

Digital Transformation of SMBs:

The Future of Commerce

Presented By **VISA**



In Partnership With

ESITHOUGHTLAB

maru/matchbox

insight



VISA

About Visa

Visa Inc. (NYSE: V) is a global payments technology company that connects consumers, businesses, financial institutions, and governments in more than 200 countries and territories to fast, secure and reliable electronic payments. We operate one of the world's most advanced processing networks — VisaNet — that is capable of handling more than 65,000 transaction messages a second, with fraud protection for consumers and assured payment for merchants. Visa is not a bank and does not issue cards, extend credit or set rates and fees for consumers. Visa's innovations, however, enable its financial institution customers to offer consumers more choices: pay now with debit, pay ahead with prepaid or pay later with credit products. For more information, visit [visa.ca](https://www.visa.ca) and [@VisaNews](https://twitter.com/VisaNews).

maru/matchbox

About Maru/Matchbox

Maru/Matchbox is a market research consultancy providing strategic advice, proprietary platforms, and empirical analysis to help business, government, and non-profit leaders to better understand their customers, competitors, services, and markets. Our clients include the world's leading brands in financial services, technology, media & entertainment, retail, and consumer goods. Maru is headquartered in New York City with offices in Chicago, San Francisco, Los Angeles, Vancouver, and Toronto.

ESI THOUGHTLAB

About ESI ThoughtLab

ESI ThoughtLab is a leading economics consultancy firm. With access to a global team of over 100 economists, industry analysts, and urban experts, our firm brings together macro-to-micro analytics with the ability to survey and interview executives, consumers, and policy-makers around the world. We provide our analysis in a variety of engaging executive formats, from global ranking and benchmarking tools to cost-benefit and economic impact models.

insight

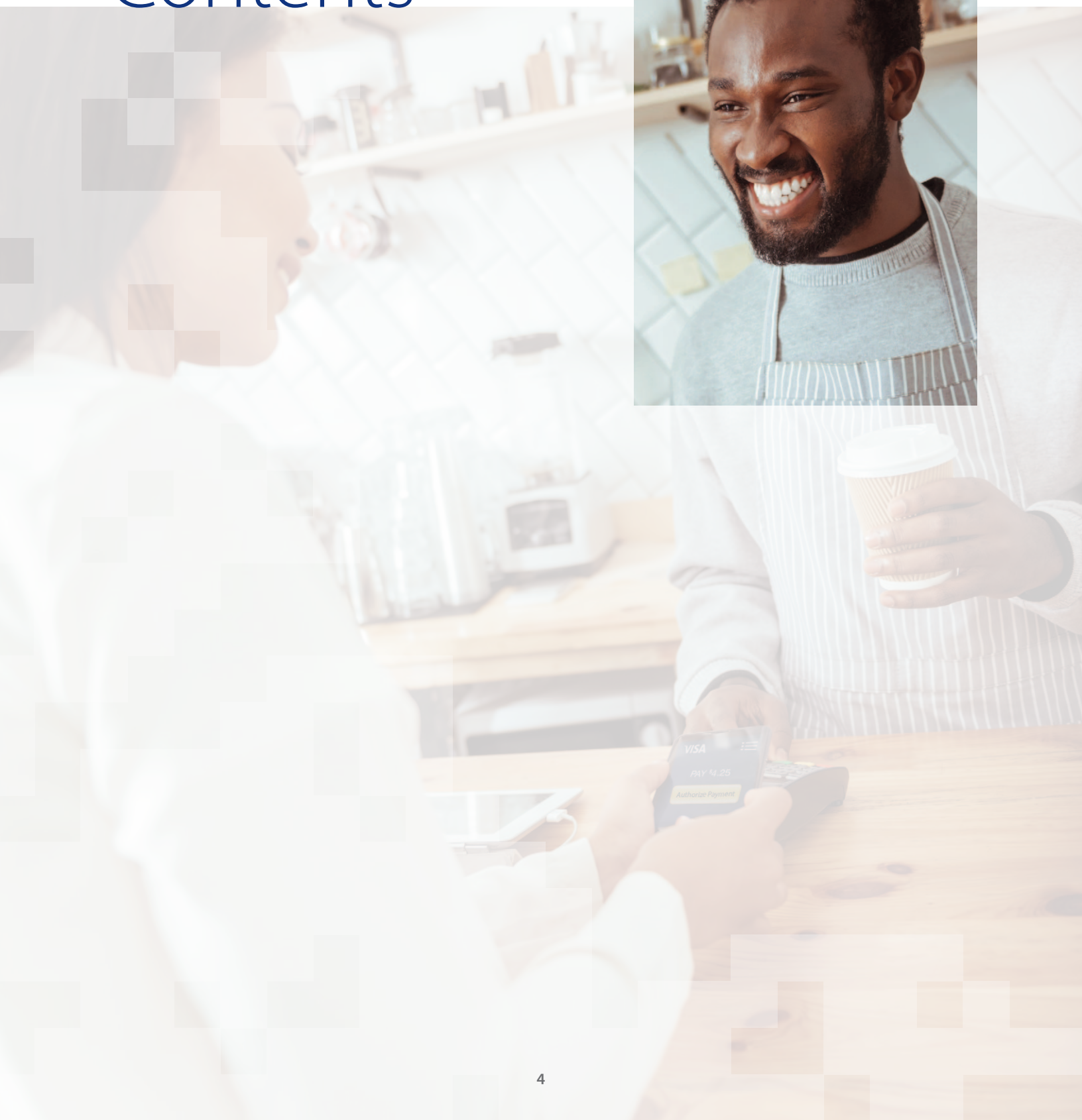
About Insight Consultancy

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

This paper is intended for informational purposes only and should not be relied upon for operational, business, legal, regulatory, or other advice. While efforts have been made to ensure the accuracy of the content of this guide, errors may exist, and we do not guarantee the accuracy of the content, including but not limited to any content that relies on information collected from third parties. Visa is not responsible for any use or reliance on the content of this guide.

Copyright © 2019 Visa. All rights reserved.

Table of Contents



6	Introduction
	Executive Summary
	▶ <i>Case Study: Beyond Bread</i>
14	Enabling Consumer Discovery and Marketing in the Digital Age
	Websites
	▶▶ <i>How to: Create a Website</i>
	▶ <i>Case Study: Arctic Spas</i>
	▶▶ <i>How to: Promote Your Website</i>
	Digital Marketing
	▶▶ <i>How to: List Your Products in an Online Marketplace</i>
	▶ <i>Case Study: Pot & Pantry</i>
	▶▶ <i>How to: Market Your Business Online</i>
	• Email
	• Social Media
	• Reviews and Review Sites
	▶ <i>Case Study: Artichoke Collection</i>
26	Enhancing the Customer Experience
	Various Service Considerations
	Loyalty Programs
	▶ <i>Case Study: Mixt</i>
	▶▶ <i>How to: Launch a Loyalty Program</i>
	▶ <i>Case Study: Keva Juice</i>
34	The Impact of Digital Payments
	Impact on SMBs Revenue
	▶▶ <i>How to: Set Up Digital Payment Acceptance (In-Store and Online)</i>
	▶ <i>Case Study: Rosseau General Store</i>
	▶▶ <i>How to: Go Cash-Free*</i>
	Impact on SMB Accounts Payable
	SMB Card Usage for Business Expenses
	SMB Use of Digital Solutions
	▶ <i>Case Study: Ideal Fire Protection</i>
52	Other Digital Transformation Tips
	▶▶ <i>How to: Run Other Aspects of Your Business Digitally</i>
	▶ <i>Case Study: Hockey Stick Man</i>
	▶▶ <i>How to: Generate Funds to Grow Your Business</i>
	▶ <i>Case Study: Pete the Plumber</i>
60	Conclusion
62	End Matter
	Methodology
	• Quantitative Analysis Details
	Disclaimers and Permissions

A woman in a plaid shirt and jeans is styling a client's hair in a salon. The client is seated in a white salon chair, and the woman is standing behind her, using a hairbrush. The background shows other salon equipment and a clean, modern interior.

Introduction

The insights provided in this paper are for small and medium size businesses¹ (SMBs) in Canada, 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

Fueled by smart technologies, mobile devices, and 24/7 connectivity, the way consumers browse, shop, and pay has been moving toward digital means. In 2019 one in ten dollars spent in Canada retail will flow through digital channels. Mobile commerce, which is growing faster than retail ecommerce, will make up almost one-third of ecommerce. Additionally, it is estimated that 22.1 million Canadians will be digital buyers² in 2019 (68.8% of the total population, +3.8% over 2018). By 2023, this number is expected to grow to 24.3 million or 72.8% of the total population in Canada.³

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 SMBs, the 1.17 million firms which make up the vast majority of Canadian enterprise⁴. According to a new 2019 Visa-commissioned Maru/Matchbox survey⁵ (“the survey”) only 32% of SMBs sell their products and services online, with 12% of their sales coming from the online channels.



As SMBs are the focus of this research, it’s worth taking a moment to understand the size and scale they represent. SMBs are an undisputed engine of the nation’s economy. According to the Government of Canada, SMBs make up 99.7% of all companies in Canada and employ 10.7 million people, or 90% of Canada’s private sector workers. They are a vital force of international trade, making up 97% of all Canadian exporters.

SMBs rely on the energy and resilience of friends and family, and the loyalty of hard-won customers. So, a struggling business translates directly into fewer groceries on the table at home. For all 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 SMBs.

² eMarketer definition for digital buyers: internet users ages 14 and older who have made at least one purchase via any digital channel during the calendar year, including desktop/laptop, mobile and tablet purchases

³ eMarketer, Canada eCommerce 2019, June 2019

⁴ Government of Canada. Key Small Business Statistics, January 2019.

⁵ Throughout this report, data is drawn from the Visa-commissioned Maru/Matchbox 2019 survey of SMBs and consumers unless otherwise noted. Please see Methodology section for details.

To bring these ideas to life, Visa partnered with a consortium of trade associations, banks, researchers and industry consultants to develop surveys that answer the question: *Do some SMBs need to transform digitally to prosper in this environment, and if so, how can they start?*

This paper includes findings from the survey of SMB decision-makers across three industries: food/dining/grocery, retail/merchandise, and services, as well as testimonials from Canadian consumers asking them about their experience and expectations with digital channels and payments.⁶

What we found was a gap between what consumers want and what some SMBs are doing. The gap suggests that there are opportunities for SMBs 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 SMBs* provides real-life testimonials and a 'how-to' primer for those interested in next steps. Key findings 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 SMBs to have a digital presence during the discovery and evaluation stages of the customer shopping journey.

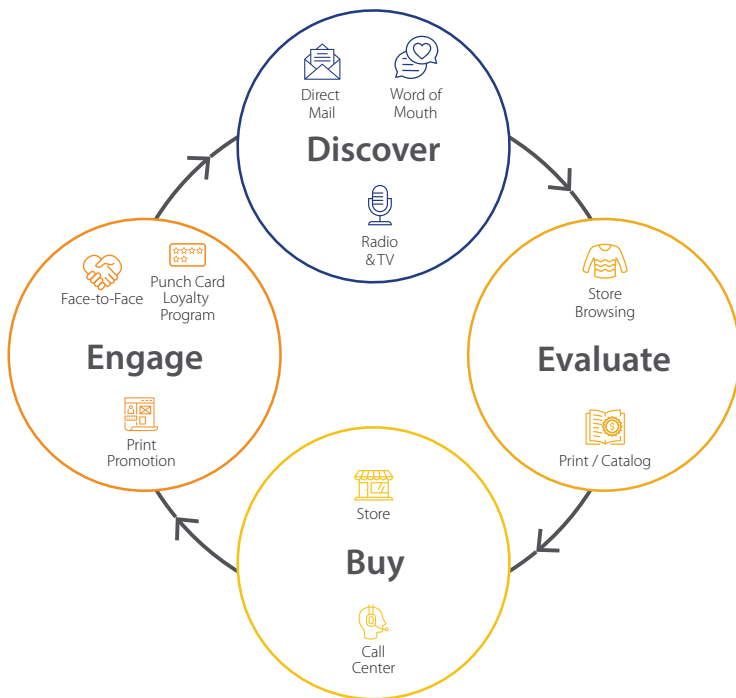
- 90% of consumers say they are motivated to shop at a business if they have an easy to use website. Half of consumers search online (46%) and/or check the business website (47%) before visiting a new business.
- Two-thirds (66%) prefer to be contacted through a digital channel, such as email, website banners, or a business's website.

These behaviours and preferences highlight an opportunity, as currently less one third of SMBs conduct business online.

“ The gap suggests that there are opportunities for SMBs 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. ”

⁶Digital 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.

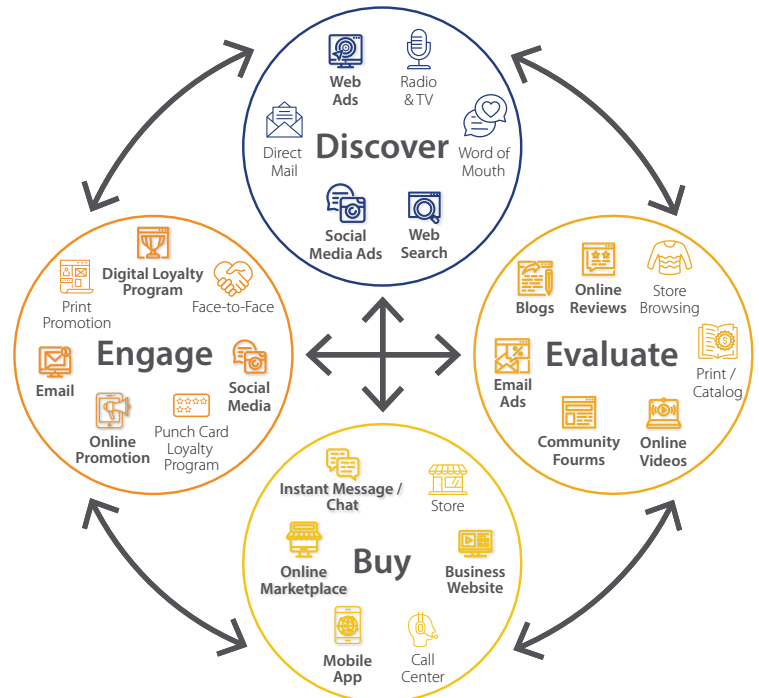
When shopping or considering where to shop, various service considerations are motivating factors for consumers:

- More than three quarters of consumers mention digital-related benefits are 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 are most inclined to take advantage of digital services such as shipping or delivery incentives, self-serve kiosks, and Wi-Fi at businesses.
- Over half (59%) of SMBs 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-five firms met these criteria. Please see the Methodology for additional details.

Current Customer Journey



While many SMBs have acknowledged these considerations, about two-in-five (41%) have tried services such as shipping, online order ahead, or self-serve kiosks.

Digital payments can positively impact SMBs bottom line.

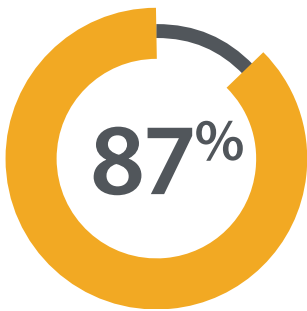
Given consumers' preference for digital channels, it's not surprising to see that 85% of consumers ranked a digital payment method, such as a card or wire transfer, as their #1 preferred payment option. Further, there may be expense and revenue benefits to accepting digital payments⁷:

- 61% of SMBs agree that customers spend more when they use cards versus cash.
- 40% of SMBs saw an increase in sales after they started to accept digital payments – by an average of 7.1%.⁸

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

Currently, only half (52%) of SMBs 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, 87% also think it's important to support local SMBs – providing a great opportunity for SMBs to increase engagement with consumers.



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





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

Ranging from digital invoicing to payment card controls, educational programs geared towards SMBs, rewards and offers to save money on business purchases, and data reporting tools giving SMBs 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:

- 51% of SMBs 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.

- Around three quarters of SMBs were unaware of helpful digital tools that may be readily available to them.
- Sending and receiving digital invoices represents a significant opportunity for SMBs, with 74% agreeing that they received money faster from customers when issuing digital invoices compared to paper invoices.

CASE STUDY:

Beyond Bread

Using a Business Credit Card to Help an Artisanal Baker Grow, Customers Spending More In-Store

Beyond Bread has been bringing freshly baked artisanal bread, pastries, sandwiches and organic brew coffees to Vancouver, British Columbia for eight years. Beyond Bread strives for perfection by following the traditional ways of baking and preparing everything in-store – from waking up at dawn to mix up the right ingredients for a delicious loaf of bread to making sandwiches using only the freshest, locally-sourced meats and cheeses. As well as a passion for baking, Beyond Bread’s founder, Jim Tai, has an enduring love of fine coffees and is always on the lookout for the perfect coffee beans to serve to his customers.

Beyond Bread has developed a loyal customer base and a steady stream of new customers, but, as with any start-up, things were not always smooth sailing. Baking



has steep start-up costs. In Jim’s early days, cash flow was an issue, and to introduce new product lines, he needed to make sizeable purchases of supplies and equipment. This meant having to wait weeks or months to be able to earn enough money to make his purchases, stifling his growth plans.

Jim relied on his business credit card in his early days. “We were funded by a credit card,” he remembers; the company benefitted from the immediacy of purchase and the flexibility to pay down the balance in the following weeks and months. As time went on and his business prospered, his habits did not change: “100% of Beyond Bread’s purchasing is on a business credit





card." Though he does not revolve a balance at the end of each month, he finds the credit line available reassuring in case of an emergency.

On the customer side of his business, Jim has also benefitted from starting to accept cards. When Beyond Bread was cash-based, customers were turned away for not having cash, and when they did have it, they often would not buy more out of concern about being caught short at checkout. Since Jim started accepting cards, customers are willing to spend more – even on bigger-ticket items that catch their fancy, like artisanal coffee vacuum pots for \$200–300 and bean heaters for up to \$600. "If we didn't accept cards, these large-ticket sales would not have happened," says Jim.

“ If we didn't accept cards, these large-ticket sales would not have happened,” says Jim. ”

Underpinning Beyond Bread's continuing success has been its passion for engaging with and supporting the local community. Accepting cards has been vital here too. Jim invites talented local artists to display their artwork for sale in-store and use Beyond Bread's card terminals to accept payment from customers wishing to buy paintings.

A man with grey hair, wearing a striped sweater and light-colored trousers, sits on a wooden stool in a bright, modern room. He is holding a tablet in his left hand and a pen in his right hand, looking thoughtfully towards the camera. The room has large windows in the background, a wooden floor, and a desk with a laptop and a coffee cup in the foreground. The overall atmosphere is professional and creative.

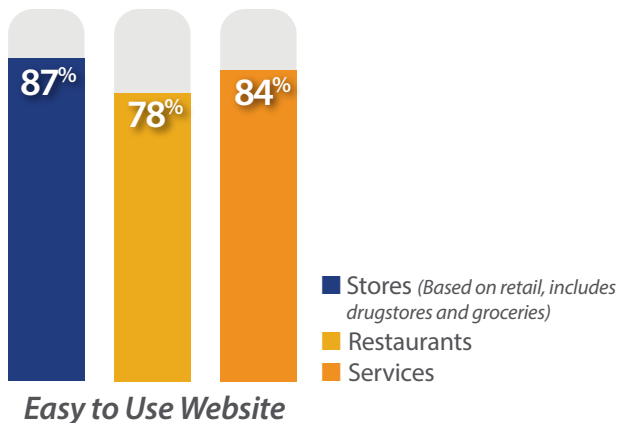
Enabling Consumer Discovery and Marketing in the Digital Age

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 email when determining where to shop.

Websites

While close to 90% of consumers surveyed think it's important to support SMBs, they are also heavily reliant on digital channels when considering where to dine and shop. Half of survey participants often search online (46%) and/or check a new business's website (47%) before visiting in person. Millennials are most likely to do so (57%), followed by Gen X (50%), Baby Boomers (41%) and Post Boomers (35%). In fact, nine-in-ten 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 Maru/Matchbox survey.

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



Consumers are increasingly making purchases online. Currently, 33% of consumers' retail purchases are made online. This number is expected to grow, as 59% of consumers are planning to increase their online purchases in the next five years. On the other hand, 87% of consumers are planning to decrease or keep their in-store purchases the same.

These findings present an opportunity for SMBs to increase their online presence. Currently, 32% of SMBs surveyed have an online presence, such as a business website or online marketplace. The retail sector leads on digital channel adoption, with two-in-five utilizing, compared to a quarter of food and dining, and services. Overall, 12% of SMB sales come from these channels, with the higher proportion of sales coming from small/medium sized firms (17%) versus 9% 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 started.

Select a host and platform

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

▶ PRO TIP: *Some hosting companies will offer you a deal if you register a domain name and host with their services. With this option, do note that if you decide to change your hosting company later, 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 optimization) 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, which is growing faster than retail ecommerce, will make up almost one-third of ecommerce.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, Canada eCommerce 2019, June 2019.

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

CASE STUDY: Arctic Spas

Leading Canadian hot tub manufacturer and retailer sells across physical branches, websites and phone centres, delivering top-quality luxury tubs to happy customers



Arctic Spas manufactures and sells hot tubs and pools – designed for even the harshest of climates – as well as providing accessories and servicing. The company was founded in 1994 by five hot tub enthusiasts

and now employs 220 hardworking Canadians in Thorsby, Alberta, manufacturing the highest quality equipment and selling through their network of 159 independent dealers covering Canada, the US, Europe and Australia.

Arctic Spas has developed a well-recognized brand amongst hot tub enthusiasts, and a “heavy online focus” has helped this along, says Peter Dalton, VP of finance and administration. They have a dedicated marketing department and employ Google AdWords, Facebook and a slick website to improve their brand reach. A webchat feature has recently been implemented on their website, enabling customers to interact directly with staff and ask questions about products. “We still use TV and radio adverts, but these are reducing in favour of digital channels,” explains Peter.

Customers landing on their website, interacting with their social media profiles, chatting online with staff and completing contact request forms generate leads, and

these leads are followed up by Arctic Spas’ sales team, available 7 days a week. In many cases, staff already know a lot about what a customer is looking for when they make contact. Customers also often book servicing and maintenance over the phone, with staff taking card details during the call, maximizing convenience for customers. E-commerce also represents a fast-growing segment for Arctic Spas, especially around sales of accessories like filters, water chemicals, jets and pillows, and payment card acceptance is front-and-centre to enabling this channel.

Currently, most hot tubs and pools are sold via their branch network. For the higher-end models, a personalised consultation with an expert is still the way to go. “Hot tubs are a luxury purchase, and we try to reduce all the customer pain points,” explains Peter, with cards providing a seamless and convenient option for customers. Arctic Spas sees few cash sales and declining cheque volumes, with customers preferring to pay by card for convenience and, in many cases, to benefit from points and rewards for their spending.



“Customers also often book servicing and maintenance over the phone, with staff taking card details during the call, maximizing convenience for customers.”

How to: Promote Your Website

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

- **Search Engine Optimization (SEO)** is used to describe the marketing technique of fine-tuning a website so that customers looking for businesses like yours can quickly find you on search engines.
 - A free technique you can perform on your website is modifying the content and structure of a website's text to match likely searched keywords. Remember that search engines index and rank websites according to your content, and 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 NFI's [Guide to SEO for Your Small Business Website](#) if you would like more details.
- **Pay-Per-Click (PPC)** Advertising refers to advertising on internet search engines.
 - You pay a PPC service to have your ad appear when a chosen keyword or phrase is searched. Typically, you are charged each time a shopper clicks your ad. The ads normally appear under a heading such as "Sponsored Links."
 - While paid advertising can steer more traffic towards your business's website or social channels, it's important to keep in mind that it requires a level of investment and good understanding of your target audience.



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

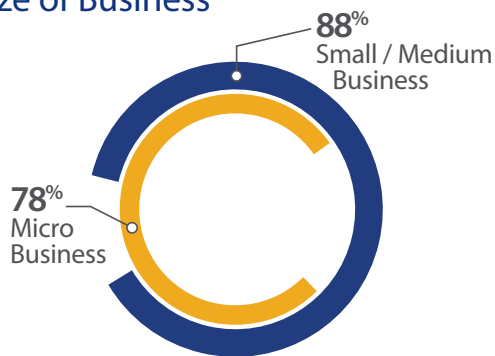
¹² <https://www.nfi.com/content/resources/marketing/bizhelp-how-to-make-it-easier-for-customers-to-find-your-business/>

Digital Marketing

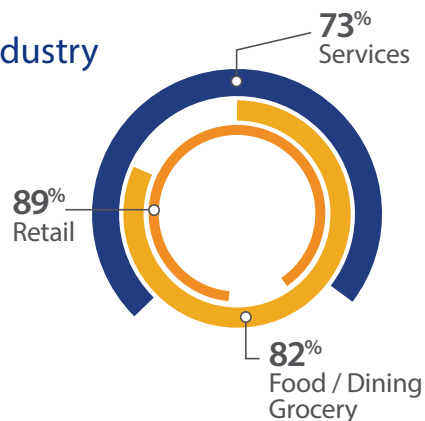
Many SMBs surveyed recognize the importance of marketing, as 88% engage in some form of it. However, there is opportunity to further engage with customers through digital channels as most consumers (66%) prefer to hear from businesses digitally – 45% prefer emails, 10% social media, and 11% turn to a company website – making digital marketing an important channel. Compared to small/medium (88%) businesses, fewer micro businesses (78%) use digital marketing. Services (73%) are behind other industries in adopting digital advertising, compared to food/dining/grocery (82%), and retail (89%).

Digital Marketing Usage (%)

By Size of Business



By Industry



Source: Visa Digital Transformation Research, 2019 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. 60% of consumers mention online reviews are an important consideration when determining whether to shop at SMBs.

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.
- Online marketplaces seek sellers – their sales and partnerships department can talk you through the process of setting up your business page.

CASE STUDY: Pot & Pantry

Ottawa-based kitchenware and speciality food store launches an e-commerce website to expand customer reach and offset reduced pedestrian traffic

Pot & Pantry was started by Robin Coull in November 2016 as a natural extension of her self-confessed obsession for all things food and her love of cooking and baking. Channelling her extensive experience in the dessert and catering business – having previously started an artisanal caramel candy brand – Robin certainly has the credentials for success in this industry. From a setting on Ottawa’s vibrant Elgin Street, Pot & Pantry offers foodies and cooking aficionados everything from cookware and utensils to cookbooks, linens and even gourmet goodies.

Robin favours locally sourced wares and goods, stocking mostly from Ottawa and, more broadly, Canadian suppliers. The local vibe is also reflected in the clientele visiting Pot & Pantry’s store; as Robin explains, “our customers mostly live near the store, which is in an urban centre of Ottawa, and there are no similar stores nearby.” As with most retailers, footfall is the lifeblood of the business; when faced with a construction project that will reduce foot traffic outside the store for the next two years, Robin had to adapt quickly to maintain Pot & Pantry’s growth.

“To offset the reduced foot traffic and promote our products to customers outside Ottawa, we launched our e-commerce website in May 2019,” says Robin. The process to get it setup was a lot of work, involving selecting the best hosting platform, designing an engaging website layout, developing interesting and clear content, and taking the right photos. Even selecting the right shipping



option for her business took careful thought about logistics, convenience and coverage. Robin’s advice is simple: “select a partner who offers a live person to assist you,” as often that all-important human interaction is what instills confidence that a supplier will be able to deliver excellent service and do your business justice.

The hard work invested in developing Pot & Pantry’s e-commerce website is already paying off. “Sales from Toronto were immediate, confirming our ability to sell throughout Canada,” and in only a few months of being live, e-commerce sales already represent 5% of total sales. Robin has also noticed a difference in behaviour between customers shopping in-store versus online: the average transaction value in-store is \$65, compared to well over \$100 online. The website also benefits Robin’s local

customer base, with many remarking that they browse Pot & Pantry's products before making an in-store purchase. Customers can also enjoy an omni-channel shopping experience, being able to purchase online and collect in-store.

Pot & Pantry's website also complements its marketing strategy, which is social media-based. Robin mainly uses Instagram posts, and consistently receives positive feedback from her customers about how her engaging posts drove them in store and online to make purchases. Customers enjoy her stories – especially those relating to her exciting travels – as well as the curation of her products, and Robin has attracted the attention of several local bloggers, further helping to promote her store online.

Pot & Pantry's digital transformation was supported by their membership in the Canadian Federation of Independent Businesses (CFIB). With over 110,000 members, CFIB offers benefits ranging from discounts on business services like accounting software and shipping

to a website packed with helpful tools and advice on how to get a business started. Robin leveraged CFIB's employment contracts templates, guidelines on complying with regulations, and discount program to help with Pot & Pantry's start-up and on-going operations. She knows the CFIB's knowledgeable staff is ready to answer questions as she continues to grow her business.

CFIB helped Pot & Pantry and other local businesses by leveraging their social media channels to promote that Elgin Street was open for business, and they continue to fight for support for businesses impacted by construction projects.

“ In only a few months of being live, e-commerce sales already represent 5% of total sales. Robin has also noticed a difference in behaviour between customers shopping in-store versus online: the average transaction value in-store is \$65, compared to well over \$100 online. ”



How to: Market Your Business Online

email¹³

- 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 checkout 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 a 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. Per the survey, close to 90% of consumers say supporting SMBs 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 stylist 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 in England/UK. 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.



“

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.

”

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 could 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,” she notes. “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 – outpacing even Sarah's most optimistic predictions.



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



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.

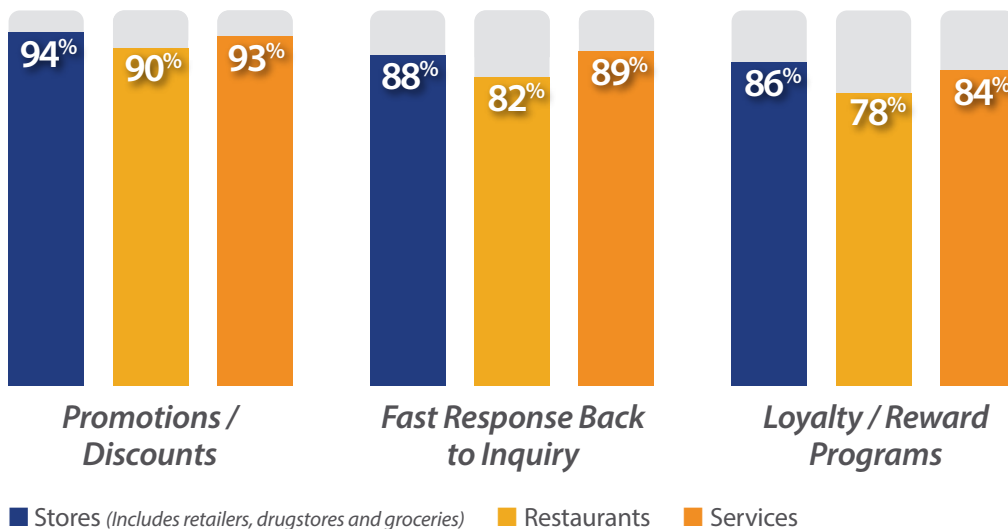
Various Service Considerations

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.

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.

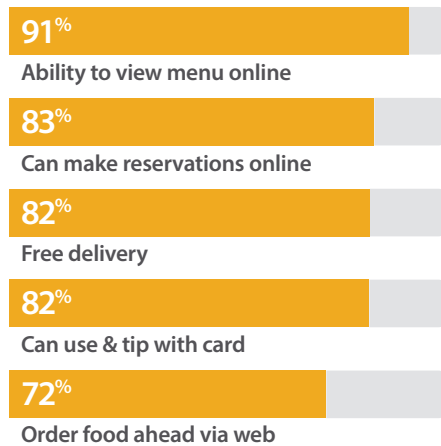
Most Important Service Considerations for Consumers: By Industry



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 half of millennials in the survey specifically mentioned they are also motivated by services such as curbside pickup, and Wi-Fi at the business location.

Many SMBs have acknowledged such considerations, as 59% 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 SMBs though – as only half of SMBs have tried services such as shipping/delivery, online order ahead, and curbside pickup.

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

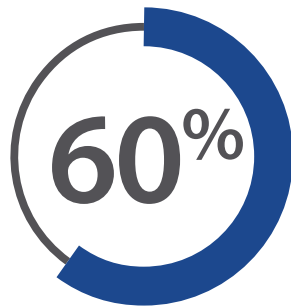
Loyalty Programs

Loyalty programs are a significant consideration for consumers - in fact, 78% of consumers say they are more likely to choose a business that offers a loyalty program over one that does not. Only 11% of survey respondents prefer the traditional stamp/punch cards; the remaining 89% of consumers prefer a digitally-based loyalty program.

There is a disconnect in offering and reliance on customer loyalty. 81% of SMBs say their business is highly dependent on customer loyalty. Additionally, close to two-thirds 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 long lines, so they gave out a small wallet-sized loyalty card that got punched every time a customer made a purchase. After ten punches, customers got a free meal.

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

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





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

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

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

“Moving 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.”

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.

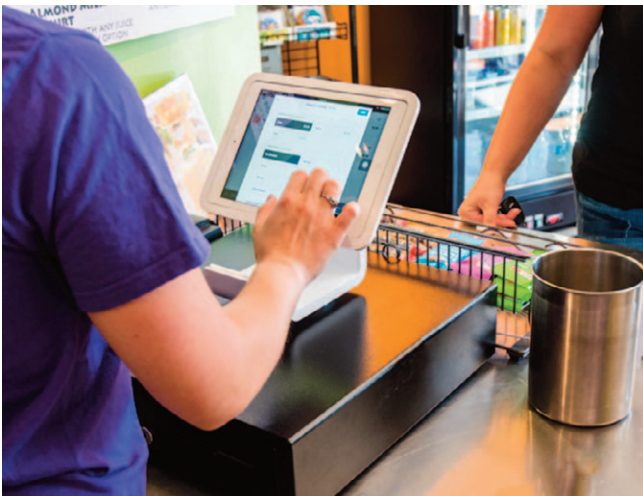
¹⁷ Visa.com, "Visa Commerce Network." Accessed May 2018. Undated.

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 US. 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 Square'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 a 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 EFT/Interac 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 52% of SMBs 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 SMBs estimates, digital payments are cheaper 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, chequing 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, SMBs surveyed estimated that it takes 432 hours to process \$100,000 in non-digital payments compared to 76 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, SMBs surveyed estimated that it takes 432 hours to process \$100,000 in non-digital payments compared to 76 hours to process \$100,000 in digital payments. Said another way, SMBs surveyed estimated that it takes almost six 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.

“

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

”

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. SMBs, on average, process 10% more accounts payable transactions per full-time equivalent employee (FTE) when paying digitally compared to non-digitally. These labour savings are incremental benefits to those referenced above from acceptance of digital payments.

Impact on SMBs Revenue

The acceptance of digital payment methods enables businesses to sell more goods and services to consumers who prefer digital payment methods. Two-thirds of SMBs tell us that customers spend more when using card versus cash. 40% say sales have increased after they began to accept digital payments – by an overall average of 7.1%.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.



of SMBs 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 80% of their discretionary expenses through digital payment methods, such as cards or through a mobile device. 62% of consumers can imagine a future in which only digital payments will be used. Two-thirds would choose to shop solely with their card.

²¹ Grocery segment too small to have valid read.

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.
 - Acquirers, Independent Sales Organizations (ISOs), Merchant Services Providers (MSPs), and Value-Added Resellers (VARs) are some of the organizations 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 processor 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 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 plug-in for either your computer or phone. With these pieces of hardware, you can easily insert or tap customers' cards or phones and accept payment.
 - Contactless cards allow consumers to pay in seconds. Ensure your POS system is contactless enabled.



- **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

91%

Shop online

92%

Convenience

84%

Ease of tracking spending

85%

Build credit history

88%

Rewards for using

78%

Time savings compared to cash and cheques



Consumers identified the top benefits of digital payments are: being able to shop online (91%), convenience (92%), ease of tracking spending (84%), build credit history (85%), rewards for using (88%), and time savings compared to cash and cheques (78%).

Notably, among consumers who heavily prefer digital payments, 31% 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 are simple, quick, secure and allows consumers to pay in seconds. Investment in contactless also lays the foundation for acceptance of payment technologies such as mobile devices and wearables. Mobile payment usage is quickly increasing.

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

²² eMarketer, *US Mobile Banking and Payments: eMarketer’s Estimates for 2016–2021, August 2017.*

Impact on SMB Accounts Payable

Businesses also spend an inordinate 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 SMB how many AP transactions they have in a typical month and the percentage that are made using various payment methods. The average firm makes 58% of their accounts payable payments using digital methods. This is consistent across industries and firm sizes.

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 10.4 AP payments per hour using digital methods and 9.4 payments per hour using non-digital methods, a difference of approximately 10%. 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: Go Cash-Free

Cash-free may not be right for everyone, but for those who want to try, here are a few general guidelines to follow:

- Test cash-free 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.
- Educate employees and customers of the change. Prior to launch, explain to employees the rationale for having a cash-free 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 cash 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.

CASE STUDY:

Rosseau General Store

Much-loved village grocer turns to digital payments to reduce queueing times, improve staff efficiency and streamline their back office

In an idyllic village setting on the north shore of Lake Rosseau in Ontario's Muskoka region, Rosseau General Store—established 1874—marries old-world tradition with modern-day efficiency the area is wildly popular with tourists, and no visit is complete without a stop at the store for groceries, a hot beverage, hardware or even a delicious ice cream from the on-site parlour, which sees long lines of eager customers in the hot summer months.

The store's owners, husband-and-wife duo Laurie McDonald and Brian Dollin, dreamed of ditching their long commutes and owning their own business; a chance visit to the store resulted in a positive connection with the previous owners and, eventually, a successful bid to purchase it. Laurie and Brian navigate the intense competition in the grocery space by sticking to what their beloved landmark does best: catering to the specific needs of its customers and consistently delivering exceptional service.

Payment cards have played a significant role in maximizing customer convenience. Cards represent more than 70% of the store's business and, being fully integrated into their Point of Sale (POS) system, have enabled faster transaction times and lower error rates as staff do not have to enter amounts into a second device. This has a tangible impact of shorter waiting times for customers, increasing overall satisfaction.



“Laurie and Bill are constantly looking to improve employee efficiency. “Accepting cards,” Laurie says, “especially with POS integration, requires less training, reduces errors, and avoids the need to handle cash.”



With relatively high wage bills each month, Laurie and Bill are constantly looking to improve employee efficiency. "Accepting cards," Laurie says, "especially with POS integration, requires less training, reduces errors, and avoids the need to handle cash." Travelling to the bank to deposit cash and collect change is a big deal for the busy entrepreneurs and their staff, with long commute times, given the remoteness of the store. The use of electronic payments minimises these time-consuming trips and frees up time to focus on what really matters: the customers. Cards also have the added benefit of attracting higher transaction amounts than cash, driving a direct revenue uplift on top of operational savings.



To market themselves, Laurie and Brian rely heavily on social media. The store's Facebook and Instagram pages, constantly refreshed with posts about new products and local events, are followed by customers keen to remember vacations spent in Rosseau and thinking of their next trip. Social media is also a channel for Rosseau General Stores to interact directly with current customers, responding to questions and reviews.

SMB Card Usage for Business Expenses

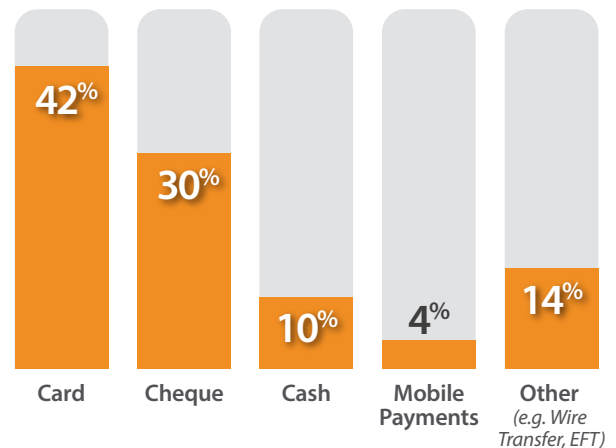
SMBs have several options available to them when paying for business expenses, e.g. rent of premises, wages, purchase of supplies and bill payments. SMBs surveyed report that 42% of their business expenses are paid for using a payment card (credit, debit and reloadable prepaid cards), while cash and cheque represent 40% of payments. As illustrated in the previous section of this report, there is scope to shift non-digital to digital payment methods and realize significant time savings as a result of the faster processing times associated with digital payments. SMBs clearly recognize the benefits of digital over non-digital payment methods. When polled, 73% of SMBs agreed that utilizing digital payments helped them manage their business more effectively, while 1 in 3 worried about fraud and identity theft when using cheques and bank transfers for payments.²³



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

²³ Visa Digital Transformation Research, 2019 Visa-commissioned Maru/Matchbox survey.

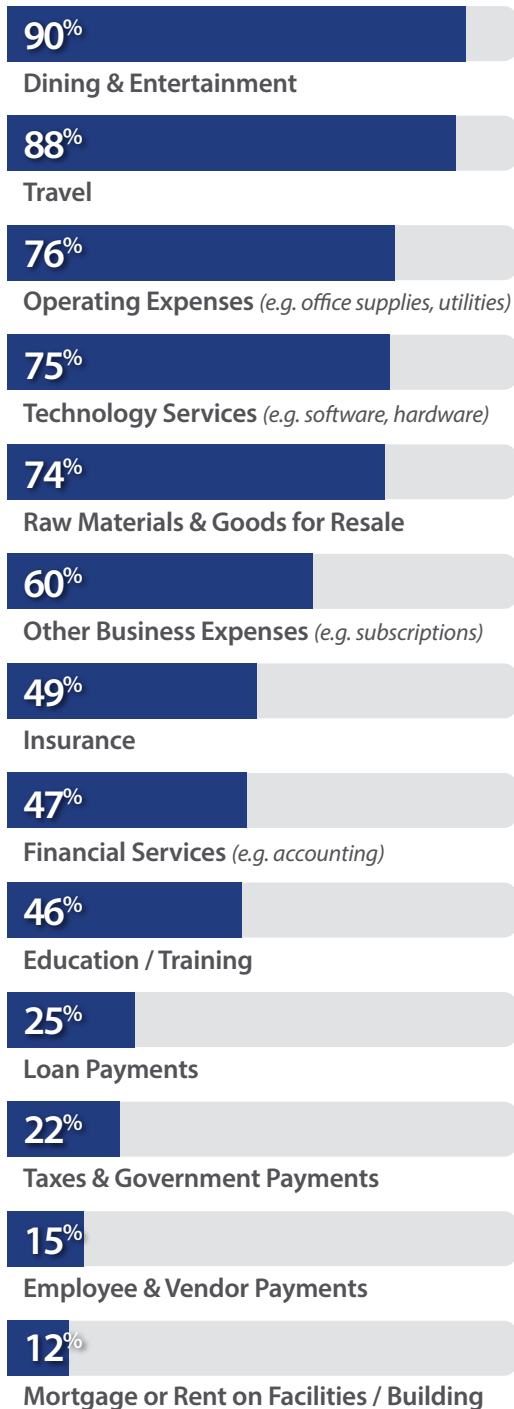
% Business Purchases By Payment Method



The propensity of SMBs to pay by digital means varies significantly by the category of business purchase. At the highest end of the spectrum, 90% and 88% of purchases in the dining & entertainment and travel categories respectively are by credit card. At the other end, purchases like employee & vendor payments (including wages and salaries) and mortgage/rent for premises see low proportions of spend on card of less than 20%.



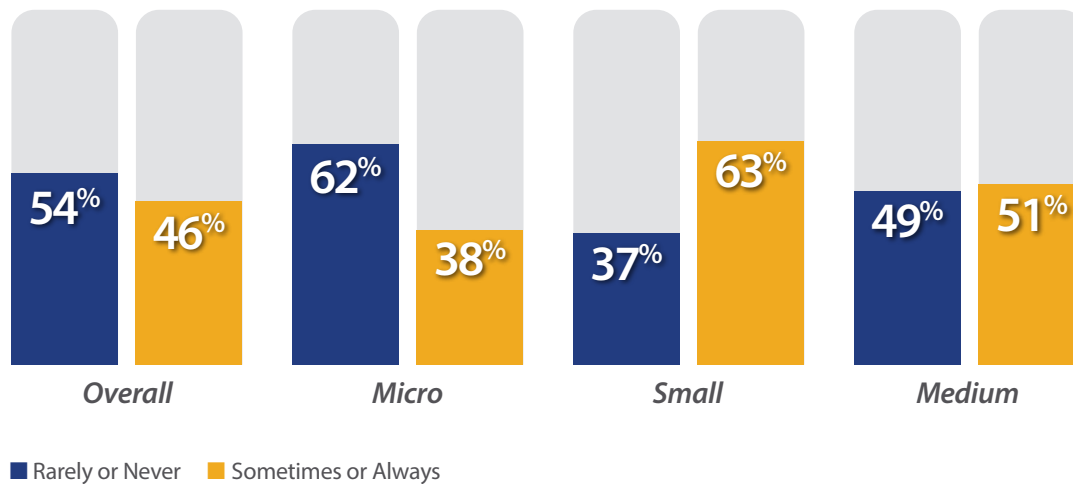
% Business Purchases Paid for By Card



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 half (45%) use their personal credit cards for business purposes instead of a business credit card (55%). In doing so, SMB 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 SMB owner to identify personal transactions and because most major accounting software accepts transaction feeds from business cards, with business expenses being uploaded and categorized automatically.
- **Simpler tax filings** as combining business expenses of the SMB 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

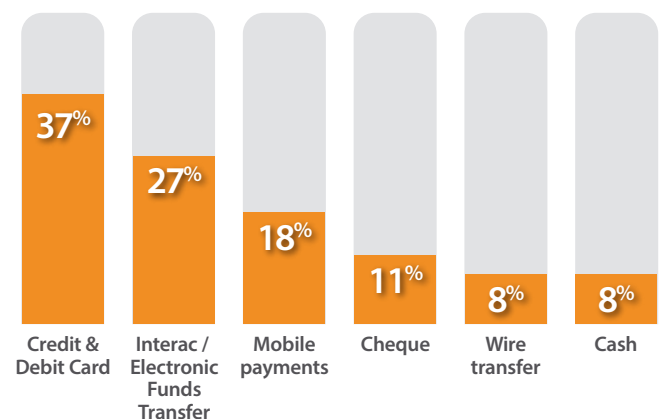


The last point about building a business credit rating is especially important when it comes to applying for loans or business credit cards, or even in dealing with suppliers. It is common for suppliers to offer short-term credit facilities to customers, but these can require credit checks prior to agreeing. Almost half (46%) of SMBs 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 SMB: 38% of micro SMBs were subjected to credit checks by their suppliers, rising to 63% and 51% respectively for small- and medium-sized SMBs.

Across the board, SMBs are starting to acknowledge the benefits of using digital payments for their business spending and are responding by shifting their spending to digital payment methods. When SMBs were asked how likely they were to increase their use of different payment methods over the next 12 months, 37% responded they were 'very likely' or 'extremely likely' to increase their use of credit cards, compared to just 11% and 8% for non-digital payment methods cheque and cash respectively.

Delving into the main barriers inhibiting SMBs from using cards more for their business spending, 31% of SMBs surveyed state that the merchant/supplier does not accept cards; a further 27% think that credit cards are not appropriate for certain types of purchases and 21% are concerned about accumulating debt. The presence of the latter two reasons suggests that there is a clear opportunity for SMB education on card usage in business and associated benefits.

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





A trusted business partner to SMBs, such as a financial institution, advertising firm or technology partner, would be well-positioned to deliver education to help SMBs manage their businesses and grow. When asked to rank 10 potential educational topics from most to least helpful, three topics came out on top when judged by the proportion of SMBs selecting them as highest or second-highest priority: financial management using your small business credit card (15%); welcomed acceptance: ideas to grow business with digital payments (14%); and digital invoicing: benefits of paying suppliers and receiving payments (13%).

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

15.0%

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

14.0%

Welcomed Acceptance: Ideas to grow business with digital payments

13.1%

Digital invoicing: benefits paying suppliers and receiving payments

12.5%

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

11.1%

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

9.9%

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

7.5%

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

6.4%

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

6.2%

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

4.4%

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



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





SMB Use of Digital Solutions

There is a plethora of digital solutions available for SMBs 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 SMBs have a central and trusted role to play in the provision of digital solutions to SMBs: more than half (51%) of SMBs 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 SMBs.

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

- 1. Card Controls** – giving SMBs 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 maximize 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 SMBs from participating merchants, suppliers and vendors.

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

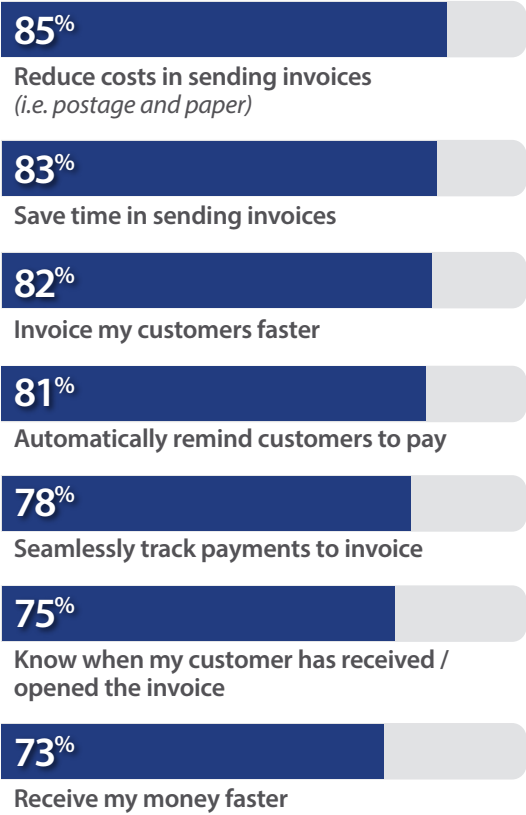
5. Virtual Cards – a virtual payment solution providing a single-use account number for each transaction, allowing SMBs to specify the payment amount, date range and other transaction details to control spend, reduce the risk of fraud and make reconciliation processes easier.

6. Expense Management – making it easier for SMBs to monitor and control business spending, e.g. tracking employee spending, creating automated digital expense reports and easily categorizing transactions.

Even with the diverse range of SMB-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 three-quarters (62%-77%) of SMBs 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.

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

Benefits of Digital Inquiries

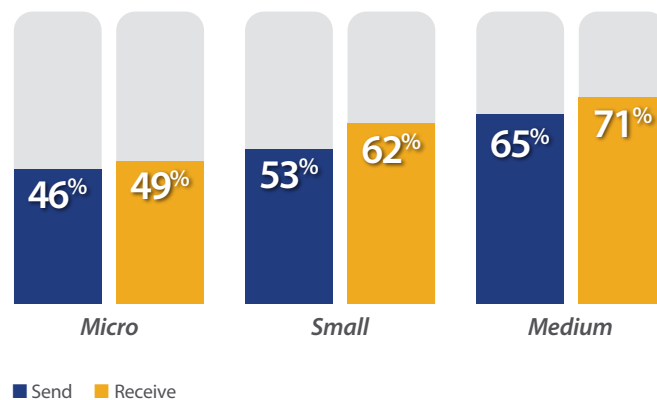


More specifically, digital invoicing is an area of keen interest for SMBs, providing a route for income to be received from customers and for suppliers and vendors to be paid in order to, quite literally, ‘keep the lights on’. Across SMBs, there is consensus that sending and receiving digital invoices confers tangible benefits. When asked to identify whether they agreed or disagreed with various benefits of digital invoices, 85% agreed that the cost of sending invoices is reduced compared to paper invoices (e.g. saving on paper, printing and postage), and 83% also agreed that there are time savings. Vivaly, 73% of SMBs somewhat or strongly agreed that they receive money faster from customers via digital invoices, compared to paper.



Looking at SMBs' invoicing preferences, there is variation between invoices sent and received based on the size of the business surveyed. In general, digital invoices are preferred more when received compared to when sent. Also, as a trend, the larger a business becomes, the more digital invoices are preferred. 46% of micro SMBs polled prefer to send digital invoices compared to paper invoices and 49% prefer to receive digital invoices. These same metrics are considerably higher for medium-sized SMBs: 65% prefer to send digital invoices and 71% prefer to receive. These two trends are not surprising. Greater administrative effort is needed from the receiver of an invoice and going digital will facilitate easier capture in accounting software, tracking, and eventual payment. In addition, as businesses become larger, they are more likely to rely on accounting software and digital payables processes, again explaining the preference for digital invoicing in larger organizations.

Digital Invoice Preference to Send & Receive by SMB Size



Receiving digital versus paper invoices also has an impact on timing of payments to suppliers and vendors and therefore cashflow. 56% of paper invoices are paid upon receipt or before the due date, compared to 51% for digital invoices. This 5 percentage point difference has a bearing on cash flow as making 'just-in-time' payments can improve a business's cash flow compared to paying early. Invoice due dates must be monitored carefully as making late payments may incur penalty fees, adversely impact a business's credit rating and damage commercial relationships with strategically important suppliers and vendors. Again, receiving digital invoices confers clear benefits in terms of being able to monitor due dates and receiving notification of upcoming payments: 5% of SMBs reported paying paper invoices late, compared to 3% for digital invoices.

CASE STUDY: Ideal Fire Protection

Fire safety firm uses a business credit card to improve cash flow, reduce admin and have more control over employee spending

Ideal Fire Protection Inc. has been in business for more than 20 years, operating out of Mississauga, Ontario and servicing the Greater Toronto Area (GTA), London and Barrie. With a stated aim of protecting life and property from fire, the business has proven to be very secure and 'recession-proof'. Ideal Fire Protection Inc. delivers fire safety-related services to business customers including factories, offices, commercial plazas and residential complexes. The 15-strong workforce install, inspect and maintain fire safety equipment such as fire alarms, sprinklers and hydrants and consult on fire safety plans, drills and training, to name but a few of their services.

The entrepreneur behind Ideal Fire Protection Inc. is Sam Naukkarinen, and he understands the strains of running a small business all too well. Cash flow management, administrative demands and control over expenses are three areas where he needs to be as effective as possible, providing the lifeblood to finance his business and freeing him up to focus on what matters most – delivering excellent service to his customers.

To improve cash flow, Sam relies on his business credit card. "90–95% of our suppliers accept card," explains Sam, with expenses including the purchase of fire alarm systems, emergency lighting batteries and other safety-related equipment. "We always pay our suppliers on time, but using my credit card gives me an extra 30 days to pay, which gives me a level of comfort" and smooths out cash flow considerably.



Using a business credit card has also resulted in substantial time saved from avoiding the need to write, issue and reconcile cheques. Sam's credit card "saves quite a few hours each week compared to cheques; now a batch of chequebooks lasts over a year!"

Ideal Fire Protection Inc. also issues cards to all employees, conferring extra control over their expenses. Cards are issued with a spend limit and restricted to purchases within certain merchant categories, such as fuel, with Sam receiving detailed expenses breakdowns for each employee. Combining this data with information from the GPS installed on company trucks, Sam can match employee purchases and monitor for abuse of the business cards. Sam explains, "it gives me more control. If there is misuse, I can immediately block a card from working."

“ Sam's credit card saves quite a few hours each week compared to cheques; now a batch of chequebooks lasts over a year! It gives me more control. If there is misuse, I can immediately block a card from working. ”

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 optimization.

- **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 optimization** - A multitude of programs can provide guidance on tasks such as predicting labour costs, scheduling hourly employees, and managing payroll.



CASE STUDY: Hockey Stick Man

Hockey equipment retailer benefits from the convenience and ubiquity of cards to make their business more efficient

Hockey Stick Man sells good-as-new refurbished and brand-new sticks as well as skates, jerseys, pants, gloves and protective gear to hockey enthusiasts across Canada and the US from its base in Mississauga, Ontario. Many of the refurbished sticks have been used and broken by professional hockey teams, but are in otherwise excellent condition. Once repaired, they are a cost-effective route to a top-quality stick.

To say father and son team Peter and Joey Walsh are passionate about hockey is an understatement. Coming from a small-town family farm with a hockey rink in the front yard, and armed with first-hand experience of professional hockey, they understood that hockey can be dauntingly expensive for many and were quick to spot a gap in the market for lower-priced options on quality sticks. From humble origins in 2010, Hockey Stick Man is now one of the largest online hockey stick retailers in North America, with more than 30,000 customers worldwide, a dozen staff and three retail stores.



“

We don't have a CFO so we rely heavily on automation for ease of bookkeeping, and we wouldn't have been able to keep up with the operational demands as our business scaled," says Joey.

”

From their earliest days, cards were the preferred method of payment, and it is the same today. "It was our first time doing business and we just wanted to avoid cheque processing times and the risk of a bounced cheque," says Joey. The convenience for customers and ubiquity mean that cards are welcome in their website and across their retail stores.

On the operational side, Hockey Stick Man also depends upon card payments to run their business. "We don't have a CFO so we rely heavily on automation for ease of bookkeeping, and we wouldn't have been able to keep up with the operational demands as our business scaled," says Joey. More than half of business expenses are paid for by card, and a feed of transactions is integrated directly into their accounting software, saving considerable amounts of time in a typical week.



In terms of cashflow, cards also represent a significant improvement over cheque, with funds arriving and leaving the business bank account faster. For busy owners, more effort is required to monitor cashflow to account for processing times of cheques received from customers and issued to suppliers—not to mention the time saved from avoiding the need to verify, write, deposit, scan or store and reconcile cheques.

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.²⁴
- 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.²⁵
 - 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.

²⁴ Joe Mullich for Capital One Spark Business. “Getting a Small Business Loan,” July 27, 2015.

²⁵ 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:

Pete the Plumber

Calgary's "#1 plumber" uses mobile terminals to accept card payments on the go and embraces social media channels to reach customers

Calgary, Alberta is home to a different type of superhero: a plumber with a reputation for hard work, honesty, fair prices and, as a bonus, eye-catching trucks that can be spotted throughout the city. Pete the Plumber, with a network of 35 trucks and more than 40 staff, handles Calgary's plumbing, electrical and heating, ventilation and air conditioning (HVAC) needs.

Pete the Plumber's founders, Andrew Prince and Pete Archdekin, worked together for several months before realizing theirs was a real meeting of the minds: they had compatible personalities, work ethics and ideas about how a plumbing company should be run. In February 1999, talk turned to joining forces in a new

“Where previously cash and cheque were king, cards now represent more than 70% of revenue.”

venture, and within a few months they had developed their business plans, raised capital and hired their first employee to work the phones. By fall of 1999, Pete the Plumber was born, and so began their journey to building one of Calgary's largest plumbing firms. The superhero company artwork, together with trucks adorned with caricatures of Andrew's daughter and Pete's bulldog, had the phones ringing off the hook, and breakneck growth has continued ever since.

Twenty years on, Pete the Plumber makes sure to keep pace with digital advancements, and their payment strategy reflects this. Where previously cash and cheque were king, cards now represent “more than 70% of revenue,” says Mary Bishop, the office manager who has been with the business since 2001. What started out as plumbers capturing customers' card details on invoices and handing them into the office for processing has turned high-tech. Plumbers now arrive at jobs equipped with a mobile card terminal and take payment on completion. This is especially helpful, explains Mary, as “it is really hard to chase down payments from residential customers once you have left their house. Also, in the event of a card being declined, the plumber can ask for an alternative form of payment straightaway.”





Avoiding the need to hold, transport and deposit cash has substantially benefitted plumbers and electricians in terms of safety, security and convenience. Turning to operational matters, Mary explains, “though we still do a couple of bank runs a week to deposit cash and cheques, this is much less than it used to be, saving considerable time and reducing the risk of bounced cheques.” With all digital payments being integrated into their accounting system, transactions feed through automatically, providing additional time savings through streamlined bookkeeping and reconciliation.

“

Outside of payments, digital transformation has impacted virtually every aspect of Pete the Plumber. Customer bookings that were previously jotted down on paper are now captured electronically and accessed by plumbers and electricians on their smartphones via a cloud-based calendar service.

”

Outside of payments, digital transformation has impacted virtually every aspect of Pete the Plumber. Customer bookings that were previously jotted down on paper are now captured electronically and accessed by plumbers and electricians on their smartphones via a cloud-based calendar service. Even the way customers are reached has evolved to embrace new media. While traditional channels like appearances on ‘how to’ TV shows and radio placements remain important, a dedicated marketing manager ensures their Facebook, Twitter and website are kept up-to-date and appealing to customers.

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 SMBs to embrace digital consumer discovery and marketing.

Consumers are also showing preference for tools and technology that enhance and simplify their shopping experience. Many SMBs 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. 62% 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 SMBs bottom line. Two-thirds tell

us that customers spend more when using card versus cash, and 40% of SMBs surveyed saw an increase in their sales after they started to accept digital payments. And let’s not forget, based on responses from SMBs surveyed, that digital payments can be processed six times faster than non-digital payments when used for business expenses, yielding substantial time savings for the typical SMB.²⁶ There is a diverse range of digital tools that may be readily available to SMBs, ranging from digital invoicing to business card controls, educational programs, rewards and offers and data reporting tools – but SMBs may be unaware of them. Your payment processor, 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



²⁶ Based on 2019 Visa-commissioned Maru/Matchbox survey data. Analysis on survey data completed by independent third party, ESI ThoughtLab. See Methodology for details.

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

Methodology

Quantitative Analysis Details

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

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

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

We focused on the following impacts:

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

We surveyed 225 businesses across Canada. The responses included micro (121), small/medium (104) sized businesses from the personal and professional services (60), food/dining/grocery (86), and retail (79) sectors.

Micro and Small / Medium Size Business

Fieldwork: 20 minute online survey, fielded: May 7 - July 17, 2019

Target: Business Payment Decision Makers

- 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	33	53	86
Retail	54	25	79
Services	34	26	60
Total	121	104	225

Consumer

Fieldwork: 30 minute online survey, fielded: May 6 – June 4, 2019

Target: General Consumer

- 18 years or older
- Checking 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 (<\$50,000)	128	125	125	128	506
Moderate (\$50,000-\$75,000)	123	125	125	125	499
Middle (\$75,000-\$100,000)	124	125	125	125	496
High (\$100,000+)	126	125	125	125	501
Total	503	500	500	500	2,000

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

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

*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, chequing 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-five 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 (SMBs) 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 SMBs. Canadian consumers and SMBs 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 SMB and Consumer perspectives.

Case studies, comparisons, statistics, research and recommendations are provided “AS IS” and intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. Visa Inc. neither makes any warranty or representation as to the completeness or accuracy of the information within this document, nor assumes any liability or responsibility that may result from reliance on such information. The Information contained herein is not intended as investment or legal advice, and readers are encouraged to seek the advice of a competent professional where such advice is required.

Reproduction of this report in whole or in part requires written permission from Visa. Other than Maru Matchbox, ESI ThoughtLab and Insight Consultancy references to third parties does not amount to endorsement or association. We do not assert any rights to third party content.

© 2019 Visa. All Rights Reserved.

VISA everywhere
you want to be

In Partnership With

ESITHOUGHTLAB

maru/matchbox

insight
