



Visa Small Business | 2Q17 Report | September 2017

Spend Insights

Top 5 Individual Concerns of 2Q17¹

This quarter	Last quarter	vs. A year ago
1 Cost of health insurance	2 ↑	T1 -
2 Attracting new customers	1 ↓	T1 ↓
3 Rising taxes	3 -	2 ↓
4 Retaining existing customers	4 -	3 ↓
5 Keeping good employees	5 -	T5 -

Top 5 Macroeconomic Concerns of 2Q17²

This quarter	Last quarter	vs. A year ago
1 Possibility of increasing inflation	1 -	2 ↑
2 Decline in consumer confidence	T2 -	1 ↓
3 Rising interest rates	T2 ↓	5 ↑
4 Increase in energy prices	3 ↓	3 ↓
5 Falling value of the dollar	4 ↓	4 ↓

“Overall, we are seeing positive signs for small business owners. While the cost of health insurance is now the number one economic concern of those surveyed, concerns over staying in business appear to have leveled off and concerns about interest rates are down compared with what was seen in Q1 2016.”

— David Simon, SVP, Head of Global Small & Medium Enterprises

Findings at a glance

Current climate

Of those small business owners surveyed, the cost of healthcare became the top concern, but quarter-to-quarter responses in other areas signal increasing optimism

Despite a year-over-year (YOY) increase in the overall concerns of small business owners surveyed, fears about interest rates and staying in business subsided. The cost of health insurance is now the top concern, but fewer respondents cite anxiety about more restrictive government regulation. [Read more >](#)

Payment preferences

Card acceptance among those surveyed may be growing in certain industries and while checks are used more often, cards are still viewed more favorably

Responses by small business owners surveyed indicate an increase in card acceptance may be on the horizon in some industries. And, while many respondents view credit cards as one of the best and most efficient for business expenses, they still report using checks more often, indicating continued opportunity for financial institutions to promote the benefits of card usage. [Read more >](#)

Future outlook

Annualized survey data indicates outlook is more favorable than in 2016, but quarter-to-quarter shifts suggest confidence has dropped in some areas

Of small business owners surveyed, overall future outlook appears to have improved compared to 2016. However, confidence in key areas has dropped since last quarter, which may be one reason why more than half of business owners surveyed say they have no plans to expand. [Read more >](#)

Pulse data

The majority of business owners expect to pay taxes similar to what they paid last year

Of those surveyed, most small business owners expect to pay the same in taxes as last year. Just over one-third of respondents expect to pay more, but this is most often due to optimism around increases in revenue. [Read more >](#)

¹ 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.

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

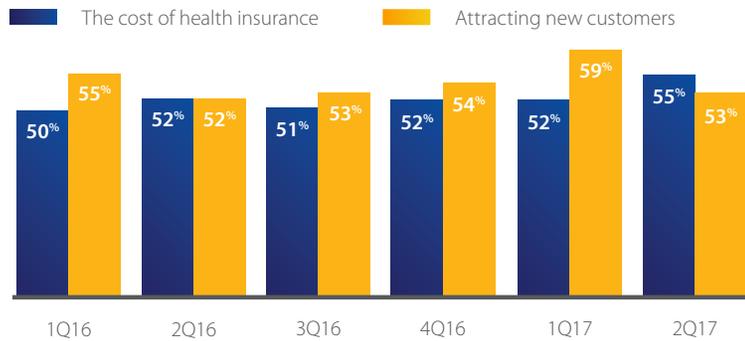
Current climate

Of those small business owners surveyed, the cost of healthcare became the top concern, but quarter-to-quarter responses in other areas signal increasing optimism

Small business owners' survey responses indicate fears about rising interest rates declined and uncertainty about staying in business remained relatively flat from 1Q17 to 2Q17. But from a YOY perspective, overall concerns have increased compared to 2016. Additionally, the cost of health insurance became the top concern of small business owners surveyed this quarter. Also of note, concern about more restrictive government regulation is down significantly since 1Q16.

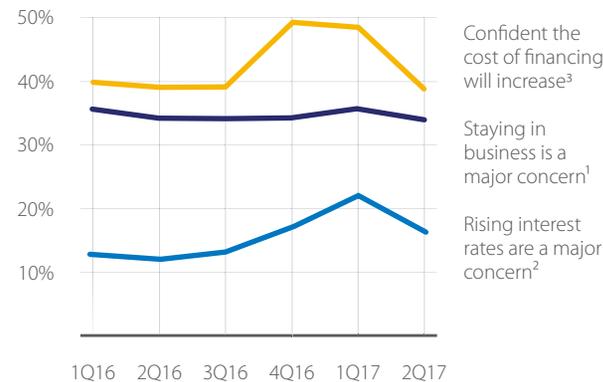
The cost of health insurance is now the number one concern of small business owners surveyed after six consecutive quarters as the number two concern¹

The cost of health insurance once again became the top economic concern of those surveyed as attracting new customers dropped significantly, but remained number two.



Quarter-to-quarter data shows increasing optimism among small business owners surveyed in some key areas

Among small business owners surveyed attitudes about some aspects of the economy appear to have improved in 2Q17.



"If we want to thrive, we need lower taxes, less regulation and lower healthcare prices."
— Media

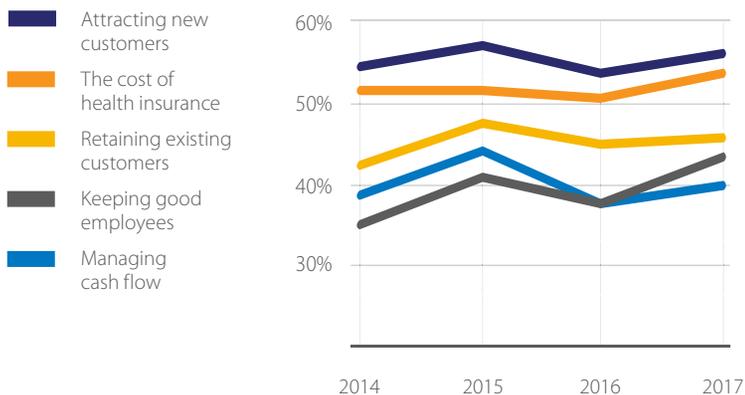


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YOY sales volume growth in the Healthcare category grew 17.1% in 2Q17 — significant shifts that could be driving increased concerns about the cost of health insurance.

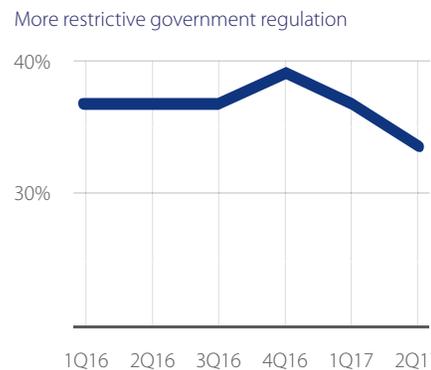
Annualized data shows concerns are up in 2017¹

The economic anxieties of small business owners surveyed have fluctuated from year to year, but appear to be up slightly since 2016.



Since 4Q16, concerns about government regulation have dropped significantly¹

Small business owners surveyed appear less concerned about more restrictive government regulation.



¹ 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.

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

³ 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.

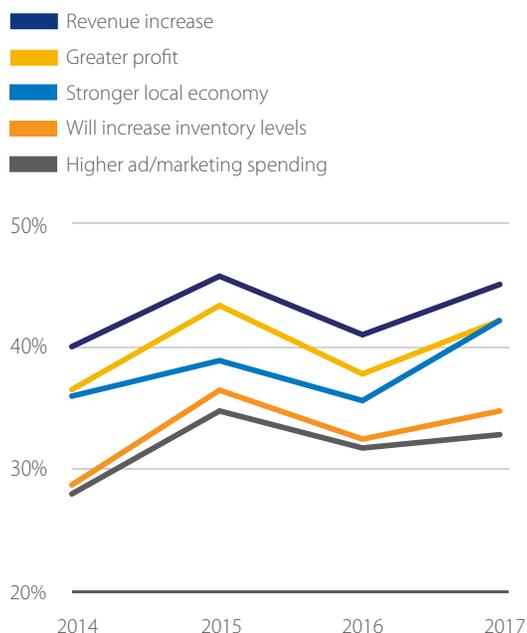
Future outlook

Annualized survey data indicates outlook is more favorable than in 2016, but quarter-to-quarter shifts suggest confidence has dropped in some areas

Small business owners' survey responses indicate future outlook appears to have improved compared to 2016. However, small business owners' confidence in the strength of their local economies and their ability to grow revenue and profits has dropped since last quarter. This may be contributing to the declining number of surveyed small business owners planning to increase employee pay, inventory levels, advertising spend and capital investments. Additionally, more than half of business owners surveyed say they have no plans to expand in the next 12 months.

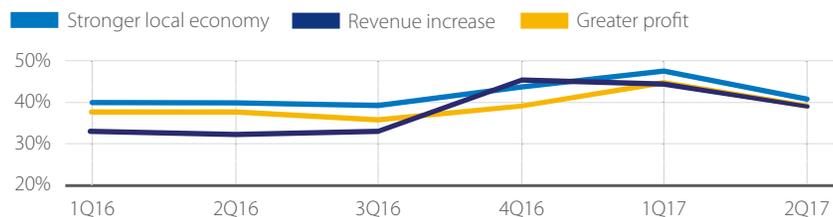
Annualized survey data shows confidence is up in 2017³

After declining in 2016, overall optimism among small business owners surveyed has increased this year.



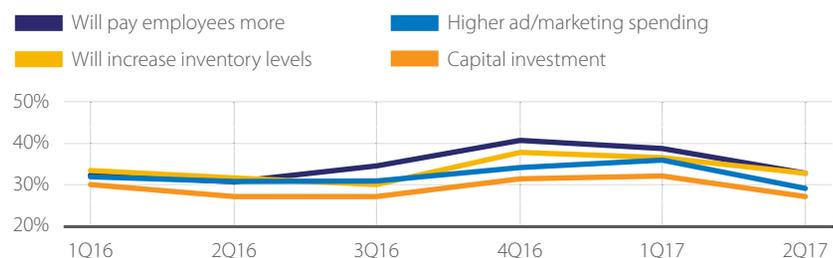
Quarter-to-quarter survey data shows decreased confidence in the local economy, revenue and profits³

Despite the year-over-year increase in overall economic confidence among small business owners surveyed, recent quarter-to-quarter shifts indicate their optimism is guarded.



2Q17 shifts indicate small business owners surveyed are less confident about key aspects of their businesses³

The number of surveyed small business owners planning to increase employee pay, inventory, marketing spend and capital investments all declined in 2Q17.



Fewer small business owners surveyed are planning to expand⁴

In 2Q17, the number of surveyed small business owners reporting they have no plans to expand in the next 12 months rose

No plans to expand in the next 12 months



"We're planning to increase profits by keeping our expenses as low as possible."

— Manufacturing



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YOY spend on activities to attract new customers remains robust. An 18% sales volume growth in marketing and advertising-related categories is the strongest level seen in over a year.

³ 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:

⁴ What business expansion efforts are you planning in the next 12 months?

Payment preferences

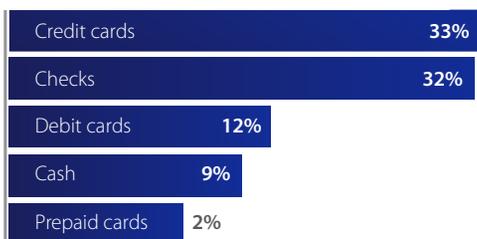
According to those surveyed, checks are used more often, but cards are still viewed more favorably

Small business owners surveyed still consider credit cards one of the best ways to pay for business expenses. However, checks remain the method respondents cite using most often — a sign financial institutions may want to promote the unique value of cards. Interestingly, for each payment method, small business owners' expectations to increase usage in the next six months is down compared to last year — possibly a further indication of economic wariness.

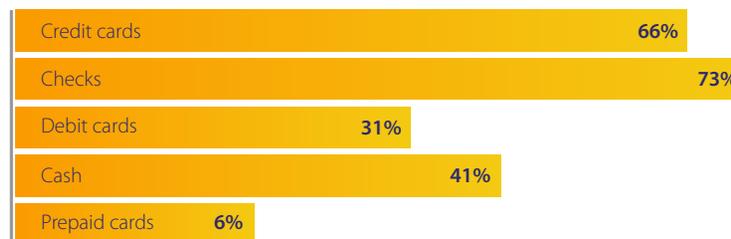
Cards are still viewed most favorably, but checks are still used most often

Small business owners surveyed feel credit cards are one of the best and most efficient tools for paying business expenses, but checks remained the most commonly used payment method.

Best and most efficient for paying⁵



Payment methods used⁶



"Credit cards give us the ability to earn rewards and help simplify record keeping."

— Insurance



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YOY sales volume in the Professional Services merchant category code grew by 14% in 2Q17 — further indication that cards are becoming more widely accepted in this industry.

Electronic means of payment was the top-cited process improvement in 2Q17⁷

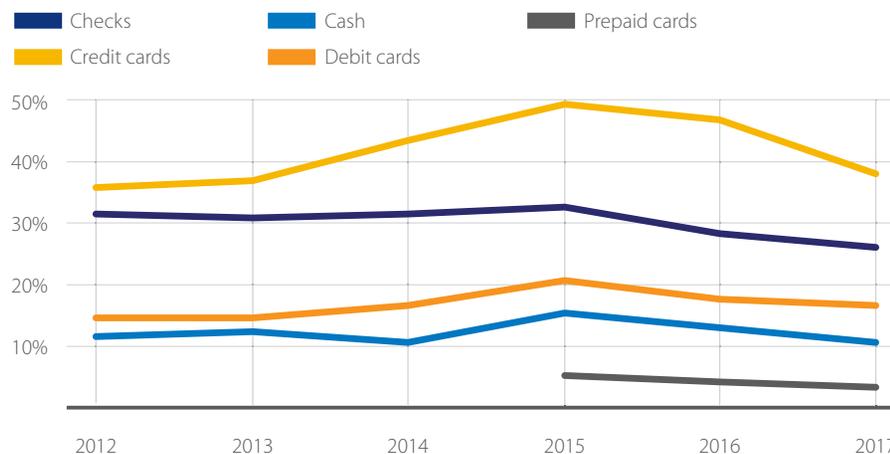
Among small business owners surveyed, the desire to use cards may be driven by their interest in electronic payments.

Interest in process improvements



Increased usage appears less likely across payment methods⁸

2017 shifts indicate small business owners surveyed are less likely to increase usage of all payment methods in the next six months.



⁵ When making payments, which of the following is the best and most efficient payment tool for your business?

⁶ Next, please click the payment methods your company uses for business expenses.

⁷ If your bank or credit card issuer introduced new tools or solutions to help your business processes, how interested would you be in each?

⁸ Among these payment tools, which ones will you more likely increase usage of over the next 6 months?

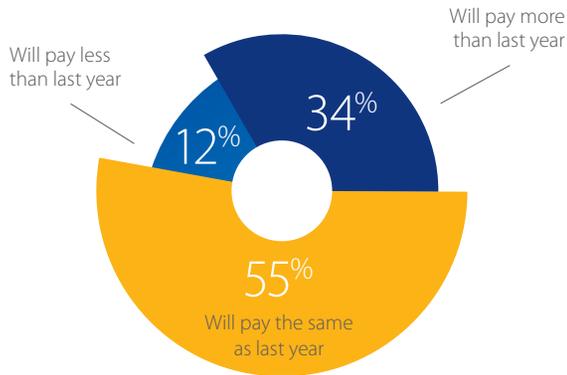
Pulse data: Small business taxes

A third of those surveyed expect to pay more taxes while just over a tenth expect to pay less, but revenue was the top-cited reason for both groups

More than half of small business owners surveyed expect to pay about the same in 2017 taxes as last year. However, of those surveyed, 34% expect to pay more, with optimism around revenue being the top-cited reason.

Only a fraction of small business owners expect lower taxes in 2017⁹

The majority of small business owners surveyed expect to pay the same or more in 2017 taxes while only a small portion expect a smaller tax bill.



Revenue forecasts seems to be driving expectations about 2017 taxes

Among those surveyed, the most commonly cited reason for an increase or decrease in taxes was a change in revenue.



"My company would benefit from a definitive conclusion to any federal tax code changes."

— Hospitality

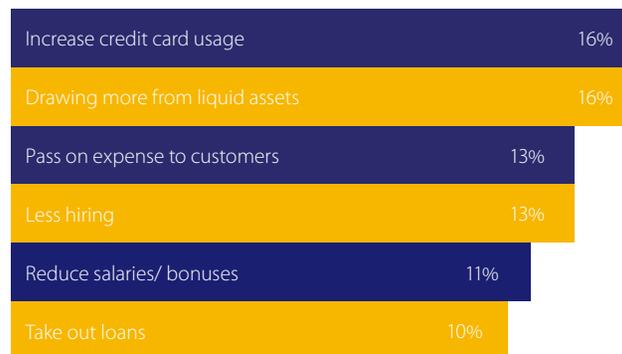


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From 2Q16 to 2Q17, YOY average ticket size for tax payments has gone from negative growth (-1.6%) to nearly double-digit growth (9.5%). This rapid increase may be why more than a third of small business owners believe they will pay more in 2017 taxes than they did in 2016.

Those respondents expecting to pay more report plans to offset the added costs by passing them on to customers, increasing card usage and drawing more from liquid assets.¹⁰

Of those surveyed, 41% of respondents who expect to pay higher taxes cited reasons other than revenue. They plan to offset costs in ways that could impact a variety of stakeholders, including customers, employees, and financial institutions.



⁹ In 2017, do you expect your business to...?

¹⁰ How do you plan to offset paying more in taxes this year?

¹¹ What are your plans for the extra funds?



Appendix

Vendor:
TNS

Method:
Online survey

Dates:
May 30th, 2017 – June 12th, 2017

Number of interviews:
600

Length of interview:
Averaged 12 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

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 July 2007 through June 2017 and also consists of 600 interviews conducted between May 30th, 2017 – June 12th, 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, 2Q17