Small Business Pulse

Entering 2023 With Momentum and Optimism

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

April, 2023
About This Report

The Small Business Pulse ("BizPulse") study is designed to gauge the ongoing sentiment, concerns, priorities, strategies, and business activities among Small Businesses in the United States. BizPulse is a quarterly study run by the Maru Group in partnership with Visa.

Data in this report is taken from 633 Small Business Leaders who were surveyed in January, 2023 (“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 more than 80% who are the business’ Primary Owner. Responses come from across the United States, and represent a mix of revenue bands, business tenure, industry, etc.

About Visa Inc.: Visa (NYSE: V) is a world leader in digital payments, facilitating payments transactions between consumers, merchants, financial institutions and government entities across more than 200 countries and territories. Our mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive. We believe that economies that include everyone everywhere, uplift everyone everywhere and see access as foundational to the future of money movement. Learn more at Visa.com.

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.

Disclaimer: Case studies, comparisons, statistics, research and recommendations are provided “AS IS” and intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. Visa Inc. neither makes any warranty or representation as to the completeness or accuracy of the information within this document, nor assumes any liability or responsibility that may result from reliance on such information. The Information contained herein is not intended as investment or legal advice, and readers are encouraged to seek the advice of a competent professional where such advice is required. When implementing any new strategy or practice, you should consult with your legal counsel to determine what laws and regulations may apply to your specific circumstances. The actual costs, savings and benefits of any recommendations, programs or “best practices” may vary based upon your specific business needs and program requirements. By their nature, recommendations are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. All brand names, logos and/or trademarks are the property of their respective owners, are used for identification purposes only, and do not necessarily imply product endorsement or affiliation with Visa.
Despite a bumpy economic road, SMBs grew in 2022 and see continued growth into 2023

Summary

While economic concerns persist heavily in the minds of surveyed SMB leaders, their concerns are easing, and most enter 2023 with a great deal of positivity and optimism.

- 71% of SMBs surveyed say their revenue grew in 2022, and an identical 71% are projecting further growth in 2023. Average revenue growth was reported to be +14% in 2022, and is projected to be +15% in 2023.
- Small Business Leaders surveyed continue to have high levels of concern about the impact of inflation (89%), economic uncertainty (85%), interest rates (74%), and other market factors on their business’ performance.
- 2022 brought rising costs to nearly eight-in-ten SMBs (78%) surveyed. In response, nearly two-thirds (64%) say they increased their prices in 2022. Despite this, more than one-half (56%) reported an increase in unit sales.
- SMB leaders are feeling more positive than they have in the past year, with 74% of their emotions being positive, led by optimistic (58%), fortunate (47%), and happy (39%). However some negative emotions are mixed in: anxious (29%), frustrated (23%), and edgy (14%).
- Nearly one-half of SMB leaders surveyed are optimistic about the economy, while about one-third are feeling pessimistic.
- Working from home has become a permanent reality for many SMB employers; two-thirds of SMB employers say at least some of their work is being done by employees from home, up significantly from 54% before COVID.
  - Most who have employees working from home say they like it (56%). However, many do acknowledge challenges such as not being able to meaningfully connect, and concerns related to productivity at home.
- Cybersecurity is an ongoing focus for SMB leaders surveyed. While only one-half (56%) say their cybersecurity performance is excellent or very good, more than one-half (55%) say they don’t have a proper cybersecurity plan or strategy in place.
- The idea of purposeful business is an emerging trend that has been on the radar for many business leaders surveyed. While just 30% say they have a very good understanding of what purposeful business is, more than eight-in-ten (82%) say they either are or would like to be a purposeful business in the future. This is an area where many businesses are open to input and help from their suppliers.
Despite economic headwinds, SMBs reported growth in 2022, and predict similar growth in 2023

SMB revenue grew in 2022, and leaders expect continued growth in 2023

Reported Revenue Growth (2022) and Projections (2023)

<table>
<thead>
<tr>
<th>Growth</th>
<th>2022 Reported Growth</th>
<th>2023 Projected Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>+50% or more</td>
<td>+14%</td>
</tr>
<tr>
<td>Moderate</td>
<td>+10% to 49%</td>
<td>+15%</td>
</tr>
<tr>
<td>Small</td>
<td>+1% to 9%</td>
<td></td>
</tr>
<tr>
<td>Even</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Small Decline</td>
<td>-1% to 9%</td>
<td></td>
</tr>
<tr>
<td>Moderate Decline</td>
<td>-10% to 49%</td>
<td></td>
</tr>
<tr>
<td>Large Decline</td>
<td>-50% to 100%</td>
<td></td>
</tr>
</tbody>
</table>

2022 Revenue Change (vs. 2021)

<table>
<thead>
<tr>
<th>Growth</th>
<th>2022 Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>18%</td>
</tr>
<tr>
<td>Moderate</td>
<td>19%</td>
</tr>
<tr>
<td>Small</td>
<td>16%</td>
</tr>
<tr>
<td>Even</td>
<td>15%</td>
</tr>
<tr>
<td>Small Decline</td>
<td>4%</td>
</tr>
<tr>
<td>Moderate Decline</td>
<td>5%</td>
</tr>
<tr>
<td>Large Decline</td>
<td>7%</td>
</tr>
</tbody>
</table>

2023 Projections (vs. 2022)

71% of SMBs surveyed saw revenue growth in 2022, and an identical proportion (71%) project revenue growth in 2023. Businesses with the highest average reported growth include:

- Hospitality industry | +33%
- In operations for 2 years or less | +31%
- $5M+ revenue | +21%
- Gen Z/Millennial business leader | +21%
- Sells through both online and bricks + mortar channels | +21%
- Sells all or mostly products (vs. services) | +19%
- 50-99 employees | +17%
- West region | +16%
- Sells to both B2B and B2C audiences | +16%

SMB leaders entered 2022 anticipating 13% growth. By mid-year, optimism was highly tempered, however the year reportedly closed stronger than expected, resulting in average 14% revenue growth.

Note: Respondents are recruited from online panels and are largely different across studies
While survey results show that SMB Leaders’ economic concerns are easing, they remain prominent for business leaders as they enter 2023. While various concern levels remain high for surveyed SMB Leaders, most are easing as SMB leaders enter 2023. Inflation and economic uncertainty continue to be the top two concerns, held by roughly nine-in-ten business leaders. Through 2022, concerns have decreased relating to COVID restrictions, technology, and employee retention.

SMBs surveyed have taken a variety of steps to deal with economic challenges. Nearly eight-in-ten say they are spending less, while more than one-half are also increasing prices, evaluating or re-evaluating their suppliers, and delaying spending.

**10 Most Common Macroeconomic Concerns**

<table>
<thead>
<tr>
<th>Concern</th>
<th>Year-over-year change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>89% +1%</td>
</tr>
<tr>
<td>Economic uncertainty</td>
<td>85% -1%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>74% +1%</td>
</tr>
<tr>
<td>Taxes</td>
<td>73% -1%</td>
</tr>
<tr>
<td>Supply chain challenges/inventory</td>
<td>72% -2%</td>
</tr>
<tr>
<td>Market volatility</td>
<td>70% -3%</td>
</tr>
<tr>
<td>Health insurance costs</td>
<td>66% -1%</td>
</tr>
<tr>
<td>Political uncertainty</td>
<td>65% -6%</td>
</tr>
<tr>
<td>Cyber security</td>
<td>63% -6%</td>
</tr>
<tr>
<td>Hiring challenges</td>
<td>53% -8%</td>
</tr>
</tbody>
</table>

**Decreasing Concerns**

Most concerns fell through 2022; here are concerns which declined the most:

- COVID restrictions -19%
- Technology -17%
- Employee retention -16%
- New competitors -13%
- Lack of financing -11%

**Actions Undertaken Due to Economic Situation**

- Spend less: 78%
- Increase our prices: 70%
- Evaluate or re-evaluate our suppliers: 61%
- Delay spending: 60%
- Invest in cost-saving technology: 49%
- Delay key investments: 44%
- Delay or pause hiring: 44%
- Borrow or finance less: 42%
- Bring on additional investment: 40%
- Reduce scale of operations: 40%

Note: Respondents are recruited from online panels and are largely different across studies.
Most SMBs surveyed experienced cost increase, increased their prices, and saw volume increases in 2022

- Nearly nine-in-ten SMBs surveyed feel their business is headed in the right direction, while three-quarters feel well-positioned to weather economic difficulty.
- In reaction to the cost increases experienced by 78% of SMBs surveyed, the most common reactions include price increases, and implementing tighter spending controls. More than one-quarter are evaluating new suppliers.

### Business Changes in 2022

- **Costs Increased in 2022:** 78%
- **Increased Prices in 2022:** 64%
- **Unit Sales Increased in 2022:** 56%

- More than three-quarters said their costs went up in 2022.
- Nearly two-thirds raised their prices in 2022.
- Even though their prices rose, more than one-half said their unit sales also increased last year.

### Top 5 Reasons for Cost Increases

- Inventory/supplies: 65%
- Utilities: 38%
- Logistics/shipping: 33%
- Labor/payroll: 32%
- Taxes: 27%

### Top 5 Reactions to Cost Increases

- Higher prices: 46%
- Tighter spending controls: 44%
- Lower profit margins: 39%
- Evaluating new suppliers: 26%
- Minimizing inventory: 22%

*70% say they “increased prices” due to the economy (page 5), while 64% say their prices increased overall in 2022. This small discrepancy could be explained by some companies raising prices on certain products due to the economy, but their overall price levels across their entire line remaining stable through the year.
The economy is the most concerning current aspect for SMB leaders surveyed

What is Keeping SMB Leaders Up at Night?

When asked what is keeping them up at night these days, SMB leaders identify a variety of issues including the economy, inflation and rising costs, employee retention and productivity, and finding customers as the most common concerns. Responses are similar to previous waves.

When given a closed-ended list, SMB leaders identify economic factors, decreased customer demand, and supply chain as the three most prominent perceived threats to business success.

Top Perceived Business Threats

- Economic factors: 66%
- Decreased customer demand: 44%
- Supply chain: 40%
- Competition: 27%
- Talent acquisition and retention: 18%
- Rising customer expectations: 16%
- Regulatory concerns: 14%
- Cybersecurity risks: 13%
- Emerging/disruptive technology: 9%
- Reputational risk: 9%
- Lack of a succession plan: 8%
- Other: 3%
- None: 7%
Business leaders surveyed are feeling largely positive and optimistic headed into 2023

Emotions Felt by Small Business Leaders Surveyed

- **74%** (+5% in 2022) Nearly three-quarters of current emotions among SMB leaders are positive
- **26%** One-quarter of current emotions are negative

When asked how they are feeling about their business these days, Small Business Leaders were largely positive, however with meaningful negative emotions mixed in:

**TOP POSITIVE EMOTIONS:**
- Optimistic (58%)
- Fortunate (47%)
- Happy (39%)

**TOP NEGATIVE EMOTIONS:**
- Anxious (29%)
- Frustrated (23%)
- Edgy (14%)

**BIGGEST CHANGES THROUGH 2022:**
- Anxious (-10%)
- Happy (+9%)
- Frustrated (-6%)

Despite feeling largely positive overall, fewer than one-half of SMB leaders surveyed say they are feeling optimistic about the economy (44%) heading into 2023. However, optimism (44%) does outweigh pessimism (34%) when thinking about the economy. Economic optimism is higher among larger SMBs, less-tenured businesses, and younger business leaders.
Cybersecurity is seen as an opportunity for improvement for most SMBs surveyed

Small and Midsized Business leaders surveyed do not have a great understanding of cybersecurity, and just one-in-five say their company’s cybersecurity execution is excellent. Fewer than one-half of SMBs say they have a proper cybersecurity plan or strategy, while an additional one-quarter say they plan to have one in the future.

The biggest factor inhibiting cybersecurity success according to surveyed SMBs is identifying the best tools and services to use, while others identify changing risks and lack of budget as major hurdles.

<table>
<thead>
<tr>
<th>Top Cybersecurity Challenges:</th>
<th>Top 10 Desired Sources of Cybersecurity Information/Help:</th>
<th>Top Potential Cybersecurity Tools from Credit Card Providers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying the best tools</td>
<td>Software providers</td>
<td>Real-time trx. Monitoring</td>
</tr>
<tr>
<td>Changing risks</td>
<td>Online sources</td>
<td>Cybersecurity toolkit</td>
</tr>
<tr>
<td>Lack of budget</td>
<td>Our bank</td>
<td>Cyber readiness program</td>
</tr>
<tr>
<td>Just knowing where to start</td>
<td>Payment acceptance partner</td>
<td>Transaction controls</td>
</tr>
<tr>
<td>Supplier vulnerabilities</td>
<td>Expert business consultants</td>
<td>Discounted/free access to leading brands of protection tools</td>
</tr>
</tbody>
</table>

Not well 25%  Very well 23% Somewhat well 52%

Fair/poor 14% Excellent 21% Good 30% Very good 35%

No, and no plans 28% Yes 45% No, but we plan to 27%
More than eight-in-ten businesses surveyed either are or would like to be a *purposeful business*

*Purposeful business* is described as a business that combines selling a product/service with tackling a problem or challenge in the community or in the world. In other words, a *purposeful business* is not just in business to make a profit, but to help society. While understanding of the concept could be higher, most surveyed SMBs either are or would like to be a *purposeful business*.

**Understanding of Purposeful Business**

- Not well: 25%
- Somewhat well: 45%
- Very well: 30%

**Are You a Purposeful Business?**

- Yes: 55%
- No, and no plans to be: 18%
- No, but we would like to be in the future: 27%

**Purposeful Business Attitudes:**

- Businesses have potential to help their communities: 94%
- Businesses can make the world a better place: 92%
- Businesses have a responsibility to do good: 90%
- Purpose beyond profit can help make higher profits: 88%
- Purpose beyond profit helps attract/engage talent: 87%
- Purpose will become more important in future: 86%
- Finding the right balance between profits and our purpose: 46%
- Keeping prices competitive, even with purpose-associated costs: 40%
- Costs associated with fulfilling our purpose: 36%
- Making a real difference: 33%
- Having to make decisions that put our purpose over profits: 25%

**Top 10 Desired Sources of Purposeful Business Information/Help:**

- Online sources: 25%
- Business associations: 24%
- Social media platforms: 18%
- Business consultants: 16%
- CRM tool provider: 15%
- Expert business consultants: 15%
- Supply chain providers: 11%
- Our credit card network provider: 11%
- Our bank: 11%
- Our software providers: 11%
- NONE: 28%
For help addressing any of the questions raised in this paper, please reach out to your Visa Account Executive or Visa Consulting & Analytics (VCA@Visa.com).

Explore the Visa Business Solutions Knowledge Hub to learn more about topics like this.

Follow Visa on LinkedIn.