



The **Visa® Small Business Review** provides valuable insights for small business owners and those that serve them. *Small Business Spend Insights* examines the economic outlook of U.S. small business owners along with actual Visa Business card spend data. Visa is working with The Coffman Organization, Inc. to provide *Small Business Best Practices*, featuring tangible recommendations for small businesses. Through both sections, Visa presents a complete picture of the current and changing small business landscape.

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## Small Business Spend Insights

**Visa® Small Business Spend Insights** monitors the economic confidence of U.S. small business owners. This includes analysis of spend data from Visa's worldwide payments network in conjunction with responses to a quarterly survey. Small businesses and their partners can benefit from the trends and insights revealed through Visa's proprietary data and research.

**Small Business Spend Insights**

This report highlights **Concerns of Small Businesses** and assesses critical business drivers: **Top-line Revenue, Profit and Loss** and **Cash Flow**. Click on each link to go to the detailed findings.

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**Small Business Best Practices**

This information features best practices and actionable insights that help small business owners maximize potential and grow their business.

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# Spend Insights

## Spend Insights: **Overview**

**Signs point to increasing optimism for small business owners**

Small business owners' economic outlook appears more optimistic in 4Q11 than in quite some time. Confidence in a stronger economy is up significantly since last quarter, and concerns over managing cash flow and staying in business are the lowest they've been since 1Q07. Additionally, the number of respondents who report they expect to make changes in how they manage their businesses is at its lowest level in nearly two years.

**Business owners do not expect revenue and profits to decline**

Other possible signs of growing optimism are in the areas of revenue and profits. While the number of respondents expecting revenue and profit growth remains relatively flat, the number reporting confidence in lower revenue and profits is at its lowest level since January 2008 in both categories.

**Businesses seem more satisfied with recent support from banks**

Small business owners may be viewing their financial institutions more favorably. While a majority continue to feel that their banks have not been supportive, an increased number are reporting their banks responded positively to support their businesses in the past six months. Other signs of growing satisfaction include belief that banks are genuinely interested in businesses' success, record-low confidence that the cost of financing will increase and less confidence in difficult access to financing. However, fewer small businesses expect to borrow money than they have since 1Q07.

**Aversion to card fees presents potential opportunities for issuers**

A new survey question asked business owners what barriers may prevent them from using payment cards. An overwhelming majority cited card fees, which presents promotional and customer education opportunities for business card issuers. Those with a no-annual-fee card may consider promoting this product more aggressively. Also, all issuers may consider a simple program to educate small business owners on avoiding other fees.

*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/smallbusiness](http://visa.com/smallbusiness)*

*Get the support you need to **pursue business goals, network and grow** and **see results**. Join the Visa Business Network for free at [visabusinessnetwork.com](http://visabusinessnetwork.com)*

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*"Cash flow affects my ability to pay suppliers on time. If they don't get paid, we don't get to sell our product."*

- Wholesale Beauty Supply

*"As a business-to-business seller, we are dependent on the general economy to maintain our revenue stream."*

- Business Documents

**Visa Spend Insight:**

While Visa Business card spend increased by double digits year-over-year in many categories, the healthcare category increased moderately by 6.7 percent.\*

**Spend Insights: Concerns of Small Businesses**

**Concerns over cash flow and staying in business reach all-time lows**

As the economy continues to show signs of recovery, some of small business owners' most critical individual concerns in recent quarters appear to be diminishing. Concern over the cost of healthcare dropped from the top spot in 3Q11 to its lowest level since 2Q09. With new all-time lows in concerns about managing cash flow and staying in business, the outlook of most owners seems to be improving as we enter 2012.

Individual Small Business Concerns	1Q11	2Q11	3Q11	4Q11
Attracting New Customers	61%	61%	61%	61%
Cost of Health Insurance	64%	62%	63%	60%
Rising Taxes	61%	58%	50%	57%
Retaining Customers	45%	51%	52%	47%
Managing Cash Flow	47%	49%	49%	44%
More Restrictive Government Regulation	46%	42%	37%	43%
Staying in Business	39%	41%	44%	38%
Keeping Good Employees	31%	36%	36%	35%
Finding and Hiring the Right New Employees	27%	30%	32%	30%
Finding Quality Suppliers	22%	22%	20%	20%

**Despite improved overall outlook, recovery remains top concern**

Economic recovery kept its place atop small business owners' macro-economic concerns, rising from 36 percent to 43 percent in 4Q11. All other concerns in this category either dropped slightly or remained flat.

Small Business Macro-economic Concerns	1Q11	2Q11	3Q11	4Q11
U.S. Recovering from the Recession	35%	38%	36%	43%
Change in Consumer Confidence	12%	14%	18%	15%
Continued Increase in Energy Prices	22%	17%	12%	12%
Falling Value of the Dollar	9%	12%	13%	11%
Declining Housing Market	9%	8%	8%	8%
Possibility of Increasing Inflation	9%	8%	9%	7%
Rising Interest Rates	4%	3%	4%	4%

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*"People are buying at big-box stores and putting together their own systems. Fixing self-start systems is a new source of revenue I am trying to tap."*

- Home Theatre and Automation

*"New customers are the lifeblood of my business!"*

- Professional Services

**Visa Spend Insight:**

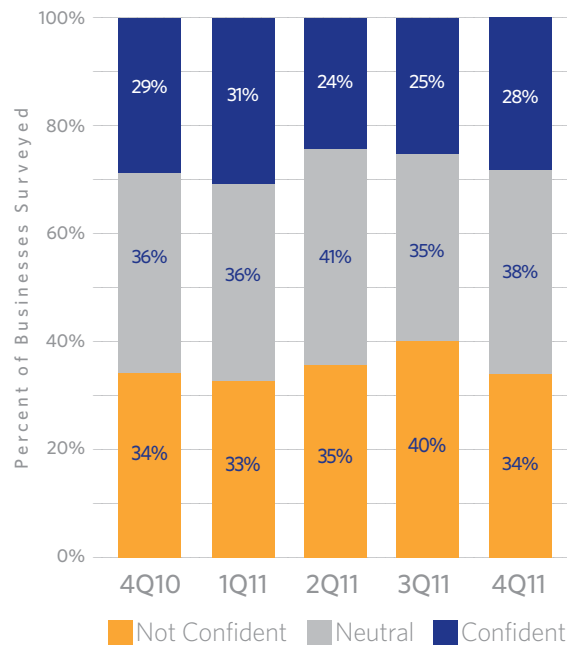
Transactions related to advertising services have increased 41.4 percent year-over-year as Visa Business cardholders continue their efforts to attract new customers.\*

## Spend Insights: Top-line Revenue Outlook

### Revenue Outlook: Improving

In terms of confidence in revenue increases, the closing quarter of 2011 looked much like the fourth quarter of 2010. Confidence in revenue increases rose only slightly in 4Q11. However, the number of small business owners reporting they are not confident in a revenue increase fell significantly from 40 percent to 34 percent since last quarter.

### Confidence in Revenue Increases

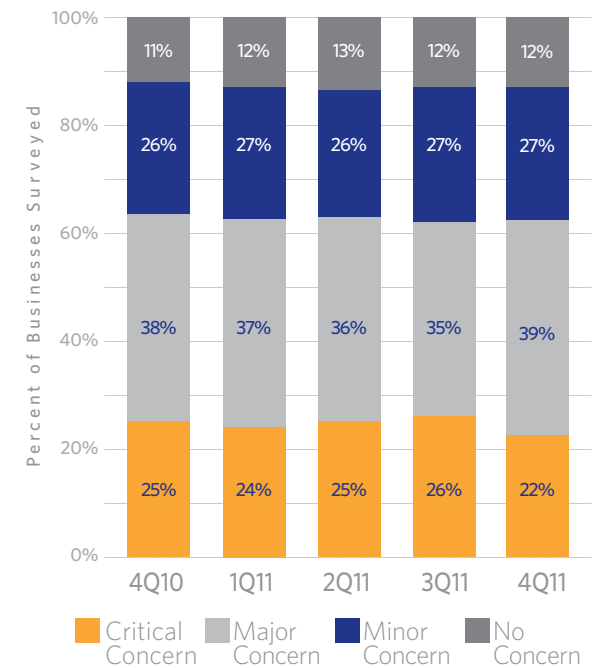


**Implications:** The improving outlook this quarter is underscored by the responses concerning revenue. Small business owners' optimism about money coming into their businesses is evident and supported by similarly optimistic responses regarding collections and profits.

### Key Issue: Attracting New Customers

Small business owners reporting critical concern with attracting new customers dropped only slightly since last quarter. However, the number of small business owners citing minor or no concern remained flat. The shift from critical to major concern could be an indication of improving overall outlook.

### Concerns with Attracting New Customers



**Implications:** The number of respondents who cited attracting new customers as a "critical concern" declined since last quarter, indicating that small business owners are possibly beginning to feel better about this core business function than they have in past quarters.

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*"We want to build our business and with better profits we can do that."*

- Landscaper

*"Reduced energy consumption helps us address cash flow issues."*

- Tanning Salon Owner

Visa Spend Insight:

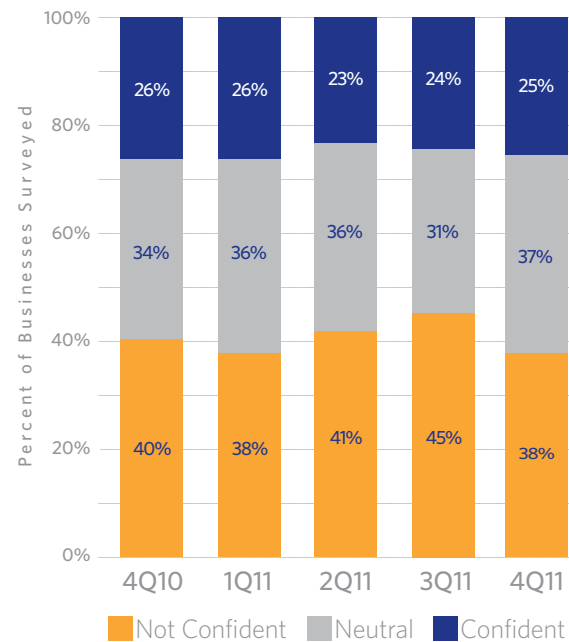
Though Visa Small Business cardholders are increasingly less confident in energy spending increases, their actual energy spending went up 27 percent year-over-year.\*

## Spend Insights: Profit and Loss Expectations

### Profit Outlook: Mixed

While confidence in profit increases remained relatively flat, the significant shift in this category was in those who indicated they were not confident. After increasing in 3Q11, the number of business owners reporting they are not confident in greater profits dropped sharply from 45 percent to 38 percent in 4Q11.

### Confidence in Greater Profits

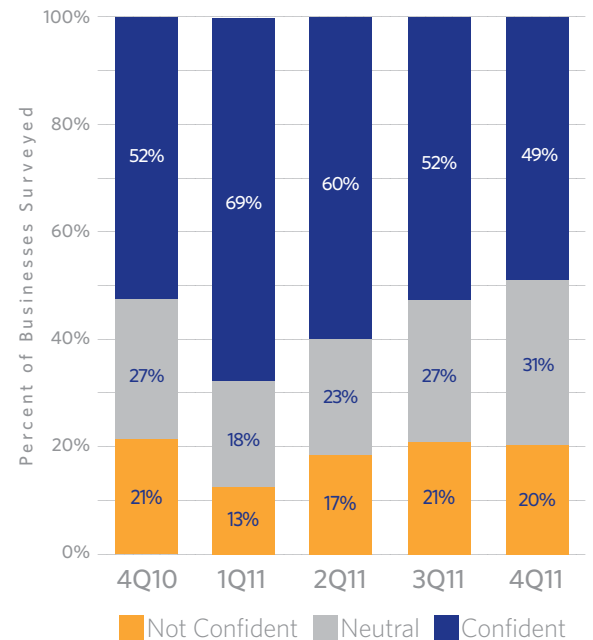


**Implications:** The increase in respondents who are either "confident" or "neutral" that their profits will increase may signal that small business owners are beginning to feel better about their profit outlook.

### Key Issue: Energy Spending

After a dramatic spike from 4Q10 to 1Q11, confidence in energy spending increases dropped steadily throughout 2011. By 4Q11, confidence dipped below 50 percent for the first time since the first quarter of 2009.

### Confidence in Energy Spending Increase



**Implications:** As observed last quarter, the spike in 1Q11 was likely a result of rising fuel costs at the time. Barring another sudden increase in fuel prices, shifts in this category will likely remain more stable as other economic concerns continue to take priority.

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*"We are required to pay our main supplier up front while most customers expect 30 days to pay. Lack of available cash could leave us unable to order our product."*

- Retailer

*"I'm keeping my fingers crossed and being more aggressive with accounts receivable collections."*

- Contractor

**Visa Spend Insight:**

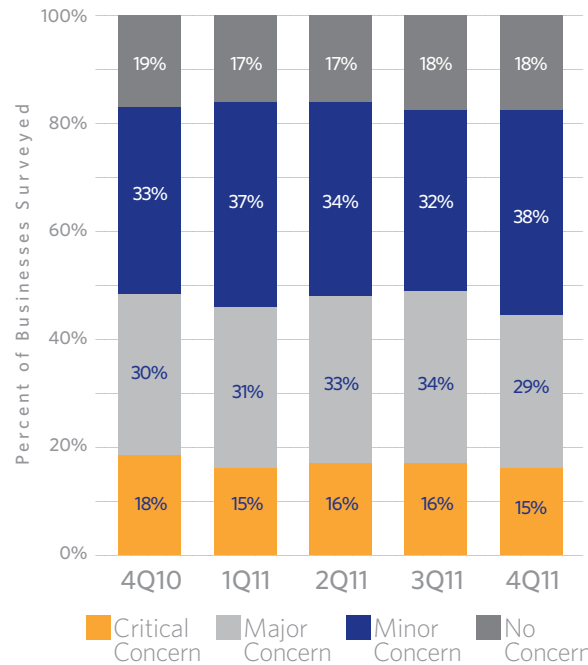
As cash flow concerns eased, Visa Business cardholders took the opportunity to invest in small capital. Overall spending in this category is up 21.2 percent year-over-year with industrial supplies leading at an increase of 30 percent.\*

## Spend Insights: Cash Flow Perspective

### Concerns over managing cash flow decrease

In 4Q11, business owners reporting critical or no concern with managing cash flow remained relatively flat. However, there was a significant shift from major to minor concern. The number of respondents citing this as a major concern dropped four percentage points, while the number citing it as a minor concern increased six percentage points.

### Concern with Managing Cash Flow

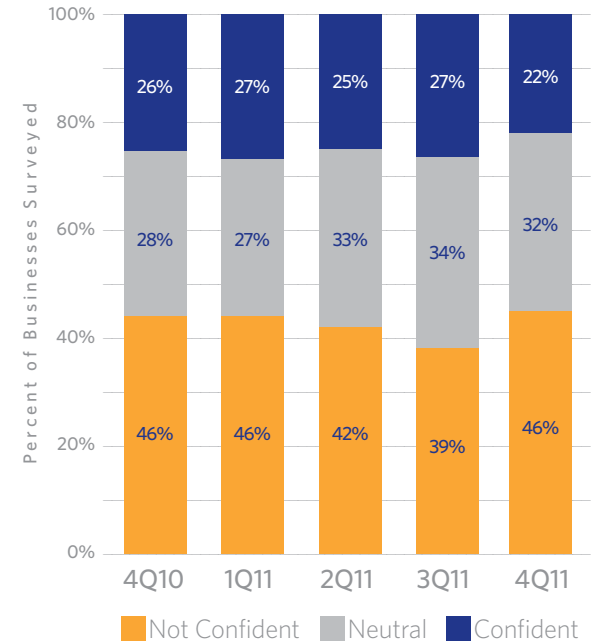


**Implications:** In light of what seems to be growing confidence regarding revenue, profits and collections, small business owners' decreasing concern over managing cash flow may also signal a trend of greater overall optimism heading into 2012.

### Key Issue: Collections

In a clear and significant shift, the number of businesses that feel they will have difficulty with collections dropped significantly. At 22 percent, this figure reached its lowest level in more than four years. Additionally, in that time period confidence dipped below 26 percent only one other time (2Q11).

### Confidence in Difficulty with Collections



**Implications:** Substantially fewer businesses indicating they feel they will have difficulty with collections may be another sign of a more optimistic outlook overall. More timely collections can mean fewer cash flow issues and greater profits, which are obviously critical to the success of any business.

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*"Paying our suppliers who expect payment in 30 days, when we are not getting paid for 45 to 60 days or longer creates problems."*

- Farmer

*"Right now we are taking special care to send payments out in a timely manner."*

- Automotive Repair Shop Owner

**Visa Spend Insight:**

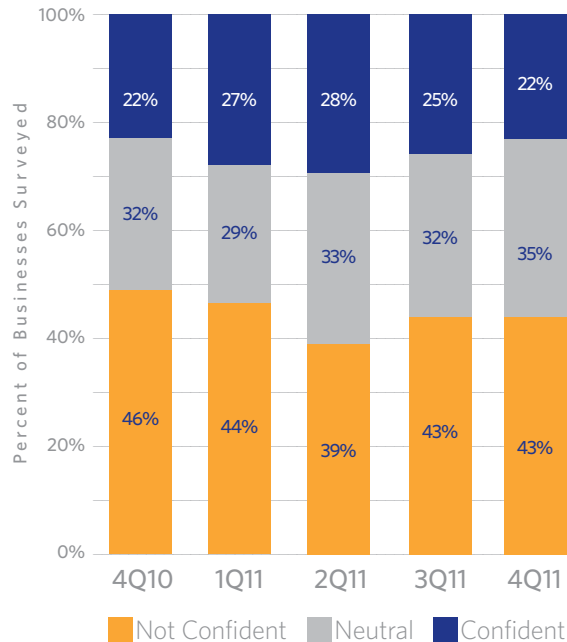
Telecommunications services is one of the largest categories of spend for Visa Business cardholders. Down 1.6 percent, it was also one of the few categories to decrease year-over-year.\*

**Spend Insights: Cash Flow Perspective (cont'd.)**

**Key Issue: Payment Terms**

Although confidence in less lenient payment terms remained relatively flat, this figure has fluctuated over the past six quarters. There was a significant drop in "confident" responses from 31 percent in 3Q10 to 22 percent in 4Q10. After gradually rising to 28 percent in 2Q11, the level of confidence in this category is about the same as a year ago.

**Confidence in Less Lenient Payment Terms**



**Implications:** Coupled with increasing optimism regarding collections, the five-point increase in confidence in this category from 2Q11 to 4Q11 indicates that businesses are less concerned about both payables and receivables — yet another sign of growing economic confidence overall.

**Small Business Outlook**

*Small Business Owners (SBOs) outlook on revenue and profits seems to have improved since 3Q11. Confidence in a stronger economy is up and concern over staying in business is the lowest it's been since 1Q07. However, economic recovery remained the top macro-economic concern for small businesses while attracting new customers emerged as the top individual concern. So it seems business owners are viewing the economy with cautious optimism. All things considered, the closing quarter of 2011 indicated a brighter outlook for SBOs, and as we enter 2012 hopes appear high that businesses will prosper.*

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

**About Spend Insights Methodology**

Visa Small Business Spend Insights monitors the economic confidence of small business owners by cross-referencing actual 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 September 2010 through December 2011 and also consists of 602 interviews conducted from November 28 to December 2, 2011.

\*Analysis based on Visa Business card spend data. October 2009-December 2010 to October 2010-December 2011 year-over-year comparison.

## Small Business Best Practices

The **Visa<sup>®</sup> Small Business Review** now includes tactics for small businesses that want to optimize their operations and gain efficiencies. In partnership with The Coffman Organization, Inc., a private research and consulting firm that analyzes strategies and trends to create highly engaged and productive employees, Visa provides these actionable insights to support each small business's objectives.

**Disclaimer:** Best practice recommendations are intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. 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. Actual benefits may vary based upon your specific business needs. Visa makes no representations or warranties as to the information contained herein and the reader is solely responsible for any use of the information.

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In-depth analysis indicates that businesses that persevere through demanding periods/situations and emerge even stronger share five cultural themes:

1. **Enthusiasm.** Hope is a powerful motivator. Even the smallest achievements are highlighted and celebrated.
2. **News Fast.** Not just good news, but all news is communicated quickly. Leave the “spin” for politicians and tell your organization what’s happening in real time.
3. **Psychological Ownership.** Employees who have sacrificed during difficult situations are incredibly loyal; they also expect loyalty. Compensation is important, but knowing they are valued and critical to the organization’s successful future is imperative.
4. **Decisions.** Allow and even demand that decisions be made as close to the action as possible. Choices at this level almost always result in better outcomes.
5. **What Business Are We In?** Tough times require introspection. Rediscover the basics: Who are our customers? How do they see us? What do they want from us? How do we exceed their expectations? When given the opportunity, understanding your customers will always make your small business better.

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# Best Practices

## Best Practices: [Leading Your Business Out Of The Recession](#)

**Good news? Yes. Challenging? Absolutely.**

Small business owners/leaders (SBOs) have been forced into making some really tough decisions the past several years, arguably, more difficult than ever before in recent history. The Coffman Organization research suggests that businesses are just beginning to once again feel hopeful and confident about their future.

**So, it's smooth sailing ahead, right?** Not necessarily. SBOs are now called upon to address the post-recession reality of 2012 and it's not that simple.

In the 2008–2011 trenches, decisions had to be made swiftly. Extreme focus was required. Options were either limited or unavailable.

Arduous decision-making is never easy, but for SBOs, it's further complicated by their intimacy with their employees, families and customers. Our research tells us these choices have been distressing, and often devastating, for those affected.

An encouraging discovery has been the loyalty and connection to a purpose greater than self, expressed by employees during these challenging times. Employees felt respected when asked to go “above and beyond” and have emerged more committed to strengthening the business.

**So, what is the post-recession reality of 2012?** Several positive indicators suggest we are escaping the great recession of 2008. SBOs are seeing the “light at the end of the tunnel,” and it's not another fast-moving train coming at them!

SBOs must go from a focus on keeping their doors open to building excellence — recreating their great businesses. The transition from survival management to proactive growth leadership demands a completely different strategy and style. Not all SBOs are making the transition smoothly:

“My world actually got simpler; albeit uncomfortable with the recession, I had to set hard, short-term priorities and everything centered on survival. With several months of good news and performance though, I feel like my world has been shaken up like a snow globe. Who would have ever guessed that good news could cause me confusion?”

- Small Business Owner

Economic stability provides SBOs with options not available during the recession. It's once again all about the future: the next one, two, five years, rather than today, this week or next month.

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How can you best leverage your "smallness"?

1. Stay agile – adapt and win.
2. Keep your "line of sight" on your customer on every move you make.
3. Develop your relationship with your top performers.

Additional Resources:

See how small businesses are moving forward with Visa at [www.visa.com/gobiz](http://www.visa.com/gobiz)

Grow, manage and connect your small business at [visabusinessnetwork.com](http://visabusinessnetwork.com) on Facebook

For more on small business strategies to manage your money, go to [Visa Podcasts](http://www.usa.visa.com/business/resource_center/podcasts.html) at [http://www.usa.visa.com/business/resource\\_center/podcasts.html](http://www.usa.visa.com/business/resource_center/podcasts.html)

For more ways to manage and grow your business, go to [Visa Online Workshops](http://www.usa.visa.com/business/resource_center/workshops.html) at [http://www.usa.visa.com/business/resource\\_center/workshops.html](http://www.usa.visa.com/business/resource_center/workshops.html)

For more small business resources to grow your business, go to [Visa Small Business Resource Center](http://www.usa.visa.com/business/resource_center/index.html) at [http://www.usa.visa.com/business/resource\\_center/index.html](http://www.usa.visa.com/business/resource_center/index.html)

Learn more about how [The Coffman Organization](http://coffmanorganization.com/smallbusiness) helps small businesses grow at [coffmanorganization.com/smallbusiness](http://coffmanorganization.com/smallbusiness)

Best Practices: Bigger Isn't Always Better

*"It's a good time to be small."* – CEO, Fortune 50 Retailer

Many large corporations are wishing they were small businesses these days. Unbelievable as it sounds, from their perspective it makes perfect sense. Between October and December 2011, business leaders from 1,500 organizations of all sizes were asked to comment on today's challenges and opportunities. The following is a summary of their responses:

**Agility.** In medium to large organizations, leaders' biggest fears are not being able to quickly adapt to the post-recession economy. Layers of reporting, overly burdensome compliance standards and embittered employees who feel more like hostages make this fear a reality for many. Turning their huge, unresponsive ships around may be next to impossible.

Smaller organizations report an ability to not only adapt quickly but to generate contagious enthusiasm within their organizations while doing so.

**Customers.** Overwhelmingly, they drive the value of an organization ... up or down. When a customer leaves, so does the organization's value. Medium to large organizations report having lost their customer focus. Rather, their attention has been diverted toward managing costs. Six-Sigma, Lean, Business Process Improvement and other processes have undisputedly improved quality, but often to the detriment of customers. Sales forces have been reduced, doubled-down and reduced again. In lieu of understanding their customers, they are more interested how the customers are adapting to their new products/services and procedures.

Smaller organizations see their customers differently. They work hard to really understand them and then

make the internal changes necessary to fulfill their needs. True innovation originates with clients. Without their input (and challenge), innovation is not very innovative or relevant. Employees of small businesses tend to have a line of sight to the customer. Knowing exactly what they do every day contributes to the acquisition and retention of those customers.

**Talented Employees.** Everyone wants to be paid well for what they do. Today though, a robust psychological compensation package is nearly as important as take-home pay, insurance and time off. Most people are naturally drawn to cultures where authentic relationships and individual contribution to the organization's overriding purpose are encouraged and celebrated. Organizational studies have suggested that now, more than in the past thirty years, employees desire a connection between their passion and their work. While medium- and large-sized organizations are still seen as more secure to prospective employees, this measurement is down from levels seen 10 – 12 years ago. Primarily due to the rampant acquisitions during this time period, these organizations lost the "religion" or guiding beliefs, which they were founded on.

Small businesses, on the other hand, while having to make agonizing decisions which impact their employees, do so aligned with those guiding beliefs. Clearly, the culture of small business is very different from those found in medium and large organizations and employees recognize that difference. They may desire the same things employees in medium and large organizations desire: good pay and benefits, but they understand the importance of the intangible compensation that is an inherent part of great cultures.