



# Unlocking the benefits of digital payments for micro and small businesses: Insights from Mexico

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## Insights

- A survey of more than 750 micro and small business owners in Mexico in November 2020 demonstrates that being connected to digital payments and commerce positively impacts small businesses' resilience and growth.
- The study shows that a new breed of financial technology companies known as payment facilitators are solving distribution problems at the edge of existing payments ecosystems to include more businesses and people.
- As policymakers look at ways to expand inclusive economic growth and social development, extending payments acceptance to more small businesses should be a key part of national policies and investments.

The past year has been exceptionally hard across industries and countries, and for micro and small businesses. Participation in the digital economy has become drastically more urgent for businesses' operation and growth, and the uneven distribution and use of digital technologies is a major concern. Policymakers seeking to enable entrepreneurs to participate fully in the digital economy will find actionable insights in a new Visa-commissioned [study](#) conducted by the research firm 60 Decibels, which surveyed more than 750 micro and small business owners in Mexico in November 2020. The results make clear that being connected to digital payments and commerce positively impacts small businesses' resilience and growth. They also make clear that a new breed of financial technology companies known as payment facilitators are solving distribution problems at the edge of existing payments ecosystems to include more businesses and people. As policymakers look at ways to expand inclusive economic growth and social development, extending payments acceptance to more small businesses should be a key part of national policies and investments.

## How Mexico's policies advanced digital payments

In Mexico, policy actions have been an important factor in advancing the adoption of digital payments in the country. Since 2013, telecommunication regulation reforms have resulted in lower costs for mobile phones and data, and more connectivity and usage—key components in the evolution and growth of digital payments. Financial regulation reform introduced innovative, risk-based tiered financial accounts with simplified know-your-customer (KYC) requirements and correspondent banking.

These reforms enabled innovative product design and private-sector collaboration, including Visa's partnerships with payment facilitators, financial institutions, and commercial companies. For example, any Mexican can get a debit card quickly, conveniently, and inexpensively through a Saldazo account, which is available 24/7 at now more than 19,000 OXXO convenience stores across the country (FEMSA, 2019). Mexicans can also apply through their phone for a Rappi debit or credit card and receive it within several hours (Banorte, 2020).<sup>1</sup> More and more Mexicans have a digital payments account, and they want to use it.

On the merchant side, payment facilitators have become an increasingly significant component of the Mexican ecosystem. They offer customized solutions for small businesses and fill market needs that had been left unaddressed by traditional banks. For example, they provide a seamless payments process for small business owners, handling all the key elements with the financial institution that acquires the payment, and managing the daily settlement process to the small business. This frees business owners to focus on their operations and supports those who may be less familiar with digital technology and formal financial services.

Payment facilitators also identified new ways to reach small businesses by leveraging existing commercial networks and stores.<sup>2</sup> These approaches made it inexpensive and much faster and easier for a business owner to buy payment terminals, register, or get support. It also fostered competition, which in turn further promoted innovation, all of which combined to contribute to a decline in costs and the expansion of acceptance of digital payments. For example, in the past, purchasing a point-of-sale terminal could cost a business owner hundreds of dollars and the unit took weeks to arrive. Today, one can be bought for MXN 500 (about US\$25) or less at supermarkets and other convenient locations (Clip, 2021).

### Research findings

Results of this survey show that thanks to accepting digital payments, most business owners saw positive improvements in revenue, customer spending, customer base, and business management. Furthermore, in response to COVID-19, more than one-third of businesses increased their acceptance of digital payments, the negative impacts of the pandemic notwithstanding. This highlights the importance of digital payments for micro and small business resilience and growth.

### Key findings

- The average increase in revenue was 22%, among those who reported higher revenue.
- 75% of all respondents were first-time acceptors of digital payments.
- 72% said their customers were spending more, and 75% of respondents said their monthly revenue increased.
- The Net Promoter Score of accepting digital payments was 71.

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<sup>1</sup> Rappi is an order and delivery mobile app in Latin America.

<sup>2</sup> Payment facilitators are third parties that contract with an acquirer on behalf of a business and settle transactions with the acquirer for the business. They first began to operate in Mexico in 2014.

## Actionable insights for small business inclusion

The survey results contain actionable insights that providers, policymakers, and other interested actors can use to support the expansion of payment acceptance to more small businesses in Mexico and in other countries and contexts.

**First, the value of accepting digital payments for small businesses involves more than just the revenue from a particular sale.**

Accepting digital payments brings a greater real value proposition derived from expansion of customers, increased customer spending, improved business management, better insight into revenue and income, ease of access to financial accounts, and greater safety—as well as keeping up with customer preferences and competition. And where digital payments are used more, businesses grow more.

*Payment facilitators, financial service providers, government, industry associations, and others should ensure that marketing and related materials convey the full range of benefits of accepting digital payments to continue to expand acceptance.*

**Second, payment facilitators are driving inclusion, reaching people and business owners who were not accepting digital payments before.** The growth is being driven by very small businesses especially, and to some extent by women-owned businesses.

*Any strategy to digitally enable micro and small businesses should include payment facilitators, fintechs, and other innovative companies that specifically serve the unique needs of micro and small businesses.*

**Third, a balanced, two-sided market with customers who want to pay digitally is important to expanding inclusion of micro and small businesses.** Business owners were motivated most strongly to adopt digital payment acceptance by customer preference and the desire to keep up with competition.

*Policymakers should take this into account when reviewing regulations and trends and considering priorities to strengthen a market that grows in balance. It is also a valuable element of market-readiness assessments. Providers should incorporate these motivations into marketing and outreach campaigns to promote digital payments acceptance among micro and small businesses.*

**Fourth, adopters can be powerful advocates.** Business owners who recently started to accept digital payments in Mexico through these payment facilitator partners are enthusiastic, and willing to recommend them to friends and peers. This suggests that micro and small business owners can be strong advocates and a valuable pathway for word-of-mouth promotion with neighboring businesses or through social media. This can be all the more effective because small business owners tend to trust their known networks for advice. Different benefits may be more appealing to different groups; for example, marketing messages to women could stress safety and additional support in helping them become more comfortable using technology.

*Promotion efforts should seek to establish peer-to-peer communications and highlight diverse micro and small success stories, including those of women.*

**Fifth, payments acceptance supports survival and growth.** Being digitally enabled—beginning with accepting payments—helps micro and small businesses grow and manage their businesses better and is an important element of successful responses to the impact of COVID-19. While it was not covered in this survey, other research confirms that those businesses that have a digital touch point are better positioned to receive emergency support or government aid quickly during moments of crisis. (For example, see *Small business in the digital age: Recommendations for recovery and resilience*.)

*Prioritizing the digital enablement of small and especially micro businesses should be, as it very often is, a leading element of national and community strategies for recovery from COVID-19 and for strengthening future resilience.*



**Sixth, reliable and easy-to-use technology is a priority for small business owners.** For all the positive feedback on the ease of use of payment facilitator platforms, including the portability of acceptance devices, the technical platform and speed of connectivity can be a challenge for some business owners. Women reported more challenges with technology than men.

*Continuing to strive for reliability and simplicity in technical devices is essential to bolster their adoption, use, and promotion. Providing digital skills and capacity support to business owners, with a focus on women, can be a valuable complement to the service.*

## Conclusion

Helping micro and small businesses grow should continue to be an important part of economic growth and social development strategies. Accepting digital payments and being connected to digital commerce and ecosystems is increasingly important to small businesses' growth and survival. Thus, strategies to expand payments acceptance and use to more small businesses should be a key part of national policies and investments. Such strategies are more likely to be successful if they deploy a number of complementary levers including financial regulations to build a balanced, two-sided market; business model innovation; and user-centric approaches to solution design and distribution. Listening to the voice of micro and small businesses and drawing on user insights to shape products and strategies enables success.



## Sources

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## About the Visa Economic Empowerment Institute

The VEI is a non-partisan center of excellence for research and public-private dialogue established by Visa.

The VEI's overarching mission is to promote public policies that empower individuals, small businesses, and economies. It produces research and insights that inform long-term policy within the global payments ecosystem. Visa established the VEI as the next step in its ongoing work to remove barriers to economic empowerment and to create more inclusive, equitable economic opportunities for everyone, everywhere.

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