increasingly making purchases online. Currently, 46% of consumers' retail purchases are made online. This number is expected to grow as 56% of consumers are planning to increase their online purchases in the next 5 years.

These findings present an opportunity for SMEs to increase their online presence. Currently, 54% of SMEs surveyed have an online presence, such as through a business website or online marketplace. Retail leads on digital channel adoption, with one-in-four utilising, compared to 5% of food/dining/grocery and 36% of services. Overall, 27% of SME sales come from these channels, with the higher proportion of sales coming from small/medium sized firms (31%) versus 26% for micro⁹.

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 you 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 decide to change your hosting company later, 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 SEO (search engine optimisation) 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, mobile commerce will grow 16.7%, passing £50 billion (\$66.66 billion) for the first time, and, in 2020, mobile commerce sales will account for more than half of all retail ecommerce sales.¹⁰

► 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.¹¹

Accept online payments

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

¹⁰ eMarketer, UK eCommerce 2019, June 2019.

¹¹ Authorize.net, "Keep Customers Coming Back. Five Tips to Increase Customer Retention." March 7, 2018.

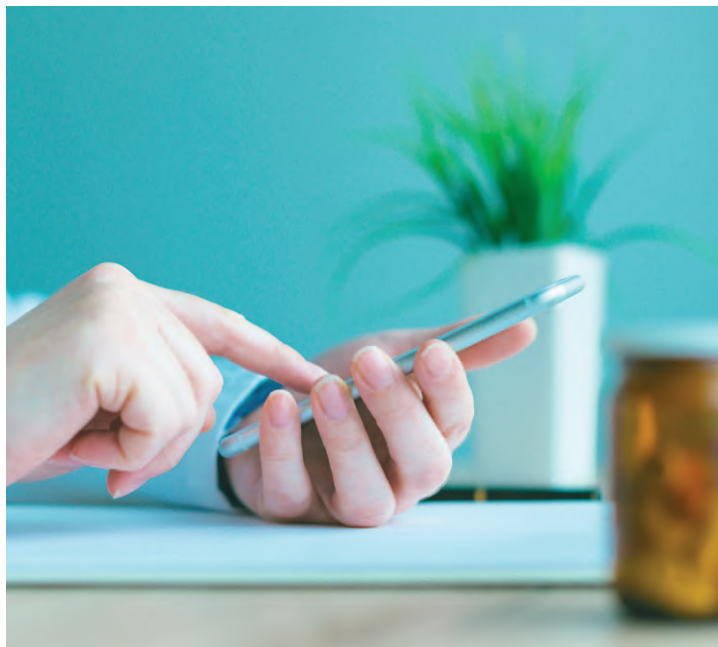
CASE STUDY: SimplyMeds Online

Online pharmacist sees jump in sales via the mobile channel, helped by secure and convenient online card acceptance

For many, the process of getting a prescription and then collecting or receiving medicines can be slow and frustrating. Couple this with what seems like ever-increasing demands on people's time and modern expectations of next-day and even same-day delivery, and a clear gap in the market for a rapid and convenient online pharmacy has emerged. SimplyMeds Online Pharmacy was established in 2015 as a family-run business to tackle this very pain point for customers, offering simple, reliable and affordable private healthcare online and via an Essex-based dispensary.

SimplyMeds Online covers the full gamut of customers' pharmaceutical needs: fulfilling prescriptions, providing online consultations for easier-to-address medical issues, offering over-the-counter (OTC) medicines and administering vaccinations. Three-and-a-half years after the company's standing start, "we now have more than 60,000 patients," explains Parv Sagoo, co-founder and SimplyMeds' main prescriber.

On the online channel, the customer journey is easy and streamlined: choose your condition, complete a medical consultation, and purchase the recommended medication via secure checkout. For this channel – vital to their business model – "we are 100% cards-based," says Parv. Being data-savvy, Parv monitors the split of online sales by desktop versus mobile devices and has noticed a significant shift: "three years ago, mobile devices accounted for just 14% of our online sales, whereas today that number is more than 60%."



Three years ago, mobile devices accounted for just 14% of our online sales, whereas today that number is more than 60%.



Parv goes on to explain, "we used to see a lot of drop-off in the mobile channel," meaning customers abandoned their online order at some point during the checkout process. Since then, the mobile checkout process has become more secure and far more convenient for customers, with mobile browsers often remembering customers' card and personal details and auto-populating fields during the checkout process. Parv reckons this has been a significant contributor to the increasing importance of the mobile channel to SimplyMeds' stellar growth.

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 Optimisation (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 number of clicks your website gets.
 - 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 the National Federation of Independent Business (NFIB) [Guide to SEO for Your Small Business Website](https://www.nfib.com/content/resources/marketing/bizhelp-how-to-make-it-easier-for-customers-to-find-your-business/) 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 good understanding of your target audience.



- Some search engines also offer options to list your business and optimise 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.¹²

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 emails.
- 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.

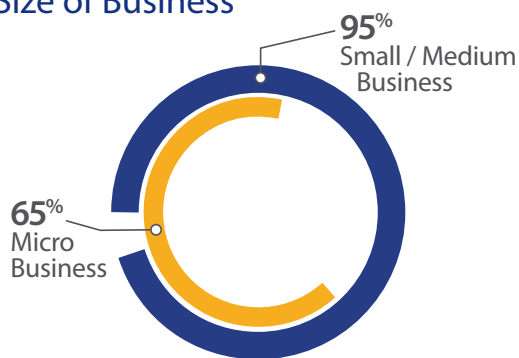
¹² <https://www.nfib.com/content/resources/marketing/bizhelp-how-to-make-it-easier-for-customers-to-find-your-business/>

Digital Marketing

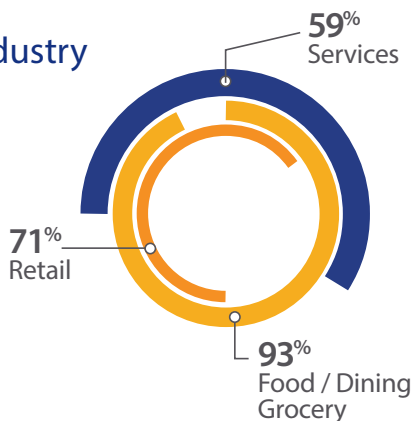
Many SMEs surveyed recognise the importance of marketing, as 69% engage in some form of it. However, there is opportunity to further engage with customers through digital channels as most consumers (72%) prefer to hear from businesses digitally – 51% prefer emails, 13% social media, and 8% turn to a company website – making digital marketing an important channel. Compared to small / medium (95%) businesses, fewer micro businesses (65%) use digital marketing. Services (59%) are behind other industries in adopting digital advertising, compared to food/dining/grocery (93%), and retail (71%) .

Digital Marketing Usage (%)

By Size of Business



By Industry



Source: Visa Digital Transformation Research, 2018 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. 63% 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, such as eBay or Etsy, is a third-party e-commerce website that lets sellers post their product for potential new buyers to see and purchase.
- 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-mail¹³

- 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 utilize 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, personalized content to incentivize customers to open the emails
 - Keep your email communications organized - 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.
- Ensure that you clearly explain the circumstances in which you'll use a customer's email address during the opt-in process and that all communications you send to your customers have a clear unsubscribe link so customers can remove themselves from your database if they wish. 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 won't help you stay relevant. To begin, try posting weekly and if you're seeing good engagement, increase the frequency.
 - Craft your brand's voice – keep it consistent and don't be afraid to use your personality to differentiate yourself!

¹³ Squareup.com, "Everything You Need to Know About Email Marketing." Accessed May 2018. Undated.

- Help keep consumers engaged by sharing your expertise, asking conversation-starter questions, and engaging with your audience.
- 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 fans, views, and visits.
- 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 likely to visit.

Reviews and review sites¹⁴

- 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, by claiming your restaurant pages 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 close to 90% 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.

¹⁴ Restaurant.org, "Manage My Restaurant: Score Positive Online Reviews for Your Restaurant." Accessed May 2018. Undated.

CASE STUDY:

Artichoke Collection

A Stylish omni-channel fashion retailer working seamlessly across physical stores, a pop-up stall, a slick website, social media and an online marketplace

Started “before pop-ups were a thing”, Artichoke Collection began trading as a mobile stall, based in Hingham, Norfolk. Selling eye-catching clothes and accessories, Artichoke’s fashion ranges from unique, limited-edition pieces (where only a few are stocked) to fashion staples such as Artichoke’s wildly popular jeans. As word-of-mouth drove business, Artichoke opened a high street store in Swaffham, in addition to the pop-up, which can still be found travelling to fundraising events for charities and local events for churches, village hall committees, and flower shows.



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Sarah was quick to identify the importance of Artichoke’s online footprint, especially with her target demographic of women aged 35 and over. Maintaining a slick and streamlined website is vital and keeping it regularly updated means favourable positioning on those all-important search engines.

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Artichoke Collection was started by entrepreneur Sarah Simonds, driven by her passion for fashion and retail, coupled with the need for a flexible career that can work around her family life. Years later, Sarah has not just enjoyed success with her stores; she has demonstrated a real knack for online marketing and e-commerce.

Sarah was quick to identify the importance of Artichoke’s online footprint, especially with her target demographic of women aged 35 and over. Maintaining a slick and streamlined website is vital, and keeping it regularly updated means favourable positioning on those all-important search engines. “Our Instagram account is embedded into our company website; all Instagram posts sync automatically;” Sarah also maintains the blog and latest news sections of the website, with new, engaging content.

Social media is key to Artichoke's 'soft selling' strategy. New products are promoted via Facebook and Instagram, as are marketing campaigns like "The Red Sale" – giving customers 20% off all red items to commemorate Independents' Day, celebrating independent retailers across the UK. "Everyone who buys online is invited to join the 'Artichoke Girls' Facebook group." This group is a lively setting for Sarah and her team to actively engage with customers: responding to comments and feedback, answering questions, and taking customer orders. "People who shop online with us view us as their friends," and chatting with customers directly via social media underpins this relationship.

Being a keen social media marketer, Sarah has noticed a difference between Artichoke's Facebook and Instagram accounts. "Facebook is more like a magazine, and our target customers tend to enjoy reading the text as well as perusing the pictures of our fashion. Instagram, on the other hand, is much more visual and has a younger user base. We sell through Facebook, not Instagram," but both platforms are important pillars in Artichoke's marketing.



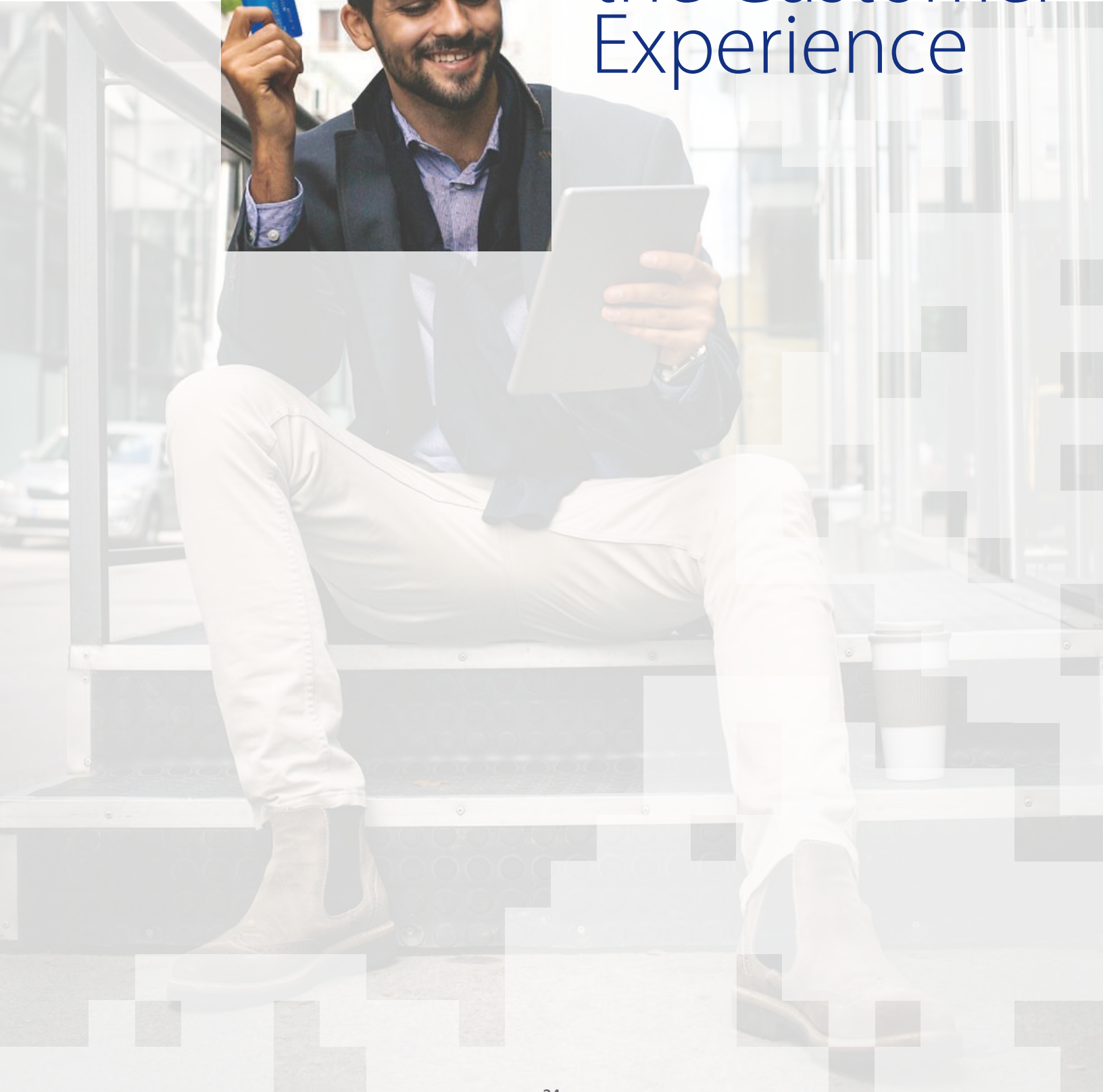
Rounding off Artichoke's extensive online presence, the brand has enjoyed much success through listing their products on an online marketplace for independent retailers. "We have seen our sales increase by over 300% since listing." Online marketplaces, with their heavily visited websites, are an effective way of expanding customer reach and getting noticed online. It was via this route that Artichoke's jeans were showcased on a leading national TV show, resulting in hundreds of orders being placed within a few hours – exceeding even Sarah's most optimistic predictions.

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Rounding off Artichoke's extensive online presence, the brand has enjoyed much success through listing their products on an online marketplace for independent retailers.

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Enhancing the Customer Experience



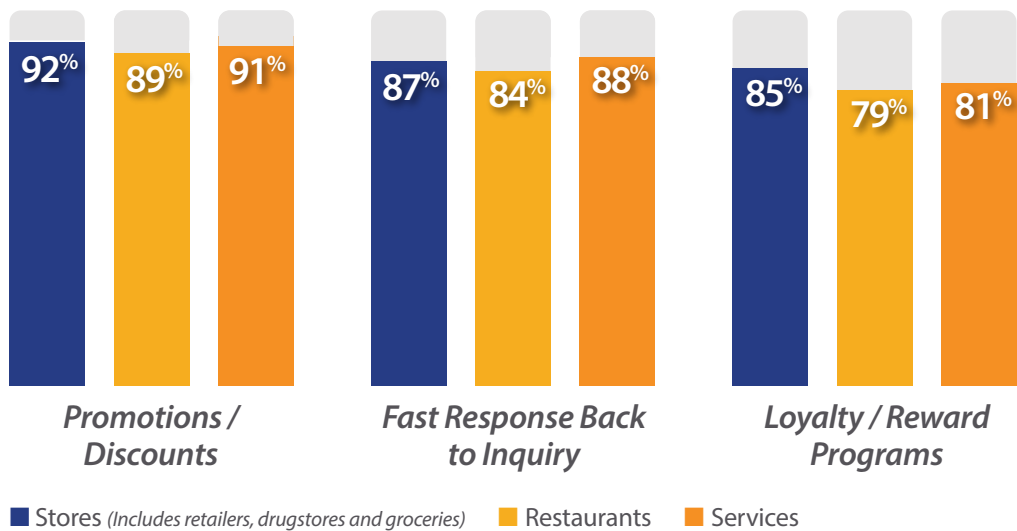
A strong customer experience can help bring in more customers, increase sales, and create customer loyalty. Digital tools and services that simplify the shopping experience are an important consideration for consumers.

Various 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, over 85% mention loyalty programs, and fast responses back to inquiries.



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



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

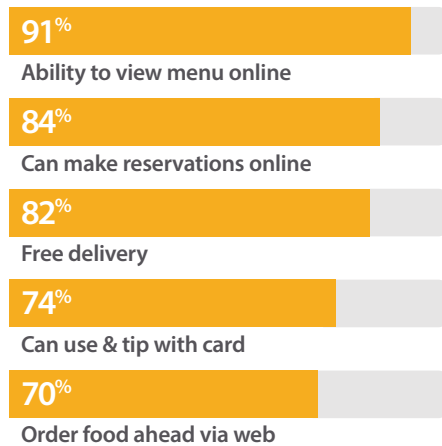
Most Important Service Considerations for Consumers: By Industry



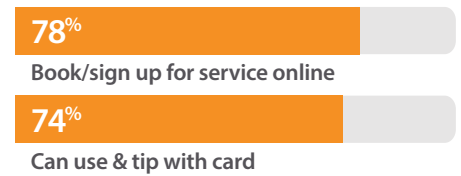
Stores
(Based on retail, includes drugstores and groceries)



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 and tip with cards.



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

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 and tip with cards.

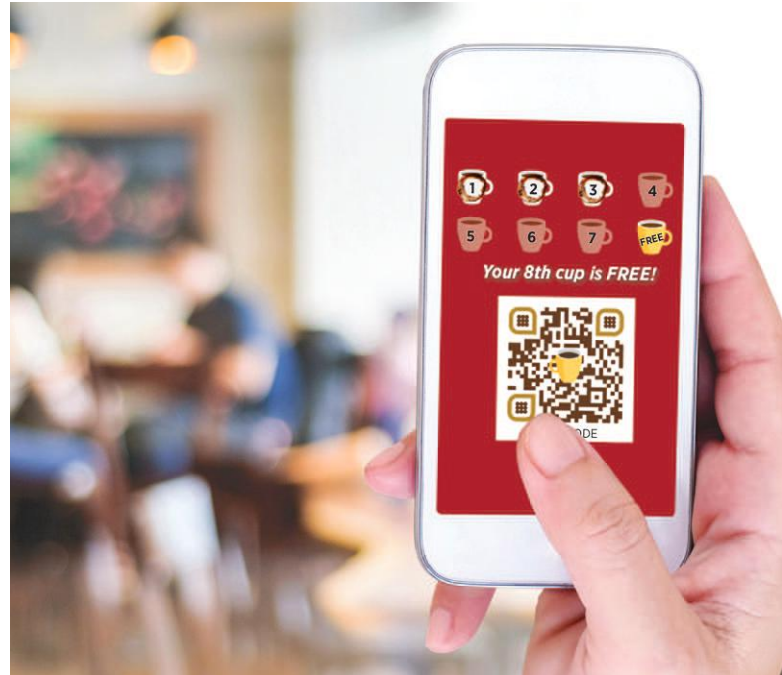
In addition to the above considerations, more than two-in-five millennials in the survey specifically mentioned they are also motivated by services such as roadside pickup, and Wi-Fi at the business location.

Many SMEs have acknowledged such considerations, as 53% agree that innovative new ordering or payment services will have a positive impact on the business's bottom line. This does present an opportunity for SMEs though – as only two-in-five of SMEs have tried services such as shipping/delivery, online order ahead, and roadside pickup.

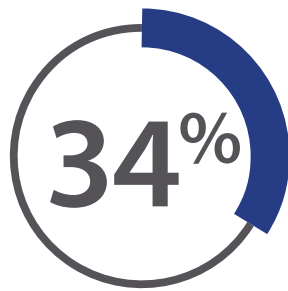
Loyalty Programs

Loyalty programs, as mentioned earlier, are a significant consideration for consumers. 72% of consumers say they are more likely to choose a business that offers a loyalty program over one that does not. Only 18% of survey respondents prefer the traditional stamp/punch cards; the remaining 82% of consumers prefer a digitally based loyalty program.

There is a disconnect in offering and reliance on customer loyalty. 62% say their business is highly dependent on customer loyalty. Additionally, a third feel that loyalty programs can have a positive impact on average ticket size, repeat customers, and revenue.



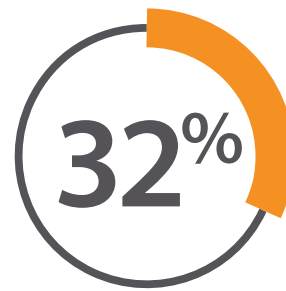
% that agree that loyalty program has big impact on:



Repeat business



Average ticket size



Revenue



CASE STUDY: 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 check out 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.

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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.

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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.”

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.¹⁵
- A few guidelines to consider when creating your loyalty program¹⁶:
 - 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 getting 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 enroll and automatically receive discounts and rewards if their registered card is used to make a purchase at your business¹⁷.
 - **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.
 - **Customized:** It's also possible to work with a loyalty provider to create a custom program for your customers. Full-service loyalty providers can help you analyze, 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.



¹⁵ Authorize.net, "Keep Customers Coming back." March 9, 2018.

¹⁶ Squareup.com, "How to Set Up a Loyalty Program that Works." Accessed May 2018. Undated.

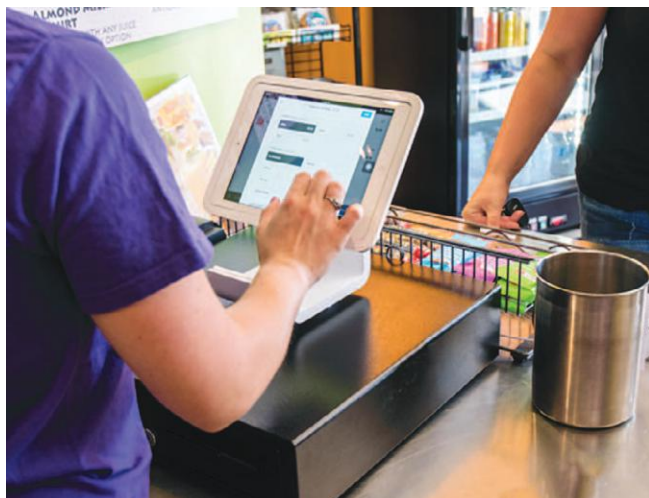
¹⁷ Visa.com, "Visa Commerce Network." Accessed May 2018. Undated.

CASE STUDY: Keva Juice

An innovative US-based juice retailer enhances growth with an innovative, slick digital loyalty program

Keva Juice makes delicious smoothie and juice blends at 22 retail locations across the U.S. Their loyal patrons look at Keva as much more than a snack or drink; it's simply the best smoothie out there. Keva's revenues have been growing strong – a 30% increase over last year. A big part of this success comes from their ability to easily stay in touch with customers while keeping costs low.

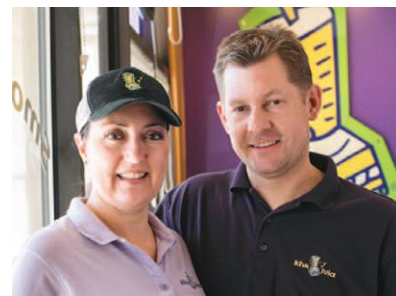
After the recession of 2009, Keva decided to use digital services to help grow its business. To communicate directly with their customers, Keva decided to use their mobile POS's digital platform to give customers the option to receive email marketing communications at time of payment. This allowed Keva to send tailored promotions through automated campaigns such as birthday promotions and product discounts. "Doing this saved us so much time! Everything runs in the background, allowing us to use the time for other pressing business items," said Gary Thomas, CEO of Keva Juice.



Keva discovered that its previous paper-based loyalty program was prone to fraud. "We noticed the paper punch cards were sometimes copied and manipulated." So Keva started using their payment provider's digitally based punch-card loyalty program, which quickly grew its program to 35,000 customers. "When customers drive near our store, they get reminders letting them know of their rewards status. In a short time, over 204,000 punches have been issued with over 6,800 rewards redeemed."

Keva mentioned that its revenue increase is largely due to the digital tools they use.

"Technology and digital tools have helped us to run our stores so much more efficiently. We are so glad we decided to try these services," said Gary.



The Impact of Digital Payments¹⁸



¹⁸ 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, cheque and money orders. See Methodology for details.

On average, only 62% of SMEs surveyed prefer digital payments over non-digital payments. This could be because managing non-digital payments, such as cash and cheques, are perceived as easier, cheaper, or better than digital payments, but a closer look tells a different story. Based on the surveyed SME's estimates, digital payments are faster to process¹⁹ 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 cheques 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 758 hours to process £100,000 in non-digital payments compared to 103 hours to process £100,000 in digital payments. ”

¹⁹ Based on 2019 Visa-commissioned Maru/Matchbox survey data. Analysis on survey data completed by independent third party, ESI ThoughtLab. See Methodology for details.



On average, SMEs surveyed estimated that it takes 758 hours to process £100,000 in non-digital payments compared to 103 hours to process £100,000 in digital payments. Said another way, SMEs surveyed estimated that it takes almost 7.4 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.

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

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Incremental accounts payable labour savings.

Businesses also spend a significant amount of time paying their suppliers and vendors. Paying digitally allows businesses to save time through more efficient accounts payable processing. SMEs, on average, process 19% more accounts payable transactions per full-time equivalent employee (FTE) when paying digitally compared to non-digital. These labour savings are incremental benefits to those referenced above from acceptance of digital payments.

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. Three-in-five SMEs tell us that customers spend more when using card versus cash. 45% say sales have increased after they began to accept digital payments – by an overall average of 12.0%.²⁰

²⁰ 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. Fifty-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.



Three-in-five of SMEs tell us that customers spend more when using card versus cash.

Given consumers' eagerness to embrace tools and technology, it's not surprising to see consumers pay for 73% of their discretionary expenses through digital payment methods, such as cards or through a mobile device. 65% of consumers can imagine a future in which only digital payments will be used. Nearly three-in-five (57%) would choose to shop solely with their card.

CASE STUDY: Bapu Hospitality

Two Michelin-recommended Indian restaurants in Glasgow and a highly successful corporate catering business, underpinned by payment cards and a bespoke loyalty card

Equipped with a newly earned MBA in 1995, aspiring entrepreneur, Navdeep Basi, embarked on a career in clothing manufacturing. With limited opportunities in Glasgow at the time, Navdeep decided to turn his talents to the restaurant business and indulge his passion for in Asian food.

In the early 2000s, Glasgow lacked high-quality Indian restaurants and Navdeep jumped at a gap in the market. Almost 20 years later, Bapu Hospitality, boasts two high-

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Starting out as a predominantly cash-based business, “up to 80% of our sales is now via card,” and, though this trend will continue, there is variation by location.

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end Indian restaurants in Scotland – The Dhabba and Dakhin – as well as a highly successful corporate hospitality, catering and events business. In addition to this, Navdeep recently acquired the TriBeCa chain of six New York-style diners in and around Glasgow.





"Digital transformation is an ongoing process for us," says Navdeep, having observed and responded to changes in the restaurant business many times during his career. Starting out as a predominantly cash-based business, "up to 80% of our sales is now via card," and, though this trend will continue, there is variation by location. Urban restaurants see most of their sales on card whereas suburban locales see significant cash volumes.

With many regular customers, Bapu needed a convenient, streamlined way to reward loyal customers and encourage repeat business. Sitting across Bapu's Indian restaurants is the 'Royalty' loyalty card. Customers who provide their email address during the registration process, receive their loyalty card in the mail, and then get a generous 10% off food and drink spend.

This has the added benefit of giving Bapu access to a much-valued mailing list. Typically, once or twice a month, Bapu sends a newsletter containing the latest news, special offers and upcoming events to consenting customers.

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

- Selecting a payment gateway 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.
 - When evaluating a payment gateway, ask if it provides tools and solutions that help you manually submit transactions, protects your business and your 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.ca/en_CA/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 minimizing 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 security codes, address and zip 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.



- Contactless cards allow consumers to pay in seconds. Check if the POS system accepts both EMV contact chip and EMV contactless cards. To do so, check that your payment gateway offers these solutions, and ask about enabling “Quick Chip” to offer consumers an even faster payment experience.
- Nervous about relying on the internet connection to accept digital payments? Internet outages do happen from time to time, so be sure to inquire if the payment gateway POS system comes with an “offline mode.” “Offline mode” allows you to swipe cards and make sales when the internet is down. Just make sure your device ultimately reconnects to the internet, as devices may have a time limit to go back online.
- **Card on file solution**
 - If applicable for your business, card on file solutions can facilitate checkout, processing of recurring transactions, and 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 emails so you can bill your customers—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.

Top benefits of digital payments



Consumers identified the top benefits of digital payments as: being able to shop online (92%), convenience (90%), build credit history (79%), ease of tracking spending (78%), time savings compared to cash and cheques (76%) and rewards for using (75%).

Notably, 85% of consumers dislike shopping at businesses that require minimums or surcharges for digital payment purchases. Among consumers who heavily prefer digital payments, 25% still use cash for small ticket purchases because merchants prefer or require it. Showcasing welcomed acceptance can help shift more volume towards digital and potentially increase revenue.



Further, EMV-based contactless cards “tap-to-pay” approach is simple, quick, secure and allows consumers to pay in seconds. Investment in EMV-based 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.

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 transaction they have in a typical month and the percentage that were made using various payment methods. The average firm makes 70% of their accounts payable payments using digital methods. Micro firms tend to make greater use of digital methods compared to small firms (72% vs. 67%) and retail (73%) and personal and professional services (72%) make greater use compare to food/dining/grocery (63%).

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 10.6 AP payments per hour using digital methods and 9.0 payments per hour using non-digital methods, a difference of approximately 20%.²¹ Small/Medium and Retail firms see the largest difference in the number of AP payments that can be processed per hour using digital and non-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.

How to: Digital-Only Payments

Digital-only payments may not be right for everyone, but for those who want to try, 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.
- The point of sale should have an offline mode in case the internet goes down.
- Educate employees and customers of the change. Prior to launch, explain to employees the rationale for having a digital-only payments environment.
- Be sure to communicate to customers, such as by sending a 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.
- Before taking any steps, check to see if only accepting digital payments is permissible under applicable law.

²¹ Please see section 7.2 for methodology.

CASE STUDY: 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.

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

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."

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.

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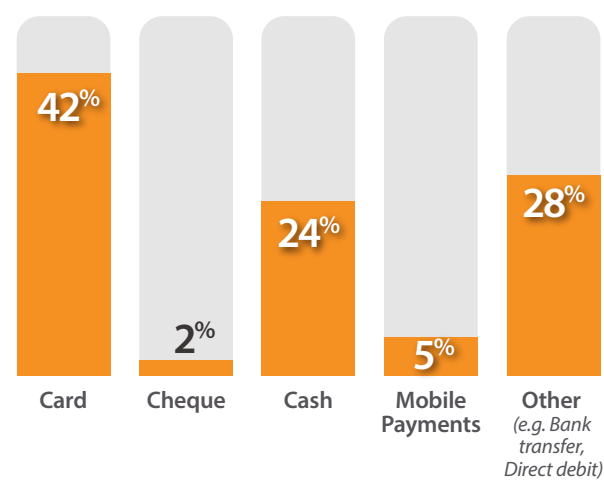
SME Card Usage for Business Expenses

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 42% of their business expenses are paid for using a payment card (credit, debit and reloadable prepaid cards), while cash and cheque represent 25% 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 polled, 81% of SMEs agreed that utilizing digital payments helped them manage their business more effectively, while 1 in 3 (36%) worried about fraud and identity theft when using cheques and bank transfers for payments.



1 in 3 worried about fraud and identity theft when using cheques and bank transfers for payments.

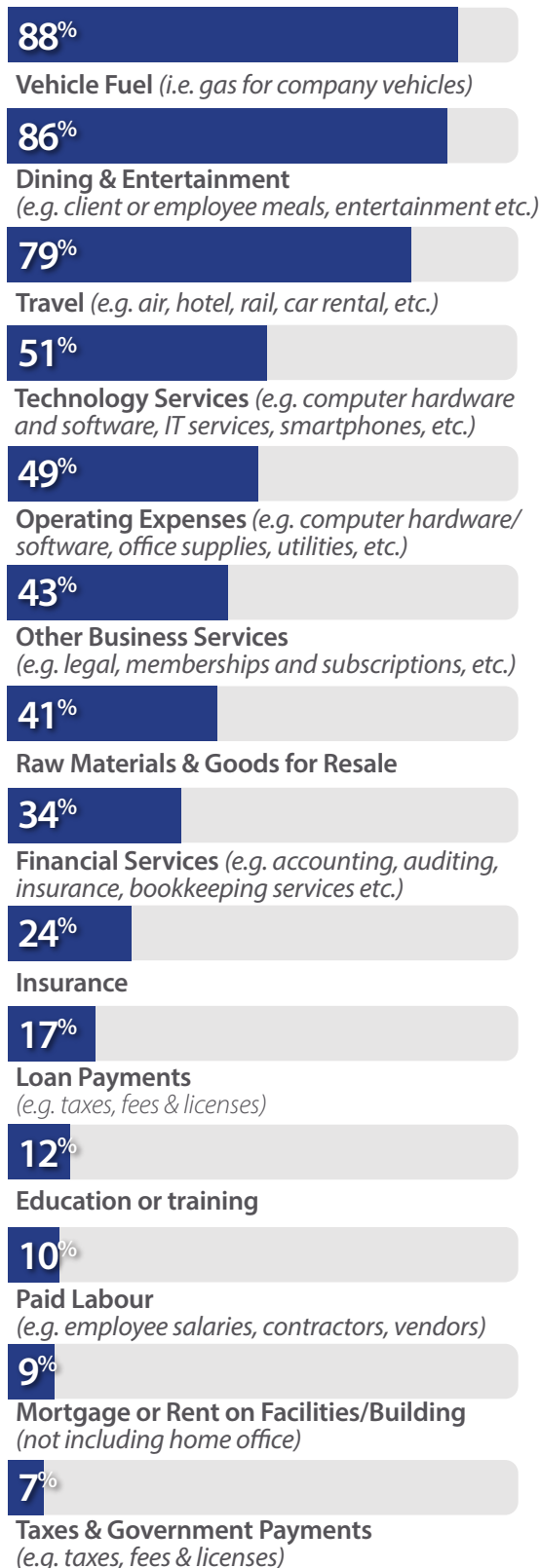
% Business Purchases By Payment Method



The propensity for SMEs to pay by digital means varies significantly by the category of business purchase. At the highest end of the spectrum, 88% and 86% of purchases in petrol and the dining & entertainment categories respectively are by credit card. At the other end of the spectrum, purchases like employee & vendor payments (including wages and salaries) and mortgage/rent for premises see low proportions of spend on card of less than 10%.



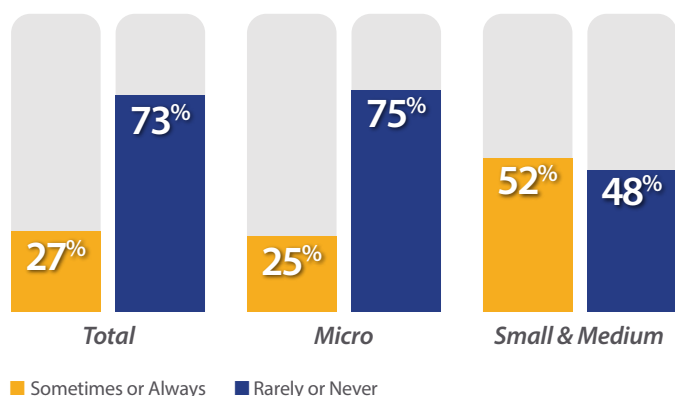
% Business Purchases Paid for By Card



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. Almost two-thirds (60%) use their personal credit cards for business purposes instead of a business credit card (40%). 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 and visibility over 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.

% Undergoing Credit Checks by Suppliers Before Being Issued Credit

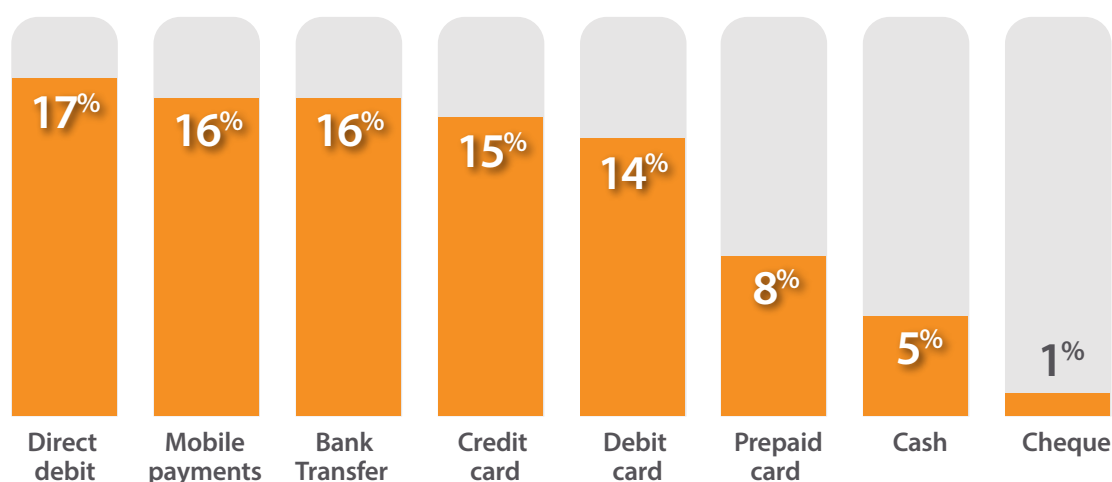


The last point about building a business credit rating is especially important when it comes to applying for loans or business credit cards, or even in dealing with suppliers. It is common for suppliers to offer short-term credit facilities to customers, but these can require credit checks prior to agreeing. Approximately a quarter (27%) 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: 25% of micro SMEs were subjected to credit checks by their suppliers, rising to 52% and 51% respectively for small- and medium-sized SMEs.

The UK is a mature market when it comes to digital payments and, across the board, SMEs have already shifted much of their business spending away from non-digital to digital payment methods, realising many of the benefits of this shift. This trend of SMEs preferring digital payments is expected to continue; when SMEs were asked how likely they were to increase their use of different payment methods over the next 12 months, 15% responded they were 'very likely' or 'extremely likely' to increase their use of credit cards, compared to just 5% and 1% for non-digital payment methods cheque and cash respectively.

Delving into the main barriers inhibiting SMEs from using cards more for their business spending, 41% of SMEs surveyed state they want to avoid debt, additionally 33% find it's more convenient to use other payment methods and 26% are concerned about controlling spending. From the latter two reasons, there is a clear 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





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, one topic clearly came out on top: financial management using your small business credit card (25%). This is followed distantly by; Digital invoicing: benefits paying suppliers and receiving payments (16%); Fraud: best practices to manage e-commerce and retail fraud (14%) and Welcomed Acceptance: Ideas to grow business with digital payments (12%).

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

25%

Financial management with your small business card (e.g. optimising your cash flow through the use of a business credit card)

16%

Digital invoicing: benefits paying suppliers and receiving payments

14%

Fraud: best practices to manage e-commerce and retail fraud

12%

Welcomed Acceptance: Ideas to grow business with digital payments

7%

Card on File: help sales conversion, compliance requirements and technical suggestions

7%

New to Card Payments: points to consider (i.e. payment processor, terminal, payment gateway)

5%

Security: Review Payment Council Data Security Standards (i.e. PCI) & compliance requirements

5%

E-Commerce: how to launch your e-commerce site

5%

Mobile Payment Trends: Review the current landscape and opportunities to help your business

4%

Loyalty: how to launch a program (i.e. technical, customer enrollment, rewards, promotion)



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.



CASE STUDY: The Good Earth

40-year-old Chinese restaurant stays ahead of the times with an innovative, slick mobile app for customers and streamlined digital back office operations

The Good Earth's main restaurant and head office is located just a stone's throw from London's most famous luxury department store, Harrods, on upmarket Brompton Road. This long-established restaurant has become a staple for foodies – both Londoners and visitors alike – serving up a high quality and eclectic Chinese menu of traditional and innovative dishes.

The founder of the group came to the UK from Hong Kong and started washing dishes, rising through the ranks to manager and learning about the restaurant business, before establishing his first branch of The Good Earth in 1979 in Chelsea. 40 years on and the family-run business, now under the leadership of his son, Andrew Kwok, is a thriving food empire. With four restaurants and a further four 'Express' fast food/take away stores in London and Surrey, the business has come a long way from its humble origin.

The Good Earth's longevity, testament of the customer-first focus on quality, has also meant keeping pace with rapidly evolving preferences and behaviours. These changes apply to every aspect of the customer journey, from payments shifting from entirely cash and cheque to more than 90% of turnover being on cards, through to table bookings and orders for takeaway and delivery shifting away from telephone to mobile apps.



On this latter topic, Andrew was quick to stay ahead of the trend. Spotting an increasing number of customers interacting with his business via a mobile device and the emergence of delivery apps, he invested in developing The Good Earth's own modern, slick app. This allows customers to place orders directly with their local branch and maintains the all-valuable direct relationship with customers. For Andrew, the high commissions charged by delivery apps represent 'cannibalised' margins where "people would have ordered from us anyway" thanks to a large base of loyal, repeat customers. The app has proved a hit in a relatively short window of 3 years: 30% of deliveries and collections now come from this channel.

The Good Earth's digital transformation is not limited to the customer-facing elements of the business. Operations have streamlined significantly with the digitisation of payments; Andrew says, "At the end-of-shift, cash would need to be counted, bundled up and you would likely identify variances," whereas card payments are automatically reconciled and accounted for via direct integration of the Point-of-Sale (POS) system with their accounting platform.

In addition, "it helps tidy up the back office": invoices to suppliers are automatically generated based upon inventory levels, synced to the accounting platform, flagged for payment – made electronically – and then reconciled. All these steps are fully automated where previously they would have been labourious multi-step processes.

“

At the end-of-shift, cash would need to be counted, bundled up and you would likely identify variances," whereas card payments are automatically reconciled and accounted for via direct integration of the Point-of-Sale (POS) system with their accounting platform.

”





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: half (49%) 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 transactions.

Even with the diverse range of SME-specific tools available from financial institutions, low awareness is a significant limitation, and the results were consistent across the six groupings investigated in this survey. Approximately four-in-five (80%-89%) SMEs surveyed had 'never heard' of the services. 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.

“ 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. ”

Benefits of Digital Inquiries

83%

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

77%

Save time in sending invoices

75%

Automatically remind customers to pay

73%

Invoice my customers faster

70%

Know when my customer has received / opened the invoice

69%

Receive my money faster

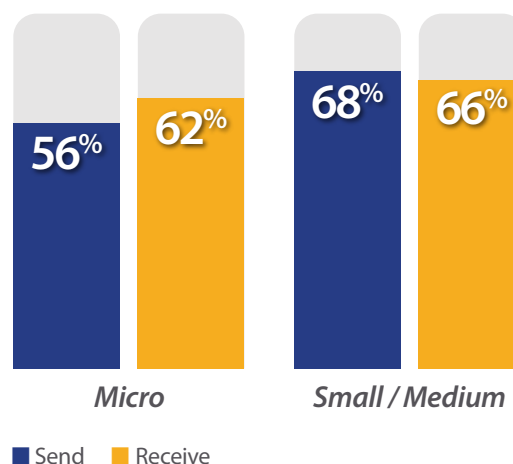
67%

Seamlessly track payments to invoice

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, 83% agreed that the cost of sending invoices is reduced compared to paper invoices (e.g. saving on paper, printing and postage), and 77% also agreed that there are time savings. Vitally, 69% 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 3-in-5 prefer to receive (62%) and/or send (57%) 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: 56% of micro SMEs polled prefer to send digital invoices over paper invoices, compared to 68% of small/medium-sized businesses.

Receiving digital versus paper invoices also has an impact on timing of payments to suppliers and vendors . 70% of paper invoices are paid upon receipt or before the due date, compared to 74% for digital invoices. This 4 percentage point difference indicates that SMEs receiving digital invoices from their suppliers and vendors are making more timely payments. For SMEs in general, 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.

CASE STUDY:

A.G. Leer

Leading electrical contractor servicing the 'M4 corridor' uses credit cards to control employees' business spending and comply with the 'Making Tax Digital' UK Government initiative

A.G. Leer is an electrical contracting firm, established in 1963 by Alfred George Leer. Over 50 years later, the business is still thriving. This family-run business provides all aspects of electrical servicing and has expanded into plumbing and heating, with services including CCTV and security system installation, boiler maintenance, underfloor heating and bathroom installation. With a team of 40 skilled technicians, they service the 'M4 corridor', covering a wide area from west Wales all the way through to outer and central London. Their clients are major property developers and, increasingly, private homeowners.

Nigel issues his staff with business credit cards and these are used to cover much of their day-to-day expenses, including the purchase of equipment, supplies and fuel for their fleet of vehicles. With relatively high staff turnover in the industry, he greatly values the card controls, allowing him to limit purchases to pre-determined categories of spend such as petrol stations and hardware supply stores and instantly stop cards when employees leave the firm.



There has also been an improvement in cash flow due to use of business credit cards. Rather than paying invoices by bank transfer 2–3 days in advance of the due date to allow time for funds to reach suppliers, using a business credit card allows payments to be made on the due date, providing Nigel with a tangible cash flow benefit for his business.

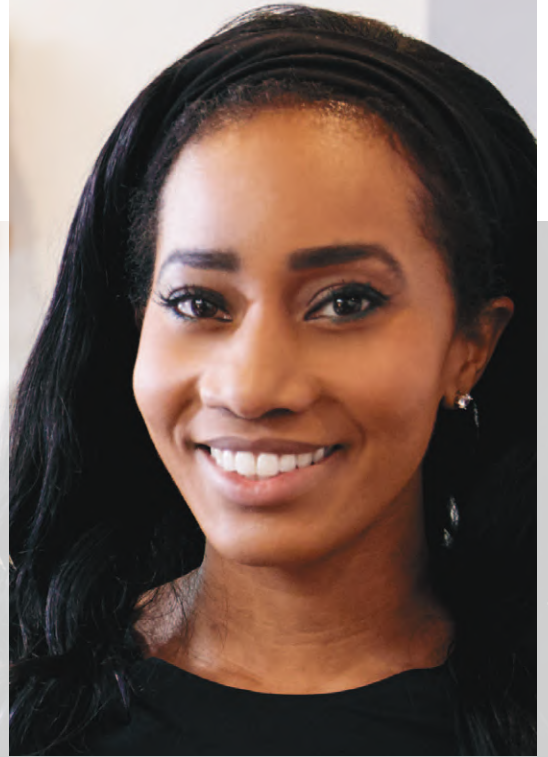
In addition, Under the UK government's 'Making Tax Digital' initiative, firms above the VAT threshold must keep digital records of transactions and use accounting software to submit VAT returns. Nigel says that using business credit cards for expenses significantly improves bookkeeping and reporting activities; card spend feeds automatically into their accounting software, making classification of transactions, reporting and tax preparation much easier for his finance staff.

“

Nigel says that using business credit cards for expenses significantly improves bookkeeping and reporting activities; card spend feeds automatically into their accounting software, making classification of transactions, reporting and tax preparation much easier for his finance staff.

”

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 Parts 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** – 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 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.



CASE STUDY: Blackbook Winery

Husband-and-wife winery, operating out of a hip London locale, uses a credit card to smooth cash flow and support their business

Blackbook Winery is fast becoming the one to watch in London's burgeoning urban winery scene. From a winery under a railway arch in trendy Battersea, just a short walk from picturesque Battersea Park, Blackbook produces critically acclaimed wines mainly from chardonnay and pinot noir grapes. The grapes are sourced from select English growers and never have to travel far from harvest to bottle. As well as selling top-notch wines to businesses and direct to consumers, Blackbook offers tours and tastings that are proving hugely popular, often fully booked weeks in advance.

The husband-and-wife duo behind this are winemaker Sergio Verrillo and his wife Lynsey. Driven by a shared love of wine – especially of the English variety – and the city they call their home, they established their urban winery in 2017. Sergio's passion for wine goes beyond a casual interest; growing up in the US surrounded by wine enthusiasts, his wine career started in earnest when he moved to London and worked in Michelin-starred restaurants as a sommelier. From there, he went on to earn a degree in Viticulture and Oenology, before travelling the world as a "flying winemaker," which took him to the US, France, UK, New Zealand and South Africa.

Most of Blackbook Winery's consumer sales are via their website, including purchases of wines and bookings for tours and tastings. "Being able to accept cards seamlessly





at the point of online checkout is critical for our business,” says Sergio. For face-to-face sales, from visitors to the winery through to the markets and fairs that they attend, they rely on mobile card terminals to make payment convenient for customers and reduce the chance of a missed sale.

Cards aren’t just critical for accepting customer payments. Wine making is a capital-intensive industry, with high upfront investment and running costs. “We have worked through our initial investment and are now dependent upon our revenues to manage our operational costs,” says Sergio. “Managing cash flow is a real challenge, and each month we have to forecast our incomings and outgoings carefully to ensure we have funds available.”

“

We take any opportunity to pay our suppliers using our credit card. It gives us an extra 30–60 days of interest free benefit that does not cost us anything as we pay off the balance in full every month. This has enabled us to pay our bills on time and manage our finances more effectively by giving us that extra flexibility.

”

To this end, their credit card has helped to smooth out their cash flow. “We take any opportunity to pay our suppliers using our credit card. It gives us an extra 30–60 days of interest free benefit that does not cost us anything as we pay off the balance in full every month.” This “has enabled us to pay our bills on time and manage our finances more effectively by giving us that extra flexibility.”

Payment terms vary considerably by supplier: some require upfront payment; others give invoice payment terms of 14 days, 30 days, or longer. “Once a supplier gets to know and trust our business, we are sometimes extended a credit line, but that is not for everyone and should not be relied upon.” Having a credit facility to hand is especially helpful in these early days of trading.

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 good channel if you need a large loan. Be sure to shop around to ensure you get a good interest rate and payment plans 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 test you a bit as they're simply trying to learn about your business. And while you shouldn't hide anything, do focus on the positive and back up your answers in a clear, calm way.²²
- Credit through a small business credit card provides the needed credit line to fund smaller amounts. A small business card is also great separating 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.²³
 - 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.

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

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

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



CASE STUDY: Clifford Cleaning

Lincoln-based cleaning company uses digital payments to improve cash flow and streamline their back office

Clifford Cleaning delivers those hard-to-do cleaning jobs such as sprucing up carpets and upholstery, scouring ovens and providing end-of-tenancy cleans for consumer and commercial customers alike. These services are delivered as one-offs or as 'Super Saver Plans' for regular cleaning at a discounted rate. Started 3 years ago, Clifford Cleaning has enjoyed strong growth year-on-year; it now employs a staff of twelve and has customers spanning Lincoln, Nottingham and surrounding areas.

Behind the business is Fraser Clifford, an entrepreneur who exemplifies the hardworking and tenacious nature demanded by the business he is in. Starting out demonstrating, servicing and selling vacuum cleaners, Fraser broke out on his own, following a can-do approach to winning work. "I used to sit in my mum's spare bedroom, making calls to drum up business 3 days per week and delivering those jobs for a further 3 days per week," says Fraser, who used his start-up money to purchase a car to get to and from his cleaning jobs.

“Since we started accepting cards, there is always enough money in our bank account to cover our spending.”

“

Employees are issued a 'smart' company card, giving Fraser the ability to view spending in real time via dashboards, monitor employees' use of their cards, set spending limits and restrictions for each employee, and capture and categorise expense receipts digitally at point of payment.

”

When Clifford Cleaning first started out, they accepted only cash or cheque and quickly ran into a familiar issue experienced by many start-ups: worries over cashflow. "My bank relationship manager told me I needed to improve my company's cash flow," and accepting cards was a quick route to accomplishing this. With fast settlement times, income hits the company bank account promptly to cover expenses like wages and supplier costs. Fraser noticed the improvement straight away: "since we started accepting cards, there is always enough money in our bank account to cover our spending."

Staff attending jobs for customers take card payments via a phone call back to head office and, from a standing start, card volumes now represent up to 70% of turnover. Fraser explains, "it has enabled me to expand my business as it is so easy to

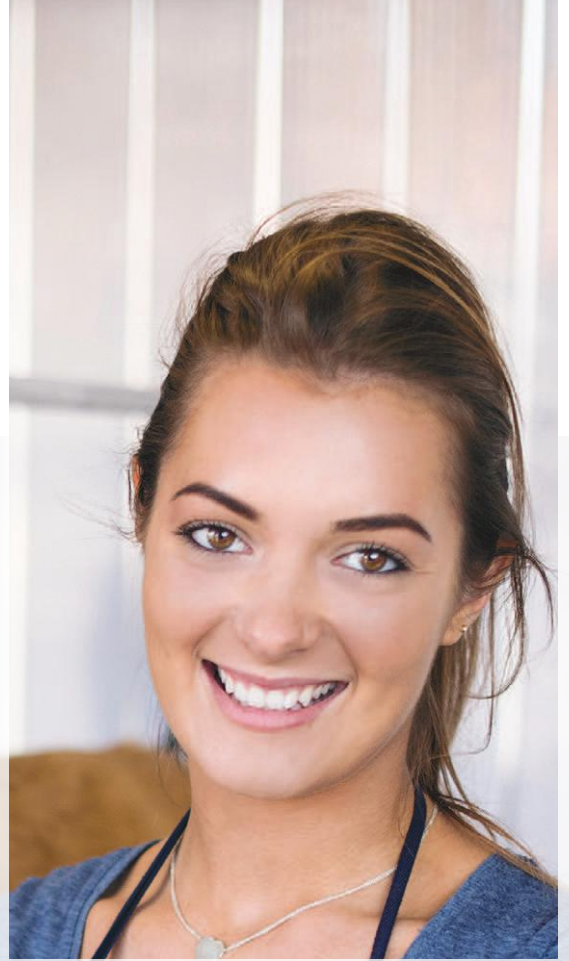


accept payments from customers and quickly receive the funds.” Plans are also afoot for cleaners to carry mobile POS terminals with them to make the process of accepting card payments even easier.

Cards have also helped Fraser manage his business expenses more effectively. Given the miles driven by Fraser’s staff, fuel is the largest expense. Employees are issued a ‘smart’ company card, giving Fraser the ability to view spending in real time via dashboards,

monitor employees’ use of their cards, set spending limits and restrictions for each employee, and capture and categorise expense receipts digitally at point of payment. Card transactions also feed automatically into Clifford Cleaning’s accounting platform, making life much easier when it comes to preparing the year-end accounts.

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 embrace digital consumer discovery and marketing.

Consumers are also showing preference for tools and technology that enhance and simplify their shopping experience. Many SMEs are attuned to this, as more than half 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. 65% 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. Three-in-five

tell us that customers spend more when using card versus cash, and 45% 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 seven times faster than non-digital payments when used for business expenses, yielding substantial time savings for the typical SME.²⁴ There is a diverse range of digital tools that may be readily available to SMEs, ranging from digital invoicing, business card controls, educational programs, rewards and offers and data reporting tools – but SMEs may be unaware of them. Your bank, credit card company, financial institution and Visa are good starting points to explore the solutions out there designed to make your life easier.

In short, digital commerce can offer numerous benefits to small and medium size businesses. We hope the content provided enables you to meet your business's digital needs.

Pathways to Digital Transformation

For tools and resources to help SMEs run their business more efficiently, please visit Visa's Small Business Portal: www.visa.co.uk/smallbusiness



²⁴ 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 while working on a laptop. She is wearing a white blazer over a striped shirt. The background is a blurred office environment with white shelving units. The word "Methodology" is written in a blue 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 197 businesses across the UK. The responses included micro (120) and small/medium (77) sized businesses from the personal and professional services (81), food/dining/grocery (52), and retail (62) sectors.

Micro and Small / Medium Size Business

Fieldwork: 20 minute online survey, fielded: May 23 - September 3, 2019

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 £500,000 - £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	31	21	52
Retail	43	21	64
Services	46	35	81
Total	120	77	197

Consumer

Fieldwork: 30 minute online survey, fielded: May 29 – August 7, 2019

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 (<£18,999)	69	104	91	116	380
Moderate (£19,000-£31,999)	163	143	123	224	653
Middle (£32,000-£47,999)	117	115	118	120	470
High (£48,000+)	213	173	107	12	504
Total	562	534	440	471	2,007

Recruitment: Recruited via the Maru Matchbox Springboard Network. Partners assisted in sourcing additional SME respondents. Respondents are balanced appropriately by age and gender and, for SMEs, location of business.

Weighting: Results are weighted by region and, for SME, # of employees and industry affiliation and, for Consumer, age and gender to U.K. census statistics.

*Businesses were classified based on annual sales, and at least one of the other listed criterion (i.e. number of employees and/or number of locations)



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, mobile peer-to-peer, and wire transfer
- 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 normalize 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 consumers that prefer these methods, thereby potentially increasing 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). Fifty-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. Canadian 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 summarizes the SME and Consumer perspectives.

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