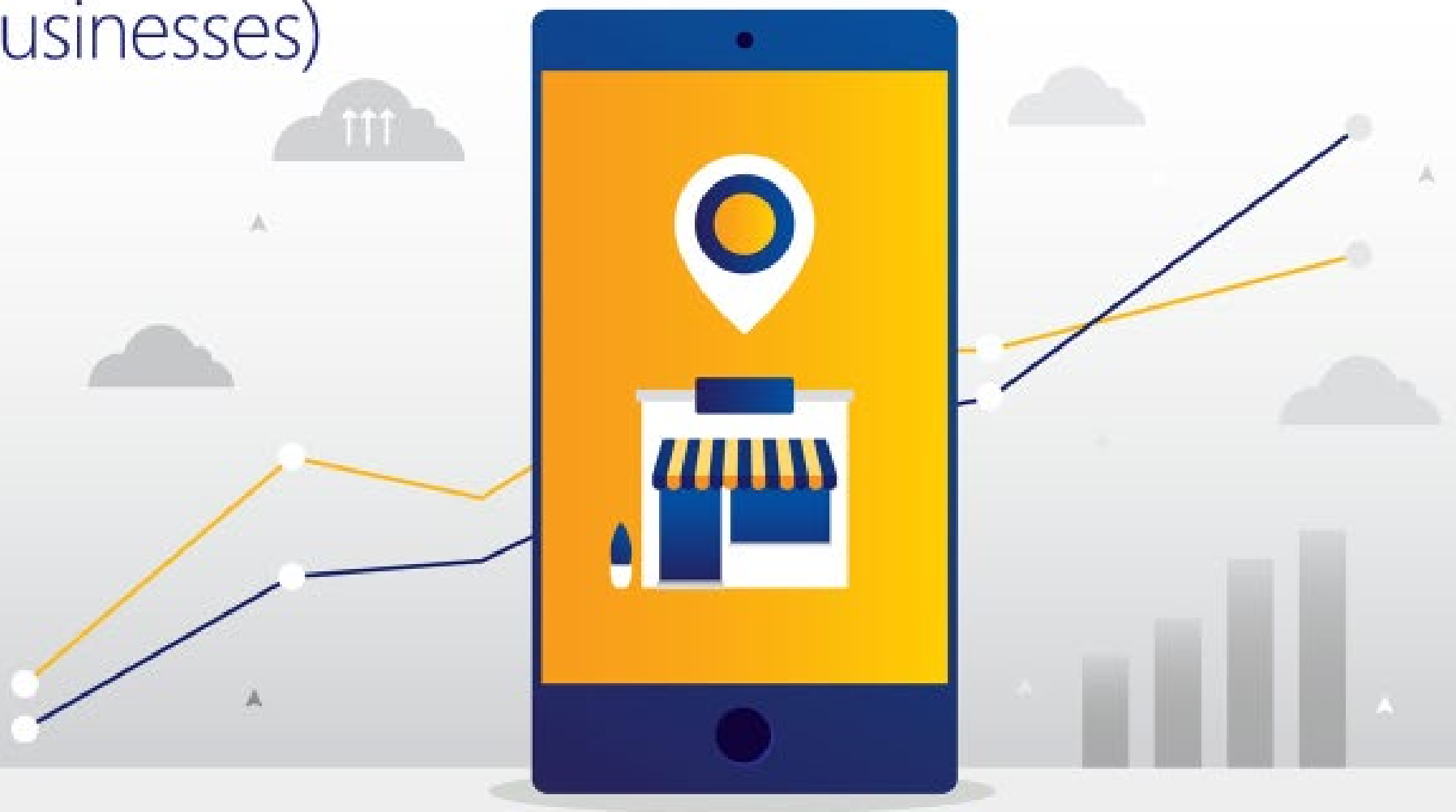


Digital Transformation of SMBs (Small and Medium Size Businesses)



Presented by Visa in collaboration with:

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VISA everywhere
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Disclaimer

This presentation is based on information published by Visa in the “Digital Transformation of SMBs: The Future of Commerce” (the “Report”). All references to consumers and small business surveyed, unless otherwise noted, are from the Report. The Report is available for download at www.visa.com/smbDigital.

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For additional information regarding the Report, the survey commissioned by Visa and conducted by Maru/Matchbox, including how it was conducted, participants surveyed, the methodology used to analyze the data collected, and the results that are referenced in this presentation, please refer to Report, available for download at www.visa.com/smbDigital.

What Is Digital Transformation And What Does It Mean For Your Business?

What is digital transformation?

Digital transformation refers to using digital tools and services to improve your existing business by:



Connecting with
customers



Improving their shopping
experiences



Reducing costs &
increasing revenue

Based on the research, digital tools and services are becoming essential to meeting customers' needs and preferences.

Digital channels are part of consumers' daily lives

Consumers rely heavily on digital channels in their day-to-day lives.



In 2018, nearly 280 million people – or **85% of the U.S. population** – will go online at least once a month¹



Of those, **81%** will browse, research or compare products digitally²



And **70%** will use the internet to actually make a purchase²

¹ eMarketer, US Digital Users, eMarketer's Estimates for 2018, March 2018.

² eMarketer, Digital Shoppers & Buyers by Country, February 2018.

Consumers' reliance on multiple channels

Not surprisingly, consumers are relying on digital channels for cross-channel buying.



25% of purchases started online
are completed in-store³



25% of purchases started in-store
are completed online³



³ eMarketer, ForeSee "Customer Experience 2017," April 2017

Consumers preference for digital channels

A majority (87%) of consumers surveyed by Visa think it's important to support SMBs. However, they also prefer digital channels and payment methods when considering where to shop:



52% of consumers
say they would prefer to shop
exclusively online



Over **80%** of consumers
mention that digital-related benefits,
such as an easy-to-use website and a
digital loyalty program, are motivating
factors when deciding where to shop



78% of consumers
rank a digital payment method,
such as paying with a card or
mobile device, as their #1
preferred payment option

This presents an opportunity, as only 46% of SMBs are selling products or services online.

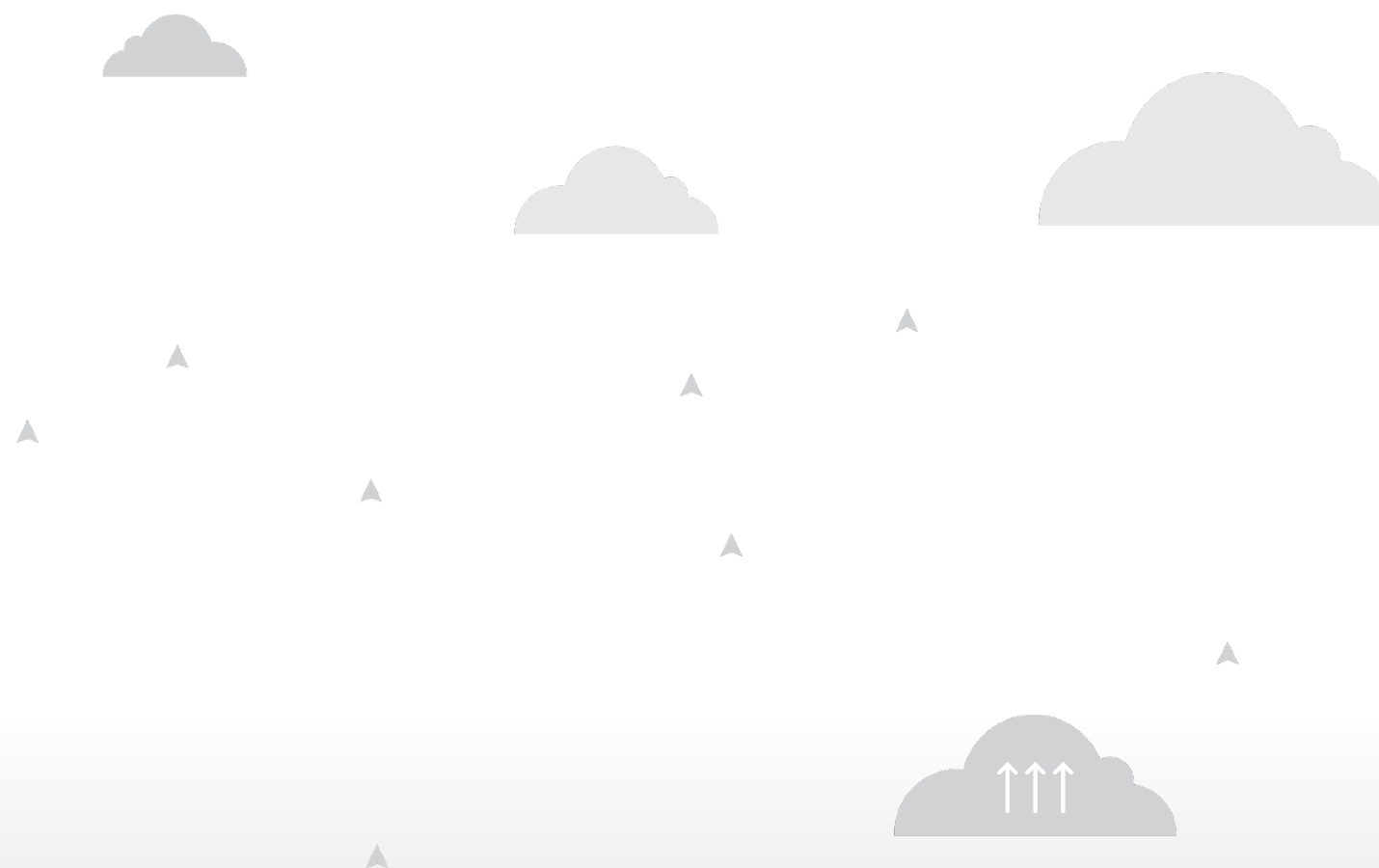
Digital transformation is happening!

To help businesses learn how they can transform digitally, this presentation will go through the following topics:

- Enabling consumer discovery and marketing in the digital age
- Enhancing the customer experience
- The impact of digital payments

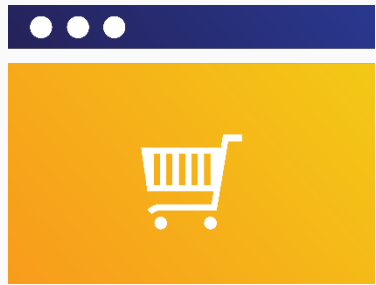


Enable Consumer Discovery and Marketing in the Digital Age

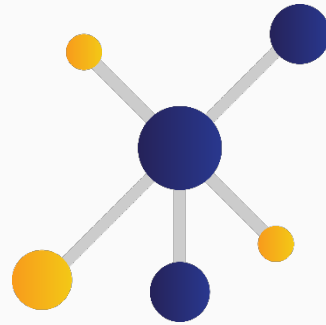


Consumer discovery and marketing in the digital age

Digital consumer discovery and marketing are important in today's environment. Visa's research shows that consumers prefer using digital channels when determining where to shop:



Business Websites



Social Media



E-mail Marketing



Review Sites

Importance of digital presence

A digital presence can help consumers find and do business with you.



52% of consumers surveyed search online and/or check the business website before visiting a new business



Over **80%** of consumers surveyed say they are motivated to shop at a business that has an easy-to-use website



61% of consumers surveyed are planning to increase their online purchases in the next 5 years while 78% of consumers are planning to decrease or keep their in-store purchases the same

*Based on retail, includes drugstores and groceries

Building an online presence

There are several ways to build an online presence:



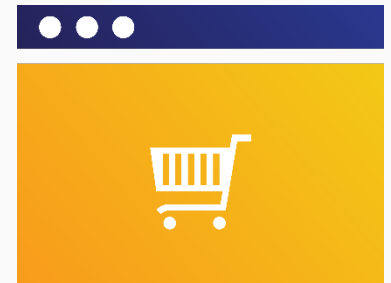
Create a website



Promote your website



Join a marketplace



Market your
business online

Creating a website

If you don't have a website yet, here are some key considerations that can help you get started:

Get a website address (or URL)

- Also known as domain name, this is how consumers will find your business online
- Make sure to keep it easy to say, spell, and remember

Select a website host and platform

- A "host" will provide your website with connectivity to the wider internet
- A "platform" will help you build your website offering templates and tools to design your website

Build your website

- Make sure the website is user-friendly and easy to navigate
- Consumers should be able to easily find product or service prices, know how to buy, and be able to ask questions

Accept online payments

- This will be key to allowing consumers to buy your products or services online

To learn more about creating a website, download the *Digital Transformation of SMBs* report at www.visa.com/smbDigital

Promoting a website

Once the website is launched, consider promoting it. This can help you to bring customers to your online store and increase your reach.

Pay-Per-Click (PPC) Advertising

- Refers to advertising on search engines
- Allows your business to appear on online searches when a chosen keyword or phrase is searched
- Businesses typically pay when their ad is clicked by users

Search Engine Optimization (SEO)

- Marketing technique of fine-tuning a website so consumers looking for businesses like yours can quickly find you on search engines
- One way to achieve this is by modifying the content and structure of your website's text to match likely searched keywords

Other Search Engine Options

- Some search engines may allow you to list your business on various parts of their sites in order to make it easier for consumers to find you

To learn more about promoting a website, download the *Digital Transformation of SMBs* report at www.visa.com/smbDigital

Joining a marketplace

An online marketplace is a third-party website that lets businesses post their products for potential customers to see and purchase. Depending on your business need, you can use a Marketplace as an addition or alternative to having a website.

Choose the right marketplace for you

Think about the type of products you're offering, who your target audience is, and where prospective customers go online to shop

Provide enough information about your product

Provide your customers the information they may need to know about your product, including compelling visuals, information about your brand and shipping considerations

Encourage customer reviews

High ratings and great customer reviews can improve your brand credibility and merchant rating, which can help prospective customers choose you over other competing businesses

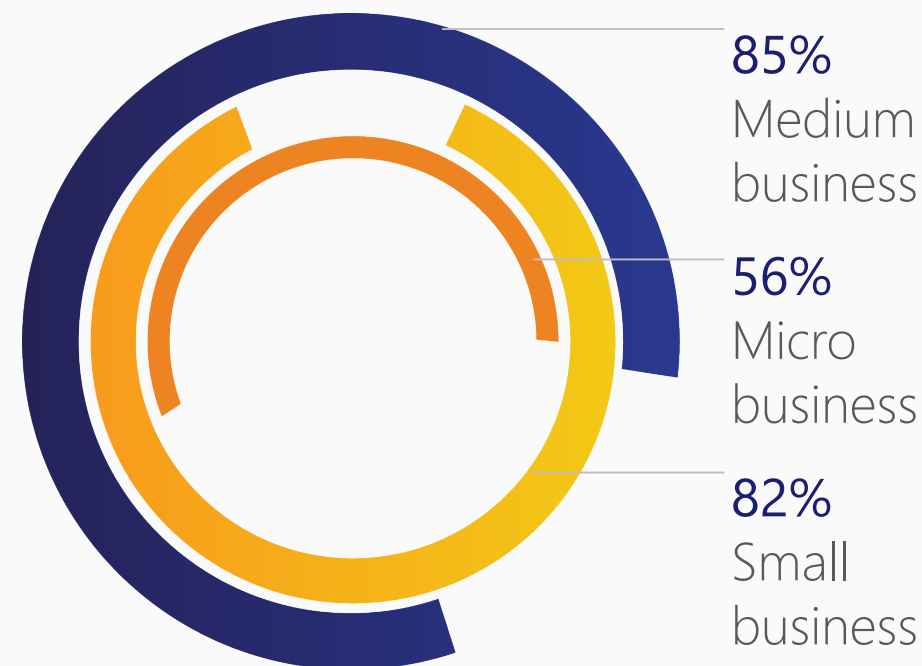
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Consider digital marketing

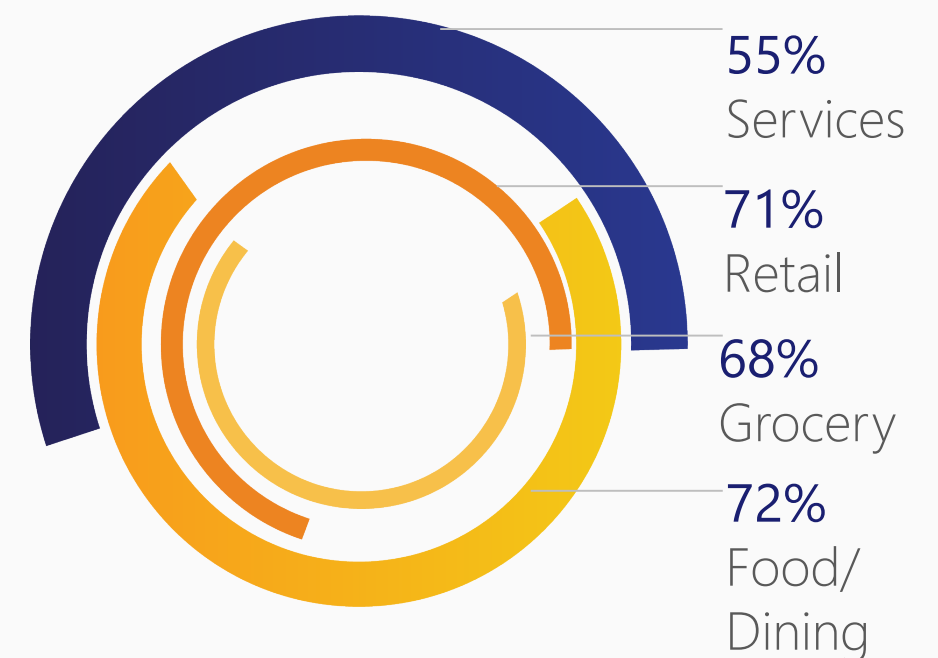
Many SMBs recognize the importance marketing their products and/or services. However, not all SMBs are engaging in digital marketing.

- 63% of consumers surveyed prefer to hear from businesses digitally
 - 46% prefer e-mails
 - 11% prefer social media
 - 6% prefer websites
- 68% of consumers surveyed mention online reviews are an important consideration when deciding where to shop

Digital Marketing Usage(%)
By size of business⁴



By industry



⁴ Annual sale criteria by SMB size – Micro <\$500K, Small \$500K-\$5MM, Medium \$5MM-\$10MM. Other criteria also considered such as number of employees and locations

Marketing your business online

There are several ways to promote and market your business.

Email

- May be used to announce promotions or relevant news to your customers under certain circumstances
- Create relevant and personalized content for your customers and a clear call to action to improve customer engagement
- Be sure to consult with a professional to make sure that your opt-in, use, and unsubscribe practices comply with applicable law

Social Media

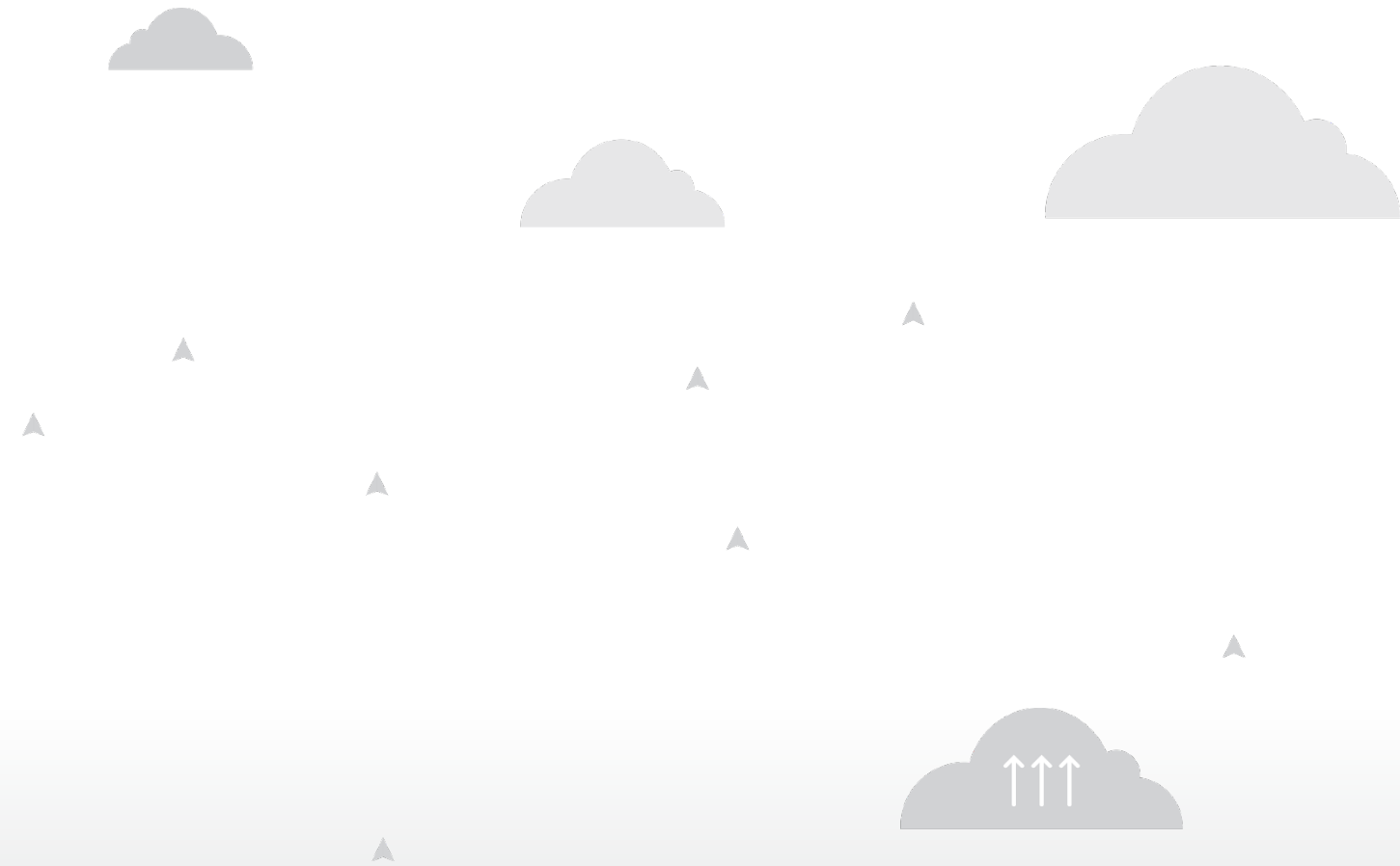
- Allows you to engage with your customers and share relevant content with them
- Keep consumers engaged by offering your expertise, announcing sales and promotions, and asking them to join the conversation

Review Sites

- Remain competitive by finding out what your customers are saying about your business
- Go the extra mile by responding to both positive and negative reviews in a timely manner
- Strive to keep your online reviews strong and current - don't be shy to ask customers to review your business online

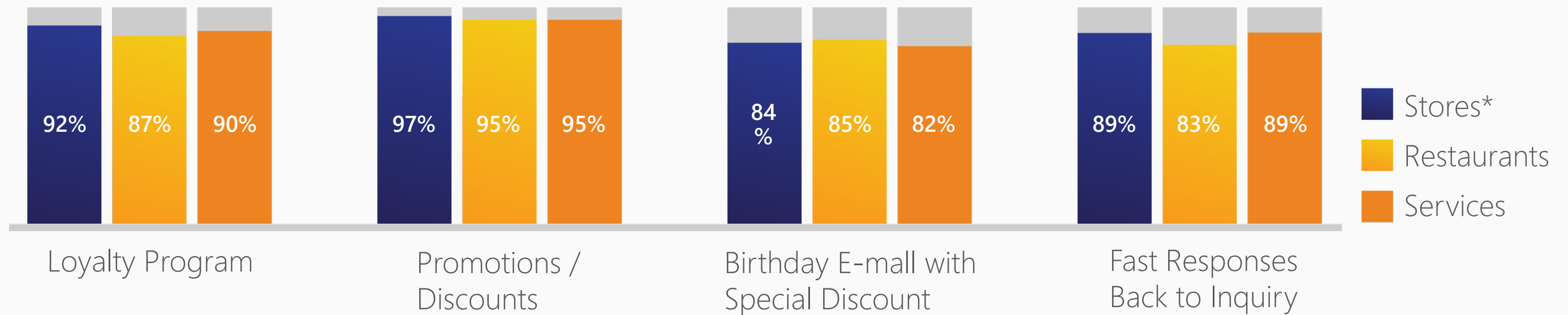
To learn more about marketing your business online, download the *Digital Transformation of SMBs* report at www.visa.com/smbDigital

Enhance the Customer Experience



Providing a positive customer experience

Adding digital related benefits increases the number of ways you can provide a positive customer experience. Over 80% of consumers surveyed mention that digital related benefits, such as the ones showed below, are strong motivating factors when deciding where to shop.



*Based on retail, includes drugstores and groceries

Top motivating factors for consumers when deciding where to shop

There are different motivating factors for consumers when deciding where to shop, depending on the business's industry. Survey shows the following were the top motivating factors by category:



Stores

(Based on retail, includes drugstores & groceries)

96% Free shipping/delivery

95% Discounts on relevant products

91% Can shop both in-store & online

91% Price matching

91% Same options in-store as online

91% Short checkout line

90% Buy online & return in-store

85% Ship to home if not in stock

83% Same day delivery

80% Online order ahead to pickup



Restaurants

93% Ability to view menu online

87% Can use & tip with card

85% Free delivery

80% Can make reservations online

79% Order food ahead via web



Services

83% Can use & tip with card

78% Book/sign up for service online

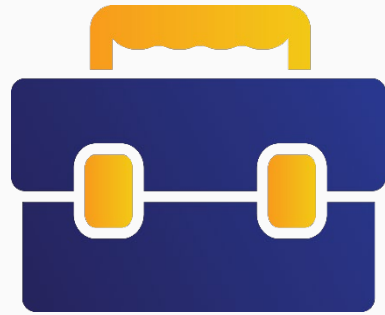
Additional motivating factors for millennials when deciding where to shop

Over 80% of millennials surveyed are also motivated by innovative benefits and services such as curbside pickup, self-serve kiosks, and Wi-Fi at a business location.



Tools and services to enhance the customer experience

When evaluating tools and services to offer customers:



Refer to **Digital Transformation of SMBs report** to help determine what types of tools and services to consider



Confirm the preferences with potential and existing customers. Be sure to ask if they have other preferences



Track and analyze how they impact the business's performance.

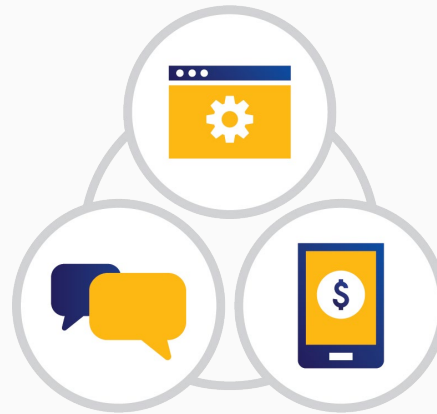
Metrics for consideration include purchase size, number of purchases, customer satisfaction, and net profit

Benefits of loyalty programs

Loyalty programs are a significant consideration for consumers:



78% of consumers surveyed are more likely to choose a business that offers a loyalty program over one that does not



65% of consumers surveyed look to see if a business has a loyalty program before shopping there



90% of consumers surveyed prefer digital based loyalty programs

Impact of loyalty programs

In practice though, just one in five SMBs surveyed offer loyalty programs.

Of those who don't offer a loyalty program:

68%

Don't plan to start

35%

Say these aren't important

35%

Say they don't need this
information about their customers

When businesses do offer loyalty programs, SMBs surveyed estimate that about half of their customers enroll

Of those who do, most agree that the loyalty program has a big impact on their business:

85%

Repeat business

80%

Average ticket size

74%

Revenue

Close to 80% say loyalty programs have a positive impact on average ticket size, repeat customers, and revenue

Key considerations when creating a loyalty program

Here are some tips for creating your own Loyalty Program:



Offer rewards that customers want



Create an easy path for getting rewarded



Allow customers to earn rewards in a timely manner

Options for creating a loyalty program

There are several options available to help you get your loyalty program up and running:

POS enabled

- Check to see if your POS provider has a built-in loyalty rewards program system

Card-Linked Programs

- Typically allow customers to seamlessly enroll and automatically receive rewards if their registered card is used to make a purchase at your business
- These programs are usually offered by payment networks, banks, and third parties

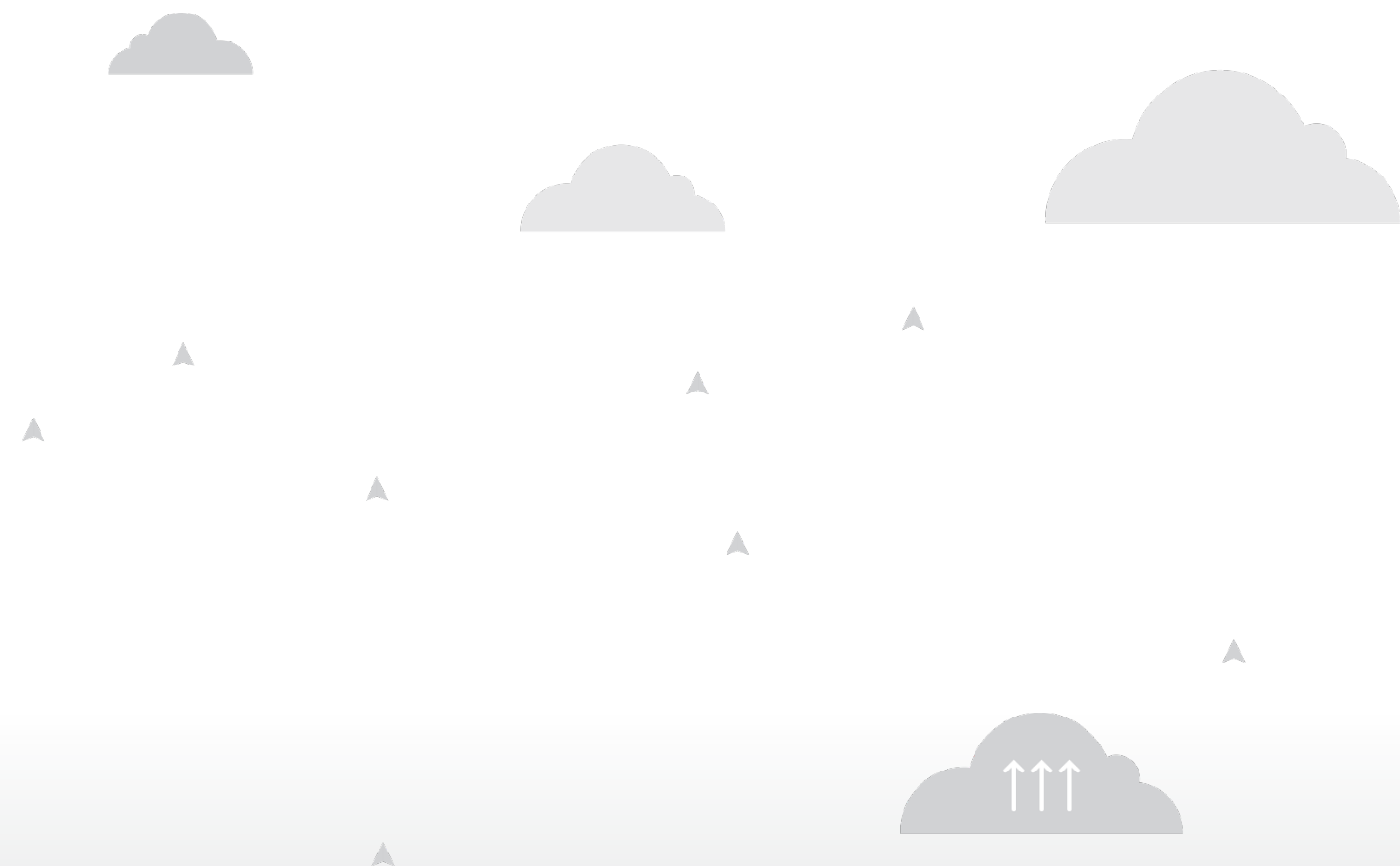
Plug and Play

- These are online solutions that you can plug and start using
- When evaluating these, think about what offers and rewards matter most to your customers

Once you've set up the loyalty program, be sure to promote it to customers. The more they use it, the more likely they are to turn into loyal customers.

To learn more about creating a loyalty program, download the *Digital Transformation of SMBs* report at www.visa.com/smbDigital

The Impact of Digital Payments



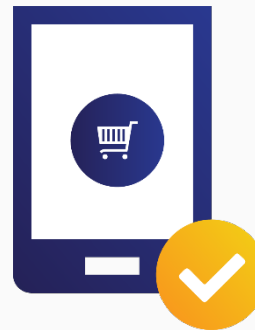
Note: Digital payments defined as wire transfers, cards (such as credit, debit, prepaid), mobile payments and peer-to-peer payments. Non-digital payments defined as cash, check and money orders

The impact of digital payments⁵

Research indicates that not only did consumers surveyed prefer digital payments, such as paying with a card or mobile device, but it may also positively impact a SMB's bottom line.



78% of consumers surveyed rank a digital payment method, such as paying with a card or mobile device, as their #1 preferred payment option



74% of SMBs surveyed agree that accepting digital payments helps them manage their business more effectively



Per survey data, Visa estimates the SMBs' average cost of processing digital payments, inclusive of both direct expenses and labor costs, is **57% less** than non-digital payments⁶

⁵ Digital payments defined as wire transfers, cards (such as credit, debit, prepaid), mobile payments and peer-to-peer payments. Non-digital payments defined as cash, check and money orders

⁶ Based on 2018 Maru/Matchbox survey data. Analysis on SMB survey data completed by independent third party, ESI ThoughtLab. Average costs were calculated based on estimates by SMB's of their (i) annual sales volume, (2) number of cash versus digital transactions, and (3) processing costs (inclusive of direct expenses and labor costs). For more information regarding the methodology used, please consult the Report's "Methodology" section, available for download at www.visa.com/smbDigital

Digital payments may help improve revenue

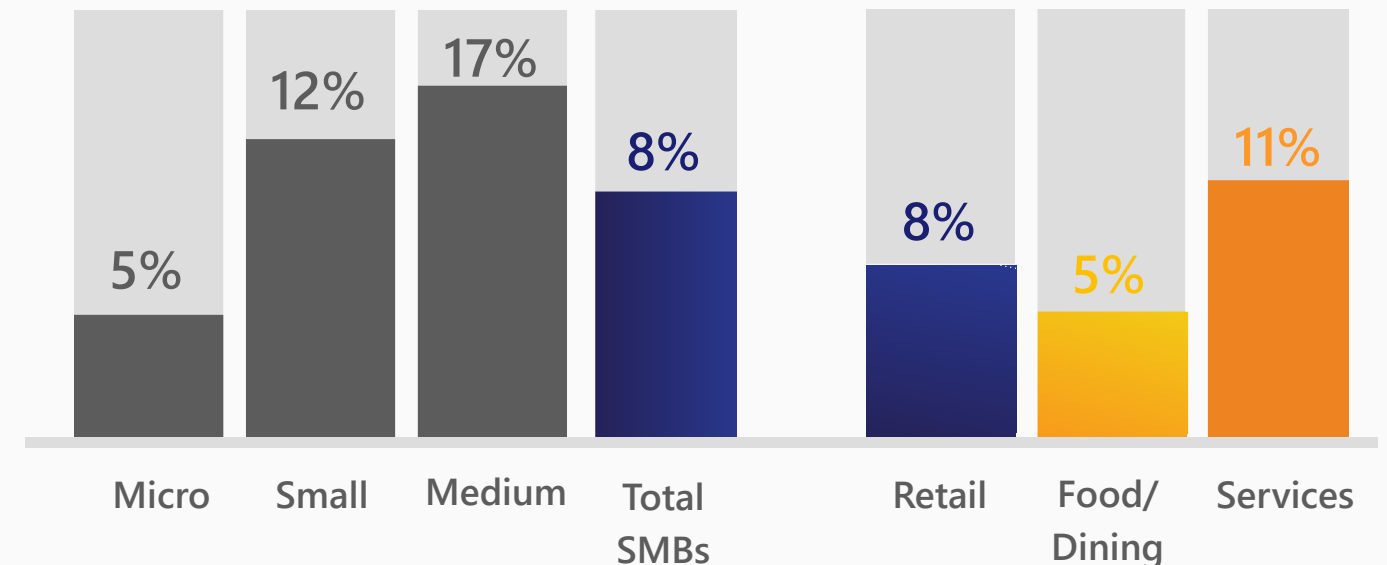
Accepting digital payments allows SMBs to sell more through digital payment methods:

- 2/3 of surveyed SMBs mention that customers prefer cards over cash
- 65% of surveyed SMBs agree that customers spend more when they use cards versus cash
- Half of surveyed SMBs mention accepting digital payments increased their sales by an overall average of 8%⁸

% Sales Increase in Sales After Accepting Digital Payments

By Business Size^{7,8}

By Industry⁹



⁷ 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.

⁸ Annual sale criteria by SMB size – Micro <\$500K, Small \$500K-\$5MM, Medium \$5MM-\$10MM. Other criteria also considered such as number of employees and locations. Survey participants were not asked to report increases or decreases with respect to a specific timeframe

⁹ Excludes groceries since sample too small for accurate read

Setting up digital payment acceptance (in-store and online)

Selecting a payment provider is the first step in enabling a store, website, or mobile device to accept digital payments and deposit the funds automatically into your merchant account.

When creating a merchant account, consider how you'll be accepting payments:

- If you're already selling products or services from a physical 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



Setting up digital payment acceptance (in-store and online)

When evaluating payment providers, some things to look for are:

- **PCI Compliance** – businesses that accept card payments are required to comply with the Payment Card Industry Data Security Standards (PCI DSS). Services such as information security and compliance management can help you comply with PCI DSS
- **Fraud prevention** - capabilities such as accepting EMV chip payments and fraud scoring engines can help prevent fraud
- **In-store options** - see what kind of alternatives are provided to accept card payments in-store. For example, contactless cards allow consumers to pay in seconds; check if the POS system accepts both EMV contact chip and EMV contactless cards
- **Other solutions** - such as the ability to leave a card on file, for faster checkout processes, or digital invoicing, to improve the customer billing experience, are some of the add-ons payment providers could offer

To learn more about setting up digital payment acceptance, download the *Digital Transformation of SMBs* report at www.visa.com/smbDigital

Consumers' preferences for digital payment methods

As consumers increasingly rely on digital channels, they also prefer digital payments when shopping.



66% of consumers surveyed can imagine a future in which only digital payments will be used



66% of consumers surveyed would choose to shop solely with their card



82% of consumers surveyed dislike shopping at businesses that require minimums or surcharges for digital payment purchases

Top benefits of digital payments

Top benefits of digital payments include being able to shop online, convenience, and ease of tracking spending.

Showing welcomed acceptance for digital payments can help shift more volume towards digital and potentially increase revenue.

Top benefits of digital payments

96% Shop Online



89% Convenience



84% Ease of tracking spending



83% Rewards for using it



79% Time savings compared to cash and checks



Running other parts of your business digitally

You can also use technology for running and managing other parts of your business:

Supplier and inventory management

A variety of products and software can help you track inventory and manage purchase orders (POs), invoices, and contracts more efficiently

Tracking business expenses

Small business debit and credit cards can help track expenses quickly and easily, provide purchase protections, and use controls to protect from employee misuse

Staffing & payroll optimization

A variety of programs can provide guidance on tasks such as predicting labor costs, scheduling hourly employees, and managing payroll

To learn more about transforming other parts of your business digitally, download the *Digital Transformation of SMBs* report at www.visa.com/smbDigital

The age of digital transformation

Digital transformation is happening now and happening fast!

Learn how you can grow your business by transforming digitally.

Get detailed insights and real life examples of businesses transforming digitally downloading the *Digital Transformation of SMBs* report.



Download the *Digital Transformation of SMBs* report at www.visa.com/smbDigital

Thank you!

