

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.

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Despite a bumpy economic road, SMBs grew in 2022 and see continued growth into 2023

Summary

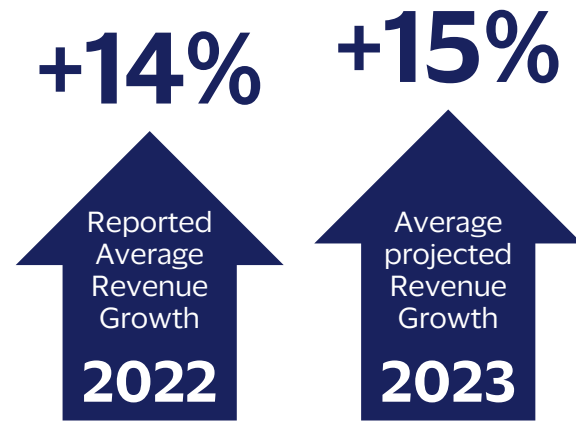
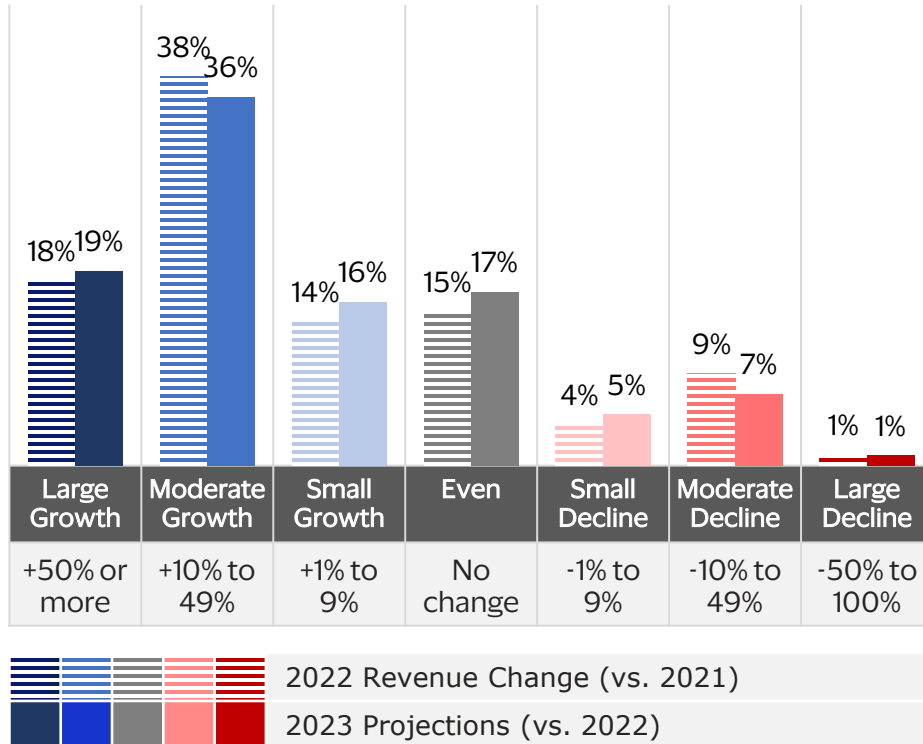
While economic concerns persist heavily in the minds of surveyed SMB leaders, their concerns are easing, and most enter 2023 with a great deal of positivity and optimism.

- 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

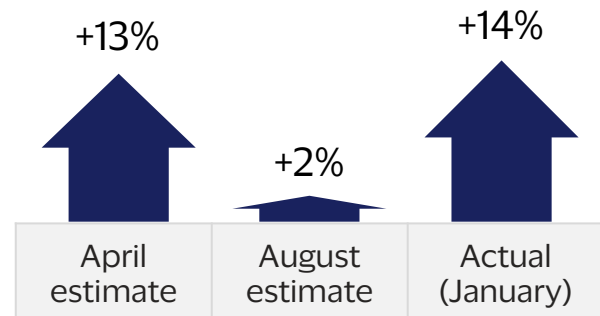
Reported Revenue Growth (2022) and Projections (2023)



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%

Reported 2022 Revenue Growth Projections Over Time



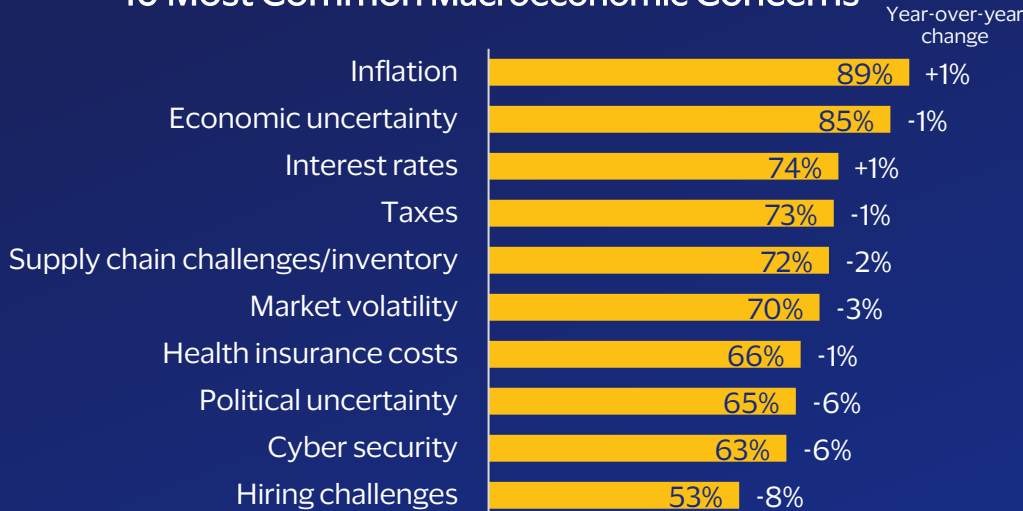
SMB leaders entered 2022 anticipating 13% growth. By mid-year, optimism was highly tempered, however the year reportedly closed stronger than expected, resulting in average 14% revenue growth.

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*.

10 Most Common Macroeconomic Concerns



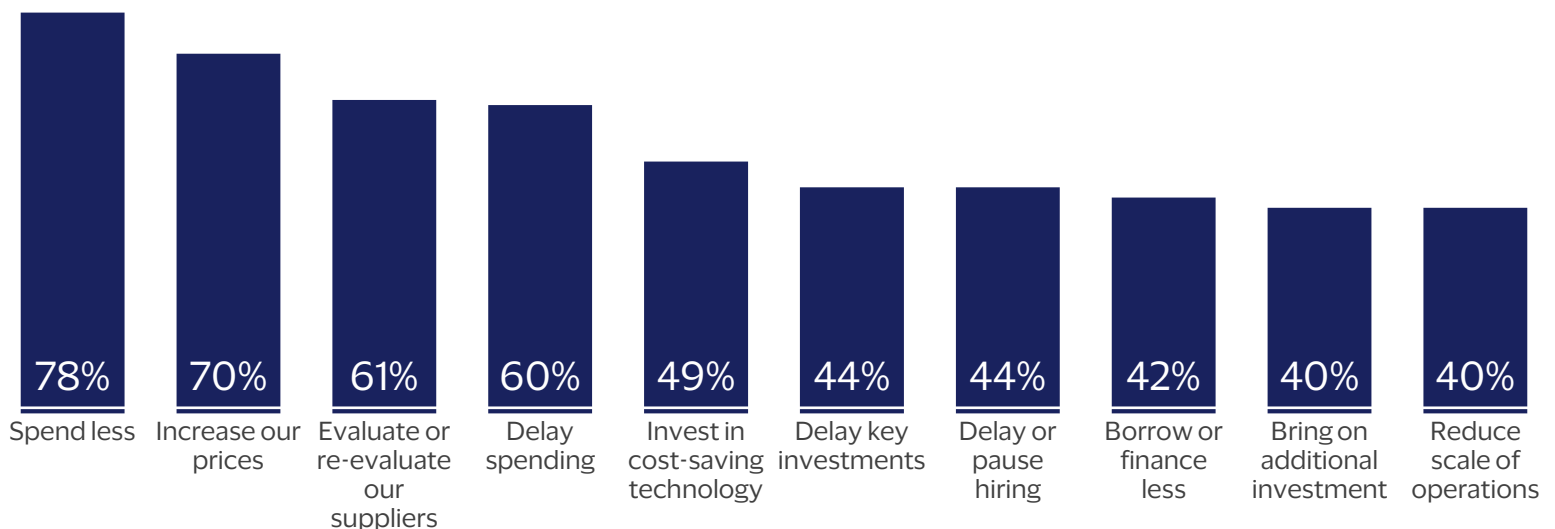
Decreasing Concerns

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%

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*.

Actions Undertaken Due to Economic Situation

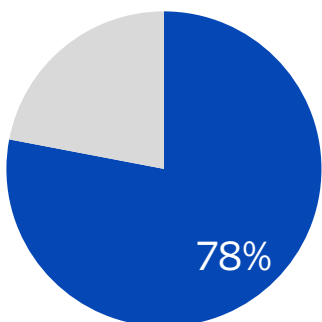


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Most SMBs surveyed experienced cost increase, increased their prices, and saw volume increases in 2022

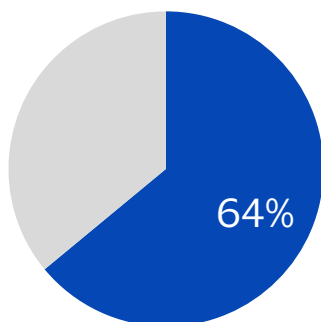
Business Changes in 2022

Costs Increased in 2022:



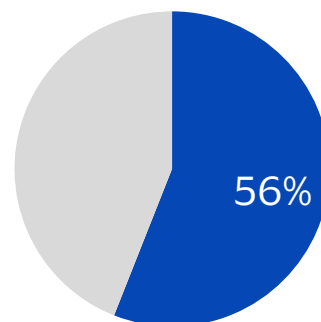
More than three-quarters said their costs went up in 2022.

Increased Prices in 2022:



Nearly two-thirds raised their prices in 2022*.

Unit Sales Increased in 2022:



Even though their prices rose, more than one-half said their unit sales also increased last year

- 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' Ability to Navigate Challenges



Our business is headed in the right direction



We feel well-positioned to weather economic storms ahead

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.

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:

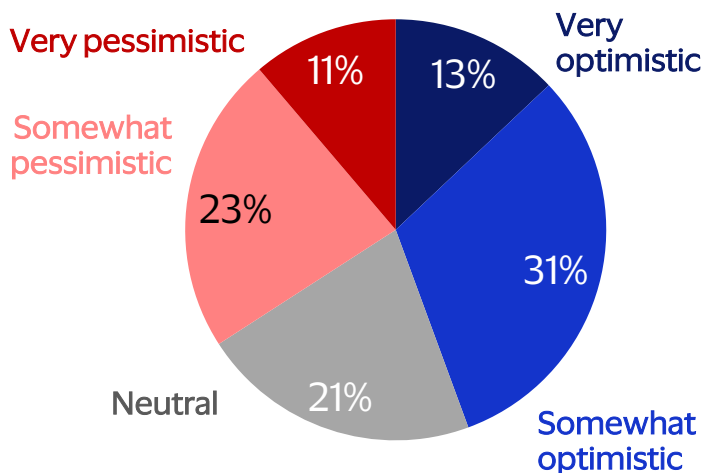
- Anxious (29%)
- Frustrated (23%)
- Edgy (14%)

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.

Thinking about the economy, would you say you are...



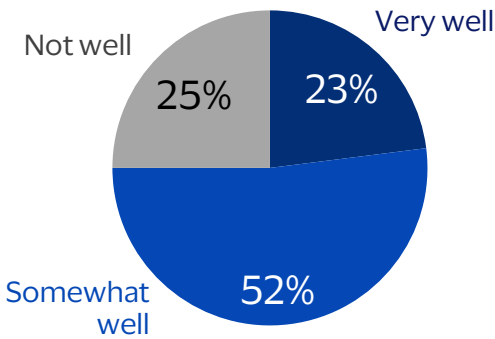
Optimistic about the economy:

Category	Very optimistic	Somewhat optimistic	NET: Optimistic	
TOTAL SMBs	13%	31%	44%	
Org. Size	Owner-only	9%	21%	30%
	1-9 employees	12%	32%	44%
	10-49 employees	12%	34%	47%
	50-99 employees	26%	37%	63%
Revenue	Under \$100k	13%	26%	39%
	\$100k - <\$1M	12%	33%	45%
	\$1M - <\$5M	15%	29%	44%
	\$5M+	11%	50%	61%
Tenure	2 years or less	15%	38%	54%
	3-9 years	20%	32%	52%
	10+ years	6%	29%	35%
Age of Owner/Leader	Gen Z + Millennial	24%	31%	55%
	Gen X	9%	34%	43%
	Boomers+	7%	29%	36%

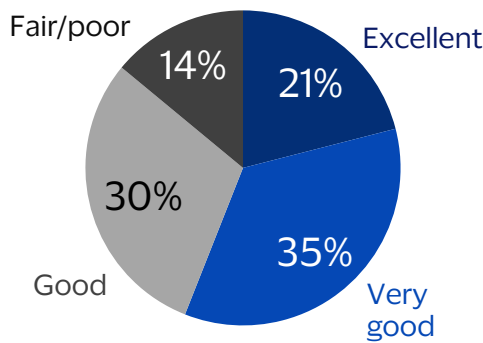
Cybersecurity is seen as an opportunity for improvement for most SMBs surveyed

Small and Mid-sized 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.

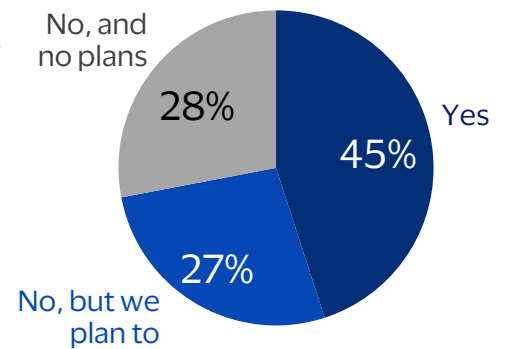
Understanding of Cybersecurity:



Rating Company's Cybersecurity Execution



Whether Has Cybersecurity Plan/Strategy

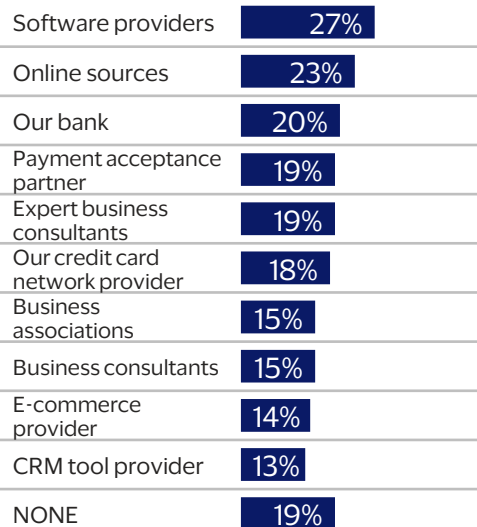


The biggest factor inhibiting cybersecurity success according to surveyed SMBs is *identifying the best tools and services to use*, while others identify *changing risks* and *lack of budget* as major hurdles.

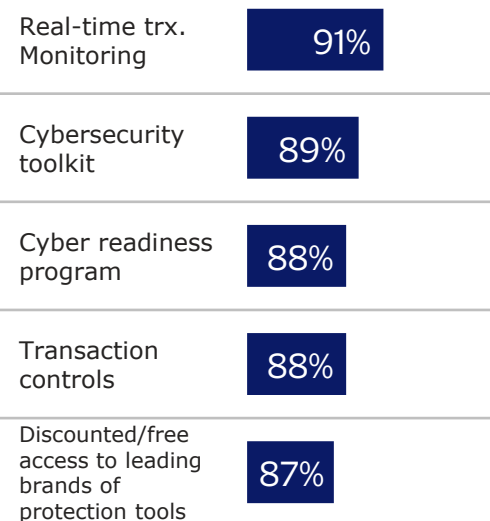
Top Cybersecurity Challenges:



Top 10 Desired Sources of Cybersecurity Information/Help:



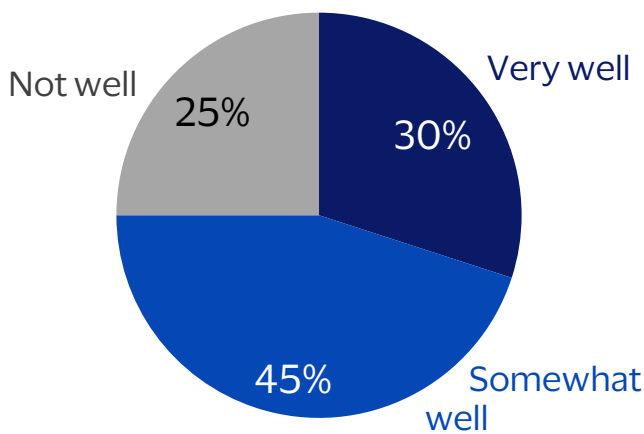
Top Potential Cybersecurity Tools from Credit Card Providers:



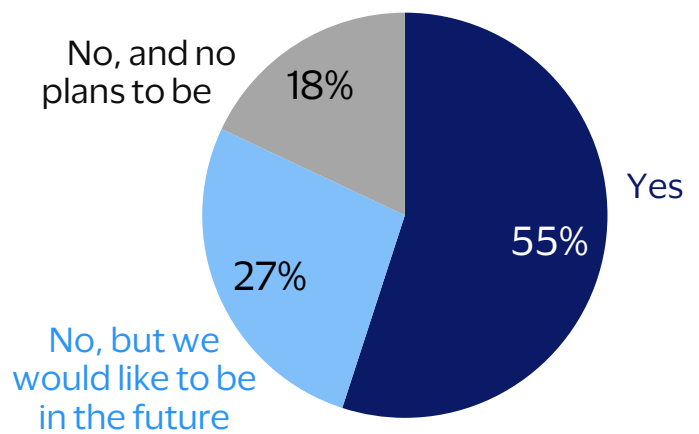
More than eight-in-ten businesses surveyed either are or would like to be a *purposeful business*

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



Are You a Purposeful Business?



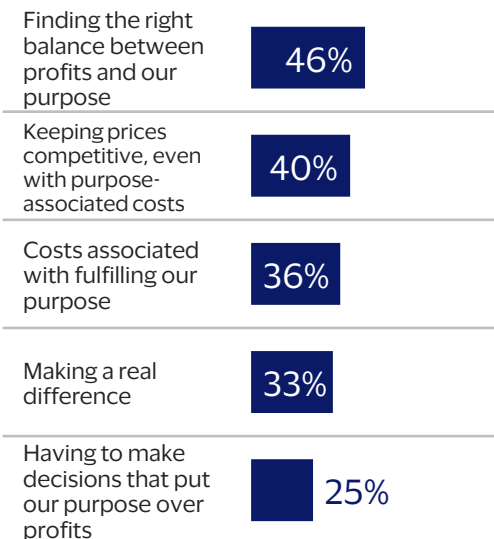
Purposeful Business Attitudes:



Top 10 Desired Sources of Purposeful Business Information/Help:



Top Challenges to Operating a Purposeful Business



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**Thank
you**

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).

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