

Spend Insights

Visa® Small Business Spend Insights monitors the economic confidence of U.S. small business owners by analyzing Visa Business card spend data and responses to a quarterly survey. Small businesses and those serving them can benefit from the trends and insights obtained from Visa's proprietary research.

Executive Summary

Small business owners maintain cautious optimism

Despite growing confidence that they will see increases in revenue and profits, economic concerns continue to fluctuate among business owners with recovery from recession topping the list. [Read more >](#)

Business owners anticipate they will invest in their businesses

Small businesses plan to increase spend and activity in advertising and marketing. Plus, they expect to increase levels of capital investment and inventory to support anticipated growth. [Read more >](#)

Small businesses seek financing to support their growth plans

Optimism about growth for their businesses is tempered by the reality of increasing energy costs and tighter banking restrictions. [Read more >](#)

Rising costs and attracting new customers top individual concerns

Cost of health insurance, attracting new customers and rising taxes weigh heavily on more than 50 percent of small business owners surveyed. [Read more >](#)

Spend Insights Outlook

Responses this quarter continue to show positive sentiment that the economy is improving — evidenced by increased confidence in revenue and profit growth, some of the highest confidence numbers we have seen in two years. However, there are still many concerns facing small business owners, like increased costs in health care, taxes and energy — and of course we can't overlook the recent elections. We are optimistic going into what will hopefully be a strong fourth quarter for all small business owners because, as we know, they are the backbone of our economy.

— Janet Zablock, Head of Global Small Business, Visa Inc.

[Find tools and support for small business owners >](#)



Top 5 Individual Small Business Owner Concerns

- 1 Cost of **health insurance**
- 2 Attracting **new customers**
- 3 Rising **taxes**
- 4 Retaining **existing customers**
- 5 Managing **cash flow**

Top 5 Macro-economic Concerns of Small Business Owners

- 1 U.S. recovering from the **recession**
- 2 Continued increases in **energy prices**
- 3 The **falling value** of the dollar
- 4 Changes in **consumer confidence**
- 5 Possibility of **increasing inflation**

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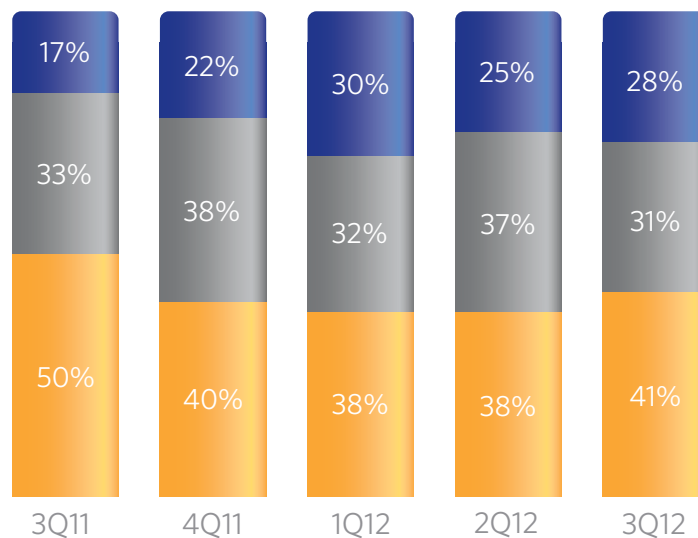
Small business owners maintain cautious optimism

Confidence in a stronger economy continues to rebound after a drop that spanned most of 2008. Although it has fluctuated slightly since 1Q09, confidence has again increased from 2Q12 to 3Q12.

Confidence in a Stronger Economy

After a drop last quarter, small business owners' confidence in a stronger economy rebounded slightly this quarter. Compared to a year ago, however, responses in this category seem to indicate an improving outlook.

■ Confident
■ Neutral
■ Not confident



"An improvement in the economy will be the best help I could ask for."

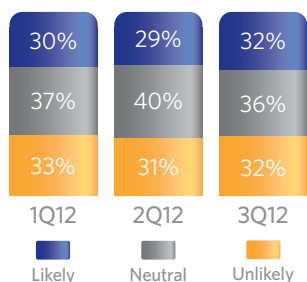
— Transportation

"We're investing in networking with expectations of generating more revenue in the future."

— Professional services

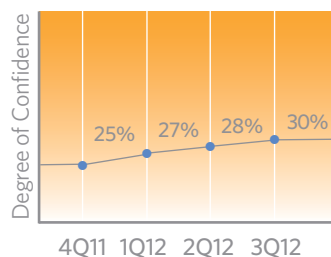
Growing confidence in other key areas supports optimism about economic recovery

Revenue Increases



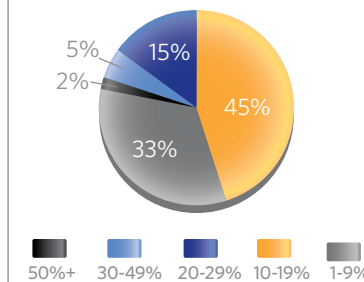
The number of respondents expecting their revenue to increase is the highest it's been in eight quarters with nearly one-third of small business owners citing they expect their revenues to increase.

Greater Profits



Confidence that profits will increase trended upward over the past year to just below one-third of respondents in this quarter.

Expected Increase in Profits



Of the 30% who expect an increase in profits, 67% expect double-digit growth indicating optimism may be on the rise.

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Visa Business cardholders' year-over-year spend in Small Capital Investment categories grew year-over-year by double digits for the fifth consecutive quarterly reporting period. This could indicate that despite revenue challenges, small businesses have continued to reinvest profits back into their businesses to position themselves for an economic rebound.*

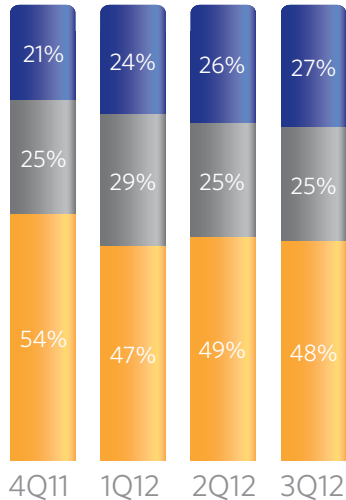
Business owners anticipate investing in their businesses

Confidence that marketing spend will increase continued to rise over the past year. Also on the rise — albeit slowly — are expectations to increase inventory levels. Together, these shifts seem to indicate growing optimism among small business owners.

Increasing Ad/Marketing Spending

Plans to spend more on marketing and advertising have steadily increased over the past year, with 27% of this quarter's respondents indicating they expect to increase their spending.

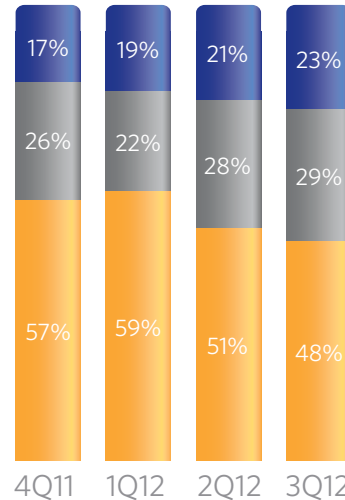
■ Likely
■ Neutral
■ Unlikely



Increasing Inventory Levels

Expectations in this category have slowly trended up throughout 2012, with nearly one-fourth of this quarter's respondents citing plans to increase inventory.

■ Likely
■ Neutral
■ Unlikely



"We have greatly reduced paid advertising, and we are actively networking with other small businesses for mutual benefit."

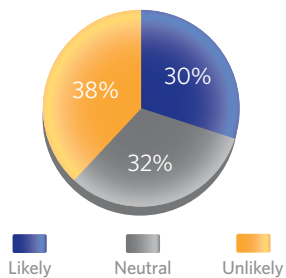
— Mining and farming

"We have made major capital improvements along with routine expenditures."

— Custodial service

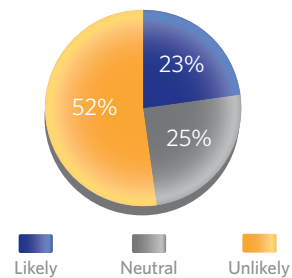
Other small business owners' investment plans may indicate an increasingly positive outlook

More Marketing Efforts vs. Spend



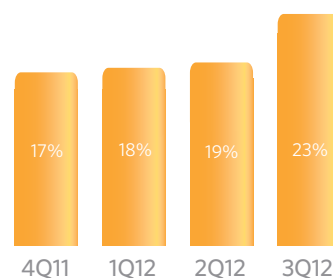
With budgets remaining tight and continued economic uncertainty, nearly one-third of business owners surveyed plan to expend more effort, not money, on marketing.

Making Capital Investments



Despite ongoing economic uncertainty, almost one-quarter of small business owners surveyed plan to make capital investments in the near term.

Paying Employees More



In another potential indication of growing optimism, expectations to pay employees more have increased steadily over the past year.

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Visa Business cardholders continue to increase spending on advertising, a figure that is up 7.4% year-over-year. However, the average ticket on advertising transactions declined 8.1% — a sign that small businesses are relying on lower-cost marketing methods to stretch their budgets.*

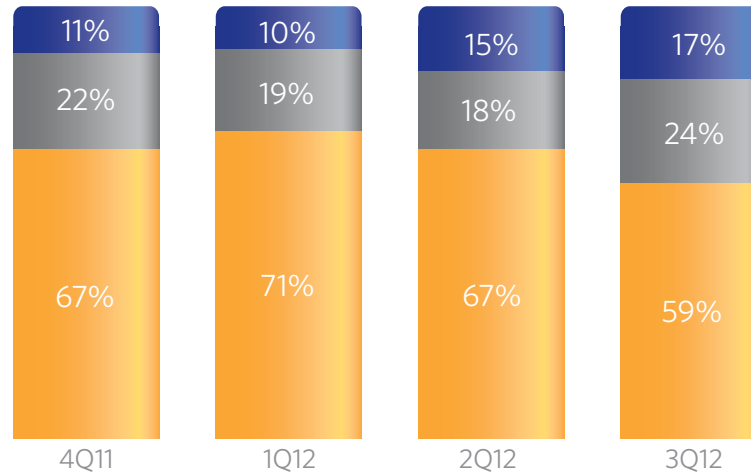
Small businesses seek financing to support growth plans

Small business owners' expectations to borrow money in the next six months remain relatively low, but continued to increase for a second consecutive quarter. This potential reliance on credit to support growth presents an opportunity for financial institutions to offer more and differentiated products to help address business owners' most critical borrowing needs.

Borrowing More Money

The expectation to take out loans has increased over the past year. In this quarter, 17% of respondents indicated they plan to borrow compared to 11% a year ago, with the biggest shift occurring from the first to second quarter of 2012.

- Probably will
- Not sure
- Probably won't



"We need to have reliable and reasonably priced financing."

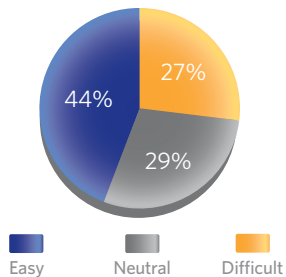
— Real estate

"Better access to loans would be a big help in growing my business."

— Rental property manager

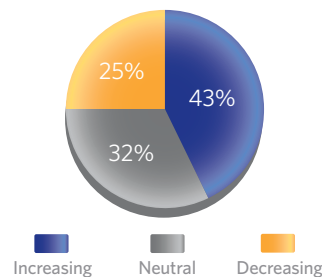
Responses in other key areas point to tempered optimism about growth

Access to Financing



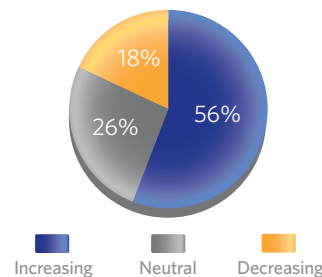
Many business owners believe they will have access to financing, which could be contributing to their plans to borrow.

Cost of Financing



Expectations to borrow more could be tempered by beliefs that the cost of financing will increase.

Energy Spending



The continuing expectation that this significant operational expense will increase could be a barrier to growth for some small businesses.

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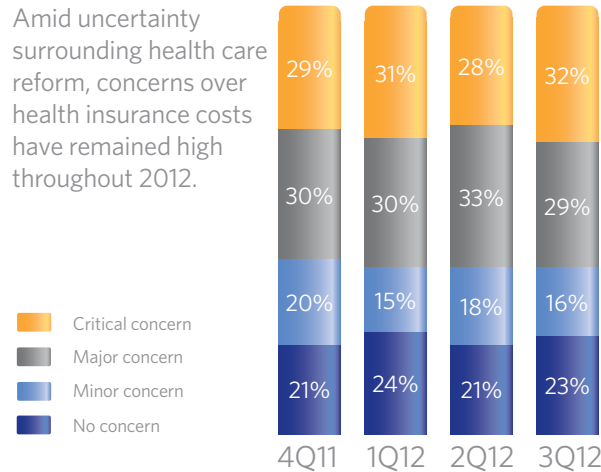
Increased gas prices caused the average ticket for fuel to grow 6.8% year-over-year. Price fluctuations at the pump have a profound impact on small business cash flow, as fuel-related purchases typically account for nearly 11% of overall Visa Business card spend.*

Rising costs and attracting new customers top small business concerns

Small business owners' economic concerns seem to temper their overall optimism about growth. Overwhelming concern with health care costs, rising taxes and attracting new customers are the primary challenges that affect their outlook.

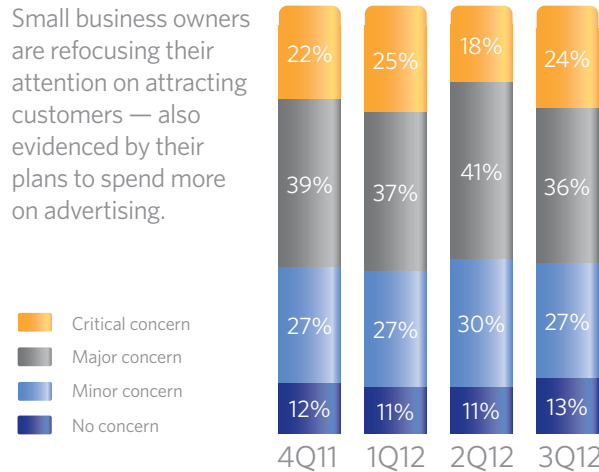
Concerns with Health Insurance Costs

Amid uncertainty surrounding health care reform, concerns over health insurance costs have remained high throughout 2012.



Concerns with Attracting New Customers

Small business owners are refocusing their attention on attracting customers — also evidenced by their plans to spend more on advertising.



"We're looking for any ways we can find to lower health insurance premiums."

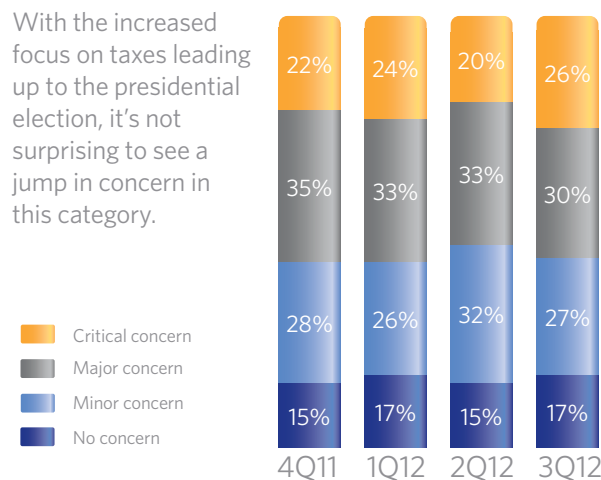
— Campground

"We're marketing wherever and whenever possible to attract new customers so we can stay in business."

— IT consulting

Concerns with Rising Taxes

With the increased focus on taxes leading up to the presidential election, it's not surprising to see a jump in concern in this category.



Other Small Business Concerns

Percentages of respondents who cited the following concerns as critical or major

- Retaining customers **46%**
- Managing cash flow **46%**
- Government regulations **43%**
- Staying in business **38%**
- Employee retention **37%**
- Using offline marketing **31%**
- Using online marketing **27%**
- Finding quality suppliers **25%**
- Using social media **20%**
- Using mobile payments **11%**

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Health care and insurance-related spend accounted for nearly 4% of overall Visa Business card spend in this quarter. Financial institutions may want to emphasize in communications that paying health care bills with a Visa Business card is efficient and can help to address the impact of health care costs on cash flow.

Tools and support for small businesses

In an evolving economy, small businesses face many new challenges every month. One constant challenge, however, is the desire for better cash flow management tools, as this is an essential element for running a successful business. As small businesses look to streamline accounts payable, financial institutions should look to offer more of the electronic payment options businesses are seeking.

Small business resources

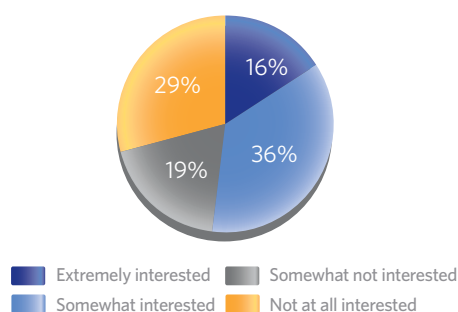
Small businesses that seek solutions to help manage their business can turn to Visa Business for support. For information about Visa's small business solutions, visit visa.com/smallbusiness

Potential Process Improvements

Most Beneficial to Company

- 46%** Better cash flow management
- 19%** Electronic means of payment
- 19%** More data on transactions
- 19%** Reduced paper invoices
- 8%** Reduced paper checks
- 7%** Online access to payment information

Interest if Offered by Bank/Credit Card



Additional resources:

See how small businesses are moving forward with Visa at visa.com/gobiz

For more small business resources to grow your business, go to **Visa Small Business Resource Center** at usa.visa.com/business/resource_center/index.html

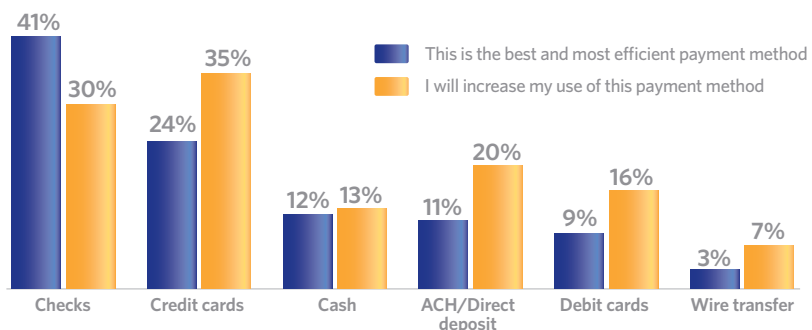
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About Spend Insights methodology

Visa Small Business Spend Insights monitors the economic confidence of small business owners by cross-referencing actual behavior spend data with responses to a quarterly survey exclusively commissioned from TNS by Visa. This study of businesses with \$50,000 – \$25,000,000 in annual revenue was based on small business survey data from December 2010 through August 2012 and also consists of 605 interviews conducted in September 2012.

NOTE: This survey is in no way meant to represent or reflect the true nature of the economy. Rather, it is presented as an additional data set meant to help the reader gather information and develop an informed conclusion.

Payment Method Preferences



*Analysis based on Visa Business card spend data. October 2010–September 2011 to October 2011–September 2012 year-over-year comparison.