

DIGITAL TRANSFORMATION ON SMALL TO MEDIUM-SIZED BUSINESS ENTERPRISES

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Abstract: This paper is based on the main impacts of the digital economy to small size business enterprises. And it is illustrates how increasing the role of ICT sector in among small to medium - sized business enterprises.

Keyword: Digital transformation, digital economy, economy, enterprises, application, information communication technologies and global economy.

Introduction.

Beginning of the 21st century, the revolutionary impact of information and communication technologies manifested itself in a change in the way of life of people, in business, in a new approach to education, work, and in the interaction of government and civil society. Digital transformation (DT) is the process of redefining the entire business strategy by adopting the latest and emerging digital technology in driving the business through strategic plans and organizational change to augment the revenue and provide substantial value.

Digital transformation has a growing impact on Small to Medium-sized Enterprises (SME) business and IT ecosystems and offers new and prolific opportunities to participate in the global economy. Enterprise Applications Providers, Technology and Infrastructure vendors have realized and capitalized on the power of innovative technologies like Cloud, Big Data, Mobile, Social, Sensors, etc., considering next-gen solutions are being developed with the nexus of these

forces. Expanding internet access and growing smartphone users are bound to change the future of the world economy. Digital transformation has brought a paramount shift to the traditional ways of manufacturing, handling, storing and transporting things. Digital transformation lies in leveraging new technologies to ensure scalability and elasticity demanded by customers.

The below stats shows the estimated IT expenditure of small-to-medium-sized enterprises (SMEs) worldwide in 2017, 2018 and 2021. In 2021, SMEs are expected to spend 684 billion US dollars on IT hardware, software, and services, including business services, worldwide.

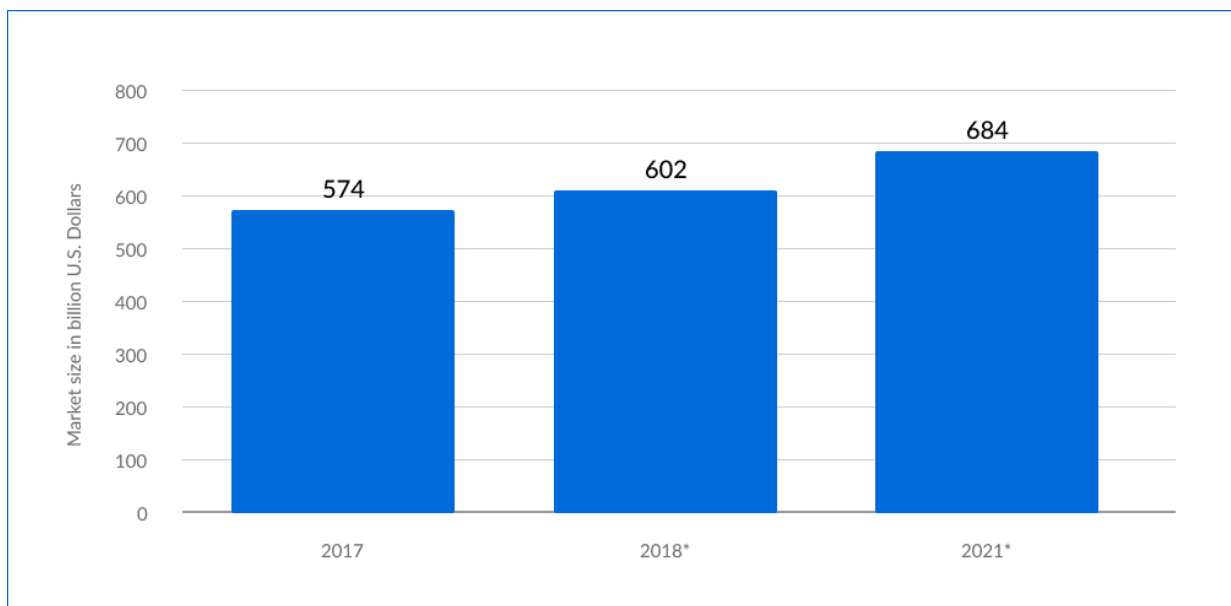


Figure 1: The statistics of the market size in the world in 2017, 2018 and 2021

In this modern era of all things digital, it is interesting to note how traditional small businesses have adopted digitization. Chitale Dairies from India is a live example. They took their “cows to the cloud”, yes! Dairy farming with cloud computing is exactly what they have implemented. RFID (Radio Frequency Identification) tags on the cows collect vital information on the animals’ health, nutrition, etc., the data is then virtualized, interpreted and insights are sent to the

farmers via SMS. They can then look after their animals better to yield the best quality milk.

Digitized SMEs are capable of diversifying consumer segments in a short period compared to offline businesses by

- a. Increasing revenue;
- b. Providing access to higher customer base;
- c. Increasing operational efficiency;
- d. Enhancing customer experience;
- e. Let's dive into these metrics:

Increase in Revenue

The most important objective of a business is revenue, the higher the revenue, the higher the growth of the business. A gigantic impact is seen in businesses after Digital transformation especially in terms of revenue. SMEs that adopted technology showed high profitability. It is proved that the profits of online businesses grew by 19% yearly and offline business revenue grew by 10% according to the KPMG report.

These stats clearly show that digital transformation has incentivized SMEs in terms of revenues.

Accessibility to Higher Customer Base

Having only the offline presence limits an enterprise from market reach. Customizing technology and having an online presence leads to remarkable opportunities for SMEs to grow and up their game in local and overseas markets.

Increased digital engagements allow SMEs to explore new markets, enabling them to compete with the top giants in the industry. E-Commerce platforms expand geographical boundaries by engaging in enhanced customer experience and provide support for better supply chain solutions. This allows companies to sell 24/7 and increase their customer base rapidly with limited operational costs.

An important observation is that 100% of India’s high-web SMEs have e-commerce presence and 75% of the low-web SMEs have adopted online presence. A similar trend can be observed when drawing comparisons with other developing countries that can be seen in the below figure. This implies that even SMEs with a limited online presence and trifling in the developing markets are beginning to realize the potential of having an online presence.

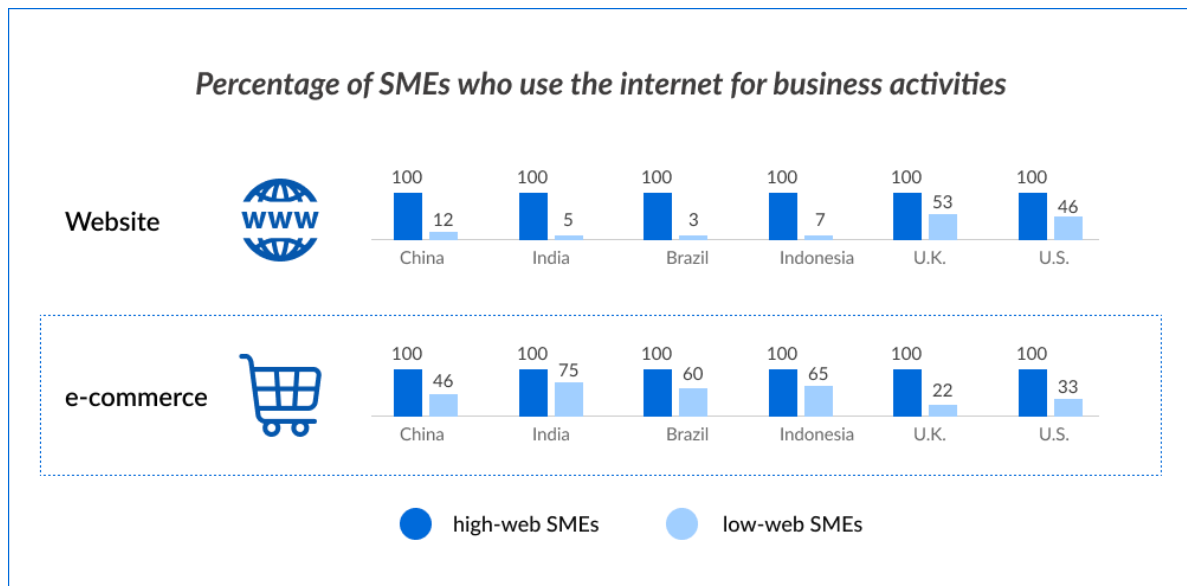


Figure 2: Percentage of SMEs who use the internet for business activities between websites and e-commerce

True to the evidence! Forrester's Series report predicted that 2017 will see many organizations moving their focus on technology to enhance the customer experience. The report further added that the next wave of customer experience will impact companies, pointing to a clear correlation between customer experience and revenue growth. Cliff Condon, chief research and product officer at Forrester, once said “Our research shows that more than a third of all US online adults want new and engaging digital experiences. They will switch companies to find these experiences and being customer-obsessed can be your only competitive strategy”.

Increased Operational Efficiency

A report by Tech Mahindra found that new digital technologies can reduce operational costs by 20 – 30 percent through improved capital and labour utilization.

Digital transformation allows SMEs to decrease overall expenditure by optimizing operational and marketing costs. IT-driven smart tools and techniques such as Information and Communication Technology (ICT), Digital Integrated Production Planning, Shop Floor Control, Supply Chain Solutions, Cloud-based ERP have increased the operational efficiency of SMEs in the current environment.

Let's plunge into some stats on Information and Communication Technology (ICT)

According to a Malaysian report on the “Digitalisation Survey of SMEs in 2018”, About 79.7% of the respondents realized the significance of ICT adoption and its role in improving business productivity and efficiency. The survey revealed that productivity is directly proportional to the utilization of digital tools. For example, SMEs that incorporated data management services to store, organize, store, display data of business operations, sales and customer information have seen productivity up to 60%, compared to SMEs that utilized e-business and social media initiatives that increased productivity to only about 27% and 26% respectively.

The figure below shows the usage of ICT among SMEs that mainly comes from personal devices, such as smartphones (91.4%), basic internet connection (90.1%) and computer or laptop (86.5%). The usage of back-end business processes, such as ERP and CRM are very low among SMEs.

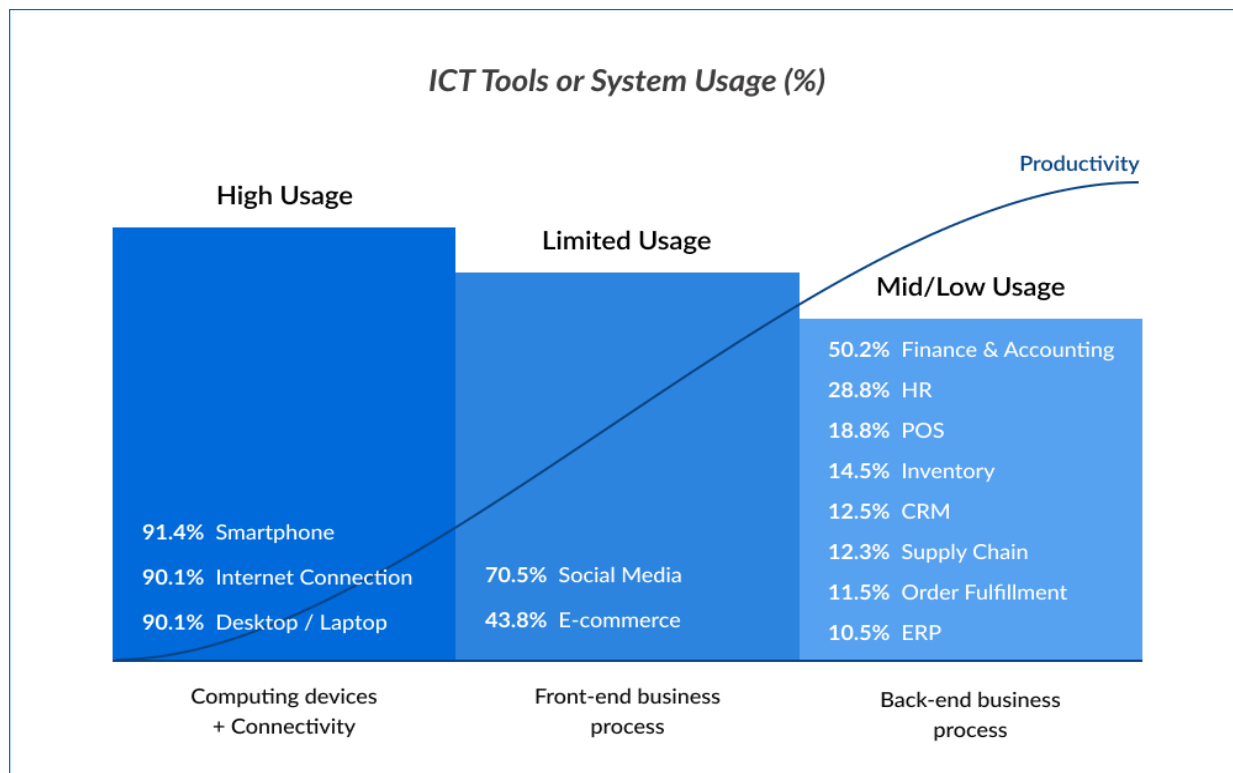


Figure 3: ICT Tool or System Usage in 2021 in the world

Enhanced Customer Engagement

Business intelligence and data analytics have laid opportunities for SMEs to make better decisions by providing a deeper understanding of the customers. Using customer intelligence and insights to analyze and predict customer needs, designing new products that meet their requirements and clever delivery of the right products at the right time at a cost-effective price has revamped SMEs with next-generation customer engagement capabilities.

The advent of cloud-based solutions and freemium models, where basic software is provided for free, whereas functionality, virtual goods or proprietary functions may be charged; have enabled the SMEs to develop capabilities and enhance the customer experience.

SMEs play a vital role in the operations and profitability of E-Commerce platforms. Acknowledging this, E-Commerce giant Flipkart has signed MoU with the

Federation of Indian Micro and Small and Medium Enterprises (FISME) and National Center for Design and Product Development (NCDPD) in 2014. This agreement allowed the website to provide infrastructural support in data analytics, marketing, and customer acquisition to help SMEs scale their business.

Invasion of Digital Marketing

Nowadays, Most of the young and talented entrepreneurs crave for innovation and are risk-takers. Many SME owners in recent times have entered the market with a dive into the online marketing methods with digital marketing as their primary source of acquisition as it promotes their business at a low cost. SMEs mainly use social media to promote their business. The ruling social media handlers that have helped businesses in the promotion are Facebook, Instagram, Google, etc. According to Statista, a market research report, about 65% of SMEs consider social media advertising effective and 51% of small enterprises rely on social media to grow their business.

“Digital marketing has made a huge impact on SMEs in terms of productivity”.

Some of the DM techniques that benefited SMEs:

Campaigns like CPC (Cost per Click) or PPC (Pay Per Click) modes can be utilized to achieve the desired results and to enhance profits for the SMEs.

Helped SMEs to search for flexible market potential in the global scenario which would directly affect their sales and make more profits.

Digital Marketing is considered to be the most cost-effective method to reach out to the targeted audience.

SMEs can also come in direct contact with the experts in this field who are in constant touch with the recent updates or advancements. By doing so, they can assure optimum ROI (Return on Investment).

With the use of effective DM techniques, SMEs are given the freedom to make the necessary changes in their ongoing online marketing campaigns as the need would arise.

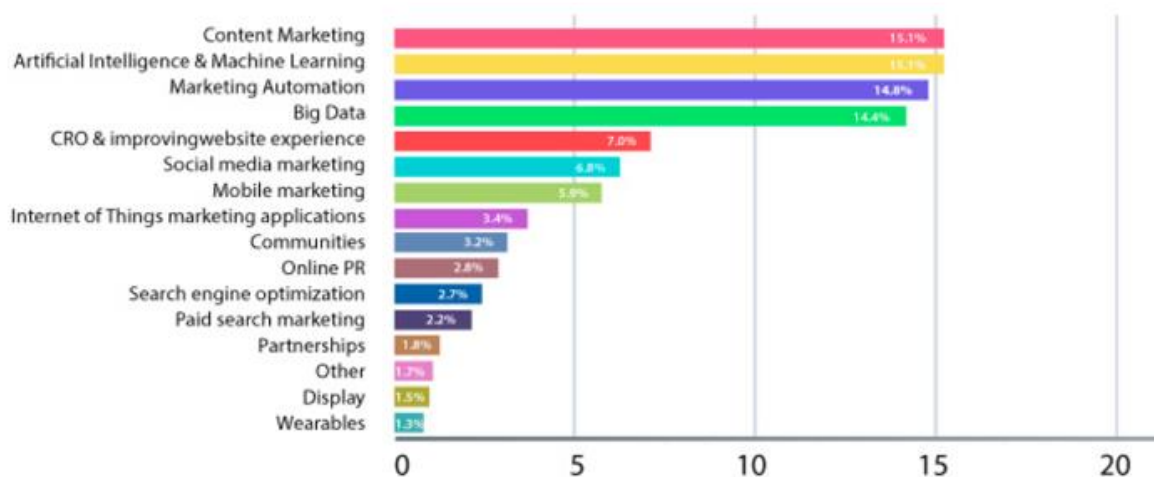


Figure 4: Top rated Digital Marketing techniques for SMEs in 2021

Digital transformation has amplified the prospect of operations for Small and Medium-sized Enterprises. The major impact after digital transformation is that several non-tradable services are now tradable, which has helped offline businesses to explore more options online.

In this vibrant economy, consumers expect quality “digital” accessibility, convenience, and personalization in all their business dealings. Customers aged under 35 prefer digital over other traditional methods, to explore and transact online. So, SMEs need to get ready, with the lace tied to serve “digital natives” as digital transformation has become the need of the hour.

Conclusion

Digital Transformation Services from doodle blue offers digital transformation through a variety of services like Digital Strategy, Digital Marketing, Data & Analytics, Technology & Ecosystem Audit to help our clients transform the way their business interacts with changing digital landscapes by creating trust quotient and engagement. Digital transformation brings a new dimension in the business world with innovation, creativity, and strategies that bring prodigious results.

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