



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

Outlook has improved despite lingering economic uncertainty

Small business owners reported record-high confidence and decreasing concern in key areas of the economy — even as buzz surrounding the “fiscal cliff” dominated the media during the time of the survey. [Read more >](#)

Views about the future are cautiously optimistic

As outlooks on revenue and profit increases hold steady, and confidence in stronger local economies grows, small business owners appear optimistic about the direction the economy is taking. However, recovery from recession is still their primary source of anxiety. [Read more >](#)

Business owners feel better about the strength of their businesses

Growing confidence regarding essential business functions — such as inventory, cash flow and revenue — appear to indicate greater optimism about the state of their businesses than in recent quarters. Even so, many business owners continue to report fears about their ability to stay in business. [Read more >](#)

Concerns about cash flow have dropped to an all-time low

For the first time since this survey began, managing cash flow is no longer a top 5 concern. As small businesses turn their attention to other issues, financial institutions may find new opportunities to serve them. [Read more >](#)

[Perceptions of card efficiency may be limiting usage: Learn more >](#)

TOP 5 Individual Small Business Owner Concerns

	3Q12 Rank	4Q11 Rank
1 Attracting new customers	2 ↑	1 ~
2 Cost of health insurance	1 ↓	2 ~
3 Rising taxes	3 ~	3 ~
4 More restrictive government regulation	—	6 ↑
5 Retaining existing customers	4 ↓	4 ↓

TOP 5 Macro-economic Concerns of Small Business Owners

	3Q12 Rank	4Q11 Rank
1 U.S. recovering from the recession	1 ~	1 ~
2 Changes in consumer confidence	4 ↑	2 ~
3 The falling value of the dollar	3 ~	4 ↑
4 Possibility of increasing inflation	5 ↑	6 ↑
5 Continued increases in energy prices	2 ↓	3 ↓

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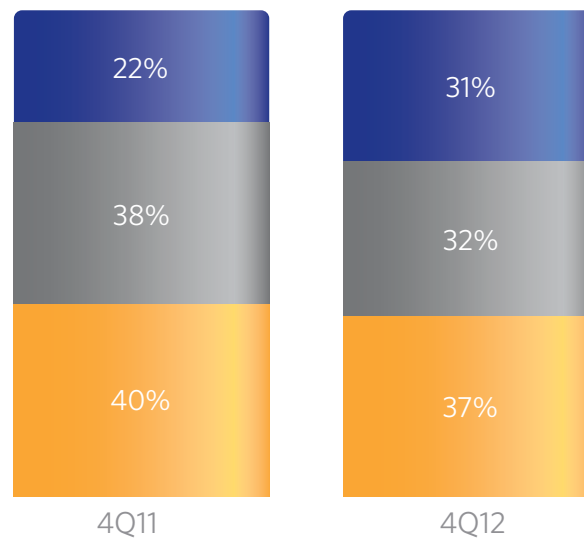
Outlook improving despite lingering economic uncertainty

Confidence in a stronger local economy reached an all-time high in 4Q12. However, apprehension about attracting new customers, stricter government regulations and rising taxes tempered their increasingly positive outlook.

Stronger Local Economy

The number of businesses reporting they expect a stronger local economy in the near term was nine percentage points higher than a year ago. This is a significant shift in a category that may be the best indicator of small business owners' economic outlook. This renewed confidence could signal a changing attitude among the group that many agree are the backbone of the U.S. economy.

- Expect a stronger economy
- Neutral
- Do not expect a stronger economy



"A better economy and less government regulation would help my business."

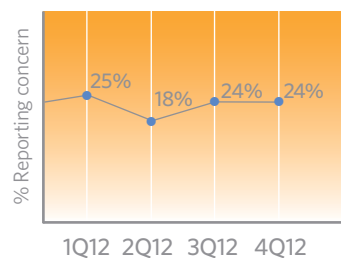
— Professional Services/Management

"We need the government to stop raising taxes on small businesses."

— Contractor

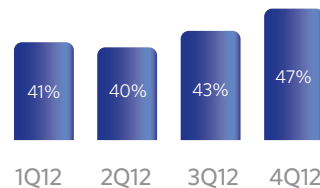
Business owners' positive economic outlook is tempered by uncertainty in key categories

Attracting New Customers



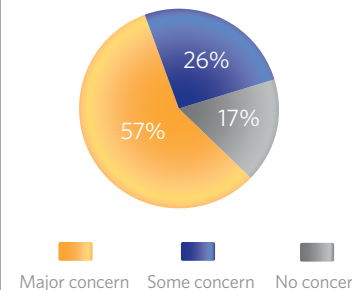
Once again the top concern among small business owners, attracting new customers has remained a leading source of anxiety along with health insurance and taxes.

More Restrictive Government



Anxiety about government restrictions has increased over the past several quarters as business owners appear to gain confidence about other market-driven aspects of their businesses.

Rising Taxes



Apprehension over rising taxes remained high, which is not surprising given the "fiscal cliff" headlines dominating the media in December.

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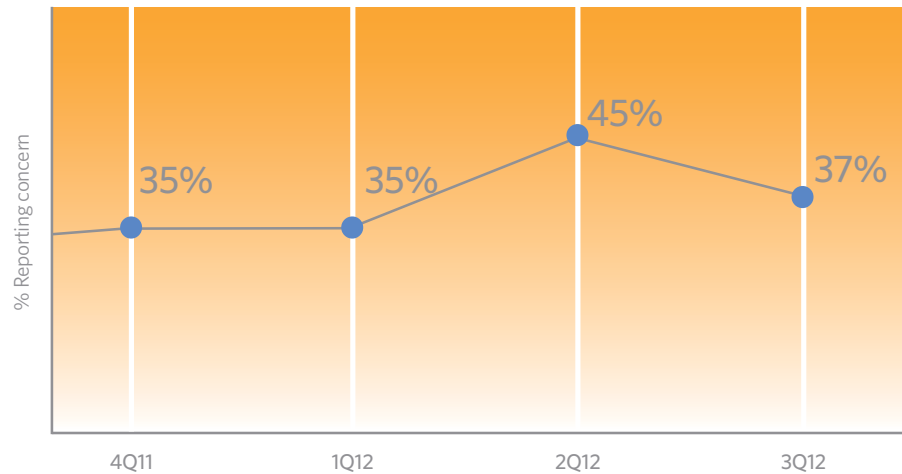
Visa Business card spend on tax payments increased 4.4% year-over-year and has the potential to increase more in 2013 for those who claim small business profits on their personal income taxes.¹ Under the fiscal cliff agreement, single taxpayer personal income above \$400,000 will now be taxed at 39.6% instead of 35%.²

Business owners view the future with cautious optimism

While down significantly, concern about recovery from the recession remained top-of-mind for many business owners. At the same time, a more positive outlook on real business expenses, such as energy spending, seem to indicate greater optimism among small business owners.

Recovery from Recession

Although the most recent recession ended in 2Q09, business owners continue to cite recovery as their top macro-economic concern. Lingering effects of the recession weigh heavily on small businesses.



"We need to keep the cost of health care for our employees affordable."

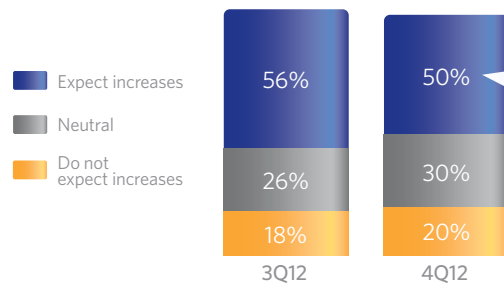
— Contractor

"We are trying to reduce costs — especially in energy."

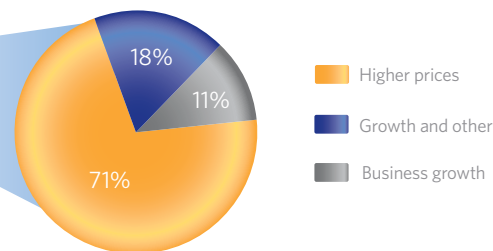
— Retailer

Other responses indicate growing optimism in some key cost centers for business owners

View on Energy Spending



Reasons for Energy Spending Increase



The number of business owners who expect energy spending increases has fluctuated over the past several quarters, but dropped significantly in 4Q12. While concern is still high, lower expenses in this area could potentially free up resources for other business activities.

Of those who expect to spend more on energy, the number who believe it will be due to increased prices rather than consumption or other factors remains high. This suggests that business owners may feel they have little control over their energy spending, which likely contributes to their ongoing concern.

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The average cost per gallon of gas fell 17 cents from 3Q12 to 4Q12.³ This change, combined with a 7.1% decrease in fuel transactions by Visa Business cardholders, led to an 8.8% decline in fuel spend — a significant reduction in small business owners' energy expenditures.

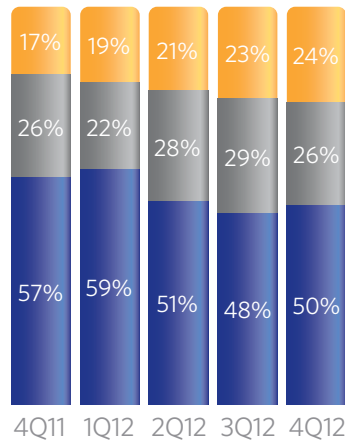
Business owners more confident about the strength of their businesses

Two key indicators of a business' strength — increased inventory and cash flow — are at all-time highs for this survey. Another key indicator, revenue growth, was the highest it's been since 2Q08. However, small business owners' anxiety over staying in business continues to hold steady.

Increasing Inventory

The number of business owners who believe they will increase their inventory levels has been gradually rising over the past year and has now reached its highest level since 1Q10.

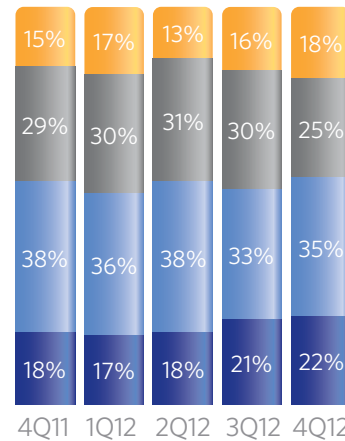
- Expect to increase
- Neutral
- Do not expect to increase



Managing Cash Flow

Although concern over managing cash flow fell only slightly in this quarter, this figure has reached an all-time low and moved out of the top 5 concerns for the first time since this survey began.

- Critical concern
- Major concern
- Minor concern
- No concern



"It's critical to find an efficient balance of inventory and demand."

— Retailer

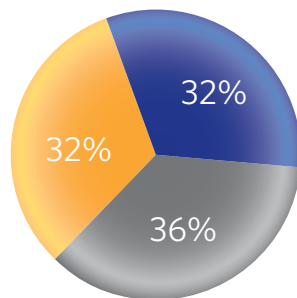
"An influx of cash flow allows us to push a new marketing campaign."

— Software

Revenue Increases

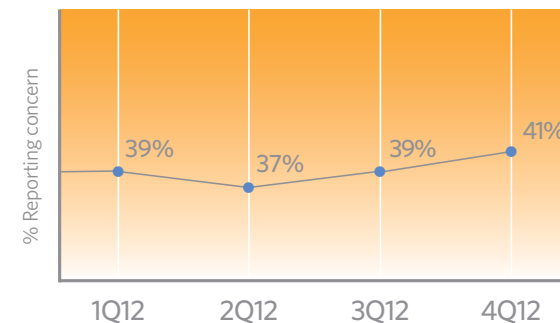
Although expectations about increases in revenue have been fairly flat for several quarters, they remain relatively high with nearly one-third of small business owners expecting an increase.

- Expect to increase
- Neutral
- Do not expect an increase



Staying In Business

Concern over staying in business has remained high for the past several years. In 4Q12, more than 40 percent of business owners cited critical or major concern.



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As small businesses position themselves for the future, the competition for customers is increasingly key to survival and growth. In fact, Visa Business cardholders made 19.4% more transactions, and increased spend 8.7%, in the Advertising Services category in 4Q12 compared to 4Q11.

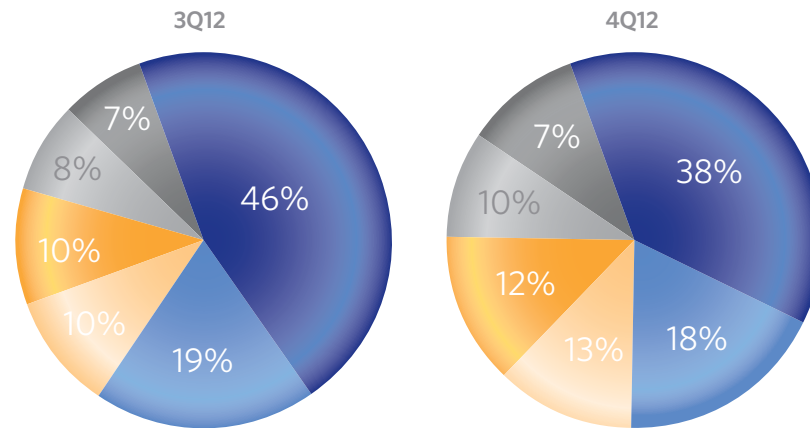
Concerns about cash flow have dropped to an all-time low

This shift in concern about cash flow combined with other key responses may indicate a new area of focus for business owners. When factored with their stated intent to use credit cards more often and reduce paper checks and invoices, this may be an indication they are seeking greater payment efficiencies.

Potential Process Improvements

Better cash flow management, which is typically the leading area for desired process improvements, remains high. However, it dropped significantly in 4Q12 from nearly half of respondents to just over one-third.

- Better cash flow management
- Electronic means of payment
- More data on transactions
- Reduced paper invoices
- Reduced paper checks
- Online access to payment information



"It would be nice to have credit card statements list out the actual items purchased."

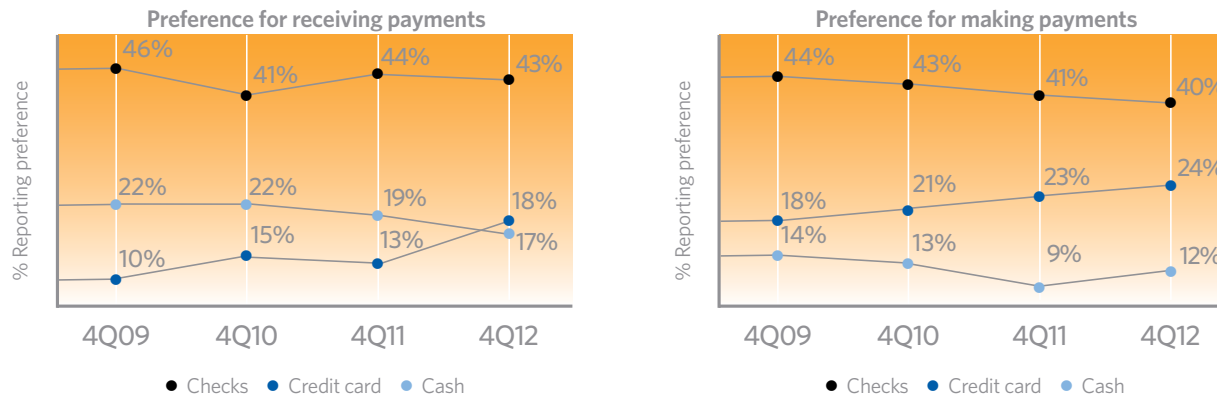
— Auto repair

"We're setting up ways for customers to pay with cards."

— Catering

Paying and Being Paid with Credit Cards

Small business owners should consider the value of credit cards as both a tool for making payments and a tool for receiving payments. They still prefer checks for both, but cards have now replaced cash as second choice for receiving payments. In terms of making payments, cards have been second for quite some time with a growing margin over cash.



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In 4Q12, the average Visa Business card ticket for a rolling 12-month period increased again, marking the sixth consecutive quarterly reporting period this key figure has grown.

Perceptions of card efficiency may be limiting usage

Business owners appear to have a growing interest in solutions offered by financial institutions. Plus, a significant number of business owners report they plan to use cards more often, while much fewer see cards as an efficient payment method. This may represent an opportunity for financial institutions to educate cardholders on efficiency-based card benefits like electronic payments, purchase tracking and online account management tools.

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

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](http://usa.visa.com/business/resource_center/index.html) 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 April 2007 through December 2012 and also consists of 604 interviews conducted in December 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.

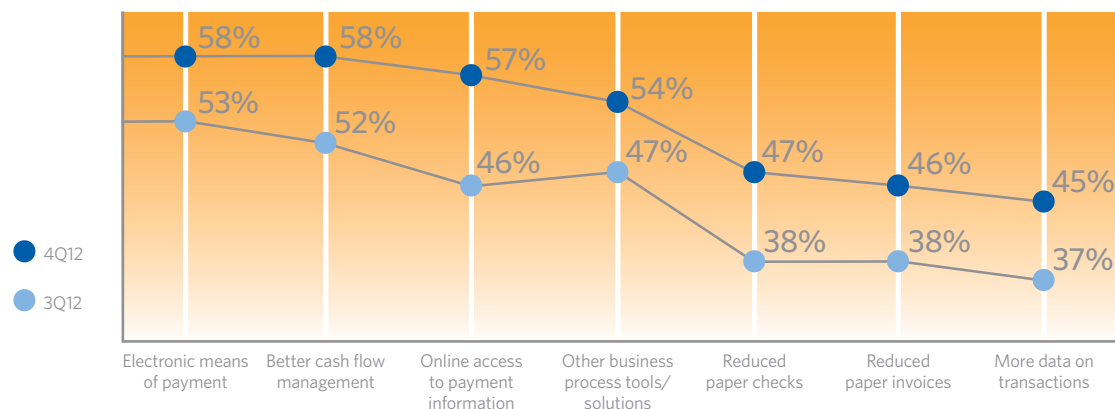
¹ Analysis based on Visa Business card spend data between January 2011 and December 2012.

² BankRate.com, "2013 tax bracket rates" January 2013

³ U.S. Energy Information Administration

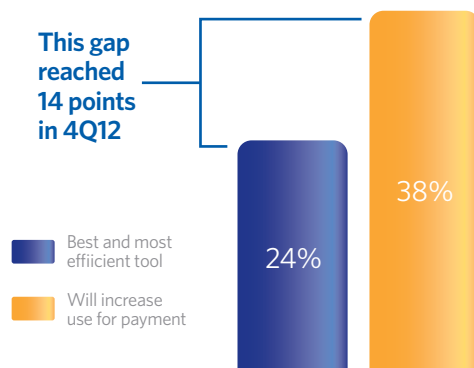
Interest in Solutions Offered by Financial Institutions

With five- to eleven-point differences across solution types from 3Q12 to 4Q12, business owners appear much more receptive to financial institutions' offerings than just three months ago.



Using Credit Cards: Intent vs. Perception

In 4Q12, 38 percent of small business owners indicated they planned to increase their use of credit cards, but only 24 percent indicated they saw cards as an efficient payment tool.



Spend Insights Outlook

Small Business owners showed improved confidence last quarter — in the economy and in opportunities for their businesses. Confidence in building inventory levels was the highest since Visa started surveying (2007) while the worry of cash flow management was at a survey low. This sentiment seemed to be reflected in the purchasing behavior of Visa Business cardholders as the average Visa Business card ticket has increased consecutively for the past six quarters. At Visa, we are pleased to see this positive sentiment and the continued growth in electronic payments as a valuable tool in businesses' success.

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