

Spend Insights

"Responses in many categories indicate a more optimistic outlook this quarter, but concerns about some key indicators clearly remain. In a pivotal shift, responses show cards are viewed as more efficient than checks. Financial institutions may want to consider this development in upcoming marketing campaigns, by highlighting the benefits of cards over checks."

— Janet Zablock, Head of Global Small Business, Visa Inc.

Findings at a glance

Confidence in revenue, profits and local economy is on the rise: Responses in these categories showed the most optimism since 2Q07, making them the top three areas of confidence in 4Q14. Additionally, confidence about making capital investments, raising employee pay and increasing inventory also improved this quarter. [Read more >](#)

Marketing plans seem to indicate renewed focus on growth: An increasing number of small business owners surveyed plan to spend more on advertising and marketing. This could be related to the rise in concern about attracting and retaining customers. Additionally, there were increases in concern around mobile payments, online marketing and social media — trends that may continue as mobile commerce becomes more prevalent. [Read more >](#)

Despite growing optimism, outlook on some issues remains guarded: While confidence rose in some areas, anxiety clearly remains in others. Worries about increasing inflation jumped significantly, becoming small business owners' top macroeconomic concern. Microeconomic concerns such as staying in business and managing cash flow also rose. [Read more >](#)

Cards cited as most efficient payment method: Small business owners' propensity for using payment cards vs. checks has been growing gradually for several years. But in 4Q14, responses favoring checks dropped. As a result, the majority of small business owners cited credit cards over checks as the most efficient way to pay business expenses — the first such shift since this survey began. [Read more >](#)

Visa® Small Business Spend Insights combines quarterly survey results with Visa Business card spend data to provide a snapshot of your small business customers' economic confidence and operational needs.



Top 5 Individual Concerns of 4Q14¹

This quarter	Last quarter	vs. A year ago
1 Attracting new customers	1 -	1 -
2 Retaining existing customers	4 ↑	4 ↑
3 Rising taxes	2 ↓	3 -
4 Cost of health insurance	3 ↓	2 ↓
5 Managing cash flow	5 -	5 -

Top 5 Macroeconomic Concerns of 4Q14²

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

¹Q: 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.

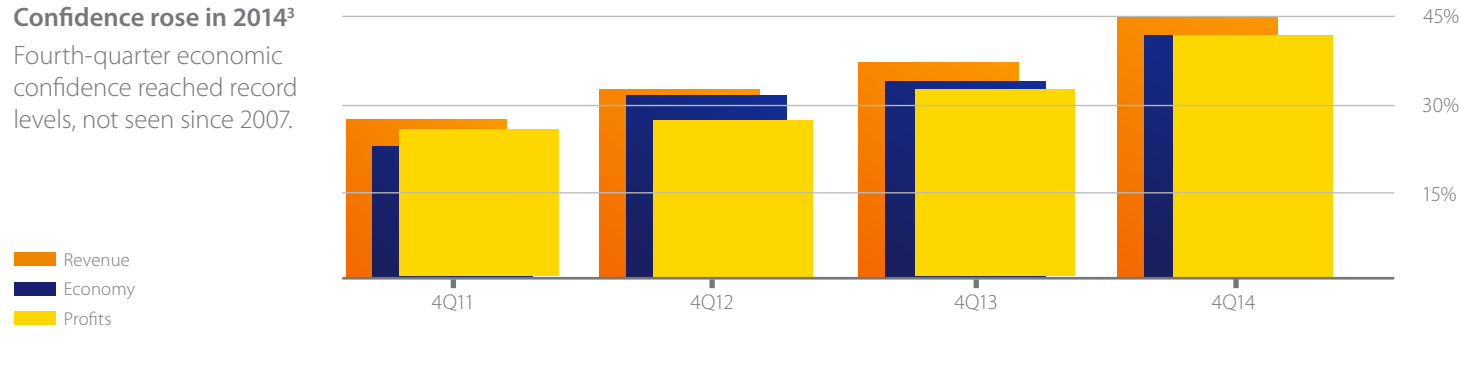
²Q: What major issue facing the economy most concerns you as a small business owner?

Confidence in revenue, profits and local economy is on the rise

In six key categories, confidence reached the highest levels since 2007 showing a steady, year-over-year increase in small business owners' optimism. This trend may be influencing their overall approach given that they seem poised to spend more on growth.

Confidence rose in 2014³

Fourth-quarter economic confidence reached record levels, not seen since 2007.



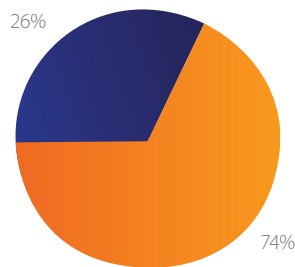
"We've done a good job of increasing profitability by reducing expenses wherever we can."

— Contractor

Most expect double-digit profit increases⁴

Almost three quarters of respondents who anticipate a profit increase expect it to be 10% or greater.

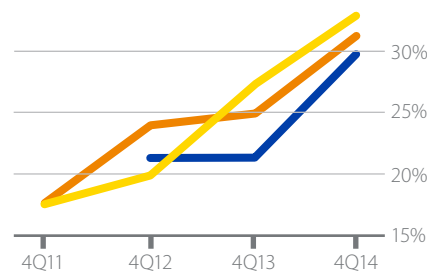
■ 1 - 9% increase ■ 10% increase or greater



Responses indicate spending increases³

Confidence in making capital investments, increasing employee pay and expanding inventory has been on the rise, but increased sharply in 4Q14.

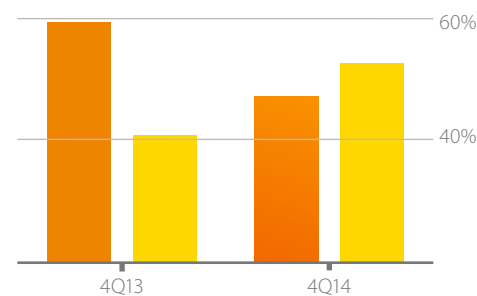
■ Capital Investments (added in 2012)
■ Employee pay
■ Inventory



More capital investors, smaller capital investments⁵

Just over half of small business owners (53%) are planning capital investments of less than \$10k, compared to 41% a year ago.

■ \$10k or more ■ < \$10k



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Year-over-year* spend on small capital investments grew by 15 percentage points and, in fact, has increased each of the last six reporting periods. It's possible small businesses held off on such investments during the recession, but may no longer be able to avoid these expenditures.

³Q: 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.

⁴Q: You mentioned that you think your profits will rise over the next six months compared to the same period last year. By what percentage do you think they will rise?

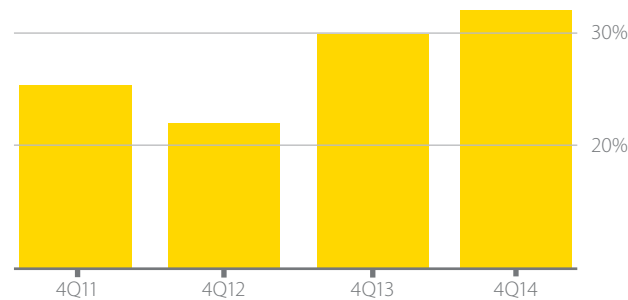
⁵Q: You mentioned that you think you will make a capital investment in your business in the next six months. Which of the following best describes the size of that investment?

Marketing plans seem to indicate renewed focus on growth

Small business owners seem to have turned their attention to nurturing their customer base. As their overall outlooks continue to improve, responses show increasing attention to efforts like advertising, online marketing and social media to help retain and grow their customer base.

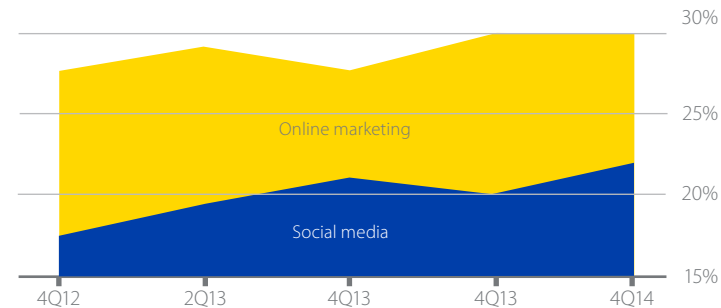
Confidence in higher ad spending remains high³

The number of fourth-quarter respondents indicating plans to increase ad/marketing spend has grown since 4Q12.



Focus on digital marketing increasing gradually¹

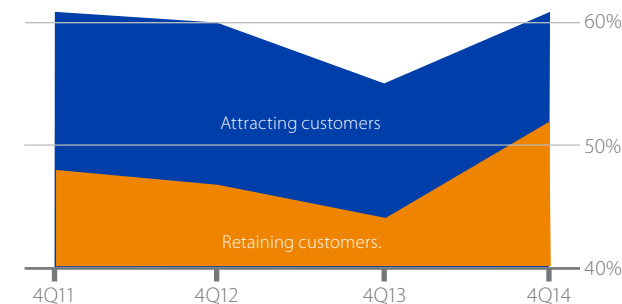
Year-over-year concern about online marketing reached a record high (30%) a year ago and tied that mark in 4Q14. Concern about using social media to grow their business reached a new record high (22%).



"If we can increase customer satisfaction, we can increase revenue as well."
— Retail

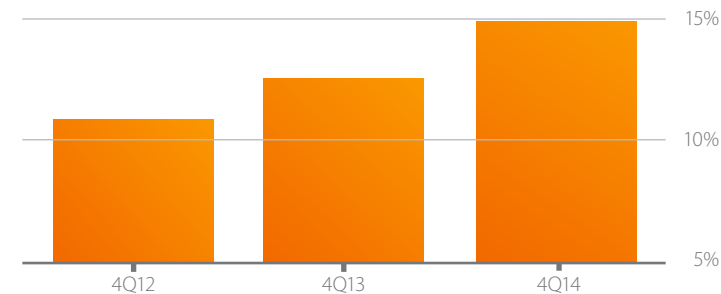
Concerns over customer base rise in 4Q14¹

After declining over several fourth quarters, concern around attracting and retaining customers increased in 4Q14.



Mobile transactions a growing consideration¹

Fourth-quarter concern about payments via mobile devices has increased gradually since this question was added in 2012.



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Year-over-year* spending in the "advertising services" category increased by more than 20 percentage points. Meanwhile, spending on direct marketing decreased for the eighth consecutive reporting period indicating a continued shift from traditional marketing to digital and social channels.

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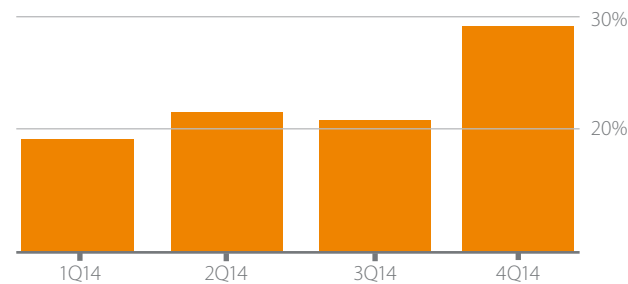
³Q. Thinking of the business in which you are an owner, part-owner, partner or the financial decision maker please tell me how likely each of the following is to occur.

Despite growing optimism, outlook on some issues remains guarded

Certain micro and macroeconomic issues seem to be a consistent source of concern for small businesses owners. Even with record-high confidence in many categories, 4Q14 also brought an increase in concern over some key factors affecting their businesses.

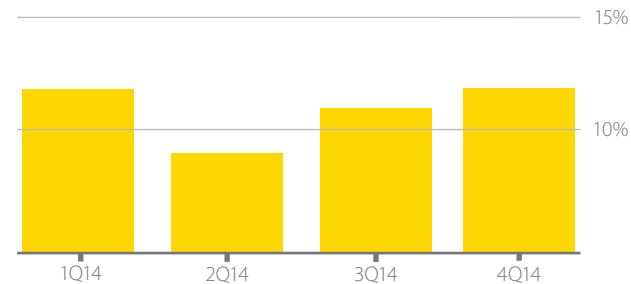
Inflation jumps to top macroeconomic concern²

Concern about increasing inflation started the year relatively low but rose by eight percentage points in 4Q14.



Worries over interest rates resurface¹

Small business owner concern about rising interest rates fell slightly in 2Q14, but rose again as the year came to a close.

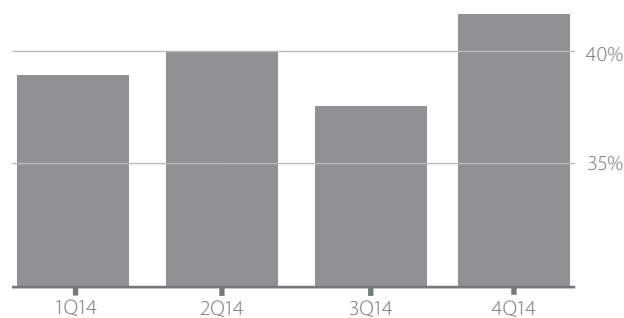


"We're finding we need to keep a tight reign on cash flow if we want to stay in business."

— Consulting services

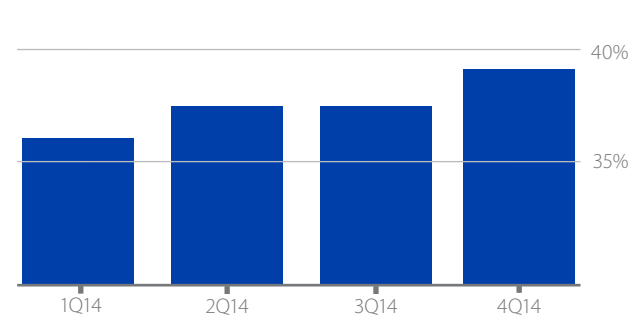
Anxiety over cash flow is on the rise¹

Concerns in this category were high in each quarter, but rose to even higher levels in 4Q14.



Increasing uncertainty about staying in business¹

4Q14 responses show a slight uptick in concern after two flat quarters in this category.



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Overall year-over-year* spend among Visa Business cardholders grew by double digits for the fourth straight reporting period. However, survey responses show small business owners are growing more concerned about cash flow, which may affect future card usage.

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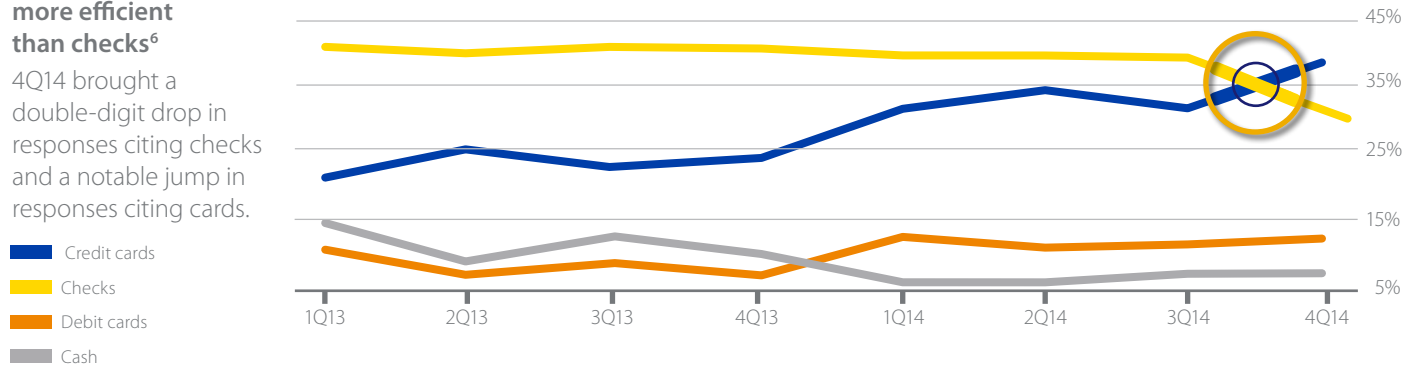
²Q: What major issue facing the economy most concerns you as a small business owner? (Graphics indicate "critical" or "major" concern.)

Cards cited as most efficient payment method

In the gradual shift from paper to plastic payment methods, checks remain a popular form of payment. Responses about efficiency, however, show a notable shift. For the first time since this survey began, more small business owners cited credit cards than checks.

Cards now seen as more efficient than checks⁶

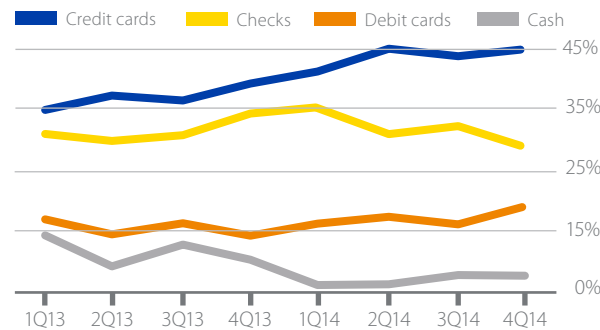
4Q14 brought a double-digit drop in responses citing checks and a notable jump in responses citing cards.



"Processing paper checks for payment is how we've done business for 32 years"
—Electronic security

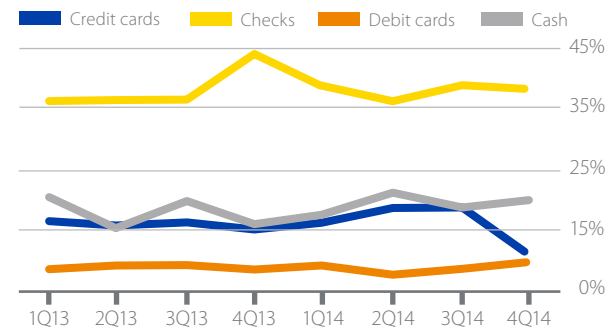
Plans indicate more card payments, fewer checks⁷

Credit and debit cards seem to be gaining popularity while checks and cash are gradually losing favor.



Checks still preferred for taking payments⁸

Checks are still overwhelmingly seen as the most efficient method for receiving customer payments.



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Survey responses indicate small business owners are seeing the value of paying business expenses with cards vs. checks. Year-over-year* spend data supports that notion as Visa Business card transactions grew at the fastest rate in eight reporting periods.

⁶Q: When making payments, which of the following is the best and most efficient payment tool for your business?

⁷Q: Among these payment tools, which ones will you more likely increase usage of over the next 6 months?

⁸Q: When receiving payments, which do you feel is the best and most efficient payment tool for your business?

Visa is a sponsor of the International Council for Small Business, an organization that brings together educators, researchers, policy makers and practitioners from around the world to share knowledge and expertise to promote the growth and development of small businesses worldwide.



Cash flow keeps a business alive and thriving But lack of cash flow can sink it

Do you think only small businesses (1-249 employees) suffer from cash flow issues? Well, larger businesses are just as likely to encounter cash flow problems, if not more so, than the smallest businesses.

Research from various sources, including the NFIB, shows that one in two small-business owners suffer from cash flow issues. This is worrisome but not as bad as one in five small-business owners who state that cash flow is a "continuing" problem and/or a major concern for them.

Why do small businesses encounter these cash flow issues? Research tells us that small-business owners believe



that the primary reason they experience cash flow problems is the difficulty they encounter collecting money due to them (30%). The second most frequently cited reason is seasonality (23%). The third is unexpected variations in sales (15%) and the fourth, weak sales (13%).

How do small businesses deal with cash flow problems and challenges? About 70 percent say when borrowing for a cash flow problem, they most likely obtain a loan or draw down a line of credit from a commercial bank. Family and friends (11%) and financial institutions other than commercial banks (10%) are the next most likely sources of borrowing. Just eight percent identify the credit card as their most likely source.

How to resolve this ongoing challenge? There is no magic solution. Planning should be a high priority to help discover innovative well-thought out ideas. In fact, small employers use an average of over four separate actions — loans, borrowing, adjusting scheduling purchases, and adjusting scheduled payments — though they do not necessarily use each one every time a problem flares. The four typical solutions are taking from the family "cookie jar." Hopefully, the money put into the business for cash flow purpose is just a "loan" from the owner.

Cash flow keeps your business alive and thriving, so better plan well when clouds are on the horizon!

Source: Small Business Polls (www.411SBfacts.com). The Cash Flow Problem, ISSN - 1534-8326

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.com

Additional resources:

For more small business resources to grow your business, go to Visa Small Business Resource Center at usa.visa.com/business/resource_center/index.html.com

Connect with Visa for up-to-the-minute tips, tools and more at facebook.com/visasmallbiz or twitter.com/visasmallbiz.com

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 April 2007 through December 2014 and also consists of 602 interviews conducted between December 3–15, 2014.

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.

*Analysis based on Visa Business card spend data between January 1, 2013 to December 31, 2013 and January 1, 2014 to December 30, 2014.