



# Visa Small Business Spend Insights



Summer 2007

**W**elcome to the first issue of Visa Small Business Spend Insights, a new report that monitors economic confidence by cross-referencing Visa spend data with responses from a quarterly survey of small businesses.

Now your business can benefit from insights validated by fact-based data gathered with Visa’s proprietary research methods. You’ll find these Spend Insights\* in the document below. For more information on methodology, just refer to the paragraph at the end of this newsletter.

## Report Summary

In the first quarter of 2007, 28 percent of surveyed small business owners expressed overall confidence that the economy will be stronger over the next six months; 30 percent felt economic conditions would worsen; and 42% were neutral. Key factors that affect small business owners’ confidence include the increasing costs of energy, healthcare, taxes, and sales and marketing efforts. Spend Insights confirmed this data, showing an increase in actual spending in each of these areas by small businesses.

This report uses the unique approach of assessing business outlook from two perspectives critical for any small business owner: the profit-and-loss view and the cash flow view. The trends for each of these key business drivers are highlighted in the summary below.

**Profit & Loss Overview**

**Revenue Outlook: Increasing** ↑

**Expenses Outlook: Increasing** ↑

- Increase in energy expenditures
- Increase in healthcare costs
- Increase in advertising and marketing costs
- Increase in taxes and tax preparation costs

**Profit Outlook: Increasing** ↑

**Cash Flow Overview**

**Sources of Cash Outlook: Neutral** ↔

**Uses of Cash Outlook: Increasing** ↑

## Profit & Loss Overview

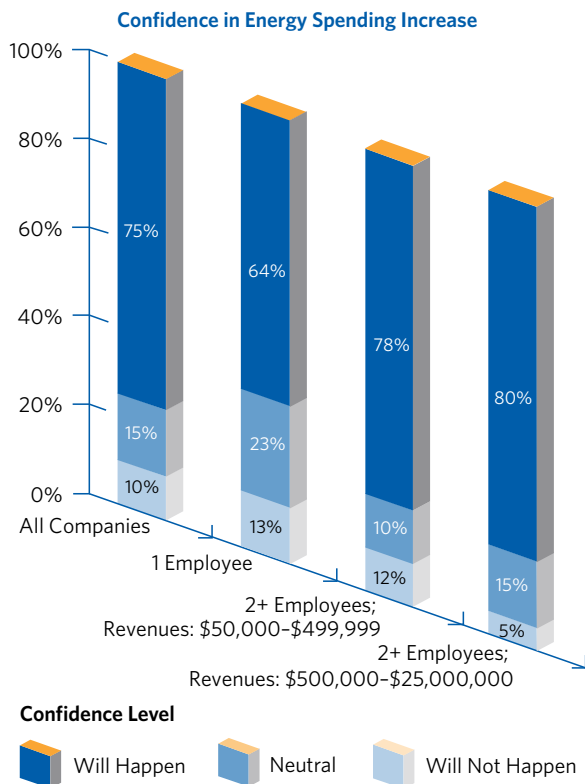
### Revenue Outlook: Increasing

- Nearly half (45 percent) of surveyed small business owners expected an increase in revenue over the next six months versus 11 percent who expected declines in revenue over the same period.

### Expenses Outlook: Increasing

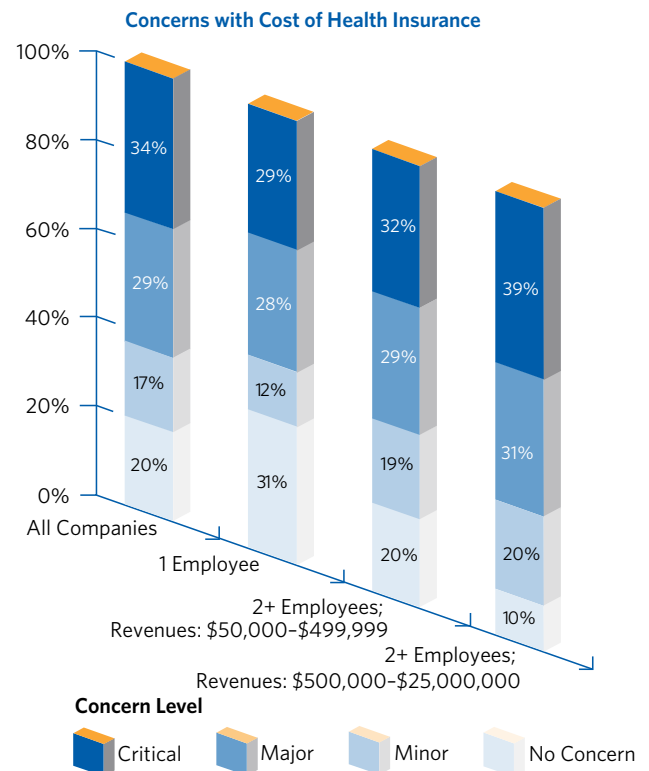
#### Increase in energy expenditure

- 75 percent of surveyed small business owners believe that energy spending will increase over the next six months.



#### Increase in healthcare costs

- 34 percent of surveyed small businesses expressed concern that healthcare insurance costs will increase over the next six months. Healthcare costs were even more of a concern for small businesses with two or more employees.

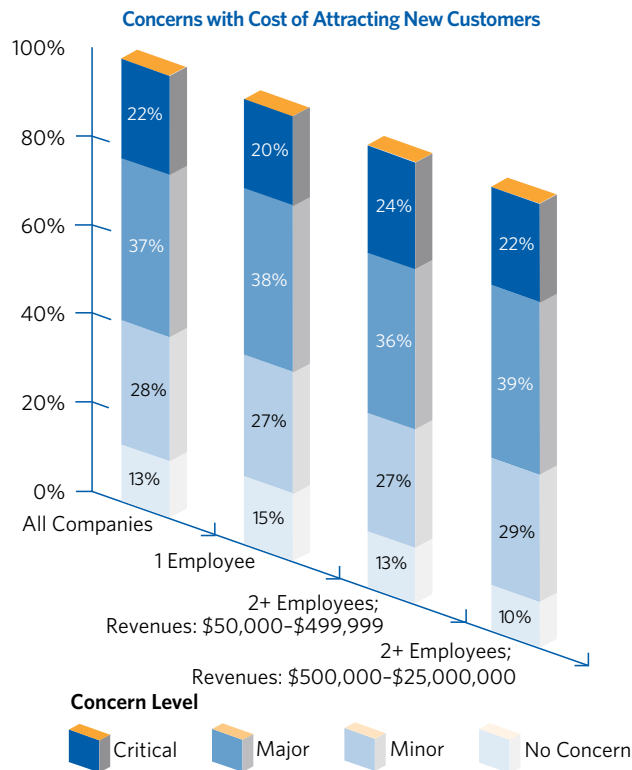


**Visa Spend Insight:** The Visa Business average ticket in the healthcare segment increased by 17 percent for the trailing 12 months. This increase represents a sixfold increase over the CPI index during the same time period. (Source: Visa System, BLS: CPI of all Urban Consumers)

**Visa Spend Insight:** The Visa Business average spend per transaction in energy expenditures saw an increase of 18 percent for the trailing 12 months. (Source: Visa System)

### Increase in advertising and marketing costs.

- 22 percent of surveyed small businesses expressed concerns about attracting new customers over the next six months.



**Visa Spend Insight:** Visa Business expenditures for the trailing 12 months in advertising, management consultants/public relations, publishing, and commercial arts and graphics increased by 56 percent — twice the growth rate of expenditures in all categories.

### Increase in taxes and tax preparation costs

- 20 percent of surveyed small businesses expressed concern about rising taxes in the next six months.

**Visa Spend Insight #1:** Visa Business expenditures for the trailing 12 months in tax preparation services and tax payment increased by 80 percent, more than twice the growth rate of expenditures in all spend categories.

**Visa Spend Insight #2:** Tax payments and tax preparation services have an average spend per transaction that is three times that of the average Visa Business card ticket.

### Profit Outlook: Increasing

- 39 percent of surveyed small business owners expected an increase in profits over the next six months versus 19 percent who predicted lower profits over the same period.

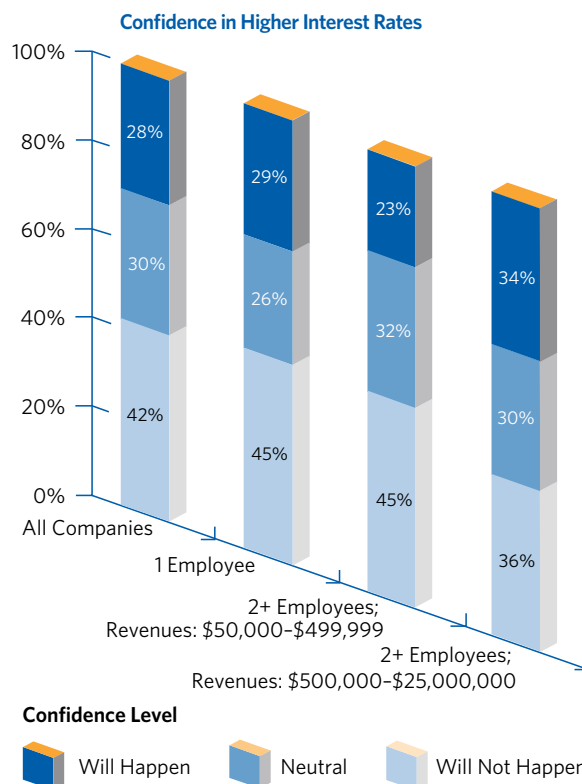
## Cash Flow Overview

### Sources of Cash Outlook: Neutral ↔

- Accounts receivable are not an issue; only 18 percent of surveyed small businesses expected difficulty with collections over the next six months.
- Borrowing is not likely to increase; only 17 percent of surveyed small businesses indicated that they would need to borrow more money.

### Uses of Cash Outlook: Increasing ↑

- Accounts payable outlook predicted to increase; only 18 percent of surveyed small businesses expected less lenient payment terms over the next six months.
- 28 percent of surveyed small businesses expect interest rates to increase over the next six months (versus 11 percent who expect lower rates).
- The fact that 58 percent of the surveyed small businesses believe that interest rates may stay flat or fall is consistent with the outlook that prime rates may fall by three percent in the following few quarters. (Source: Global Insight)



Raghav Lal,  
Senior Vice President,  
Small Business Visa USA

*“Visa, as a leading provider of small business payment products, has a unique perspective into U.S. small business spending. By combining small business attitudes with their actual Visa spend behavior, we have insights into small business confidence and operational outlook. These insights enable Visa and our partner financial institutions to provide comprehensive payment solutions tailored to small business needs.”*

*“From this Q1 report, we found that while small businesses expect overall revenue and profitability to increase, they are starting to feel the impact of increased expenses due to the current economic outlook. As expenses continue to trend upward, we expect a commensurate effect on cash flow.”*

#### \*About Spend Insights Methodology

Spend Insights is a unique new report that offers forward-looking insights and attitudes validated by research and data exclusively commissioned from TNS by Visa. A poll was conducted to monitor the relative economic confidence of small businesses with \$50,000-\$25,000,000 in annual revenue. This study — the only one capturing small business spend down to the payment-method level — consisted of 601 online surveys conducted April 3-8, 2007, and was based on small business spend data from March 2006 to February 2007.



#### About Visa Business

Visa USA — a leader in small business solutions that surpassed \$100 billion in annual volume in 2006 — is committed to providing payment alternatives tailored to the unique, evolving needs of small businesses. To further enhance small business growth, Visa USA continually implements methods to increase card selection and security for issuers, cardholders, and merchants. Your business is protected internationally by VisaNet®, the world’s largest financial network, which annually processes over \$3 trillion in transactions in more than 150 countries with unparalleled reliability.