



Visa Small Business | 1Q17 Report | June 2017

# Spend Insights

## Top 5 Individual Concerns of 1Q17<sup>1</sup>

This quarter	Last quarter	vs. A year ago
1 Attracting new customers	1 -	1 -
2 Cost of health insurance	2 -	T2 -
3 Rising taxes	4 ↑	T2 -
4 Retaining existing customers	3 ↓	4 -
5 Keeping good employees	6 -	6 ↑

## Top 5 Macroeconomic Concerns of 1Q17<sup>2</sup>

This quarter	Last quarter	vs. A year ago
1 Possibility of increasing inflation	1 -	2 ↑
2 Rising interest rates	3 ↑	4 ↑
3 Decline in consumer confidence	2 ↓	1 ↓
4 Increase in energy prices	4 -	5 ↑
5 Falling value of the dollar	5 -	3 ↓

*"The looming Fed rate hike stirred concerns about interest rates, but it may have also signaled economic growth to small business owners as their confidence levels are the highest they've been since the 2008 economic downturn. 1Q17 data also indicates continued interest in electronic payments with a preference for cards over bank transfers. Meanwhile, a new survey question highlighting use of personal cards for business expenses reveals an opportunity for financial institutions to expand their relationships with business banking customers by driving adoption of business cards."*

— David Simon, SVP, Head of Global SME Business

## Findings at a glance

### Current climate

#### Rate hikes may be driving financing concerns, but business are still planning for growth

While overall outlooks appear to be improving, elevated concern about interest rates and financing costs show this optimism is guarded. However, increased focus on bringing in new customers and hiring employees suggest small business owners are planning for growth. [Read more >](#)

### Payment preferences

#### Business owners surveyed express continued interest in electronic payments and still consider credit cards one of the best ways to pay and be paid

Checks continue to trend downward and electronic payments continue to trend upward. And while there was a small uptick in interest in bank-to-bank transfers, cards are still viewed as a better method of payment and acceptance. [Read more >](#)

### Future outlook

#### Rising economic confidence may be driving plans to expand

Confidence in key areas of business performance has risen to the highest level seen in this survey since 2008. This apparent optimism may be driving small business owners' plans to increase marketing and expand their businesses. [Read more >](#)

### Visa Business card penetration

#### Share of wallet is strong, but may reveal opportunities for growth

According to business cardholders surveyed by TNS in 1Q17, Visa has the greatest share of wallet among small business owners. However, use of personal cards for business expenses indicates an opportunity for financial institutions to educate cardholders about the unique and value-added benefits of Visa Business cards. [Read more >](#)

<sup>1</sup> Now we would like to ask you about concerns that other small business people have mentioned. For each one, please indicate whether this is a critical concern, a major concern, a minor concern or no concern at all to your business.

<sup>2</sup> What major issue facing the economy most concerns you as a small business owner?

Current climate

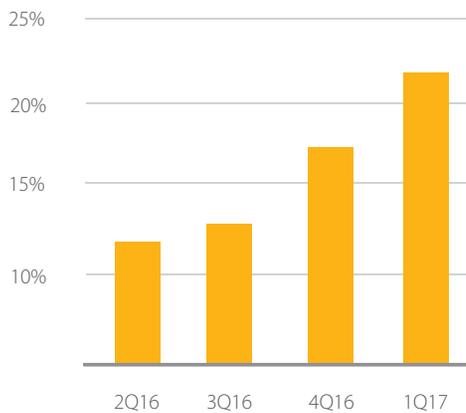
# Rate hikes may be driving financing concerns, but business are still planning for growth

Rising interest rates and higher financing costs became top-of-mind for small business owners in 1Q17, which may have been driven by anticipation of the Federal Reserve’s March rate hike announcement. However, rate hikes are often a function of a strengthening economy and responses around marketing and staffing indicate that small business owners are poised to capitalize by growing their business and workforce.

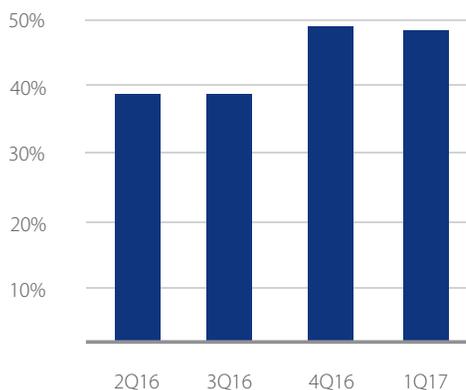
## Anticipation of paying more to borrow money

In the quarters leading up to the Fed’s rate hike announcement, concerns about interest rates rose sharply. Confidence that the cost of financing will increase also rose in this timeframe, spiking in 4Q16 and remaining high in 1Q17.

Interest rates will rise<sup>2</sup>

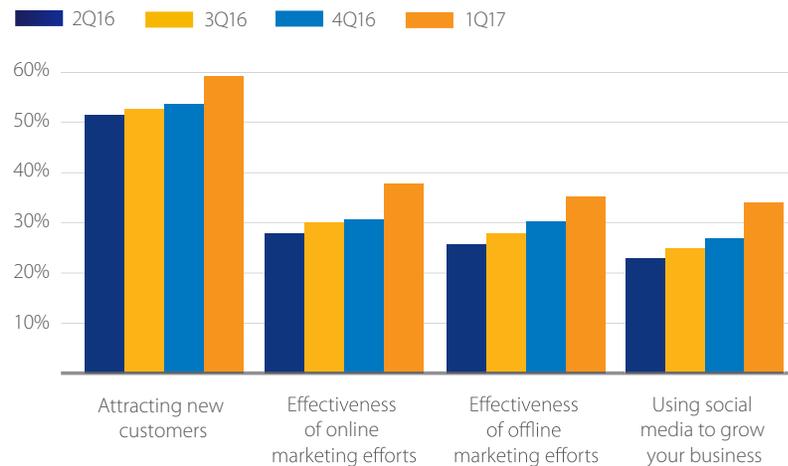


The cost of financing will increase<sup>3</sup>



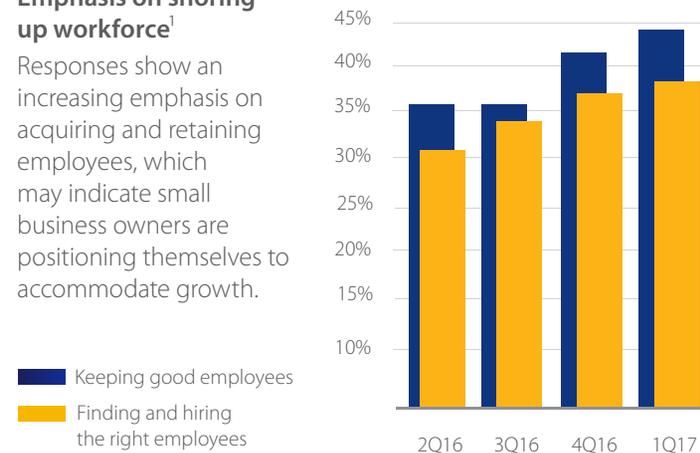
## Focus on bringing in new customers<sup>1</sup>

Despite their interest rate concerns, small business owners’ responses indicate that they see new business as a critical need and will be taking steps to acquire new customers.



## Emphasis on shoring up workforce<sup>1</sup>

Responses show an increasing emphasis on acquiring and retaining employees, which may indicate small business owners are positioning themselves to accommodate growth.



*“We are adding employees into our sales and marketing departments.”*  
— Software development



### Spend Insight

As 2016 progressed, small capital investments slowed. Over the course of the year, sales volume growth in this category fell from 15.4% in 1Q16 to 14.2% in 4Q16, indicating small businesses may have been increasingly reluctant to use credit as the Fed’s rate hike announcement approached.

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<sup>2</sup> What major issue facing the economy most concerns you as a small business owner?

<sup>3</sup> Thinking of the business in which you are an owner, part owner, partner or the financial decision maker, please tell me how likely each of the following is to occur.

Future outlook

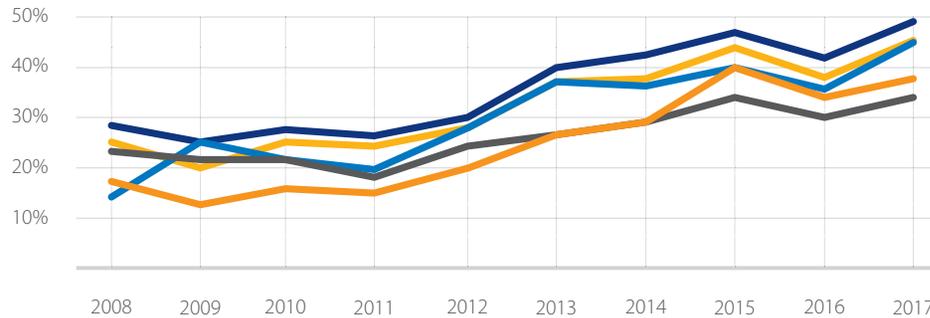
# Rising economic confidence may be driving plans to expand

General economic confidence grew steadily from 2008 through 2015 and then dipped in 2016. But as of 1Q17, confidence in key areas of business performance is the highest it's been in more than eight years. Combined with their cited marketing and expansion plans, small business owners' responses indicate they are increasingly optimistic.

## Confidence in key performance indicators<sup>3</sup>

Overall confidence in factors central to business performance is the highest it's been since 2008.

- Revenue increase
- Greater profit
- Stronger economy
- Higher ad/marketing spending
- Pay employees more

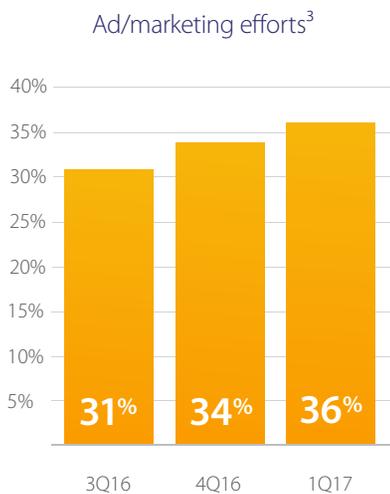


*"We're expanding the geographical area we serve and expanding services to cover a broader segment. We are also increasing our marketing efforts to reach more potential customers."*

— Manufacturing

## Advertising and marketing focus

The number of small business owners who say they are planning to ramp up their marketing efforts increased steadily over the past three quarters. Among those doing more marketing, the majority cite plans to utilize cost-effective digital channels — especially social media.

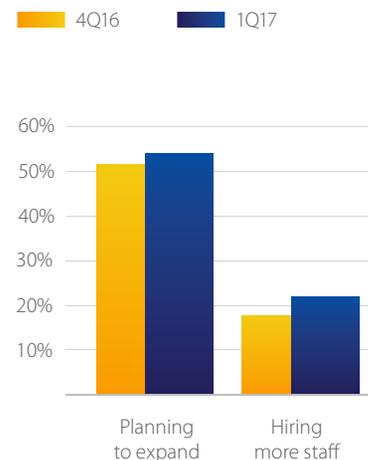


### Use of social media to grow business<sup>1</sup>



## Expansion plans<sup>5</sup>

The 4Q16 to 1Q17 shift in responses around expansion support the notion that small business owners are increasingly optimistic about the economy.



## Spend Insight

Year-over-year (YOY) spend in the Advertising Services category was up 22.1% and YOY spend in Management Consulting and Public Relations was up 31.4% – both increases could further indicate plans for growth.

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<sup>3</sup> Thinking of the business in which you are an owner, part owner, partner or the financial decision maker, please tell me how likely each of the following is to occur:

<sup>4</sup> You mentioned you planned on increasing your marketing efforts in the next 6 months. What areas do you plan to focus on?

<sup>5</sup> What business expansion efforts are you planning in the next 12 months?

Payment preferences

# Business owners surveyed express continued interest in electronic payments and still consider credit cards one of the best ways to pay and be paid

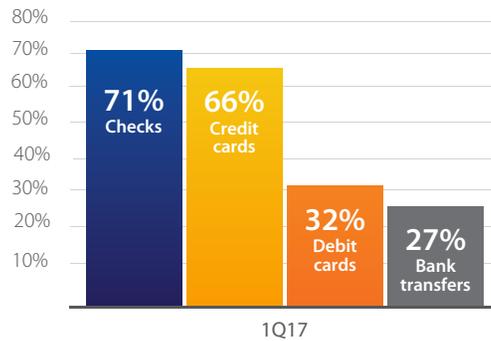
Responses indicate credit cards are still viewed as the best and most efficient for small business expenses.<sup>6</sup> However, 1Q17 saw a slight uptick in interest in bank-to-bank transfers. And when asked about new tools or solutions issuers could provide to help improve business processes, electronic means of payment garnered the greatest interest among small business owners, followed closely by cash flow management improvements.

## Payment method preferences:

Responses about payment method usage and perceptions show that despite the prevalence of checks, they continue to trend down as cards continue to gain favor. And while interest in bank-to-bank transfers as a payment method for business expenses increased in 1Q17, small business owners surveyed still tend to choose cards for making and receiving payments.

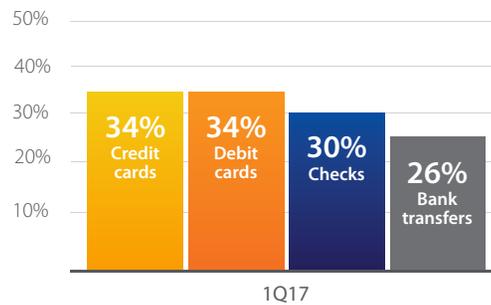
### Methods used for business expenses<sup>7</sup>

Credit cards are still preferred over bank transfers and debit cards, and remain a close second to checks.



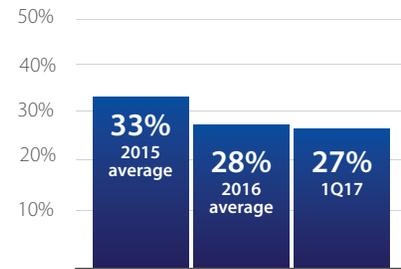
### New payment methods accepted<sup>8</sup>

Among those who have accepted a new form of payment in the past 12 months, cards were more prevalent than checks or bank transfers.



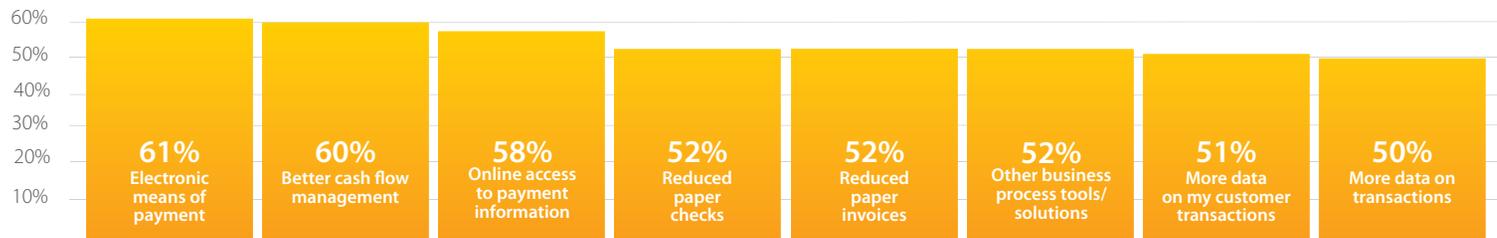
### Check usage in next six months<sup>9</sup>

Responses citing plans to use checks more often indicate this method is not likely to increase.



### Process improvements<sup>10</sup>

Electronic payments ranked as the most appealing process improvement to small business owners.



*"With my credit card, the cash back rewards are valuable and payments are easy."*  
— Imported goods



## Spend Insight

For overall small business spend on Visa cards, YOY sales volume grew 13.7%, transactions grew 11.9% and average ticket size grew 1.6%. This overall growth may be correlated with increasing interest in electronic payments and continued preference for credit cards.

<sup>6</sup> When making payments, which of the following is the best and most efficient payment tool for your business?  
<sup>7</sup> Next, please click the payment methods your company uses for business expenses.  
<sup>8</sup> Which payment methods have you started accepting in the past 12 months?  
<sup>9</sup> Among these payment tools, which ones will you more likely increase usage of over the next 6 months?  
<sup>10</sup> What one of these business process improvements would benefit your company the most?

Visa Business card penetration

## Share of wallet is strong, but may reveal opportunities for growth

Among the U.S. small business owners surveyed, more carry a Visa card than any other brand.<sup>11</sup> However, the majority of them own a consumer card for business expenses.<sup>12</sup> This may present an opportunity for financial institutions to educate their business banking customers about the advantages of Visa Business cards — including earning rewards, automatic savings for qualified business purchases, easy-to-use spend tracking tools, the ability to separate business and personal expenses, and better cash flow management.

### Credit card brands owned for business expenses<sup>11</sup>

Nearly three quarters of small business owners surveyed carry a Visa credit card to pay business expenses with a significant margin separating them from the next competitor.

Of those surveyed:



*"I use a personal card for business expenses because I get cash rewards."*  
— Home inspections



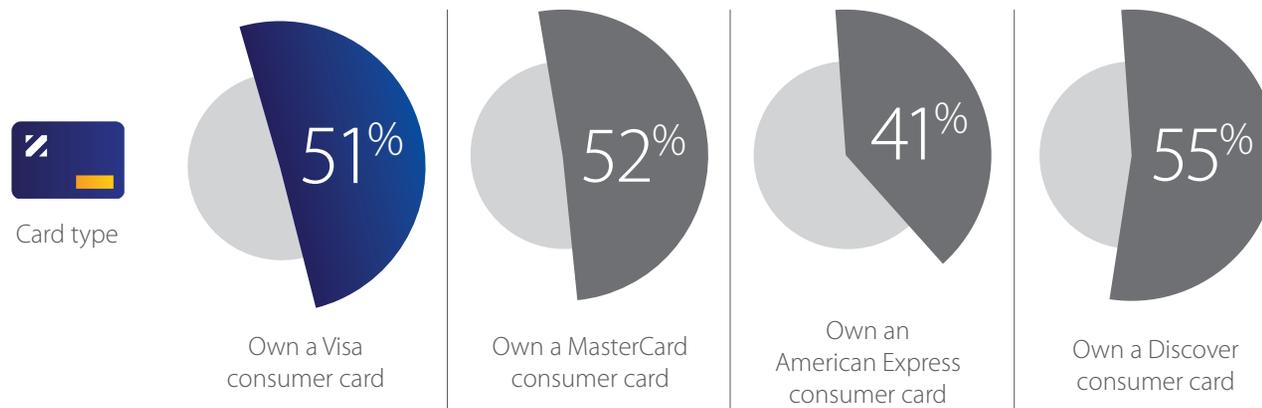
### Spend Insight

Spend behavior of those who own Visa Business cards further indicates small business owners plan to grow their customer base and workforce. Among the five fastest growing spend categories, YOY sales volume for Attracting New Customers increased 17.1% and Hiring Employees increased 14.3%.

### Personal credit cards owned for business expenses<sup>12</sup>

Across all major brands, small business owners report owning a consumer card for their business expenses. This indicates there may be a need for further education about the benefits of owning and using business credit cards.

Of those surveyed:



<sup>11</sup> Please indicate the credit cards you own for business expenses by brand (business or personal) [Base: Total respondents (600)]

<sup>12</sup> Please indicate the credit cards you own for business expenses by type (business or personal) [Base: Cardholders (varies by brand)]



## Appendix

**Vendor:**  
TNS

**Method:**  
Online survey

**Dates:**  
February 28, 2017 - March 10, 2017

**Number of interviews:**  
600

**Length of interview:**  
Averaged 11 minutes

**Qualifying criteria:**

- Selected using occupational and industry profile screening conducted by all sample partners
- Role as key financial decision-maker for company
- Company size
- Company revenue

**Representation:**  
Total U.S.

**Analysis:**

- Quarterly results from the past 7 quarters are tested for statistically significant differences against one another as independent percents at the 95% confidence level.

### 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/business](https://www.visa.com/business)

### 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 March 2017 and also consists of 600 interviews conducted between February 28th, 2017 – March 10th, 2017.

**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.

Spend Insights was commissioned by Visa and is conducted by an independent research firm, TNS, Q1 2017