

A Practical Guide for SMEs Digital Journey

The Covid-19 pandemic accelerated the transformation of trade and brought disruptions that will permanently change the way we do business. The Practical Guide for SMEs Digital Transformation is a practical tool aimed at assisting SMEs to successfully navigate the crisis and thrive in the new scenario. The recommendations provided in this guide are timely and relevant since going digital will be crucial to improve SMEs performance and remain competitive in a fast-moving economy in which more customers are online and expect a seamless, accessible and responsive digital experience.

A. A Digital Journey: digital tools to boost SMEs development

According to research, SMEs that use digital tools perceive a wide range of benefits: 85% of SMEs that use at least one digital tool have stated that these have enhanced their business performance.¹

A company might adopt a variety of digital tools depending on its needs and business goals. Moreover, since digitalization is an incremental process, SMEs will go through different stages during their digital journey by adding new features and capabilities over time.

We suggest the following classification to display the most extended tools by its sphere of application within the business strategy: communication; internal management & logistics and sales management.

The featured catalogue is by no means exhaustive, on the contrary, it constitutes a simplification of the wider range of tools available.

1. Communication

Communication digital tools:



High potential impact on: customer growth & access to new markets.

Digital engagement could boost **customer growth** by helping SMEs to reach new customers, both locally and in foreign markets. Research evidence² has shown that digital tools might facilitate their first **access to international markets** or make it cheaper in comparison with less digitalized business.

¹ SEE Deloitte: “The performance of Small and Medium Sized Businesses in a digital world”.

² SEE Organization for Economic Cooperation and Development (OECD): “Enabling SMEs to scale up”

Moreover, recent analysis³ found that digitalization may raise **trade growth** and that small businesses with a more advanced use of digital tools **are more likely to export** than their less digitalized peers. Finally, a growing customer base with a relatively stronger international dimension contributes to revenue growth.

CASE STUDY N°1: GUSMAN

<https://somosgusman.com/>

The business:

Gusman is a clothing company. It was born 4 years ago in the city of Mar del Plata, Argentina.

The digital tool:

As a result of the lockdown, the company turned 100% to online. The store employees were trained in online consulting and social networks management in order to maximize the potential of the available tools. In addition, they improved their website with the aim of making navigation easier and by adding new delivery methods.

The impact

The percentage of online sales went from 10% of the company's income to 95% in only two months. In this way, they managed to reach almost the sales forecasting pre-Covid, only through the online channel. Their customers base rapidly rose by 50% - 60% for two consecutive months. In relation to the first quarter of 2019, income from online sales increased by 462% in terms of number of orders, by 522% in terms of number of products, and by 1062% in terms of billing.

CASE STUDY N°2: MAXPOWER INDUSTRIAL AUTOMATION

<https://www.maxpower-ar.com/>

The business

MaxPower provides comprehensive solutions to different industries. The company offers electrical and electronic products, industrial safety equipment and advisory services.

The digital tool

The Company went online in 2019. MaxPower has not just launched its website but also started implementing strategic digital marketing actions in order to promote the brand through the main social networks (YouTube, Facebook, Instagram and LinkedIn)

After the COVID-19 outbreak, MaxPower decided to invest in modernizing its website, making it more agile and friendly to consumers. Currently, the company is incorporating a new software with the aim of offering their customers the possibility to track products delivery in real time. In addition, MaxPower has digitalized consulting service through the use of videoconference platforms and WhatsApp.

The impact:

Thanks to the online presence the company gained greater visibility, which has had a clear impact on sales. At the same time, it was able to target a broader market since potential clients from America and Europe had showed interest in their products and services. The number of Manpower's customers doubled since it went online. During the lockdown, the company managed to continue operating and its billing rose by 400% in May, compared to the previous month.

³ SEE The World Trade Organization (WTO): "The future of world trade: How digital technologies are transforming global commerce, 2018 World Trade Report"

2. Internal management & logistics

Internal management & logistics digital tools:



High potential impact on: operating costs reduction, decision making & innovation.

Some studies⁴ found that small businesses with more advanced use of digital tools **are more likely to innovate** than less digitalized businesses and that digitalization is positively related with **new product development**. Digital tools might help SMEs **to operate their business more efficiently** making easier for businesses to communicate with suppliers, customers, and employees using Internet-based tools. Technology make possible the virtualization of work which has a positive impact on costs and facilitate access to talent, since it allows many employees to perform their tasks from home, regardless where they live. Meanwhile, the company’s intranet and networking tools have become powerful enablers of **interaction and knowledge sharing**. Finally, some digital tools give executives **deeper insights** into products, allowing decisions made on real data to improve internal processes.

CASE STUDY N°3: DROGUERÍA DEL SUD

<https://www.delsud.com.ar/>

The business

With a track record of more than 70 years in the Argentinian pharmaceutical market, Droguería del Sud is the leading distribution company of medicinal products, perfumery goods and drug foods in the country.

The digital tool

Around one month before the lockdown started in Argentina, the company adopted a corporative network that helps to maintain their nine distribution centers connected in real time, reinforce the sense of belonging in a context of broad uncertainty and facilitate team work, for instance, by enabling the creation of interdisciplinary working groups. Moreover, the new tool contains a chat functionality that allow employees to reach out to their peers and directors. It also possible to broadcast live videos to share relevant information with collaborators.

The impact

The adoption of the tool by employees was very high and very fast: 97% of them joined the platform the first month after release. The platform turned out being of the utmost importance to run business operations remotely during the Covid19 pandemic. Besides, the company was able to spread useful information among their collaborators, such as safety protocols and activity reports.

⁴ SEE Deloitte: “Platforms, small business and the agile economy”

3. Sales management

Sales management's digital tools:



High potential impact on: customer understanding, customer experience & sales growth.

More digitalized SMEs presents a relatively high proportion of sales from online channels⁵. It is a fact that advanced websites (whether is owned by the company or by a third party) boost both, **domestic and international sales**. Besides, the use of data insights permits targeted **marketing and personalization of products and services**. Companies are increasingly taking advantage of technology to **gain an in-depth understanding** of specific geographies and market segments. Many of them are building **analytics capabilities** to learn from clients' consume behaviour and get to know their customers in more detail. For instance, social media provides a lot of insights to understand what makes clients happy and what leads to their dissatisfaction which can be critical to improve the customer journey.

CASE STUDY N°4: MBC

The business

The company sells beauty and self-care tools in Argentina, Chile, Uruguay, Mexico. It will soon have presence in other countries of the region.

The digital tool:

MBC started selling online in 2014 through third-party market places such as Mercado Libre. Since then, the percentage of online sales has increased, as well as its networks community, reputation and brand recognition. At the end of 2019, the company launched its own E-Commerce channel in order to offer a better experience to customers.

The impact

Currently, 70% of final consumer's purchases are made online and the remaining 30% through wholesalers. The last product launched by the company exclusively through online channels has generated 134% more sales, compared to previous launches in 2019 through both online and traditional channels.

⁵ SEE OECD: "Key issues for the digital transformation in the G20"

CASE STUDY N° 5: DANDY BUENOS AIRES

www.dandy.com.ar

The business

Dandy was founded 5 years ago with the vision of generating a positive impact on the self-care and beauty industry. Since then, it has created natural products with certified biodegradable packaging and a variety of accessories made with recycled materials.

The digital tool

Even though the company had started to pursue a digital strategy in 2019, their digitalization accelerated due to the Covid19 lockdown. As a consequence, they adopted new tools, such as the same-day delivery. In a context in which more people are buying online, Dandy guarantees their clients that they will receive the order within the next 24 hours after payment. They have also increased their visibility in social media with tosses and collaborations with key partners within the self-care and sustainability universe.

The impact

Sales through the online channel went from 15% to 80% of total sales in three months.

B. Recommendations

1. **Strong leadership to turn technology into transformation.** The leader is in the best position to make a comprehensive diagnosis of existing assets and build a transformative vision for the company's future. Moreover, if he/she personally communicates this vision to employees, they will perceive there is a real commitment with change. The manager also will benefit from translating his/her vision into final targets and intermediate milestones to signal the way to digitalization. Desired results should be clear for employees so they can monitor progress and make sure that the plan is being well deployed.
2. **Envision the digital future for your firm.** Leading digital change requires a vision of the rationale behind the digital transformation of the company. To make digital transformation works, leaders should focus on changing the mindset of its employees, as well as the organizational culture, before deciding what digital tools to adopt. In other words, they should figure out the "why", before asking the "how". It is not about trying to find an application for new technologies, but to build an overarching vision of the company's future. Technology is then a means to achieve the vision instead of an end in itself.
3. **Invest in digital initiatives and skills.** All transformation requires investment to make the vision a reality. When entering into the digital world, a company should allocate resources to find the right skills and put in practice new initiatives. Since digital capabilities are key to manage new activities and implement changes in work methods, it is essential to start by understanding the existing gap in technological skills. In some cases, it is possible to retrain current employees for the new tasks; in others, companies will need to acquire skilled talent

from outside. As a set of relatively incremental changes added up to a radical transformation, a leader can start by building basic capabilities and add further skills over time.

4. **Communicate thoroughly and effectivately to ensure broad alignment and commitment.**
Communicational activities should reinforce the leader's message to translate top-level vision into action. Information sharing is key to engage employees with the future planned for the company, coordinate their efforts, provide intermediate targets and deliver the right incentives. The role of communication is paramount to make the difficult process of transformation possible and to reduce organizational reluctance. It is relevant to bare in mind that people can be a much bigger obstacle to successful digital transformation than any complex technology. Therefore, creating and early communicating a compelling vision aimed at transforming employees' mindset is fundamental to a successful digital journey.
5. **Combine analog and digital world in an efficient manner to improve customer's experience.**
The digital world not necessarily replace, but mostly complement and enhance traditional channels. Even though the maintenance of mutiple channels might amplify a company's outreach, it carries the challenge of providing an integrated and seamless experience to the customer. While the introduction of digital requires the implementation of changes across internal operations, processes should to be integrated for both channels in order to avoid overlapping structures and inefficiencies.

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