Small Business Pulse

A summary of key findings from a comprehensive survey of Small Business owners and operators

March, 2024
About This Report

This report is issued by Visa to provide a gauge of small businesses in the United States, including their past-year performance, future outlook and strategic priorities. It is based on BizPulse, a quarterly study conducted by Maru Group in partnership with Visa.

Data in this report is taken from 600 Small Business Leaders who were surveyed in January/February, 2024 (“Small Business” is defined as those businesses with fewer than 100 employees). Respondents are described as “Business Leaders” – this means they are at least senior decision-makers with the business, including roughly eight-in-ten who are the business’ primary owner. Responses come from across the United States, and represent a mix of revenue bands, business tenure, industry, etc.

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About Maru: Maru is a world leading CX and Insights Software & Advisory Services company. Maru was founded to disrupt the data and insights deliver industry with a combination of Software & Advisory Services delivering data in real-time via a unique service model. Maru helps its clients make informed decisions in a near real-time by combining proprietorial software, deep industry experience, and access to the best minds in research. Maru’s flexible service model means our clients can choose to self-serve our Software directly to create, launch, and analyze projects; or choose to utilize our Software with knowledgeable support from insights experts. Maru successfully delivers major national and international CX and CEM programs for Enterprise organizations.

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Surveyed small business leaders expect similar growth in 2024 as they experienced in 2023

2024 Revenue Growth Projections (vs. 2023)

77% Project Growth

<table>
<thead>
<tr>
<th>Large Growth</th>
<th>Moderate Growth</th>
<th>Small Growth</th>
<th>Even</th>
<th>Small Decline</th>
<th>Moderate Decline</th>
<th>Large Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>+50% or more</td>
<td>+10% to 49%</td>
<td>+1% to 9%</td>
<td>No change</td>
<td>-1% to 9%</td>
<td>-10% to 24%</td>
<td>-25% to 100%</td>
</tr>
</tbody>
</table>

MOST likely to be projecting revenue growth in 2024

77% TOTAL

Sells both Products & Services: 88%
Sells both Online & In-Person: 88%
$1M-$5M Annual Revenue: 87%
2 Years or Less in Operation: 85%
$5M+ Annual Revenue: 83%
50-99 Employees: 82%
Gen Z or Millennial Leader: 82%
10-49 Employees: 81%
Uses AI: 81%
Sells both B2B & B2C: 80%

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Economic optimism outweighs pessimism; economic concerns on downward trend entering 2024

Current Economic Rating
- Excellent (+1% since Q3'23)
- Very good (+1%)
- Neutral (-5%)
- Somewhat pessimistic (-6%)
- Very pessimistic (-6%)
- Poor (-3%)
- Fair (+1%)

Economic Optimism
- Very optimistic (+3% since Q3'23)
- Somewhat optimistic (+8%)
- Neutral (-5%)
- Very good (+1%)
- Somewhat pessimistic (-6%)
- Very pessimistic (-6%)
- Poor (-3%)
- Fair (+1%)

Economic and Market Concerns

<table>
<thead>
<tr>
<th>Concern</th>
<th>Very concerned</th>
<th>Somewhat concerned</th>
<th>NET: concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>38%</td>
<td>42%</td>
<td>81%</td>
</tr>
<tr>
<td>Economic uncertainty</td>
<td>31%</td>
<td>43%</td>
<td>74%</td>
</tr>
<tr>
<td>Taxes</td>
<td>25%</td>
<td>41%</td>
<td>66%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>26%</td>
<td>39%</td>
<td>65%</td>
</tr>
<tr>
<td>Market volatility</td>
<td>20%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Political uncertainty</td>
<td>21%</td>
<td>39%</td>
<td>60%</td>
</tr>
<tr>
<td>Cyber security</td>
<td>20%</td>
<td>39%</td>
<td>59%</td>
</tr>
<tr>
<td>Health insurance costs</td>
<td>23%</td>
<td>34%</td>
<td>57%</td>
</tr>
<tr>
<td>Lack of demand</td>
<td>18%</td>
<td>36%</td>
<td>54%</td>
</tr>
<tr>
<td>Supply chain challenges/inventory</td>
<td>18%</td>
<td>36%</td>
<td>54%</td>
</tr>
<tr>
<td>Bank sector uncertainty/instability</td>
<td>13%</td>
<td>39%</td>
<td>52%</td>
</tr>
<tr>
<td>New entrants/new competitors</td>
<td>14%</td>
<td>36%</td>
<td>50%</td>
</tr>
<tr>
<td>Hiring challenges</td>
<td>17%</td>
<td>31%</td>
<td>48%</td>
</tr>
<tr>
<td>Employees leaving</td>
<td>13%</td>
<td>35%</td>
<td>48%</td>
</tr>
<tr>
<td>Lack of available financing options</td>
<td>14%</td>
<td>29%</td>
<td>43%</td>
</tr>
<tr>
<td>Technology</td>
<td>13%</td>
<td>30%</td>
<td>43%</td>
</tr>
<tr>
<td>Productivity of employees</td>
<td>16%</td>
<td>26%</td>
<td>42%</td>
</tr>
<tr>
<td>Productivity of employees WFH</td>
<td>11%</td>
<td>25%</td>
<td>36%</td>
</tr>
</tbody>
</table>
Surveyed small businesses plan several steps to facilitate growth in 2024

Plans for Growth in 2024 (Definitely Will/Probably Will)

- Increase the price on at least one of our products or services: 67%
  - MOST Likely to:
    - 50-99 employees
    - $1M-5M annual revenue
    - Sells both products and services
    - Sells all/mostly products
    - Uses AI

- Introduce a new product or service to our offering: 65%
  - MOST Likely to:
    - 50-99 employees
    - 2 years or less in operations
    - Sells all/mostly products
    - Sells both online and in-person
    - Uses AI

- Hire new employee(s): 61%
  - MOST Likely to:
    - 50-99 employees
    - Uses AI
    - 10-49 employees
    - $1M-5M annual revenue
    - Sells both online and in-person

- Enter into a new strategic partnership with another business: 41%
  - MOST Likely to:
    - 50-99 employees
    - Uses AI
    - Gen Z or Millennial leader
    - Sells both online and in-person
    - Sells both B2B and B2C

- Sell products or services in a NEW Province or Country: 40%
  - MOST Likely to:
    - 50-99 employees
    - Uses AI
    - Sells both online and in-person
    - Sells all/mostly products
    - Sells both B2B and B2C
Surveyed small business leaders expect to continue to evolve at a fast pace in 2024

Plans for Action in 2024 (Definitely Will/Probably Will)

- 64% Plan to invest in cost-saving technology.
- 63% Plan to reduce spending in at least one key area.
- 63% Plan to increase their budget for digital marketing.
- 62% Plan to pay down business debt MORE than the minimum required.
- 58% Will travel by airplane for a business trip.
- 46% Plan to obtain financing from a new source.
- 44% Plan to increase the proportion of their revenue made up by subscriptions.
- 41% Plan to switch a major vendor or supplier to a new supplier.
- 36% Plan to remove a product or service from their offering.
Nearly six-in-ten surveyed are using AI, and those that are see it as being largely helpful to their business

**AI Usage Among Small Businesses**

- Overall: 60%
- Owner-only: 31%
- 1 to 9 Employees: 53%
- 10 to 49 Employees: 72%
- 50 to 99 Employees: 83%
- Under $100k: 37%
- $100k - $999k: 61%
- $1M - <$5M: 76%
- $5M+: 17%
- 2 Years or Less: 83%
- 3-9 Years: 69%
- 10+ Years: 39%
- Gen Z + Millennials: 76%
- Gen X: 59%
- Boomers+: 26%

**Top AI Uses Among Small Businesses**

- Improving our sales and marketing decisions: 27%
- Data collection and analysis: 23%
- Consumer behavior forecasting and product recommendations: 22%
- Helping with bookkeeping and accounting: 20%
- Fraud detection: 19%

**2023 Revenue Growth by AI Usage**

- Non-AI Users: +11%
- AI Users: +24%

Small businesses using AI saw revenue growth more than double the rate of those not using AI.

**Helpfulness of AI**

- Hugely helpful: 54%
- Somewhat helpful: 39%
- Neutral impact: 27%
- Unhelpful: 2%

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AI usage is likely to grow; however mostly among current users, not among new users

Among the nearly six-in-ten surveyed small businesses using AI, there is strong interest in increasing usage in 2024 and beyond. However, it appears as though most companies who are open to AI have already begun using it; intention to start using is very low among companies that are not currently using AI.

While AI is seen as mostly a positive, there is still apprehension; and can be seen as risky, scary, and difficult to integrate.

Would You Describe AI As...

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>66%</th>
<th>Risk</th>
<th>34%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exciting</td>
<td>62%</td>
<td>Scary</td>
<td>38%</td>
</tr>
<tr>
<td>Reality</td>
<td>61%</td>
<td>Hype</td>
<td>39%</td>
</tr>
<tr>
<td>Easy to integrate and use</td>
<td>58%</td>
<td>Difficult to integrate and use</td>
<td>42%</td>
</tr>
<tr>
<td>Opportunity to do better than competitors</td>
<td>47%</td>
<td>Need to do to keep up with competitors</td>
<td>53%</td>
</tr>
</tbody>
</table>
Nearly three-quarters of surveyed small business leaders are feeling some burnout

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### Feeling Some Level of Burnout

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Owner-only</th>
<th>1 to 9 Employees</th>
<th>10 to 49 Employees</th>
<th>50 to 99 Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Org. Size</strong></td>
<td>63%</td>
<td>60%</td>
<td>71%</td>
<td>61%</td>
<td>59%</td>
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<tr>
<td><strong>Revenue</strong></td>
<td></td>
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<tr>
<td>Under $100k</td>
<td>61%</td>
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<td></td>
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<tr>
<td>$100k - $999k</td>
<td>66%</td>
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<td></td>
<td></td>
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<tr>
<td>$1M - &lt;$5M</td>
<td>61%</td>
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<tr>
<td>$5M+</td>
<td>65%</td>
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<tr>
<td><strong>Tenure</strong></td>
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<tr>
<td>2 Years or Less</td>
<td>70%</td>
<td></td>
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<td></td>
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<tr>
<td>3-9 Years</td>
<td>63%</td>
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<tr>
<td>10+ Years</td>
<td>61%</td>
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<tr>
<td><strong>Age of Owner/Leader</strong></td>
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<tr>
<td>Gen Z + Millennial</td>
<td>66%</td>
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<tr>
<td>Gen X</td>
<td>65%</td>
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<tr>
<td>Boomers+</td>
<td>56%</td>
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</table>

### Steps Taken to Address Burnout

- Just trying to work to get ahead: 42%
- Investing in productivity tech: 30%
- More vacation/lieu time: 30%
- Increasing pay/salaries: 22%
- Hiring more employees: 19%
- Passing up potential new business: 19%
- Offloading work to contractors: 16%
- Firing current/past clients: 11%
- Other: 1%
- No actions being taken: 13%

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More than one-half of interactions between surveyed small businesses and customers are in-person.

Proportion of Customer Interactions by Type

- **In-person at a company location**: 70% of small businesses engage in this type of contact.
- **In-person at a client location**: 53% of SBs
- **Website**: 37% of SBs
- **Phone**: 58% of SBs
- **Email**: 57% of SBs
- **In-app**: 26% of SBs
- **Text message**: 37% of SBs
- **In-person at a neutral location**: 38% of SBs

**NET: In-person interactions**
- 52% of companies having these interactions

**NET: Virtual interactions**
- 58% of companies having these interactions

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Profile: Micro-Businesses
(<10 employees AND <$250k annual revenue)

Surveyed Micro-businesses are feeling mostly good about 2024 and many are on a positive trajectory, however their optimism is significantly muted as compared with other businesses, and even compared with small businesses overall. Microbusinesses also are far less likely than others to have variety or flexibility built into their business models; they are MUCH more likely than other businesses to sell ONLY B2B or B2C (not both); they are more likely to sell ONLY products or services (not both); and they are more likely to sell ONLY online or in-person (not both).

Microbusiness leaders are feeling mostly positive; however less than others

- Proportion of positive emotions:
  - Microbusinesses: 65%
  - Total SMBs: 79%

Nearly one-half say they are in better shape now than they were in early 2023

- Better shape now than one year ago:
  - Microbusinesses: 46%
  - Total SMBs: 67%

Just over one-half of microbusinesses saw revenue growth in 2023

- Revenue increased in 2023:
  - Microbusinesses: 61%
  - Total SMBs: 76%

Six-in-ten project revenue growth in 2024

- Project revenue to grow in 2024:
  - Microbusinesses: 71%
  - Total SMBs: 79%

More than four-in-ten are optimistic about the economy in 2024

- Optimistic about the economy:
  - Microbusinesses: 44%
  - Total SMBs: 63%

Two-thirds are experiencing burnout

- Personally experiencing burnout:
  - Microbusinesses: 66%
  - Total SMBs: 64%

Just over one-half of MBs sell online

- Sells online via own website, marketplace, or app:
  - Microbusinesses: 54%
  - Total SMBs: 71%

Four-in-ten US microbusinesses use AI

- Uses AI for at least one purpose:
  - Microbusinesses: 40%
  - Total SMBs: 66%

Microbusinesses tend to be more narrowly focused

- Proportion focused on ONE, not multiple:
  - B2B or B2C: 33%
  - Products or Services: 46%
  - Online or In-Person Sales: 62%

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