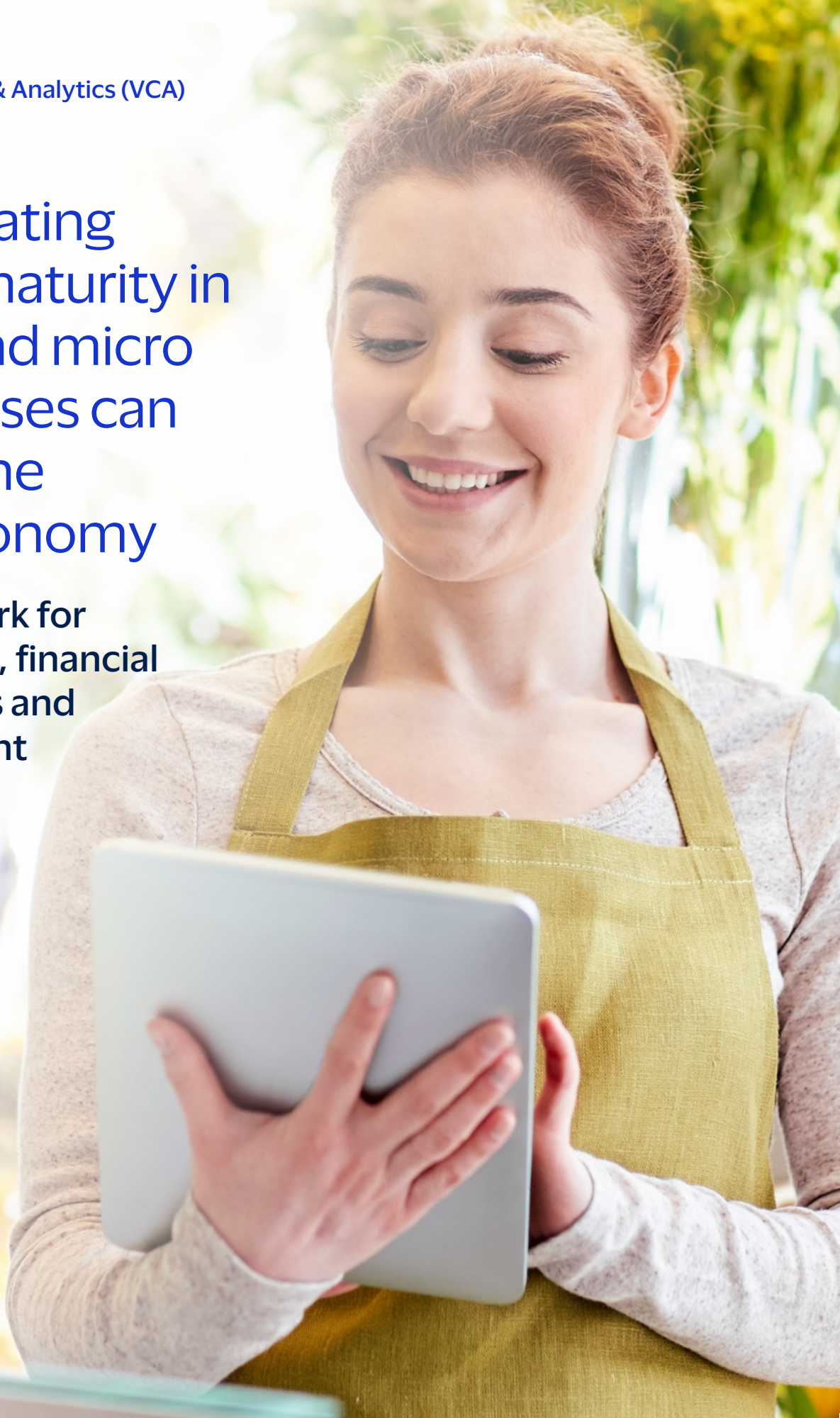




Visa Consulting & Analytics (VCA)

Accelerating digital maturity in small and micro businesses can boost the Irish economy

A framework for
businesses, financial
institutions and
Government



Digitalisation of businesses can bring tangible benefits and must be harnessed

Micro, small and medium enterprises (SMEs) are critical to Ireland's economy. Digitalisation of these businesses has tangible benefits for Ireland's economy, but they need support.

For these businesses with 50 or fewer employees, adoption of digital systems and processes – ranging from accepting orders and payments online to rolling out communication systems that enable home working – has played a crucial role in aiding their survival during the Covid-19 pandemic.

There is clear evidence that integrating digital processes across a business enhances performance and resilience, and overall, there is a keen appetite for digital adoption amongst Irish small and micro business.¹ EY finds 68% of small and micro businesses are striving to manage as many aspects of their business as possible through digital touch points.²

The journey to digital maturity

The pandemic was the driving force behind many small and micro businesses adopting digital tools either for the first time or to a greater extent.³ This means that many small and micro businesses still have a long journey ahead to achieve full digitalisation. According to the European Commission, just 17% of European small and micro businesses sell online, compared to 39% of large enterprises and electronic information sharing through enterprise resource planning (ERP) software is more common in large enterprises (80%) than small and micro businesses (35%).⁴

The Irish Government launched 'Harnessing Digital - The Digital Ireland Framework' in 2022 which set out targets for the digitalisation of Irish businesses including the goal to have 90% of small and micro businesses at basic digital intensity by 2030.⁵

Google estimates that with investment in digital skills, digitalisation can contribute an additional €9.5 billion to Ireland's GDP in 2025.⁶

Existing research into digital performance of small and micro businesses tends to focus on medium-sized businesses. However small and micro businesses account for 98% of all active enterprises in Ireland so there is merit in accelerating their ability to exploit the benefits of digitalisation.⁷ Visa has commissioned focused research to investigate the effects of digitalisation on small and micro businesses in Ireland.⁸

A key finding of this research is that digitalisation is not an end state, but rather a journey that is influenced by businesses' mindsets and future plans. Visa calls this 'digital maturity'. Ultimately it is this level of digital maturity that differentiates business performance.

This report:

- i. investigates the extent and impact of digitalisation across small and micro businesses in Ireland
- ii. makes a case to reinforce the need for Irish small and micro businesses to continue accelerating their digital adoption journey
- iii. proposes an approach that the Irish Government and financial institutions can take to play a part in accelerating digitalisation for small and micro businesses

1. EchoLive.ie, "90% of businesses are behind on digital transformation journey" (2022): <https://www.echolive.ie/business/arid-40844087.html>
 2. EY, "The Voice of the SME: Banking Experiences and Expectations" (2021): https://assets.ey.com/content/dam/ey-sites/ey-com/pt_br/agencia/estudo-ey-pme.pdf
 3. Digitally Driven/Europe, "European Small and Medium-Sized Enterprises (SMEs): Transformation, Innovation, and Resilience (2021): <https://digitallydriven.connectedcouncil.org/europe/wp-content/uploads/sites/2/2021/03/Digitally-Driven-Europe-FINAL-1.pdf>
 4. European Commission, "An SME Strategy for a sustainable and digital Europe" (2021): https://ec.europa.eu/info/sites/default/files/communication-sme-strategy-march-2020_en.pdf
 5. Gov.ie, "Harnessing Digital - The Digital Ireland Framework" (2022): <https://www.gov.ie/en/publication/adf42-harnessing-digital-the-digital-ireland-framework/>
 6. Google, "Bridging the Gap: A Report Digital Capabilities in Irish SMEs" (2022) https://services.google.com/fh/files/misc/sme_google_amarach_research_april_2022.pdf
 7. OECD iLibrary, "Financing SMEs and Entrepreneurs" (2022): <https://www.oecd-ilibrary.org/sites/92f28ade-en/index.html?itemId=/content/component/92f28ade-en>
 8. Visa, "Digital Maturity in Irish Small and Micro Businesses" (2022). Study conducted 12 April – 30 May 2022 amongst 210 small and micro businesses. See Appendix 1

Research shows that mature digital businesses perform better

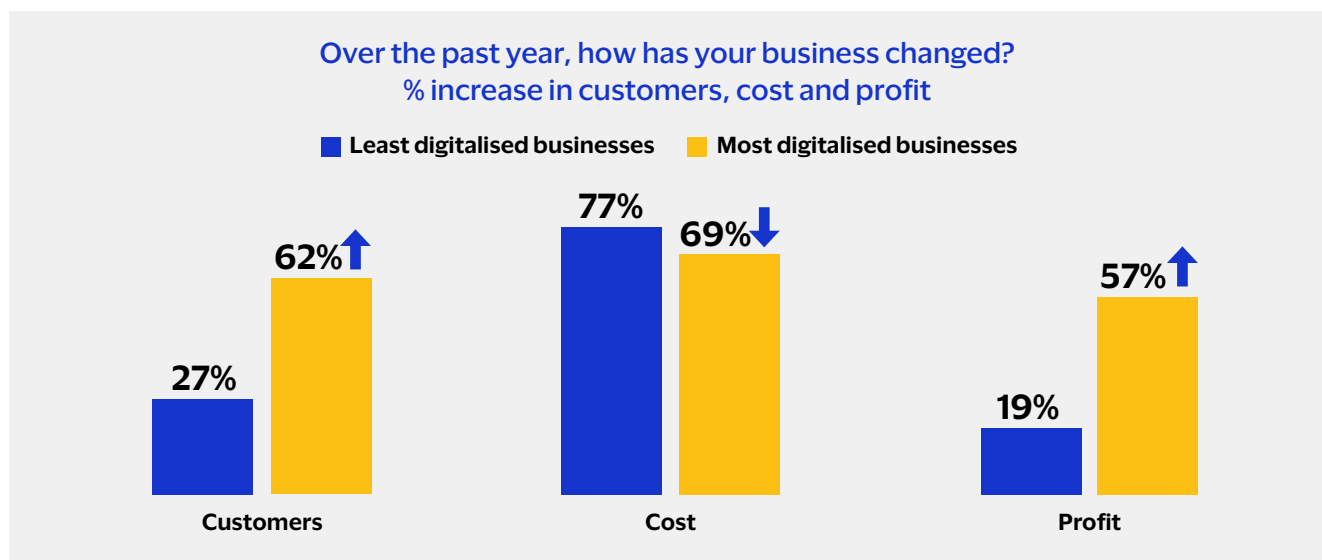
Digitalisation refers to the conversion of processes, systems and ways of working from physical to digital or electronic, either fully or in part.

A wide range of digital systems are already aiding Irish small and micro businesses, from social media platforms and website solutions to cloud-enabled software and integrated internal management systems.

There is clear evidence that digital systems do drive real business performance as small and micro businesses who embraced digital tools during the pandemic hired three times more employees and showed 60% better revenue compared to small and micro businesses that did not prioritise and use digital tools in their business operations.⁹

Previous studies into digitalisation amongst small and micro businesses found that the need for greater productivity and efficiency were the key drivers to adopting new technology. In fact, 77% of organisations state that the decision to adopt new technologies is driven by the need to further productivity and efficiency.¹⁰

Visa's study found a clear link between digital maturity and high performance even at the micro and small business level.¹¹ Compared to the least digitalised ('basic'), the highest digitalised small and micro businesses ('pioneer') experienced the greatest increase in customers (+45pp) and the tightest control of costs (-9pp) which led to the highest improvement in profit (+38pp).



As part of the study, Visa also asked consumers about their expectations of digitalisation amongst small and micro businesses. It turns out consumers overwhelmingly expect these businesses to exploit digital not just for growth but for the sake of their survival.

79%

of consumers agree that small and micro businesses would benefit from using and improving their digital capabilities

76%

of consumers agree that small businesses need to improve their use of digital to survive

+70%

of 18-35s want to support small business but find it frustrating when they cannot pay digitally

9. Digitally Driven/Europe, "European Small and Medium-Sized Enterprises (SMEs): Transformation, Innovation, and Resilience (2021): <https://digitallydriven.connectedcouncil.org/europe/wp-content/uploads/sites/2/2021/03/Digitally-Driven-Europe-FINAL-1.pdf>

10. EchoLive.ie, "90% of businesses are behind on digital transformation journey" (2022): <https://www.echolive.ie/business/arid-40844087.html>

11. Visa, "Digital Maturity in Irish Small and Micro Businesses" (2022). Study conducted 12 April – 30 May 2022 amongst 210 small and micro businesses. See Appendix 1



Digitalisation must be seen as a journey of maturity

Most small and micro businesses in Ireland acknowledge a strong relationship between digitalisation and business success, and 57% of businesses in Visa's research had adopted at least one digital initiative recently.

Visa's research conducted both qualitative and quantitative studies focusing on micro businesses which range in size from a single operator to up to 10 employees, and small businesses which have between 10 and 50 employees. This research captured the digital landscape of 210 Irish businesses under 50 employees, across 13 industries, and the technological expectations of 500 Irish consumers. Visa's research finds that digitalisation is an ongoing process with many Irish small and micro businesses only starting out on their journey. Ultimately it is this level of digital maturity that differentiates the positive effect that technology will have on performance, with more digitally mature businesses performing better.

Visa observed three distinct levels of maturity among Irish small and micro businesses: **'Basic'**, **'Followers'** and **'Pioneers'**.¹² Businesses in the 'Basic' segment are the least digitalised and responded neutrally to the position that digitalisation leads to better business results and that adopting more digital-based solutions and ways of working will be important to the company's future success. 'Follower' businesses were those which agreed with these statements, and 'Pioneer' businesses are the most digitalised and strongly agreed with both statements.

¹² Basic, 'Followers', 'Pioneers' segments identified in qualitative research were validated quantitatively based on perceived importance of digital to company's success and belief that more digital leads to better business results (Question A1: How important do you believe adopting more digital based solutions and ways of working will be to your company's future success? Question P1. On a scale of 1-10 to what extent do you agree or disagree that more digitalisation leads to better business results? total n=201). K-means cluster analysis identified 3 clusters

Current digital maturity of Ireland's small and micro businesses

Basic 13%	Follower 40%	Pioneer 47%
<p>Who are they?</p> <p>18 years trading</p> <p>9 average employees</p> <p>4% trading <5 years</p> <p>390 Avg. no. customers</p> <p>27% Implemented a new digital initiative in their business within the past 12 months</p>	<p>What are their behaviours?</p> <ul style="list-style-type: none"> Cash oriented and invoice-based businesses Not "online" although may describe themselves as such (e.g. listed in local business pages) Resistant to new ways of working and find change hard going, see the negatives of digitalisation 	<p>What triggers them to go digital?</p> <ul style="list-style-type: none"> Non digital options are no longer accepted Changing becomes the easier option. New offers are exclusively digital Customer demand cannot be further ignored (e.g. New, younger customers only want to pay digitally) <p>Typical digital tools used</p> <ul style="list-style-type: none"> WhatsApp Instagram Revolut PayPal Excel Facebook <p>Biggest barrier: Don't see the benefit of digital to the business</p>
<p>Who are they?</p> <p>11 years trading</p> <p>16 average employees</p> <p>32% trading <5 years</p> <p>409 Avg. no. customers</p> <p>55% Implemented a new digital initiative in their business within the past 12 months</p>	<p>What are their behaviours?</p> <ul style="list-style-type: none"> Accept some digital payments and actively use social media to market and sell to customers Find digital a challenging transition – say they are open to change but have yet to prioritise it See the benefits of digital but can struggle to identify the application for their businesses 	<p>What triggers them to go digital?</p> <ul style="list-style-type: none"> Motivated to change by the financial crash or Covid-19 Perception that mainstream is now digital Staff or clients who recommend digital adoption <p>Typical digital tools used</p> <ul style="list-style-type: none"> Sage Squarespace Invoice2go Google Pay Stripe <p>Advantage: Follower businesses grew 2x more than Basic businesses in past 12 months</p> <p>Barriers to advancement: High cost / investment</p>
<p>Who are they?</p> <p>12 years trading</p> <p>18 average employees</p> <p>36% trading <5 years</p> <p>423 Avg. no. customers</p> <p>68% Implemented a new digital initiative in their business within the past 12 months</p>	<p>What are their behaviours?</p> <ul style="list-style-type: none"> Embrace opportunities to integrate systems from front to back office Accept change is vital to sustain growth Recognise the efficiency benefits of digitalisation to the business and the opportunity to upskill the workforce 	<p>What triggers them to go digital?</p> <ul style="list-style-type: none"> Switch for faster card acceptance Actively connect to networks to keep up and respect and listen to those who know more Where things move online, they are quick to adopt <p>Typical digital tools used</p> <ul style="list-style-type: none"> Shopify Xero Dext Oracle Woo Commerce Herbst Software <p>Advantage: Pioneer businesses grew 2.3x more than Basic in past 12 months AND saw lower increases in cost than either Basic or Follower businesses</p> <p>Barriers to advancement: High cost / investment/ concerns about digital security</p>

Digital maturity is influenced by business ambition and digital mindset

Visa's research highlighted that digitalisation is not an end state. It is a journey to achieving 'digital maturity' which is influenced by two factors:

- ✓ growth ambitions
- ✓ the extent of their digital-first mindset

It is important to acknowledge that not all businesses prioritise digitalisation because of the nature of their clients, or the fact that they already have a loyal and sustainable client base. However, for this minority, accelerating digitalisation will still offer strong business benefits such as improved efficiency in back-end processes and keeping up-to-date with evolving financial compliance.

Business ambitions - Basic

1. Keep it going as long as possible
2. Wind down

28%
Clear exit strategy

Business ambitions - Follower

1. Grow and sell
2. Keep it going as long as possible

52%
Clear exit strategy

Business ambitions - Pioneer

1. Grow and sell
2. Keep it going as long as possible

57%
Clear exit strategy

At each of the three digital maturity stages, businesses face different hurdles in continuing or accelerating their journey. It is the extent to which they have a digital-first mindset that works in tandem with their ambitions to grow their business. This defines where they are on their digital journey, and how fast they will travel along it, if at all. There is also a gap between basic and pioneer businesses when it comes to exit planning, with pioneer businesses having a clear plan on whether they will grow and sell their businesses or keep the business going for as long as possible.

In particular, businesses at 'basic' digital maturity struggle to recognise the importance and impact of digital processes and systems on their business growth. Visa's research indicates significant gaps in agreement when considering elements such as: an e-commerce presence on social media, cloud-enabled software solutions, online collaboration tools and the ability to accept payments online.



Comparing mindsets across the three digital maturities

Basic

Need to be led to start line

"Do we have to" mindset underpins almost all decisions, whether task, market or people triggered. It is only if:

- it is compulsory
- the alternative is deemed "worse" or
- there is a risk of losing a significant percentage of existing customers

They turn to traditional support

Who to turn to for digitalisation help?

1. Don't know
2. Accountant
3. Business Association

Cash is king

Cash is still preferred, while Revolut is the best way to accept non cash payments from younger customers.¹³ A few older customers are still using cheques.

Using traditional high street banks – if they need something (like a card reader) they will go there first and will not shop around.

Appreciate the local branch and feeling a bit deserted by closures.

"You know, the way the banks ring you and they want you to put in the card machine, and I was very tempted, but then we kind of said, Look, we're going, OK, as it is why change it?"

SHOP OWNER

Follower

Need support to accelerate

"Perhaps we should" mindset underpins almost all decisions. Whilst the "follower" businesses are theoretically open to change and digitalisation, in practice it tends to be in response to triggers that might otherwise impact in a negative way.

"Follower" organisations looking at "basic" organisations would immediately spot opportunities which the "basic" has failed to see.

They dabble with new ideas

Who to turn to for digitalisation help?

1. Family, friends and colleagues
2. Online search
3. Don't know

Consider all options

Revolut is increasing its presence across all sectors and sizes but will still not make up the majority of takings.¹⁴

Likely to have considered a range of options but possibly still not sure of digital, or have adopted without sufficient investigation and been obliged to consider alternatives after the fact.

"[sic] The banking online, you have the simple like, do phones do a lot of like you're taking pictures, you're sending it for work, you can do video calls and that stuff is making it so easy for our line of work"

BUILDER

Pioneer

Need external barriers removed

"I wonder if" mindset underpins almost all decisions. People stimulate new ways of thinking and introduce new tools and software. Input from younger digital natives breeds confidence in older business leaders.

Pioneer businesses are always on the look out for new options and solutions that might work for them. They are willing to try anything.

They trust the professionals to keep up-to-date

Who to turn to for digitalisation help?

1. Family, friends and colleagues
2. External consultant
3. IT Department

Card payments are simple

Actively seeking alternatives to "traditional" forms of banking and finance. Cheques are particularly disliked for the effort involved in dealing with them and the fact that they are paper based. "Card payments" is entry level in terms of digital.

Willing to switch service for "better" and more integrated solutions.

"I know the price of fertilisers is going crazy. So if I know paddock no. 6, it's loaded up and paddock, no.7 and I'm going to put two completely different fertilisers on them, which at the end of the year, I'm, hoping would save me three or four, five thousand, 6000 if I'm efficient"

FARMER



13 & 14. Visa, "Digital Maturity in Irish Small and Micro Businesses" (2022). Study conducted 12 April – 30 May 2022 amongst 210 small and micro businesses. See Appendix 1.

There is a level of support for digitalisation of small and micro businesses in Ireland today

Government, private sector and small business associations offer initiatives for digitalisation of small and micro businesses.

In Ireland there has been a foundation of digital investment in recent years from Government, the private sector and small business associations, as the case studies below show. This investment has been supported by new Government policy and frameworks to support the digitalisation of small and micro businesses, including from Enterprise Ireland, the Government organisation responsible for the development and growth of Irish enterprises in world markets.

There has also been a lot of work to draft policies and set up frameworks to support the digitalisation of businesses.

Example of existing Government support

Ireland has an organisation dedicated to providing funding for companies at all stages of digital development. This includes supporting through a digital scorecard to help firms find where they can receive digitalisation support across Ireland.

This organisation provides funding support for businesses to engage in an external consultant on issues including assessing the impact of emerging developments, strategic intervention with financial forecasts and business plans, and determining the best response to threats, disruption or opportunities.

There is also a digitalisation voucher available for manufacturing and international traded services businesses to assess their digital capabilities.

Example of existing private sector support

Ireland has a business community and network that has already supported over 500,000 businesses to grow through: **Learn** (Lunch & learn sessions, e-learning courses), **Connect** (Events, groups, local meet-ups), **Progress** (Personalised support dashboard), **Advice** (Mentoring), **Growth** (Free email 'scale-up' course).

This organisation has also partnered with large and well-known industry players to offer support such as:

- **Intensive 1-week bootcamps for offline businesses wanting to build an online presence or e-commerce activity**
- **Free training materials and cloud technology services**
- **1-year training programme to accelerate digital sales, CRM and financial skills**

Example of existing small business association support

There is an Irish association addressing the growing productivity and skills gap which is emerging between small and large firms in Ireland by offering small business owners (private sector, 1-250 employees) innovation, sustainability, peer-to-peer networking and mentoring.

For example, they have partnered to deliver a 12-week business support programme targeting digital automation, people, finance and growth, and business processes through mentoring sessions, peer workshops, expert-led masterclasses, bespoke business improvement plans etc.

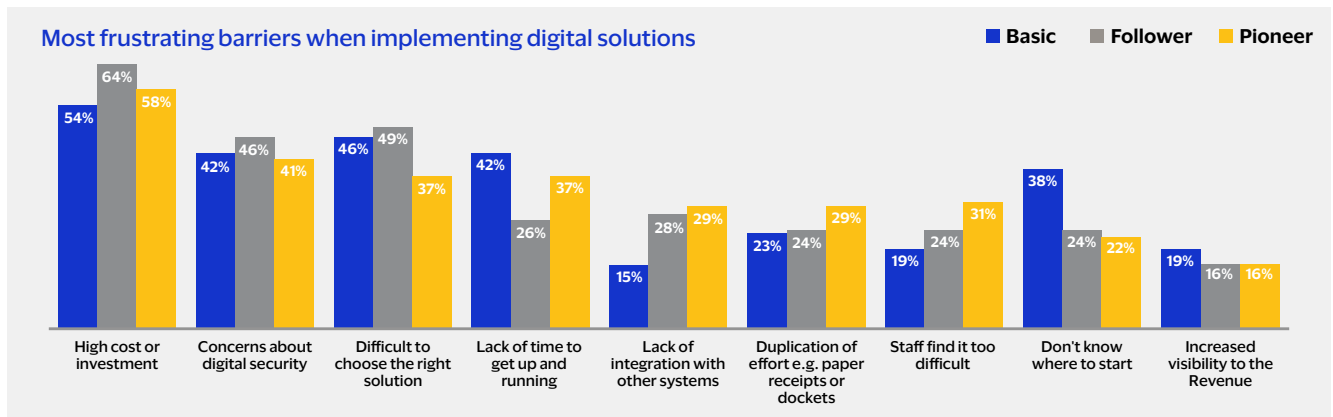
However, more needs to be done to address the needs of businesses at different digital maturities

Visa's research finds that small and micro businesses need more nuanced support.

As expected, all businesses said that cost was the primary barrier to advancing their digital development. However exploration of the secondary barriers reveal a clear difference, supporting the fact that a one-size-fits-all approach is not sufficient for small and micro businesses.

After cost and digital security, a business at 'basic' digital maturity will likely find it difficult to choose the right solution or simply don't know where to start.

For 'pioneer' digital maturities, they are more likely to bemoan a lack of integration with other systems, or perhaps experience that staff find change too difficult.



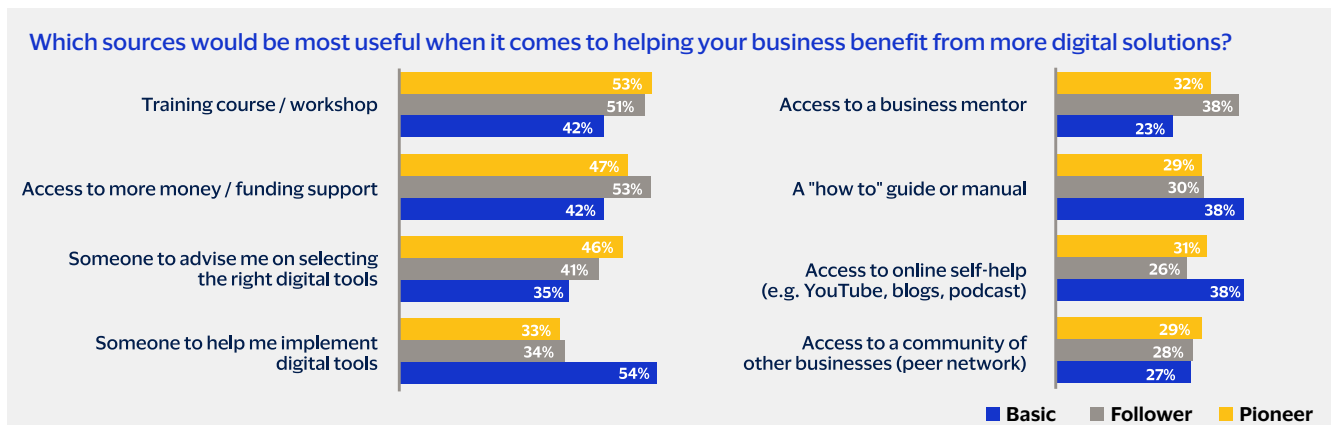
These varying barriers are significant as different barriers mean different practical help is required for small and micro businesses as they advance through their digital maturity.

Visa's research also indicates differences in who businesses turn to for advice when researching new digital processes or systems. The 'basic' group turn to traditional experts such as their Accountant or a Business Association, whereas the more adventurous 'pioneer' group talk to colleagues or turn to experts such as their IT team or an external consultant.

This indicates that public sector, private sector and small and micro business association support needs to be much more tailored and flexible in the future. As the chart

below highlights, 'basic' businesses are more likely to want implementation help, while 'follower' and 'pioneer' businesses tend to seek out training and advice to choose the right tools.

The promotion of digitalisation needs to be reignited and optimised today to close the widening skills and productivity gap between small and larger businesses and to build on the inertia which the pandemic created. If Government, financial institutions, and small and micro business associations step-up the support and investment they are delivering now, small and micro businesses can diminish the skills and productivity gap and ensure both the economy and customers reap continuing rewards.



Show me, advise me, enable me: A blueprint for targeted action

Visa believes that a targeted approach should be adopted based on the individual digital maturities of small and micro businesses.

It is clear that the continued advancement of digitalisation is not only important for enabling Irish consumers to enjoy modern commerce experiences but for the Irish economy to remain competitive. The question is, how can Government and the private sector best support this acceleration of digital among small and micro businesses?

Visa believes that a targeted approach should be adopted which follows three strands – show me, advise me, and enable me. This framework, together with case studies from around the world in the appendix provide practical interventions which businesses, financial institutions and government can implement immediately to advance investment and digital skill development in Ireland.

‘Show me’, ‘advise me’, ‘enable me’ framework

	Show me: Lead them to the start line		
Objective	Increase small and micro businesses' awareness of the value of digital and available support to digitalisation (e.g. digital diagnostics, e-commerce awareness & set-up)		
Proof point (from Visa research)	<ul style="list-style-type: none"> • Small and micro businesses 'don't know what they don't know' • Small and micro businesses don't recognise the importance of digital for their business, particularly e-commerce presence 		
Examples of interventions	<ul style="list-style-type: none"> • Assisted services • E-commerce awareness and set-up • Conferences/exhibitions • Digital diagnostics 		

	Advise me: Support to accelerate		
Objective	Provide small and micro businesses with access to trusted sources of knowledge on digitalisation, and support networks (e.g. peer networking, accelerator programmes, funding)		
Proof point (from Visa research)	<ul style="list-style-type: none"> • Small and micro businesses need help to be more proactive in digitalisation • Small and micro businesses have a fear of getting it wrong • Small and micro businesses indicate they need access to more funding 		
Examples of interventions	<ul style="list-style-type: none"> • In-person workshops • Mentorship • Accelerator programmes • Peer networking • Consulting • Funding 		

	Enable me: Remove external barriers		
Objective	Supply infrastructure that enables small and micro businesses and small and micro businesses providers to further innovate (e.g. integrated solutions, dedicated advisors, national infrastructure)		
Proof point (from Visa research)	<ul style="list-style-type: none"> • There is a lack of digital solutions targeted at small and micro businesses 		
Examples of interventions	<ul style="list-style-type: none"> • Integrated solutions • One stop shop platform • Self-help: Webinars and video tutorials • Dedicated advisors • Robust national infrastructure 		

The journey to increase overall digital maturity of small and micro businesses in Ireland requires participation of all parties in the ecosystem

A series of practical interventions can be considered to accelerate digital maturity among small and micro businesses.

What does the 'show me', 'advise me', 'enable me' framework mean for: **small and micro businesses?**

There is a strong appetite for developing more digital ways of working amongst most Irish small and micro businesses, especially since the pandemic revealed new growth and service opportunities for many. This foundation must now be strengthened by adopting a digital-first mindset across the business. Now is the time for Irish businesses to investigate and unlock the support networks which are available from Government, small and micro business associations and the private sector.

Those businesses which only use digital processes for a small number of discreet tasks, can receive investment and practical skills support to make a business-wide shift towards digitising more tasks and providing a better service for their customers and more efficient operations. Updating manual processes (such as paper checks in the Accounts Payable process) with automation technology can streamline processing, improve cash forecasting, enable faster settlement, improve customer and supplier relationships and drive cost savings. Since adopting Accounts Payable automation technology, 58.7% of companies say they have seen fewer errors in their invoice processing.¹⁵

What does the 'show me', 'advise me', 'enable me' framework mean for: **financial institutions?**

Business owners often engage early with financial institutions when establishing an enterprise to open business banking accounts and set up payment processes. This creates a valuable opportunity to proactively drive digitalisation by providing relevant support and establishing banking technology before more manual processes are adopted.

Many Irish financial institutions are already considering this opportunity in their propositions for small and micro businesses. Visa's research suggests that technology is welcomed by business owners at this onboarding point as both businesses and consumers see their main bank as competent when it comes to digital. 85% of small and micro businesses surveyed in the Visa research rate their main bank as having competent or expert digital skills. Irish financial institutions appear to be in a strong position as trusted advisors to small and micro business owners, and they can now build on this using the 'show me', 'advise me', 'enable me' framework.

How financial institutions can support digitalisation

'Show me'

- Improve segmentation and needs identification to inform the support journey at small and micro business onboarding
- After referral, follow-through with hands-on support

'Advise me'

- Improve segmentation and needs identification at small and micro business onboarding
- Maintain a continuous dialogue about digitalisation with small and micro businesses through their lifecycle, acknowledging that their needs change from 'basic' to 'pioneer'

'Enable me'

- Improve segmentation and needs identification at small and micro business onboarding
- Review existing product suite to meet a broader set of needs e.g.:
 - supporting the wider small and micro business community
 - small and micro business-tailored loans
 - 'business in a box' products
 - digital or business skills training
 - introducing a mobile digital advisor

The long-term benefits for financial institutions

The leaders of small and micro businesses often lack time and money to implement digital solutions. Financial institutions can maximise their unique position of being perceived as digitally competent and the organisation that small and micro businesses engage with early in their business journey to provide support, training and digital products.

Those who offer targeted propositions at the ideal touchpoint could enjoy longer-term holistic relationships with their small and micro business customers which could result in more cross-product opportunities.

15. Ascend Software; Industry Analysis: Technology Trends in Accounts Payable Automation 2020.

What does the 'show me', 'advise me', 'enable me' framework mean for: **The Irish Government?**

The Irish Government's 'Digital Ireland Framework' has established an overarching strategy on which digitalisation can be adopted. However, this framework could be bolstered by acknowledging the needs of the small and micro businesses who are at the 'basic' level of development and encourage them to be more proactive and to support 'follower' businesses in taking further steps on the journey to full digital maturity.

In addition, Government should consider addressing how its own digital capabilities are perceived by small and micro businesses. Visa's research found both small and micro businesses and consumers believe the Government's capabilities needs improving, with only 20% of small and micro businesses seeing the Government as an 'expert' in digital, and 34% saying the Government is a 'Luddite' or 'Beginner'. This perception is further confirmed when Irish consumers were asked about the digital performance of the Government compared to their bank, mobile phone provider, and broadband provider.

Learnings from Visa's research and from global best practice indicate that if the Government now leads by example, they can unlock innovation across the small and micro business ecosystem. Foundational to this is the need to invest in accelerating reliable and fast internet access, as this is a key enabler that would otherwise cost small and micro businesses time and money, no matter what their digital maturity. Based on its Smart Nation strategy, Singapore has built a high-speed internet infrastructure which has supported its accolade as the leading technology innovation hub in KPMG's Global Ranking.¹⁶

How Irish Government can support digitalisation

'Show me'

- Offer more practical training and bespoke planning

'Advise me'

- Offer peer-to-peer networking schemes and training programmes

'Enable me'

- Make digital accessible to everyone by minimising surcharges and alleviating cost constraints
- Ensure all digital foundations are in place such as reliable internet
- Look to other government programmes for best practice on enabling small and micro businesses to innovate

A key enabler for strong digitalisation is internet reliability which would otherwise cost small and micro businesses time and money

Basic

"Internet drops leading to no access to emailed prescriptions, orders etc., so customers and patients left waiting"

Follower

"Business virtually stops as our main system is internet based"

Pioneer

"Clients' orders aren't seen on time. It halts distribution. Communication issues between staff and clients"

The benefits for government extend beyond economic productivity

The value of driving digitalisation goes further for the Government than simply growing the Irish economy. By increasing the adoption of integrations such as digital tax, Government could improve efficiency and reduce operational costs, as well as tackle the potential for shadow economy activities, such as tax evasion.

Further, if the Government creates a digital-friendly environment which makes starting and building businesses easy, it could improve its external perception as a digital expert and drive an upward cycle of entrepreneurship that builds a culture of innovation.

Case studies are available in the appendix which demonstrate how small and micro businesses, financial institutions and Governments around the world are taking varying approaches to unlocking innovation with digitalisation.

16. See 'Appendix 2' in this document for the case study.



Capturing the €9.5 billion opportunity for Ireland's economy

Increasing digitalisation across Irish small and micro businesses represents large opportunities for the economy, the productivity and profitability of businesses, and for Irish customers.

There is an immediate need however, for Government and financial institutions to build on the digital foundations that have already been established, through investment, infrastructure, support networks and innovation. Against this backdrop, and underpinned by Visa's 'show me', 'advise me' and 'enable me' framework, small and micro businesses can get the support they need and accelerate their digital journey with confidence.

If all parties in the ecosystem work together, digitalisation can help capture the additional €9.5 billion which Google predicts for Ireland's GDP over the next three years.



About Visa Consulting & Analytics

We are a global team of payments consultants, data scientists and economists across six continents.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

For help addressing any of the questions raised in this paper, please reach out to your Visa Account Executive to schedule time with our Visa Consulting & Analytics team or send an email to VCA@Visa.com or visit us at Visa.com/VCA

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The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

External reports used as references in this report are publicly available.

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Appendix 1: methodology

Qualitative research

10 qualitative depth interviews with small and micro business owners and operators, lasting up to 45 minutes each. Conducted 12th – 22nd April 2022.

- **Method:** One-to-one exploratory telephone or video discussions using online interactive stimulus to reduce bias and engage respondents
- **Respondents:** Those responsible for, or involved in, finance / payment acceptance in businesses of up to 50 employees

Small and micro business quantitative survey

A 15 minute online survey of n=200 micro and small businesses across a range of sectors and sizes. Fielded 20th – 30th May 2022.

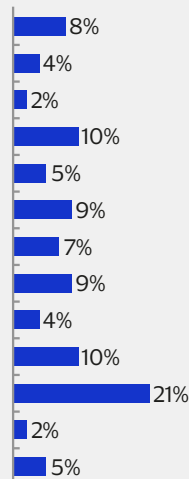
- 'Micro' defined as <10 employees from self-employed / company directors with no employees
- 'Small' defined as 10-50 employees

Consumer quantitative survey

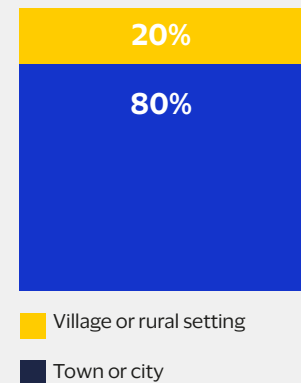
A 10 minute online survey of n= 500 consumers aged 18 and over, to be broadly Nationally Representative of the Republic of Ireland online population in terms of age and gender. Fielded 24th – 31st May 2022

Small and micro business quantitative survey profile

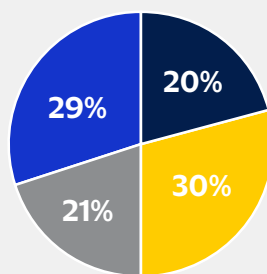
Administration & Support Services
Agriculture / Food production
Construction / Building Services & Materials
Education
Financial / Insurance / Property / Real Estate
Healthcare / Medical / Dental
Hospitality / Entertainment / Leisure
Manufacturing + Engineering
Personal services / Cleaning services
Professional services
Retail / Wholesale Trade
Transportation & Logistics / Utilities
Other (incl. Skilled trades)



Location type

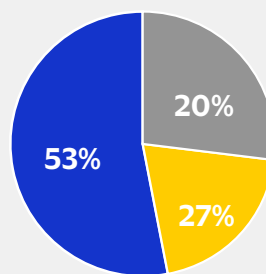


No. of employees



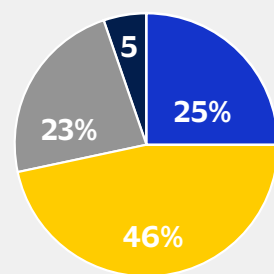
- None / I am a sole trader /self-employed
- 1-10
- 10-25
- 26 - 50

Region



- Northern & Western
- Southern
- Eastern & Midland

B2B /B2C



- Mostly B2B
- Mostly B2C
- About even B2B and B2C
- I haven't noticed/can't say

Appendix 2: case studies

How Irish Government can support digitalisation

Best practice guides

A recognised employers' organisation and European Social Partner, this organisation acts on behalf of crafts and small businesses in the European Social Dialogue and in discussions with the EU institutions. They speak on behalf of 22.5 million small businesses in Europe.

Based on the success of top performers, this organisation has developed best practice guides containing practical measures that small businesses can take in their journey to digitalisation. The guides focus on skills development, financial support, capacity building, appropriate infrastructure, software application development and standardisation.

Government-led digitalisation

This European government organisation is the one-stop-shop for businesses to get assistance with starting up, taxation, financial support and identifying key opportunities.

Businesses in this country are supported with free e-consultancy services that demonstrate the benefits of e-solutions, they can seek out potential partners and get detailed guidance on registering a company using digital government platforms.

To support small businesses with the financial side of running their business, this organisation also offers guidance on managing accounts through e-financials and education on the benefits of e-banking.

One-stop shop

This Asian country set out a smart nation strategy that invests in infrastructure, creates shared open platforms for businesses and a society where internet connectivity is a key enabler.

From a single website, businesses can access extensive resources and initiatives, including 'GoBusiness', the government's e-services and resources, and the small business digital programme which helps businesses find support schemes for their digital transformation, including productivity tools and cybersecurity. What's more, businesses can also access tax and loan incentives to invest in automation solutions and search for grants and funding from different agencies.

Appendix 2: case studies

Show me:

Private Partnerships

A major Irish bank runs a number of digitalisation initiatives, including a partnership with well known digital players. This partnership is encouraging Irish small businesses to trade online through a programme called 'ThinkIrish' which helps shoppers find, via the internet, the products they need in the retailers physical store.

Digital Toolkit Offering

This bank's business toolkit provides small businesses with the tools they need to stay on top of running their business.

Small and micro businesses can access the tools to safeguard their critical data with auto back-ups across all devices, improve their expense management, and help save time on reconciliations by digitally capturing receipts.

Through a business planning tool, small businesses can create a professional business plan which partnership with an accounting platform helps them manage their finances quickly with minimal accounting jargon. There is also an online platform which gives small businesses the know-how to effectively promote their business and sell on a mobile responsive website.

Industry-focused Support

This organisation launched a 'eHandwierk' program to support small businesses in the craft sector on their digital transformation journey.

The program includes an online self-assessment tool that helps small businesses discover their level of digital maturity and develop a strategy for digital transformation. Businesses can also arrange an on-site consultation to assess the businesses' needs and guide them to the appropriate initiatives and partners.

Businesses are also supported with articles and reports containing guidance on digitalisation, and free workshops and conferences where they can discuss an array of digital topics.

Advise me:

Business Digital Technology Discounts

This government launched a digital scheme to support small businesses with discounted software and free advice to help them adopt digital technologies which enable them to grow.

This scheme gives businesses discounts from the retail price of approved digital accounting and CRM software to support them in effectively managing their finances and building customer relationships which help them scale. Businesses can also access practical and specialised advice on how to choose the right digital technologies to boost their growth and productivity.

Hands-on Support and Connections

This organisation offers its members a wide range of training and tools to help craft businesses build customer relationships online while raising their competitiveness and efficiency. Craft businesses can access training courses which teach businesses how to create a website, optimise Search Engine Optimisation, retouch digital photos, and get the most out of their smartphones.

Members can request a visit from the organisation to carry out a digital inventory assessment and advise on digital strategy. The organisation also developed different mobile applications to bring together entrepreneurs and apprentices in the digital world.

Digital Skilling and Learning Program

This platform launched a flagship skilling and learning program for scaling young businesses. It provides free training, tailored advice, resources, events and tools to enable small businesses to become more digital, increase digital skills, increase online presence and increase sales.

This organisation also offers grants in the form of cash and ad credits to help small businesses across 30 countries cover rent, operating costs, marketing costs and increase their employee base.

Appendix 2: case studies

Enable me:

Expert Digital Development

This agency in a European country is focused on supporting businesses to make digital changes. The agency helps companies develop opportunities through business model innovation, shares expert business development knowledge, connects companies with potential partners and helps businesses find international funding opportunities.

As a case study, a packaging company that took advantage of this programme successfully identified where digital changes would bring benefits. Thanks to the advice from this agency, the packaging company has automated the processing and transfer of data in its supply chain and improved quality management. The company now responds more quickly to changes in production and can plan ahead more effectively. In the future, it intends to be digitally linked to its customers' supply chains to better respond to their needs.

Government-led Innovation Infrastructure

This Asian country's smart nation strategy invests in infrastructure, creates shared open platforms for businesses and a society where internet connectivity is a key enabler.

Innovation is an important element of the strategy, so there are government facilities for private sector organisations to share data and a regulatory sandbox where businesses can test out their fintech innovations securely.

Cloud-based Digital Accounting Tool

This tool is a great example of technology that fulfils the 'enable me' phase of Visa's framework by making it easy for business owners to automate tasks and approve expenses.

Business owners are able to manage receipts anywhere at any time with this tool's receipt scanning software, automate bookkeeping and streamline the expense management process. Cloud-based, this tool keeps documents secure for up to 10 years which enables businesses to remain compliant efficiently.