

Visa Small Business Spend Insights

3Q 2007

Welcome to Visa® Small Business Spend Insights for 3Q 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 serving the small business segment, now you can benefit from insights obtained and validated by Visa's proprietary research methods.

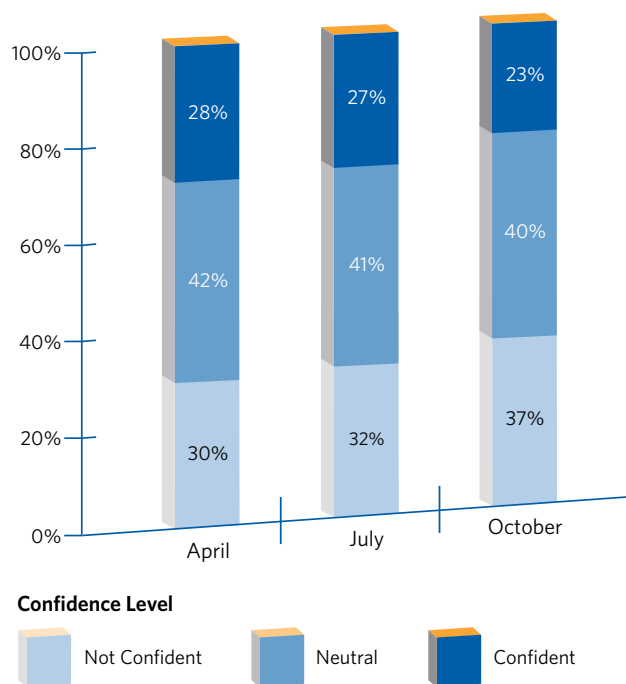
Report Summary

In the third quarter of 2007, small business sentiment toward the economy shifted from mixed to increasingly pessimistic. Of the small business owners surveyed, confidence in a stronger economy during the next six months declined vs. the past two quarters: 37 percent felt economic conditions would worsen; 23 percent expressed overall confidence that the economy will be stronger over the next six months; and 40 percent were neutral.

owners. The top four macroeconomic issues of greatest concern to small business owners, by percentage, included:

- Possibility of U.S. entering recession (29 percent)
- Continued increase in energy prices (22 percent)
- Declining housing market (13 percent)
- Falling value of the dollar (11 percent)

Confidence in a Stronger Economy



Cost increases for energy and advertising/marketing were key factors that affected the confidence of surveyed small business owners. The Visa Spend Insights combines actual behavioral spend data of small business owners with a quarterly attitudinal survey of small business owners' future spend expectations.

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, and then examined more specifically in the pages that follow.

Profit & Loss Overview

Revenue Outlook: Decreasing ↓
 Expenses Outlook: Neutral ↔
 Profit Outlook: Decreasing ↓

Cash Flow Overview

Sources of Cash Outlook: Declining ↓
 Uses of Cash Outlook: Declining ↓

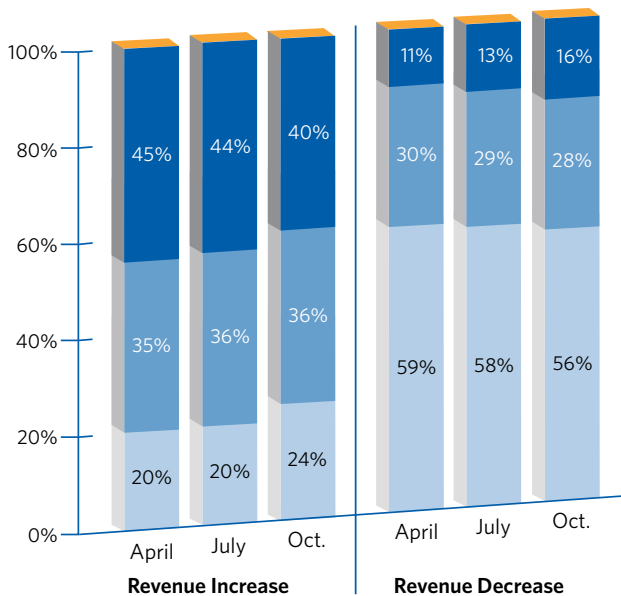
Not surprisingly, the possibility of the U.S. entering a recession replaced increasing energy prices as the top macroeconomic concern among surveyed small business

Profit & Loss Perspective

Revenue Outlook: Decreasing ↓

- Confidence in revenue growth declined: 40 percent of surveyed small business owners expected an increase in revenue over the next six months vs. 45 percent two quarters ago. Moreover, 16 percent expected revenue declines during the same period, which represents a significant increase from 11 percent six months ago.

Confidence in Revenue Increase vs. Decrease



Confidence Level



- However, small business owners remain confident in their ability to increase prices as compared to six months ago (41 percent confident/likely vs. 37 percent six months ago, especially among smaller businesses with \$50K to \$499K revenue).

Expenses Outlook: Neutral ↔

Increase in Energy Expenditure, but Moderating

- Energy remains the top category in which small businesses are expecting spend increases, with 69 percent of surveyed small business owners believing energy spending will increase over the next six months. However, this represents a decline from the 75 percent who believed energy prices would increase six months ago.

Visa Spend Insight: Visa Business average spend per transaction in energy was flat for the past 12 months vs. the prior year. In comparison, energy costs last quarter increased 3 percent over the past 12 months vs. the prior year. (Source: Visa System)

Increase in Advertising/Marketing Costs

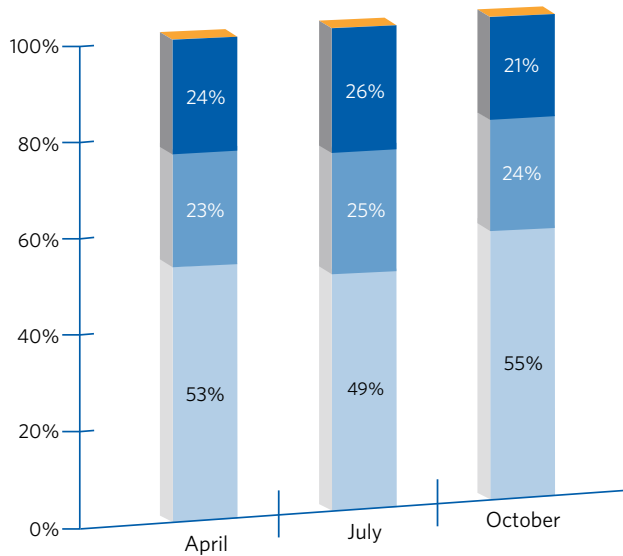
- Over half (56 percent) of surveyed small business owners expressed critical or major concerns about attracting new customers over the next six months.

Visa Spend Insight: Small business owners increased their customer acquisition efforts as evidenced by increased advertising and marketing spend. Visa Business average spend per transaction on advertising, management consulting/public relations, publishing, and commercial arts and graphics increased by 4 percent over the past 12 months vs. the prior year. (Source: Visa System)

Decrease in Hiring

- Confidence in hiring new employees decreased significantly to 21 percent of surveyed small business owners from 26 percent last quarter as businesses looked to rein in expenses.

Confidence in Hiring New Employees



Confidence Level

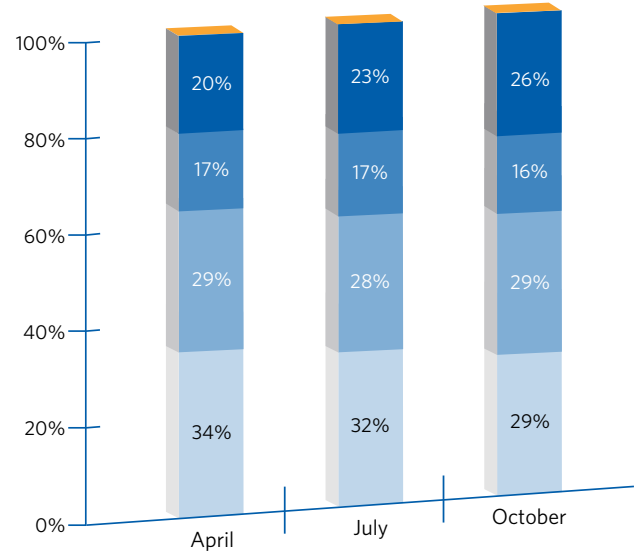


Visa Spend Insight: Visa Business average spend per transaction in Employment and Temporary Help Agencies increased 3 percent over the past 12 months vs. the prior year. (Source: Visa System)

Cost of Health Insurance Remains Top Concern

- The cost of health insurance continues to be a critical or major concern for over half (58 percent) of all surveyed small business owners, but at a slightly lower rate than during previous quarters.

Concerns with Cost of Health Insurance



Concern Level

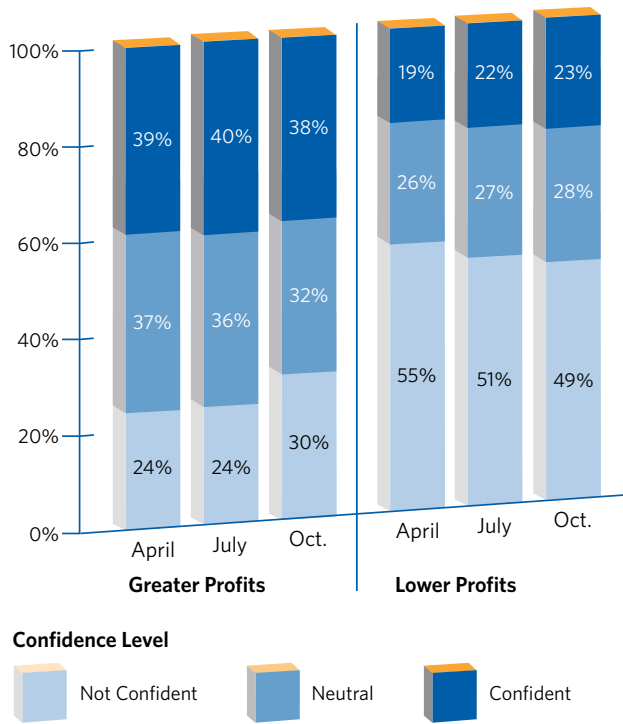


Visa Spend Insight: Visa Business average spend per transaction on healthcare decreased slightly (1 percent) over the past 12 months vs. the prior year.

Profit Outlook: Declining ▾

- While 38 percent of surveyed small business owners continued to expect an increase in profits over the next six months, 23 percent predicted lower profits over the next six months (a significant increase from 16 percent who believed profits would be lower six months ago).

Confidence in Greater vs. Lower Profits

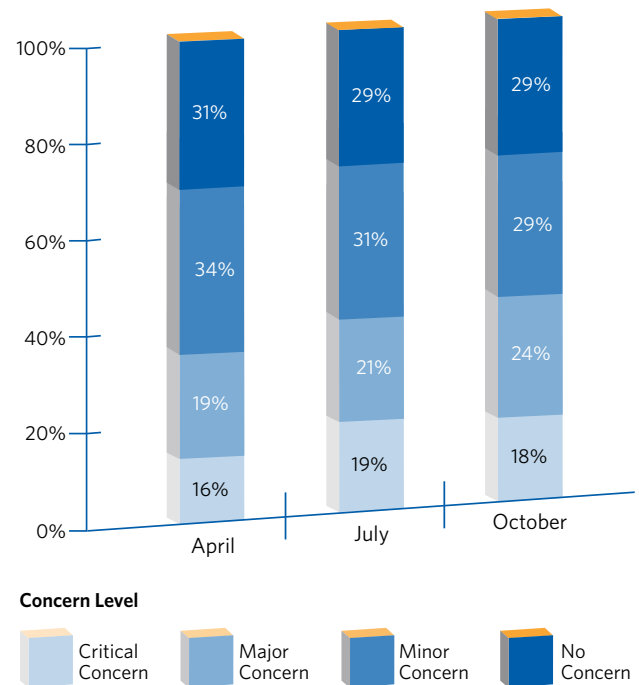


Cash Flow Perspective

Managing Cash Flow: Critical in Turbulent Times

- Managing cash flow is a critical or major concern for almost half (49 percent) of surveyed small business owners.
- 58 percent of surveyed small business owners cited better cash flow as the one business process improvement that would most benefit their business vs. 54 percent last quarter.
- Cash flow management becomes critical as the number of those surveyed concerned with staying in business increased to 42 percent vs. 35 percent six months ago.
- One way small business owners are looking to manage cash flow is to extend payables. One example is that 16 percent of surveyed small business owners planned to reduce paper checks vs. 5 percent six months ago.

Concerns with Staying in Business



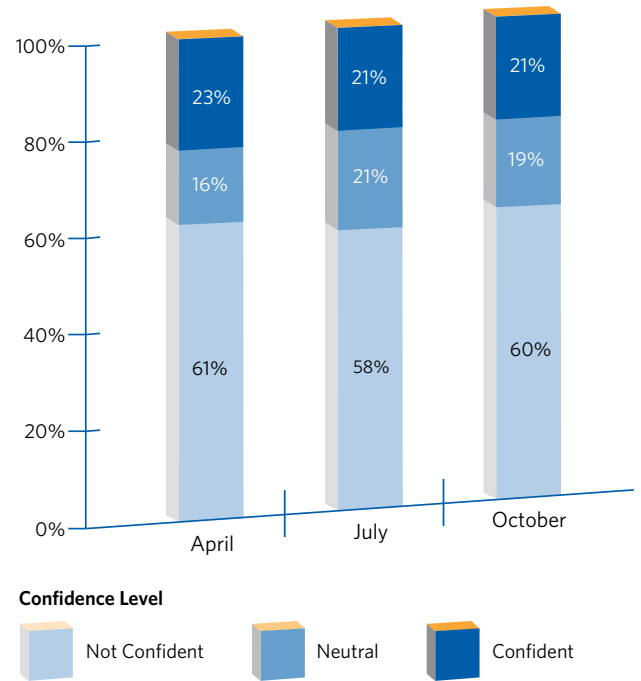
Sources of Cash Outlook: Declining

- Slightly more surveyed small business owners expected difficulty collecting accounts receivables; 21 percent expected difficulty with collections over the next six months vs. 19 percent in the previous quarter.
- Borrowing is not increasing; only 16 percent of surveyed small business owners indicated that they would need to borrow more money.

Uses of Cash Outlook: Declining

- Small businesses are reducing discretionary operating expenses given the more pessimistic outlook for the economy and continuing concerns around energy and healthcare costs. However, small businesses continue to invest selectively to yield top-line growth.
- Given the uncertain economic outlook, surveyed small businesses remain unlikely to make large capital investments, with 21 percent likely to invest vs. 60 percent likely to not invest.

Confidence In Large Capital Investments



Raghav Lal,
Senior Vice President,
Small Business, Visa, Inc.

"In the 3Q07 report, we observe a shift in sentiment as small businesses are more pessimistic in their outlook. Small business owners are demonstrating resilience during these turbulent times, as they are focused on additional ways to grow the top line, while being smart and nimble about investment choices."

Additional resources:

For more on small business strategies to manage your money, go to Visa Podcasts at:

http://www.usa.visa.com/business/resource_center/podcasts.html?it=h4|/business/resource_center/index.html|Podcasts

For more ways to manage and grow your business, go to Visa Online Workshops at:

http://www.usa.visa.com/business/resource_center/workshops.html?it=h4|/business/resource_center/index.html|Online%20Workshops

For more small business resources to grow your business go to Visa Small Business Resource Center at:

http://www.usa.visa.com/business/resource_center/index.html?it=cl|business/|Grow%20Your%20Business

*About Spend Insights Methodology

Visa Business 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 October 13–18, 2007, and was based on small business spend data from October 2005 to September 2006.

About Visa Small Business Solutions

Visa offers small business owners a range of convenient payment products, including the Visa Business credit card, Visa Business Signature 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.

