

Directions of Digitalization of Small Business

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ABSTRACT

The article emphasizes the need and summarizes the advantages of digitalization of small business. An analytical review of possible digital technologies was carried out. Namely, they are the Digital promotion, “Abroad via the Internet”, marketplaces, cloud technologies, automation, data analysis, IoT and voice assistants, digital literacy. The readiness of Russian enterprises' shifting to the digital economy was analysed. Base positive aspects of digitalization for enterprisers were emphasized. They are comfort control on processes and increase of operation speed, a decrease of company costs, an increase of work productivity, optimization of client interaction processes. The need in digital literacy increase through increasing of informativity and small businesses' management training of peculiarities and advantages of using digital technologies was marked. The role of the state on striving for the state economy digitalization of not only big enterprises, but also small and medium business was highlighted.

Keywords: *small business, digital economy, digital technologies, small business, digital literacy, internet technologies*

1. INTRODUCTION

The shift to the digitalization gives a number of advantages for both small business enterprises and the state. Benefits of new technologies' implication for entrepreneurs are shown in a decrease in company costs, an increase of work productivity, optimization of client interaction processes. Government is interested in simplifying administrative procedures, process optimizing of regulation of Small Business Subjects activity, and, as a result, increasing of the small and medium business segment.

At the same time, entrepreneurs are poorly informed about the opportunities that digitalization gives, and are scarcely even ready to invest time and financial resources on the introduction of new technologies and training employees in digital competencies. For this reason, it is important to create small and medium businesses to explain directions and advantages of the digital business model to entrepreneurs.

Use of social networks as an advantage, supporting measures and a shift to the digitalization was offered by a group of authors in their article in the entrepreneurial development journal [1]. Moreover, Russian academic economists summarize the aspects of the actual level of digital technologies development in the business area, generalize tendencies and trends of Russian digital economy in their researches [2-6]. Dzhepparova Z. R. analyses the digital competitiveness of the Russian Federation and concludes the need for supporting effective digital economy [7]. It follows thence the conclusion on the important role of digitalization in the small and

medium businesses and the need in the research of the given economic sphere.

2. METHODS OF RESEARCH

While researching the theoretical methods were used: the analysis and synthesis techniques, abstraction, induction, deduction and interpretation techniques in purpose to understand the interaction of factors that describe the whole development dynamics. Apart from that, the empirical method should be mentioned: literature searches and study of results of exploratory activity, observation, conversation, etc.

3. RESEARCH RESULTS

Digitalization is one of the main directions of economic development today, including the small business one, which is put under the state attention. In this study, the advantages of shifting to the digital technologies are summarized and the possible ways are stated. They are the Digital promotion, “Abroad via the Internet”, marketplaces, cloud technologies, automation, data analysis, IoT and voice assistants, digital literacy.

4. DISCUSSING THE RESULTS

The fast looking for new clients both in Russia and abroad, connecting to a bank in few moments via mobile apps, online tax reporting and so on is now possible due to digitalization. It not only helps big business but is also vital for small and medium companies as it allows them to grow and develop much faster with less cost.

Using digital tools gives small business a big amount of advantages, namely the deliverance of many bureaucratic moments. Technologies will keep simplifying the entrepreneur lives. For example, the national project "Maloe i srednee predprinimatelstvo" (Small and Medium Businesses) provides the simplified electronic access for Small Business Subjects to all supporting measures designed for them.

NAFI research centre evaluated the Russian enterprises' readiness for the digital economy. Its result view is presented in Figure 1.

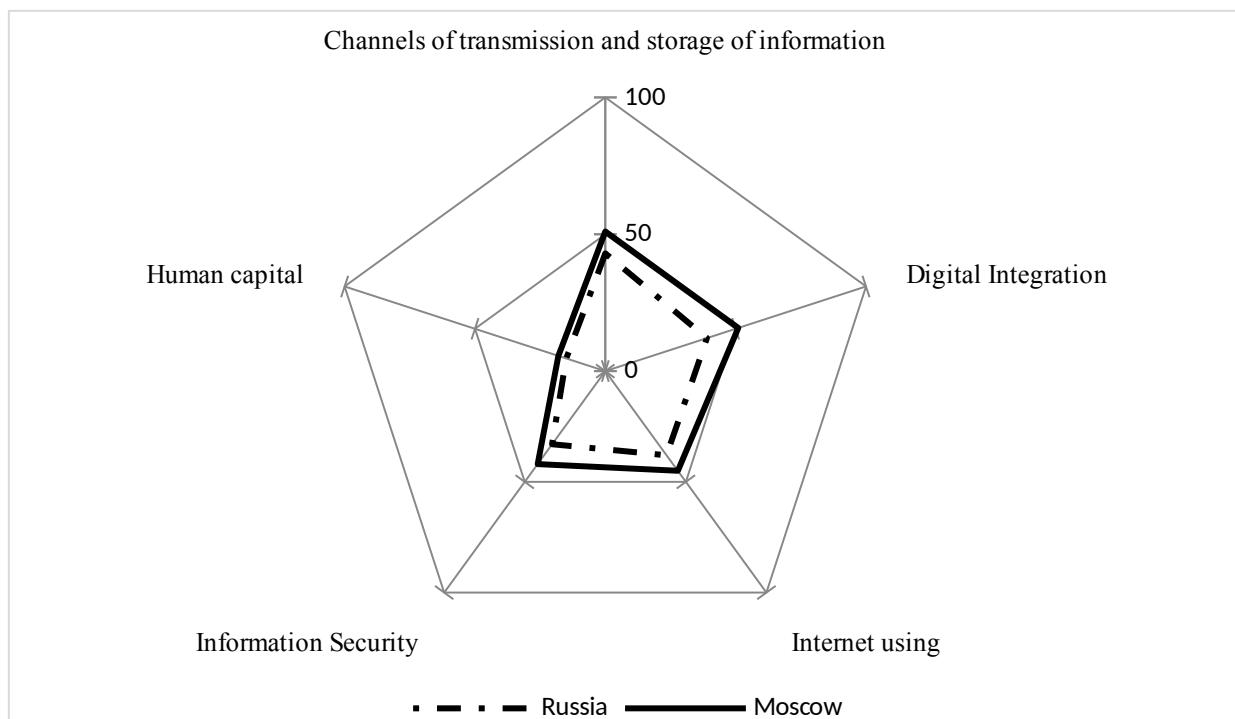


Figure 1 Evaluation of the Russian enterprises' readiness to shift to the digital economy [9].

To increase the digitalization level, small businesses must study different directions of the introduction of innovative decisions.

One of such directions is **Digital promotion**. Digital Marketing is a marketing of goods and services, which uses digital technologies to interact with consumers at every step of work. In contrast to the web-marketing, it uses not only the worldwide-area network but offline channels: for example, the POS terminals or smart electronic gadgets [10].

At the beginning of 2019 NAFI research centre polled 654 managers of enterprises in eight federal districts of the Russian Federation in order to evaluate the small business readiness to the digital economy. According to the research, the use of internet tools for the goods and services promotion is now included in the top three most popular digital tools of small and medium businesses in Russia. For example, 36% of Moscow and 28% of regional companies keep their profiles on social networks. 41% and

31% respectively promote their own sites in search systems [9].

Another poll, which rounded more than 600 small and medium companies of Russian cities and was conducted at the end of 2018 by GfK - one of the biggest research companies worldwide - together with Facebook and Agency for Strategic Initiatives, presented that 76% of respondents called the digital promotion as the key factor for the business increase [11].

Therewith the digital marketing tools will keep becoming more and more highly-demand for small and medium businesses, due to the fact they have a number of advantages. Technologies in the field of advertising and promotion - native advertising (a way to attract attention in the context of user interests), programmatic advertising (purchasing advertising through automated platforms, such as Yandex.Direct or Google Ads), SMM tools, marketing campaign automation systems and others - help attract potential customers and retain them as consumers. Current

advertising technologies let find target customers in an exacter and more effective way and, as a result, increase sales. It must be accentuated that the fact that many digital tools are free-of-charge in the business promotion sphere and the high profitability of internet advertising let companies develop faster. Algorithms are always changing in the economic marketing sphere. Nevertheless, digital marketing is more effective and much cheaper than TV advertising, which Small Business Subjects can afford.

Next direction can be called "Abroad via the Internet". Various digital platforms open marketplaces for Small Business Subjects, too. Such marketplaces used to be unavailable previously, but now they give possibilities to promote own goods not only in Russia, but abroad. Personal business can go online to a marketplace, open its own sales-platform and reach a customer as well as an international corporations do.

Another tool — marketplaces — allows not only large industries but small and medium businesses to wide a customer base and be flexible towards consumers. Last years the tendency of sale volumes increase exclusively via marketplaces is observed. It is explained by the fact that online platforms are complex digital platforms, that have large budgets and possibilities to develop and implement new algorithms, AI, and adapt existing innovations into the system fast. Therewith, marketplaces provide logistic and marketing services to small and medium businesses, and they serve IT providers.

Cloud technologies can be called the main growth driver, which constantly expands the use of cloud platforms, needed not only for big business, but small companies.

Cloud technologies allow small companies with a limited budget to vie with big players. Due to the "cloud", a business can at once receive the whole IT infrastructure needed for a fast entrance to the market and then scale it up in accordance with the growth in demands. The service model of IT services allows enterprises to pay only actually consumed resources, to work with affiliated enterprises and consumers through the country and the whole world with no additional inputs, to use the most advanced scientific and technical designs from market leaders. It means that business loses the necessity to spend an enormous amount of resources to buy hardware and maintain the big programming staff; within this lost, a great number of know-hows appears, and the new technologies' introduction deadlines are being minimized. Medium business representatives use the cloud possibilities intensively already. Besides the basic set of the cloud services — virtual machines, data storage, networks, etc. — the "cloud" makes it possible for small and medium companies to implement such unique technologies as translation, recognition and synthesis of speech, image analysis.

Automation. It is necessary for small and medium businesses to optimize and automate business processes to stay competitive. Having organized all business processes, shifting to the next stage of development with using AI, robots, computer-assisted instruction, blockchain technology and big data is possible. The use of these

technologies allows to decrease money costs and the time of carrying out of routine tasks (accountancy, legal affairs, logistics, etc.) and work within less people. Small and medium companies also can use special platform decisions, which allow to make a simple mobile app due to online constructor without spending a big amount of resources. The importance of digitalization of document management and business operation for the development of the small and medium enterprises should be emphasized.

Data analysis, IoT and voice assistants. In the next 10 years, all modern digital technologies will find their application in Russian small business. Particularly, Small Business Subjects will widely implement the data collection and analysis technologies and their visualisation, since decisions made by Small Business Subjects have to comply with the modern market environment to the maximum. Moreover, the IoT will grow in popularity, which allows, for instance, to track the on-shelf availability of goods. End-to-end analytics (the data collection and analysis on all channels) allows an enterprise to track to activities, campaigns and events accurately and manage the budget effectively. Introduction analytics for managers in the inner system gives an opportunity for a company to study the sales and spot patency data as well.

As for the digital tools for Small Business Subjects in the financial sphere, the most advantageous is the introduction of biometrics for legal persons. It gives the opportunity to open accounts and link to services without interviews with the bank representatives. Moreover, according to his version, the start of the Faster Payments System (merchandise payment with the QR code) can have an effect on the development of retail to a significant degree. The future digital technologies include voice search or goods order, movement recognition, storage and use of consumer data in advertising, online consultations, etc. Among the most advantageous directions, the use of voice assistants for various business tasks must be mentioned. In the nearest years, in great demand will be everything that can help to work with a certain consumer, give the best client experience, create personalized offers. A successful business has to fulfil consumer expectations — guess the preferences with offering the appropriate product; catch a person where he/she spends more time; service as perfect as possible and react the requests fast, with using messengers and smart chatbots; excite and attract attention to a company, with using creative mechanics with the AR, etc.

Digital literacy. Entrepreneurs must increase the digital literacy since sometimes even they do not know how technologies can simplify their work. The state can assist in informing the Small Business Subjects about the existing processes of opportunities and plans for the future so that entrepreneurs can also participate in shaping the ecosystem of the digital economy. The state can stimulate the businessmen and small and medium business managers to improve the "literacy" level by showing what good (and bad) things the digital technologies may lead to, how to

work with them correctly. It can be carried out with the help of education programs, grants, competitions. The state decision to subsidize the Small Business Subjects costs to access to digital tools could increase the use of technologies level.

National project "Maloe i srednee predprinimatelstvo" (Small and Medium Businesses) supposes that by the end of 2020 small and medium businesses will have received the electronic access to key educational platforms within an unified personal cabinet and to the informational systems and marketplaces.

The results of research special project "Tsifrovaya gramotnost dlya ekonomiki budushchego" (Digital Literacy for Future Economy) testifies the digital literacy level growth. Nowadays Russians have been coping with searching information better, analyse it skilfully, work with digital devices more confident. More Russians have been using modern communication devices, such as messengers and social networks. The fact is that it will have a positive effect on small and medium business development [12].

5. CONCLUSION

Implementation of digital technologies by entrepreneurs is not only important, but the essential condition of small business development. The conducted research of digitalization peculiarities of the Small Business Subjects allows making the following summary:

1. The basic positive aspects of digitalization for entrepreneurs are comfort control on processes and increase of operation speed, a decrease of company costs, an increase of work productivity, optimization of client interaction processes. However, the negative consequences, such as the cybercrime possibility, the growth of depreciation of equipment and technologies, dependence on the outfit and program suppliers must be taken into account.
2. The management of the Small Business Subjects should not only pay attention to the growth of digital literacy but also study the development of digital competencies – professional knowledge and skills that meet modern requirements for labour productivity. It is the entrepreneurs developed digital competencies that are the key to the increase of level and quality life in the epoch of the digital economic transformation.
3. Digitalization is an accelerator to entrepreneurs activity in the economy and creates new possibilities and business models. However, most of Small Business Subjects yet do not fully understand what the digital economy means for them, what dramatic improvements it can bring to business processes, and also do not see their place in the program of the economy digitalization with the participation of the state. It shows the need to increase the information content and training of the Small Business Subjects in the features and advantages of using digital technologies.

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