



Visa Small Business Spend Insights



4Q 2007

Welcome to Visa® Small Business Spend Insights for 4Q 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.

2007 Year-End Report Summary

Small business sentiment shifted from mixed to negative during 2007.

More small business owners are now concerned about going out of business, and are taking action by focusing on cash flow.

- Staying in business was cited as a critical or major concern for 42 percent of small business owners surveyed in Q4, a significant increase from 35 percent in Q1.
- 53 percent of small business owners now cite cash flow management as a critical or major concern, a significant increase from 47 percent in Q1.
- Small businesses are taking action to maximize cash flow by continuing to invest in top-line revenue growth (e.g., advertising), but are carefully managing their capital expenditures, as well as payment and collection terms.

Small business owners' confidence in the economy deteriorated during 2007.

- Small business confidence in a stronger economy declined from 28 percent in Q1 to 19 percent in Q4.
- Concern about the U.S. entering a recession overtook rising energy costs as the primary economic concern of surveyed small business owners, with 30 percent citing a recession as their primary concern, up from 21 percent six months ago. Small business concerns are reflective of the Blue Chip Economic Indicators report where panelists now put the odds of a recession at nearly four in ten.

The impact of the deteriorating economy was real and immediate for small business owners in general, and most acute among those with fewer employees and smaller revenues.

- Revenue outlook fell significantly during 2007; small business confidence in revenue increasing fell to 37 percent in Q4 from 45 percent in Q1.
- Confidence in profit increases fell to 31 percent in Q4 from 39 percent in Q1.

In 2007, the top four macroeconomic issues of greatest concern to small business owners, by percentage, included:

- Possibility of U.S. entering recession (30 percent)
- Continued increase in energy prices (25 percent)
- Declining housing market (13 percent)
- Falling value of the dollar (10 percent)

"From our experience, as supported by the Small Business Spend Insights and other proprietary research, small businesses owners provide a real view into the economy. We believe these findings will provide small business owners the insights to better navigate the challenging times ahead."

Wayne Best, Visa Chief Economist

2007 Year-End Report Summary (continued)

At the individual small business level, the cost of health insurance, rising taxes, managing cash flow, and attracting new customers were the top four issues small business owners cited as a critical or major concern.

Critical or Major Concern	Q1	Q2	Q3	Q4
Cost of health insurance	63%	60%	58%	62%
Attracting new customers	59%	61%	56%	62%
Rising taxes	58%	54%	58%	61%
Managing cash flow	47%	53%	49%	53%

Spend Insights Overview

Visa Spend Insights combines actual behavioral spend data of small business owners with a quarterly attitudinal survey of their 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 ↓

- Decrease in expected revenue growth
- Increase in concerns around attracting customers

Expenses Outlook: Increasing ↑

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

Cash Flow Overview

Sources of Cash Outlook: Decreasing ↓

- Increase in difficulty of collections
- Opportunity to accept payment cards for payment

Uses of Cash Outlook: Decreasing ↓

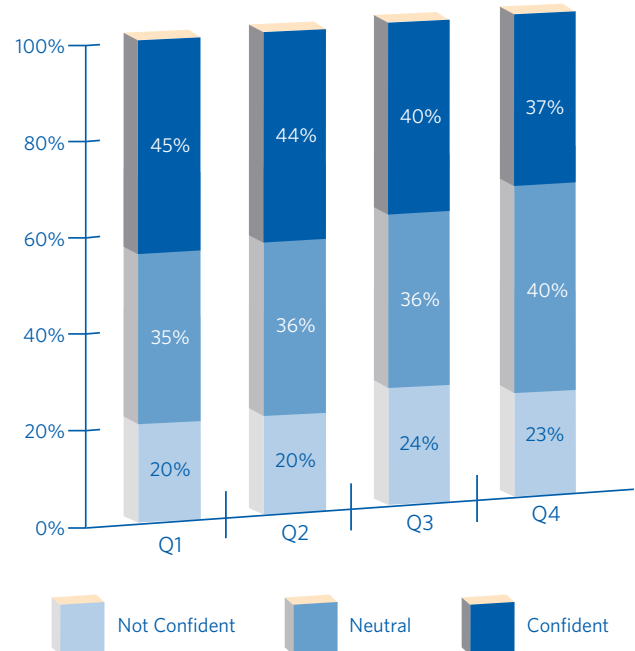
- Less leniency on payment terms
- Opportunity to use payment cards to extend terms

Profit & Loss Perspective

Revenue Outlook: Decreasing ↓

- During 2007, confidence in revenue growth declined significantly. In Q4, 37 percent of surveyed small business owners expected an increase in revenue over the next six months vs. 45 percent in Q1.

Confidence in Revenue Increase

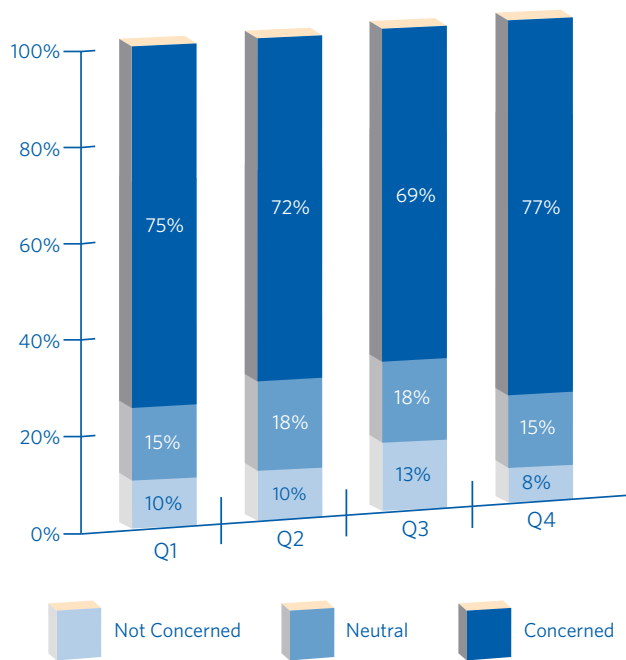


Expenses Outlook: Increasing

Energy Expenditures Increasing

- Throughout the year, energy remained the top category in which small businesses were expecting spend increases. This outlook peaked in Q4 with 77 percent of surveyed small business owners believing energy spending will increase over the next six months.

Concern with Energy Spending Increase



Visa Spend Insight: Small businesses increased their energy expenditures at a faster rate than other small business categories. For the past 12 months, Visa Business spend per transaction on energy (oil, gas, and electric) increased 2.6 times faster than other Visa Business spend categories. (Source: Visa System)

Advertising/Marketing Costs Increasing

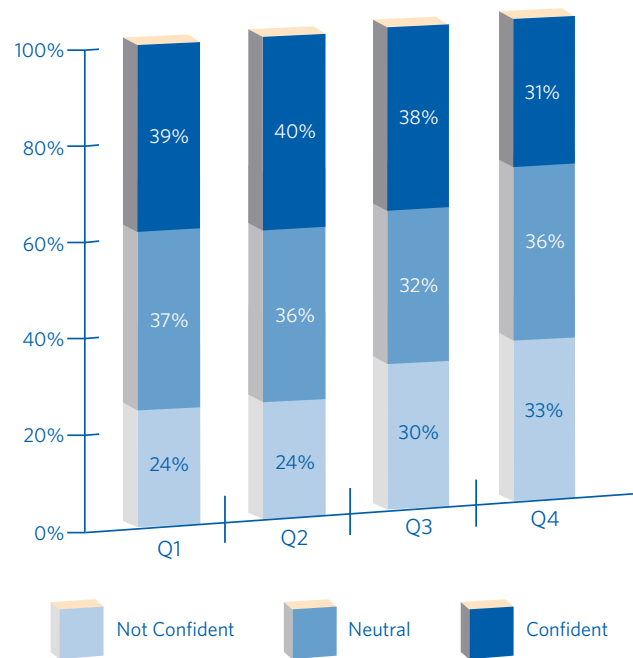
- Small businesses continued to invest disproportionately in attracting new customers during 2007 to support revenue growth. Of surveyed small business owners, 62 percent expressed critical or major concerns about attracting new customers over the next six months.

Visa Spend Insight: Small business owners increased their advertising and marketing spend at a faster rate than other small business categories. For the past 12 months, Visa Business average spend per transaction on advertising, management consulting/public relations, publishing, and commercial arts and graphics increased 1.3 times faster than other Visa Business spend categories. (Source: Visa System)

Profit Outlook: Declining

- Confidence in greater profits eroded significantly during 2007. Only 31 percent of surveyed small business owners continued to expect an increase in profits over the next six months (a significant decrease from 39 percent in Q1).

Confidence in Greater Profits

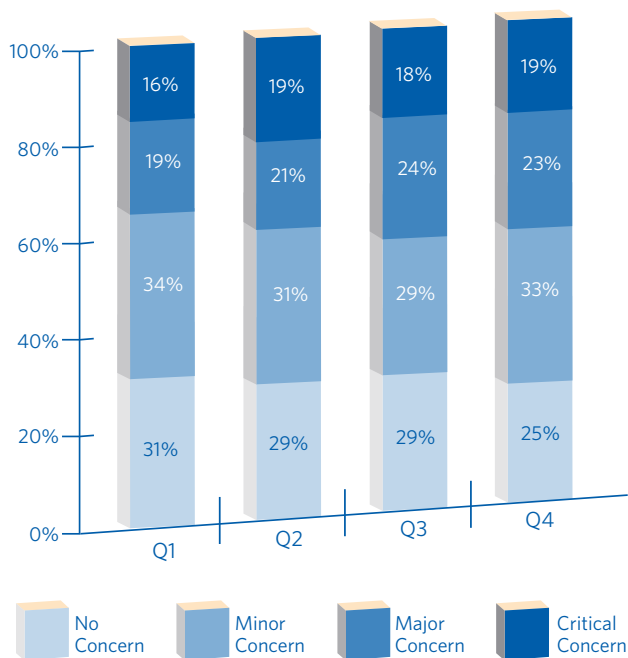


Cash Flow Perspective

Managing Cash Flow: Critical in Difficult Times

- During 2007, cash flow management became increasingly critical, as the number of small businesses concerned with staying in business increased to 42 percent, a substantial increase from 35 percent in Q1.

Concern with Staying in Business

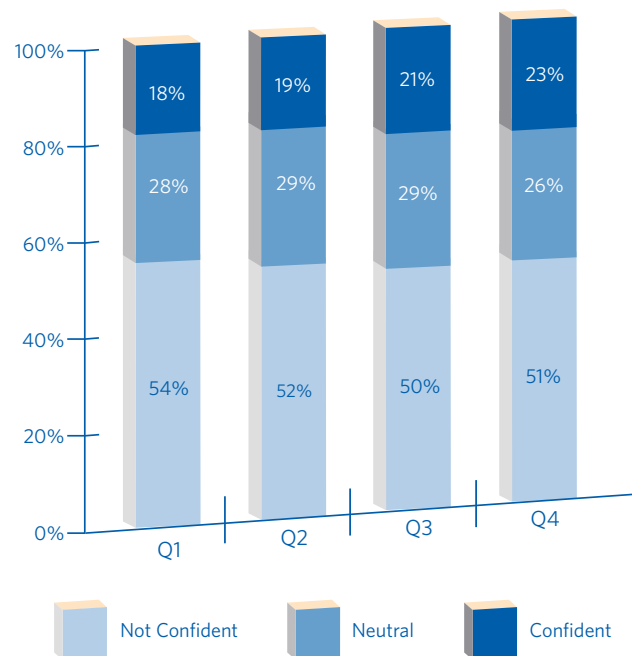


- Not surprisingly, managing cash flow has become an increasingly critical or major concern for over half (53 percent) of surveyed small business owners in Q4 vs. 47 percent in Q1.
- 58 percent of surveyed small business owners cited better cash flow as the one business process improvement that would most benefit their business.
- Small business owners are actively managing their cash flow during these difficult times. As demonstrated earlier, they continue to prudently invest in advertising/marketing to drive top-line revenue, while carefully managing operational expenses, and investing very selectively or deferring capital expenditures.

Sources of Cash Outlook: Declining ↓

- During 2007, more surveyed small business owners expected difficulty collecting accounts receivables. 23 percent expected difficulty with collections over the next six months when asked in Q4 vs. 18 percent in Q1.

Confidence in Difficulty with Collections

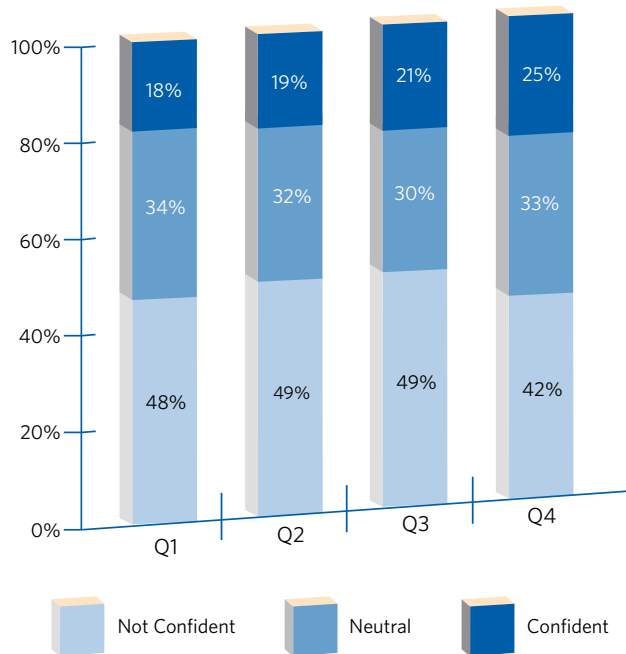


- One way to maximize cash flow is to accept payment by credit or debit card. Accepting payment cards can accelerate getting paid to 4-5 days instead of 30-60 days.

Uses of Cash Outlook: Declining to neutral

- During 2007, the number of small business owners expecting less lenient payment terms increased; 25 percent expected less lenient collection terms in Q4 vs. 18 percent in Q1.

Confidence in Less Lenient Payment Terms



- Given the uncertain economic outlook, surveyed small businesses were unlikely to make large capital investments in 2008, with 21 percent likely to invest in large capital expenditures vs. 60 percent not likely to invest.
- Paying with a payment card can help small businesses manage their cash flow by providing additional flexibility in how and when they pay their payables during challenging times.



Raghav Lal,
Senior Vice President,
Small Business, Visa

"Small business owners continue to demonstrate resilience in this challenging economic environment. Specifically, they are putting added focus on managing their cash flow by finding additional ways to grow the top line and making smart investment choices."

Visa is committed to helping the small business owner manage cash flow by providing a broad range of solutions that can help accelerate collection of receivables and extend payables."

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

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

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

*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 January 2-8, 2008, and was based on small business spend data from January 2006 through December 2007.



About Visa Business Solutions

Visa offers small business owners a range of convenient payment products, including the Visa Business credit card, Visa Signature® 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 purchasing savings; rewards; and customized management reporting. For more information about Visa's small business solutions, please visit visa.com/smallbusiness.