



Visa Small Business | 3Q17 Report | December 2017

Spend Insights



Top 5 Individual Concerns of 3Q17¹

This quarter	Last quarter	vs. A year ago
1 Attracting new customers	2 ↑	1 -
2 Cost of health insurance	1 ↓	2 -
3 Retaining existing customers	4 ↑	4 ↑
4 Rising taxes	3 ↓	3 ↓
5 Keeping good employees	6 ↑	5 -

Top 5 Macroeconomic Concerns of 3Q17²

This quarter	Last quarter	vs. A year ago
1 Possibility of increasing inflation	1 -	2 ↑
2 Decline in consumer confidence	2 -	1 ↓
3 Increase in energy prices	T4 ↑	4 ↑
4 Rising interest rates	3 ↓	5 ↑
5 Falling value of the dollar	T4 ↓	3 ↓

“Surveyed Small Business owners are optimistic about the health of their business as concerns are down in nearly every category and revenue expectations are encouraging. Confidence in certain key areas, such as the strength of the local economy, decreased indicating that this optimism may be guarded. Meanwhile, more small business owners are interested in mobile payment acceptance, which will likely impact payment preferences going forward.”

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

Findings at a glance

Current climate

Surveyed small business owners appear optimistic about the health of their business as well as taxes and inflation

Compared to last quarter, small business owners' concerns decreased significantly in several categories, including rising taxes, staying in business and increasing inflation — shifts Visa will continue tracking to assess their significance. In fact, the number of respondents who cited inflation as their top economic concern fell to its lowest level in a year. And in a further indication of growing optimism, small business owners also cited fewer “critical” or “major” concerns overall. [Read more >](#)

Payment preferences

Of those small business owners surveyed, more appear comfortable accepting mobile payments, likely driven by increasing customer demand

Small business owners' responses indicate a rapidly increasing comfort level with the ability to process payments via mobile device. Additionally, they report significant demand among their customer base for the convenience and security of card payments. Given that this convenience and security is a key benefit of mobile payments, this demand may be driving adoption of mobile acceptance solutions. [Read more >](#)

Future outlook

Outlook on financing appears positive, but decreased confidence in key areas indicate this optimism may be guarded

After a brief uptick in 1Q17 and 2Q17, surveyed small business owners' confidence in higher revenue, greater profits and a stronger local economy returned to levels similar to a year ago. Additionally, plans to expand marketing spend and efforts have declined. However, significantly more are confident they'll have ample access to financing with reasonable terms. [Read more >](#)

Pulse data: Holiday revenue and 2018 outlook

While holiday revenue expectations are mixed, surveyed small business owners appear optimistic about their ability to increase revenue in 2018

Just over half of small business owners surveyed expect revenue to remain flat during the 2017 holidays, while 20% expect it to increase and 20% expect it to decrease. However, nearly half of those surveyed expect to increase overall revenue in 2018. [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?
Spend Insights was commissioned by Visa and is conducted by an independent research firm, TNS, 3Q17

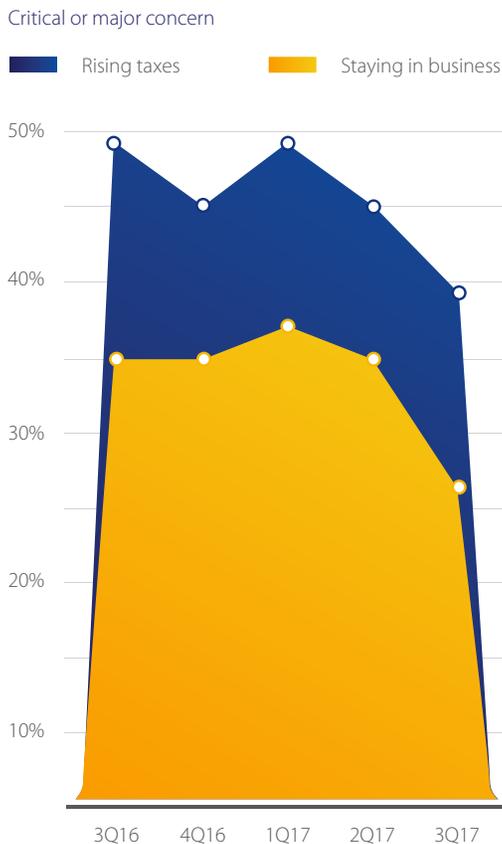
Current climate

Surveyed small business owners appear optimistic about the health of their business and key economic factors

The dip in small business owners' concerns is a positive sign, but it remains to be seen whether this represents the beginning of a trend. However, with fewer concerns about inflation and fewer critical/major concerns overall, it does appear small business owners' optimism has grown in 3Q17.

Respondents' concerns about rising taxes and staying in business dipped this quarter¹

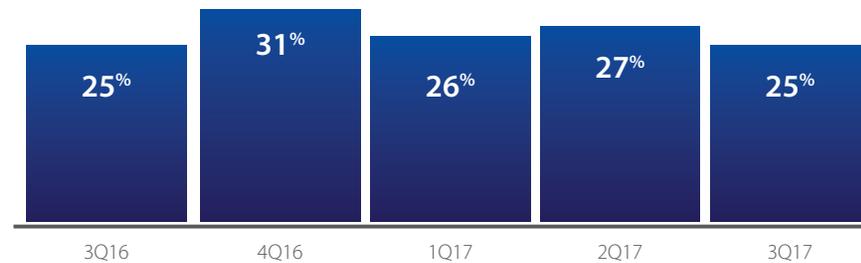
After relatively little fluctuation in the past year, concerns about rising taxes dropped six points and concerns about staying in business dropped eight points.



Surveyed business owners are less concerned about inflation²

The number of small business owners citing the possibility of increasing inflation as their top concern was the lowest it's been in a year.

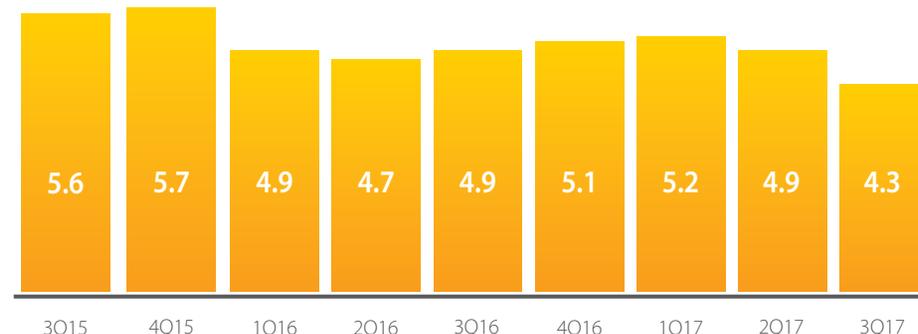
Increasing inflation is the top economic concern



Concern index shows fewer critical/major issues¹

The degree of concern surveyed small business owners report about each factor, such as those listed above, has declined over the past two years with fewer being cited as "critical" or "major."

Critical/major concerns per small business owner



"I have no concerns. I will always be in business."

— Lawn care specialist



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As concerns about tax increases subsided, Visa business card spend on the Tax Preparation category also declined. In the Tax Preparation category, Visa spend data shows YOY sales volume growth slowing from 13.9% in 1Q17 to only 11.3% in 3Q17.

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

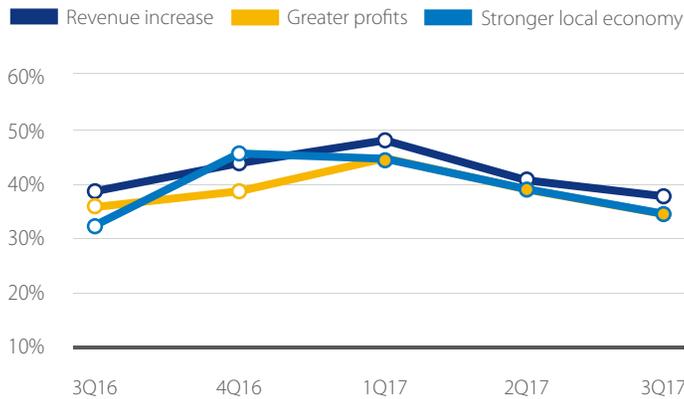
Future outlook

Outlook on financing appears positive, but decreased confidence in other areas indicates this optimism may be guarded

With confidence around revenue, profits and the local economy dipping back to levels similar to 3Q16 — and fewer plans to expand marketing — optimism appears to be on the decline. But confidence around access to financing and loan terms indicate a positive, albeit guarded outlook among surveyed small business owners.

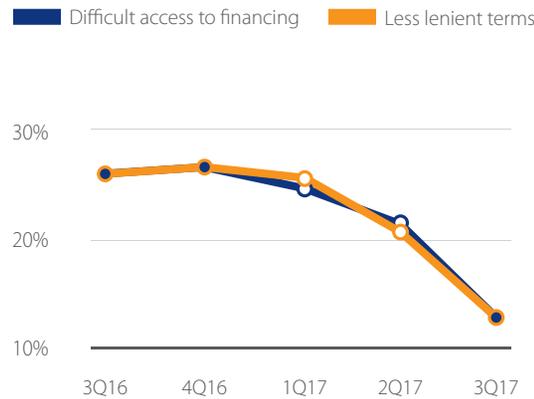
Confidence in key areas returned to 3Q16 levels³

Among survey respondents, the recent rise in confidence around revenue, profits and the local economy appear to have been temporary with each declining in 2Q17 and 3Q17.



Confidence around financing shows improving outlook

Compared to a year ago, only half as many surveyed small business owners expect difficult access to financing and less lenient terms.



“We’re increasing our presence in digital marketing platforms like social media, online advertising, etc.”

— Consultant



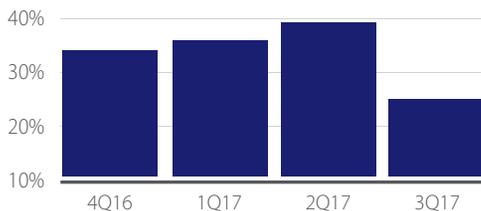
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As Small Business Owners transition to newer marketing channels, they are spending more on PR/Management/Consulting services. The YOY average ticket size is up 1.2% in this category.

Fewer surveyed small business owners are planning to increase marketing spend and efforts

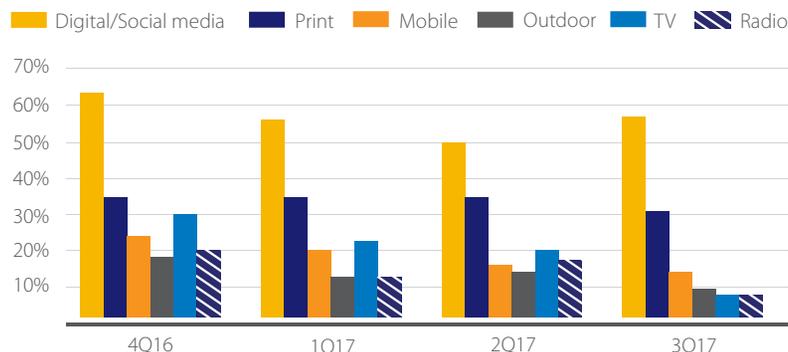
Plans to increase marketing spend were trending up from 4Q16 to 2Q17, but dipped significantly in 3Q17.

Will increase marketing spend



Online marketing channels continue to receive more focus⁴

The level of expected focus on individual marketing channels has fluctuated since this question was added in 4Q16. However, the expectation to focus on digital/social media channels remains high whereas focus on traditional channels, such as TV and outdoor, has declined.



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 You mentioned you planned on increasing your marketing efforts in the next 6 months. What areas do you plan to focus on?

Payment preferences

More small business respondents appear comfortable accepting mobile payments, likely driven by increasing customer demand

The demand for payment convenience may be driving surveyed small business owners to begin accepting credit and debit cards. And considering the significant decrease in concern about the ability to process payments via mobile device over the past two years, it appears to be driving more favorable attitudes about mobile acceptance solutions.

Customer convenience drives card acceptance⁵

Surveyed small business owners who've started accepting cards in the past 12 months were asked to state their main reasons for doing so. The most common theme observed in their answers centered around delivering customer convenience.



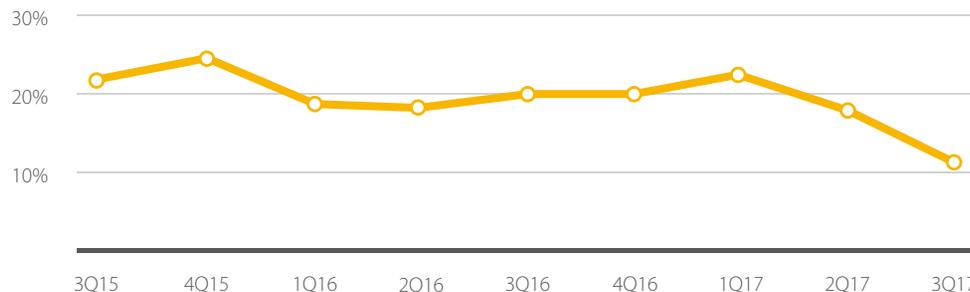
"We may likely begin to take mobile payments."

— Retail store owner

Concern about the ability to process payments via mobile device is down significantly¹

Small business owners' concern in this area has fluctuated in the past, but has fallen considerably over the past two years with significant drops in recent quarters.

The ability to process payments via mobile device is a critical/major concern



¹ 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.

⁵ Why have you started accepting credit/debit cards? (55 credit responses, 28 debit responses)

Pulse data: Holiday revenue and 2018 outlook

While holiday revenue expectations are mixed, small business owners appear optimistic about their ability to increase revenue in 2018

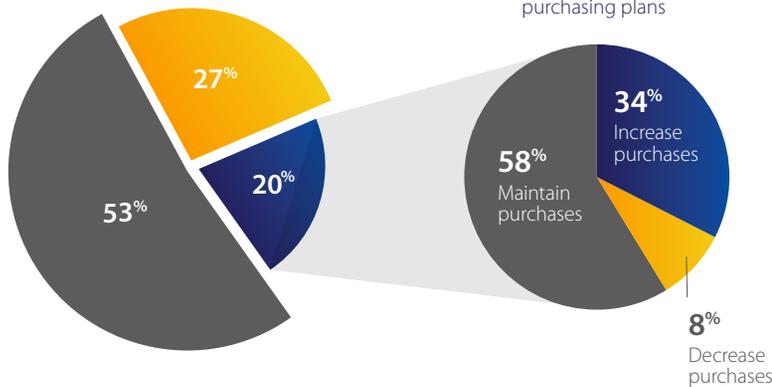
Just over half of surveyed small business owners expect revenue to remain flat during the 2017 holidays. However, nearly half expect their overall revenue to increase in 2018.

Over half of all surveyed small businesses are unaffected by the holiday season^{6,7}

However, 1 in 5 small business generally see a seasonal lift during this time. Of these “holiday-heavy” small businesses, over a third plan to prepare by increasing inventory and make other additional purchases.

2017 holiday revenue expectations

Lower Same Higher

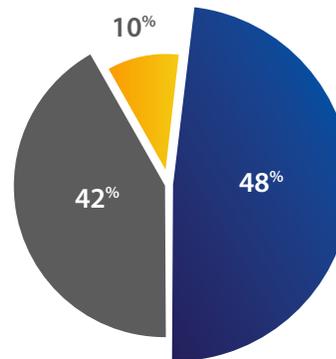


Most surveyed small business owners expect to maintain or increase revenue in 2018⁸

Nearly half of small business owners expect to increase revenue in 2018 while only 1 in 10 expect their revenue to decrease.

2018 overall revenue expectations

Lower Same Higher

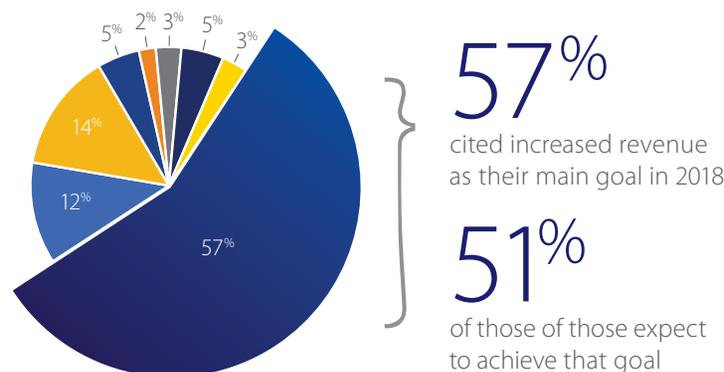


Increasing revenue is the main goal for the majority of surveyed business owners^{8,9}

Many small business owners report their main goals are to improve work-life balance or customer satisfaction. But the most common goal is increasing revenue — and the majority of them expect to achieve it.

Primary business goals in 2018

Increase revenue, Decrease costs, Improve work-life balance, Improve customer satisfaction, Simplify mgmt process, Improve our reputation, Integrate more tech, Other



“Our most important goal going forward is trying to increase revenue.”

— Insurance broker



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YOY sales volume in the Retail category was up 17.5% in 3Q17. This staggering growth could be due to increased comfort with bulk online purchasing to support holiday spikes.

⁶ Does your business revenue around the winter holidays increase, decrease or stay the same?

⁷ Relative to last year’s winter holidays, is your business preparing to increase, decrease or maintain purchases ahead of the holidays?

⁸ Do you anticipate that business revenue in 2018 will increase, decrease or stay the same?

⁹ If your business could achieve just one goal in 2018, what would it be?



Appendix

Vendor:
TNS

Method:
Online survey

Dates:
August 28th, 2017 – September 8th, 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 September 2017 and also consists of 600 interviews conducted between August 28th, 2017 – September 8th, 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.

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