



Visa Small Business Spend Insights



2Q 2007

Welcome to Visa® Small Business Spend Insights for 2Q 2007. This report monitors the economic confidence of small business owners by cross-referencing Visa spend data with responses from a quarterly survey of small businesses.

Whether you are a small business or a company serving the small business segment, now you can benefit from insights obtained and validated by Visa’s proprietary research methods. You’ll find these Spend Insights* in the report below. For more information on our methodology, please refer to the paragraph at the end of this newsletter.

Report Summary

In the second quarter of 2007, small businesses continued to express a mixed sentiment toward the economy. Of the small business owners surveyed, 27 percent expressed overall confidence that the economy will be stronger over the next six months; 32 percent felt economic conditions would worsen; and 41 percent were neutral. The top five macroeconomic issues of greatest concern to small business owners, by percentage, included:

- Continued increase in energy prices (32 percent)
- Possibility of U.S. entering recession (21 percent)
- Changes in consumer confidence (11 percent)
- Possibility of increasing inflation (10 percent)
- Declining housing market (10 percent)

Cost increases for energy, advertising/marketing, and rent/mortgage were key factors that affected the confidence of surveyed small business owners. The Spend Insights below provide actual data on how these expectations have impacted current small business spend.

This report uses a unique approach of assessing the business outlook from two perspectives critical for any small business owner: profit & loss and cash flow. The trends for each of these key business drivers are highlighted in the overviews below, then examined in more detail in the following pages.

Profit & Loss Overview

Revenue Outlook: Increasing ↑

Expenses Outlook: Increasing ↑

- Increase in energy expenditure
- Increase in advertising/marketing cost
- Increase in rent/mortgage

Cash-Flow Overview

Sources of Cash Outlook: Neutral ↔

Uses of Cash Outlook: Decreasing ↓

Profit & Loss Details

Revenue Outlook: Increasing

- Consistent with 1Q07, nearly half (44 percent) of surveyed small business owners expected an increase in revenue over the next six months vs. 13 percent who expected declines over the same period.
- In particular, small business owners are more confident in their ability to increase prices as compared to the previous quarter (42 percent confident/likely vs. 37 percent last quarter), especially among smaller businesses (with less than \$500K in revenues).

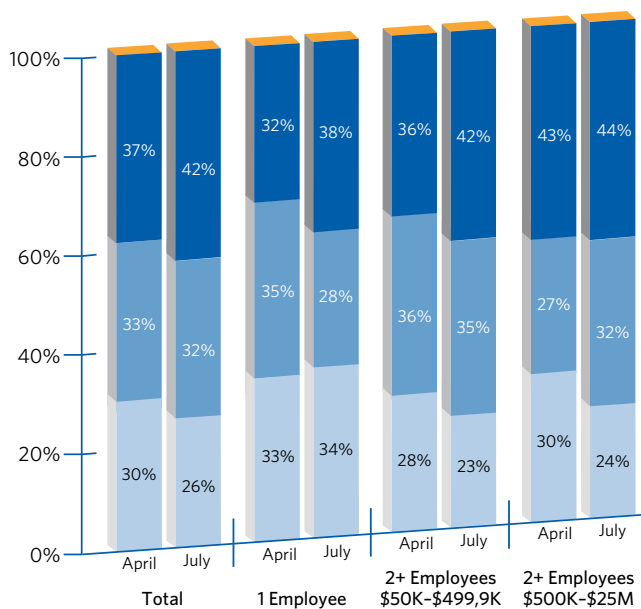
Expenses Outlook: Increasing

Increase in Energy Expenditure

- Energy remains the top category where surveyed small businesses are expecting spend increases. 72 percent of surveyed small business owners believe energy spending will increase over the next six months.

Visa Spend Insight: Visa Business average spend per transaction in energy increased by 3 percent for the past 12 months vs. prior year. (Source: Visa System)

Confidence in Ability to Raise Prices



Increase in Advertising/Marketing Costs

- 23 percent of surveyed small business owners expressed concerns about attracting new customers over the next six months.

Visa Spend Insight: Visa Business average spend per transaction in advertising, management consulting/public relations, publishing, and commercial arts and graphics increased by 8 percent for the past 12 months vs. prior year. (Source: Visa System)

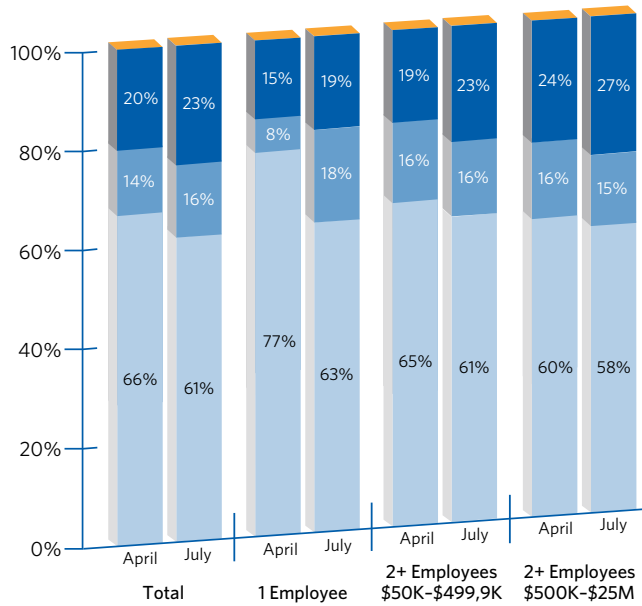
Confidence Level



Increase in Rent/Mortgage Costs

- While most small businesses are still not concerned about rent/mortgage increases, the prospect of such increases appears somewhat more likely for surveyed small business owners this quarter (23 percent in 2Q07 vs. 20 percent in 1Q07).

Confidence in Rent/Mortgage Increase



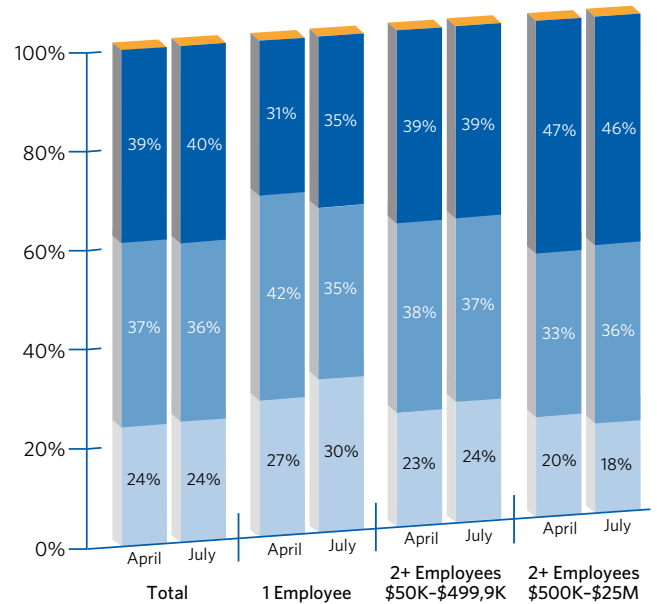
Confidence Level



Profit Outlook: Increasing ↑

- Despite a higher outlook for expenses, 40 percent of surveyed small business owners expected an increase in profits over the next six months versus 22 percent who predicted lower profits over the same period.

Confidence in Greater Profits



Confidence Level



Cash Flow Details

Sources of Cash Outlook: Neutral ↔

- Accounts receivables are not an issue; only 19 percent of surveyed small business owners expected difficulty with collections over the next six months.
- Borrowing is not likely to increase; only 19 percent of surveyed small business owners indicated that they would need to borrow more money.

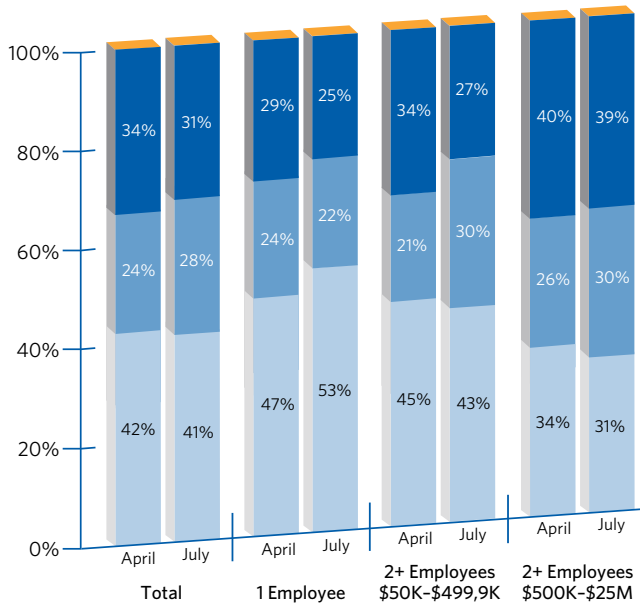
Uses of Cash Outlook: Decreasing ↓

- 32 percent of surveyed small business owners expected interest rates to increase over the next six months (vs. 11 percent who expect lower rates). Among businesses with 2+ employees and \$50K-\$499K in revenues, there was a more significant increase in the expectation for higher interest rates vs. 1Q07 (31 percent vs. 23 percent).
- Likely due to the continued outlook for increasing expenses and its impact on profitability, surveyed small businesses have low expectations for making



small capital investments (31 percent likely to invest vs. 41 percent likely to not invest) as well as large capital investments (21 percent likely to invest vs. 58 percent likely to not invest).

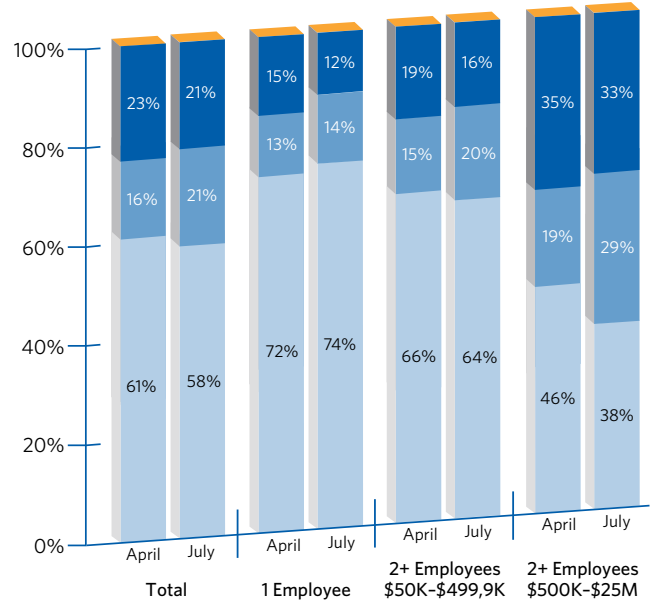
Confidence in Small Capital Investments



Confidence Level



Confidence in Large Capital Investments



Confidence Level



Visa Spend Insight: Visa Business expenditures in the past 12 months for small capital investments is 3.9 percent, down from 4.6 percent in 1Q07.



Raghav Lal,
Senior Vice President,
Small Business Visa USA

"In the 2Q07 report, we continue to observe a mixed outlook on the economy from small business owners. As a result, small businesses appear to be more conservative as observed in their reduced propensity for making capital investments. Additionally, the increase in underlying expenses is asserting a potentially inflationary effect on small business pricing."

*About Spend Insights Methodology

Spend Insights is a unique 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 July 9-16, 2007, and was based on small business spend data from July 2006 to June 2007.



About Visa Small Business Solutions

Visa offers small business owners a range of convenient payment products, including the Visa Business credit card, Visa Business check card, and Visa Business line of credit. Visa delivers added value to small business owners with services that include automatic bill payment; promotions and savings; rewards; and customized reporting. For more information about Visa's small business solutions, please visit visa.com/smallbusiness.

