



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 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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[Top-line Revenue Outlook >](#)

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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.

[Sales Synergy >](#)

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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

*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*

SMALL BUSINESS

Spend Insights

Spend Insights: **Overview**

Small business owner confidence in revenue and profits declines significantly

Business owners' confidence in increasing revenue generation decreased significantly in the third quarter. This marked the lowest level since mid-2009. Confidence in profits also fell, reaching its lowest level since the end of 2009. However, apprehension about a slow moving economy and bracing for a possible second recession may be the primary reasons for this plunge in confidence.

Rising taxes and cost of energy no longer a primary concern

While many small business owners may not expect higher profits, nearly one-third of those who do, expect them to grow by at least 20%. This may be a result of diminishing concerns about rising taxes and regulatory reform. It could also be connected to the decline in concern over the cost of energy, which peaked at the beginning of this year and has returned to the same level as in the beginning of 2010.

Finding and retaining good employees remains a top priority

Small business owners' concerns over finding and retaining good employees has been on the rise during the previous two quarters, reaching its highest level in more than a year. This may be the result of fears over the unstable job market and high unemployment rate. While concern over the cost of health insurance and attracting new customers has not changed dramatically, it remains a steady concern for more than 60% of those surveyed.

Financial institutions could do more to deepen relationships with business owners

Cash flow concerns have remained relatively unchanged for more than a year. This could be related to small business owners' confidence that the cost of financing will remain low and payment terms will not become less lenient. Despite this confidence, small business owners believe their financial institutions could be better attuned to their needs.

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"If we did not have to worry about the price of insurance and taxes we could invest more into growing our business."

- Automotive Repair Shop Owner

"Consumer confidence is low, so people are more cautious in their spending."

- Retailer

Visa Spend Insight:

Perhaps a sign of the stressful times faced by small business owners, spend using Visa Business Cards for counseling services increased 19.7 percent year over year with transactions up 26.7 percent.*

Spend Insights: Concerns of Small Businesses

Healthcare costs remain top-of-mind as tax concerns taper off

In 3Q11, concerns about rising taxes dropped significantly — likely a result of ongoing tax debates in Congress. Still, the cost of health insurance remains the number one concern among small business owners. With a drop in concern over rising taxes, attracting and retaining new customers join healthcare costs as the top sources of unease this quarter.

Individual Small Business Concerns	4Q10	1Q11	2Q11	3Q11
Cost of Health Insurance	63%	64%	62%	63%
Attracting New Customers	63%	61%	61%	61%
Retaining Customers	52%	45%	51%	52%
Rising Taxes	57%	61%	58%	50%
Managing Cash Flow	48%	47%	49%	49%
Staying in Business	40%	39%	41%	44%
More Restrictive Government Regulation	40%	46%	42%	37%
Keeping Good Employees	35%	31%	36%	36%
Finding and Hiring the Right New Employees	26%	27%	30%	32%
Finding Quality Suppliers	24%	22%	22%	20%

Economic recovery looms large as energy concerns drop

The U.S. recovering from the recession continues to dominate small business owners' macro-economic concern in 3Q11. And for the second consecutive quarter, a drop in concerns over energy prices cleared the way for concern about consumer confidence and the falling value of the dollar to round out macro-economic concern.

Small Business Macro-economic Concerns	4Q10	1Q11	2Q11	3Q11
U.S. Recovering from the Recession	45%	35%	38%	36%
Change in Consumer Confidence	15%	12%	14%	18%
Falling Value of the Dollar	9%	9%	12%	13%
Continued Increase in Energy Prices	9%	22%	17%	12%
Possibility of Increasing Inflation	10%	9%	8%	9%
Declining Housing Market	9%	9%	8%	8%
Rising Interest Rates	3%	4%	3%	4%

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"I try to attract new customers by expanding business contacts through better networking efforts and professional association contacts."

- Editorial Service

"I cut inventory and demand better deals from my suppliers, so I can attract and retain customers at lower price points."

- Retailer

Visa Spend Insight:

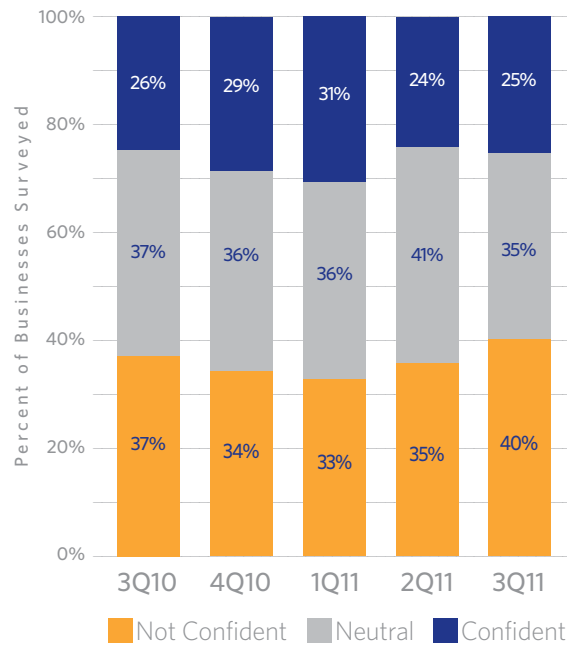
Visa Business cardholders continue to grow year-over-year spend in advertising services with that figure up 19.5 percent. The average ticket for advertising transactions was down 17.7 percent, which may be an indication that small business owners are trying to make their advertising dollars go further.*

Spend Insights: Top-line Revenue Outlook

Revenue Outlook: Static

While confidence in revenue increases remained relatively static, a noteworthy shift did occur in this category. The split in confidence became more deeply divided as neutral responses dropped significantly. The number of small business owners reporting they are not confident in revenue increases reached 40 percent, the highest level for this category since 2Q09.

Confidence in Revenue Increases

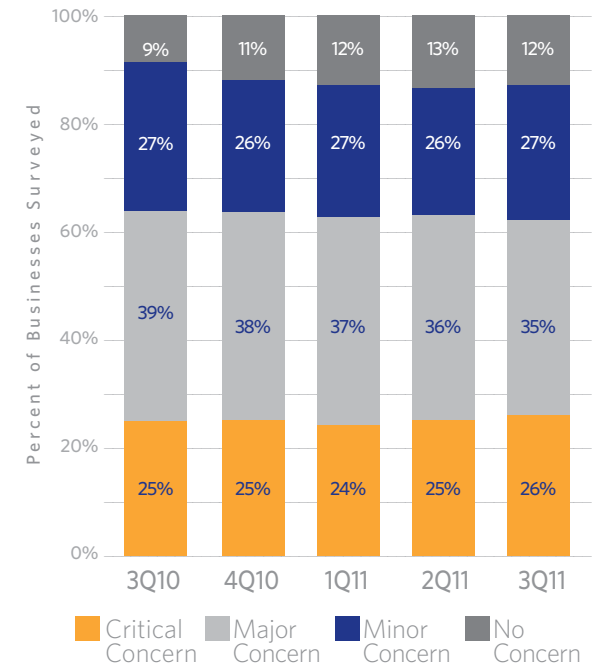


Implications: In 2Q11, neutral responses in this category were at 41 percent — at least 4 percentage points higher than the previous five quarters — but dropped back to 35 percent in 3Q11. While the 2Q11 uptick may have been a result of temporary uncertainty, the recent quarter-over-quarter activity reinforces the volatility of this category.

Key Issue: Attracting New Customers

Apprehension about attracting new customers remained essentially flat with 61 percent of respondents citing critical or major concern. This figure has remained consistent for six consecutive quarters with no significant shifts since the height of the recession.

Concerns with Attracting New Customers



Implications: This quarter, maintaining their customer base joins attracting new customers as a top concern for small business owners. One way this emerging focus on the customer is manifesting itself is through more discerning acquisition efforts. Many small business owners are taking care to attract the "right" customer to ensure a better relationship.

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“People are not spending until something breaks down and has to be replaced or repaired, and that affects my business.”

- Professional Services

“With profits being down, we need new customers to fill in the gaps.”

- Manufacturing

Visa Spend Insight:

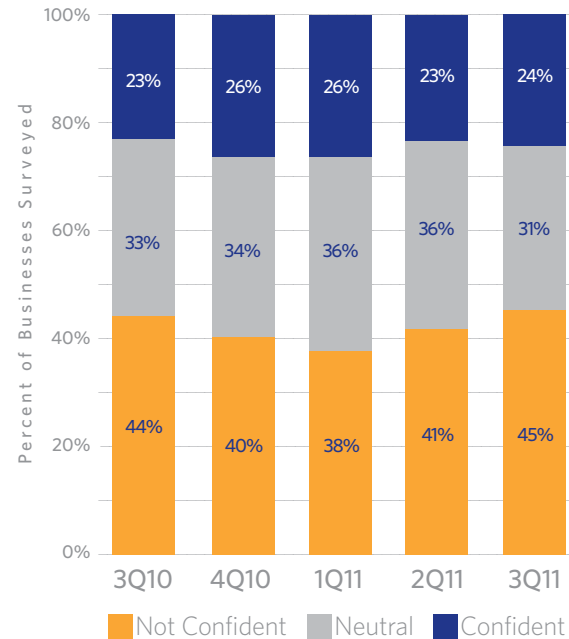
Furthering the burden on small business owners, the cost of energy drove a 29.3 percent year-over-year increase in fuel spend and an 18.7 percent increase in the average ticket of fuel purchases.*

Spend Insights: Profit and Loss Expectations

Profit Outlook: Mixed

Confidence in greater profits was essentially unchanged. However, the number of business owners reporting they are neutral dropped significantly, giving way to an increase in respondents who are not confident their profits will grow. This shift away from neutrality lines up with a similar shift in confidence about revenue increases.

Confidence in Greater Profits

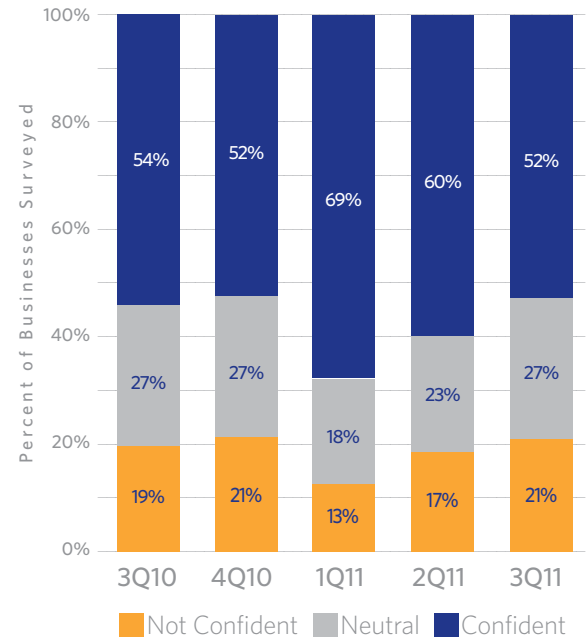


Implications: An uncertain economy and a fragile job market are likely to influence anxiety over greater profits. As disposable incomes falter, businesses are crucially affected. Even so, these statistics were nearly identical in 3Q10, perhaps signaling end-of-year jitters.

Key Issue: Energy Spending

Confidence in energy spending increases has declined from 69 percent to 52 percent since the beginning of the year. This follows a monumental spike in 1Q11, but confidence has now returned to a level similar to those reported throughout 2009 and 2010.

Confidence in Energy Spending Increase



Implications: The previous spike in confidence that energy spending would increase is likely attributed to the rising fuel costs at that time. But as fuel costs have stabilized, it appears so has concern in this category. It is worth noting that although it has fallen, concern over the cost of energy remains top-of-mind for more than 50 percent of those surveyed.

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“One of the ways I keep on top of cash flow is keeping in touch with my customers. If they see me as a person, not a faceless entity, they are more likely to pay on time.”

- Embroidery Design

“To address cash flow problems, we are trying to collect from our customers sooner.”

- Contractor

Visa Spend Insight:

Despite profit and revenue concerns, Visa Business cardholders continue to invest in their businesses as evidenced by a 23.1 percent increase in year-over-year small-capital spend.*

Spend Insights: Cash Flow Perspective

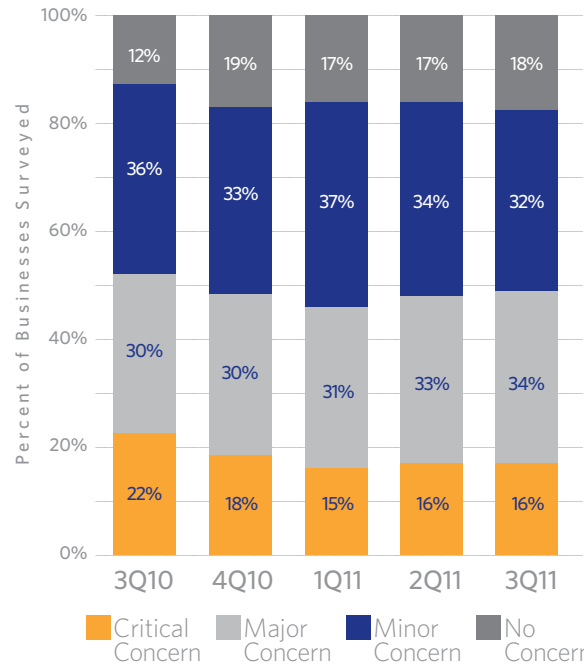
Managing cash flow continues to cause concern

Previously declining, concern with managing cash flow seems to have begun to level off in 1Q11 and remains fairly static. With greater than half of respondents citing either a major or critical concern, this continues to be a source of unease.

Key Issue: Collections

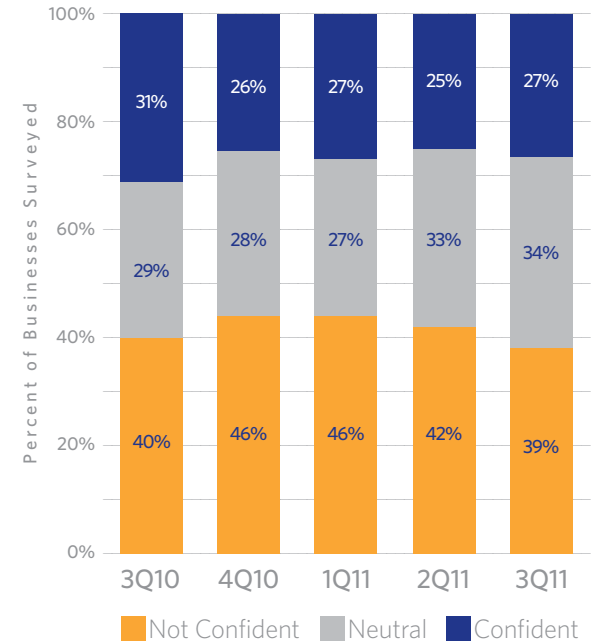
Confidence in difficulty with collections has remained relatively unchanged during the past two years. However, respondents reporting they are not confident they will experience difficulty with collections have dropped significantly since 4Q10. This may indicate that some business owners view this category with a bit more optimism.

Concern with Managing Cash Flow



Implications: One market factor that could be impacting this category is the relatively low cost of financing. Low interest rates and favorable terms provide small business owners with a backup source of funds potentially making cash flow less of an immediate concern.

Confidence in Difficulty with Collections



Implications: A growing number of respondents indicated that they would delay bill payments to offset cash flow challenges. If this proves to be true, it could influence response in this category.

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“Our bank treats us like family. This supports our business.”

- Scrap Metal Recycling

“My bank is still loaning us operating capital and my business card issuer has not raised our interest rates.”

- Restaurant Owner

Visa Spend Insight:

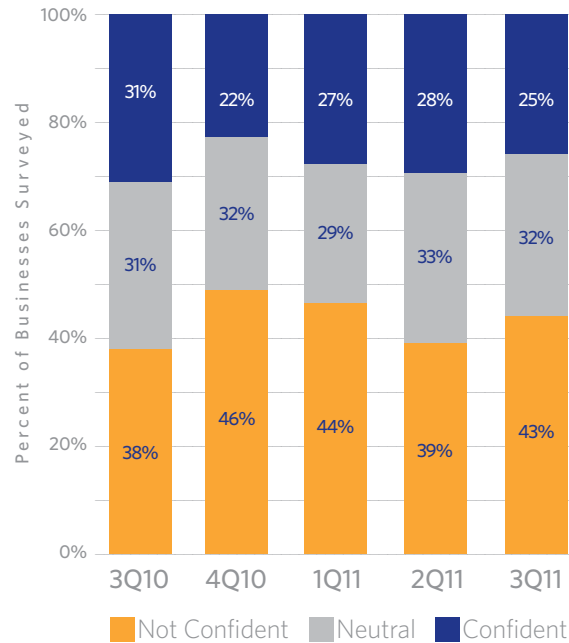
Telecommunications services is one of the largest categories of Visa Business Card spend. However, down 2.0 percent, it's also one of the few categories to see a year-over-year decrease in sales.*

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

Key Issue: Payment Terms

The number of small business owners reporting they are not confident that payment terms would become less lenient dropped significantly from 1Q11 to 2Q11, but returned to its previous level in this quarter. Additionally, those confident that terms will become less lenient dipped slightly, possibly indicating this is not a growing issue.

Confidence in Less Lenient Payment Terms



Implications: This data highlights a possible contradiction in responses between two categories. Responses to a separate question indicate some small business owners plan to stretch accounts payable and tighten accounts receivable, which would clearly affect payment terms for their customers.

Small Business Outlook

With the close of 3Q11, many Small Business Owners (SBOs) seem less confident in their ability to generate revenue and profits, no doubt a reflection of the slow economy. Still, one-third of SBOs surveyed expect their revenue to grow by at least 20 percent, and cash flow concerns have eased a bit overall. These bright spots, although encouraging, have not erased one of SBOs' biggest worries - attracting and retaining good employees. After cutting costs and operating as lean as possible for several years, SBOs likely understand that an efficient, skilled and versatile staff can help them surmount current economic uncertainty.

- 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 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 MONTH 20XX through MONTH 20XX and also consists of 601 interviews conducted from August 22 to August 26, 2011.

*Analysis based on Visa Business card spend data. July 2009-June 2010 to July 2010-June 2011 year-over-year comparison.

Small Business Best Practices

The **Visa[®] 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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Three Great Offensive Plays

- 1) Review the last 3 days. What is your ratio of offense to defense? Eliminate activities that don't drive sales or keep customers.
- 2) Identify 1 new offensive activity this week and make it happen. A new customer? An additional sale to an existing customer?
- 3) Ask your best customers and your best vendor partners for feedback. What suggestions do they have?

Three All-Star Team Moves

- 1) Identify your best vendor partner, the person whose advice and support have made a difference. Ask him/her for additional ideas to drive sales or create stronger customer bonds to your business.
- 2) Thank your best supporter or employees and ask them specifically for ideas to drive sales. Make sure they know how much you are counting on them to make a difference.
- 3) Avoid every negative vendor, customer or employee who wants to commiserate with you on the economy or the future; reserve your time for your valuable offensive line!

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Best Practices

Best Practices: Sales Synergy — Making 1 + 1 = 11

The best coaches and most successful entrepreneurs share a common attribute: the ability to make 1+1=11.

1 + 1 = 11

The first "1" means Playing Offense (not defense).

When adversity (economy, lower sales, decreasing margins) strikes, most small business owners tend to play defense. It's a natural reaction to the loss of control and the fear of the unknown. But winners keep their defense "off the field" — at least as much as possible.¹

Offense means doing whatever it takes to score and the score is sales. In this market, it means about 80 percent of your time should be invested in activities that drive sales and keep customers.

1 - 1 = 11

The second "1" means Playing as a Team (not solo).

True to their entrepreneurial spirit, small business owners are often tempted to take on, personally manage or direct every aspect of the business. This can be the worst move to make because doing so limits the engagement of your people and with it the energy and ideas useful to the business.

Team means having the best possible players in every role. A mediocre or average employee is only a tiny fraction of the energy pool for a large business, but reflects 25% of the available energy of a 4-person small business.²

Team is more than our paid associates and includes our vendor partners, our independent contractors and our "informal advisors" (fellow business owners, friends and family). The best vendor partners are eager to support your business, bringing ideas, know-how and industry savvy. The worst carry boxes and order blanks of products and services-of-the-month that don't fit your business or your goals.

1 + 1 = 11

"11" means Getting to the Goal: Exponential Results.

When is 1 + 1 more than 2? When we capitalize on the synergy between our best offense and the right team. For small business owners this is focusing everything you have (your time, your offense and your team) on sales.

Check out the next article for some practical actions that may help you multiply your impact through technology and connections.

¹ The Coffman Organization, Inc. analysis indicates that "weakness prevention" decisions (playing defense) are twice as costly as "excellence promotion" decisions (playing offense). Cultural inquiry studies across 45 organizations.

² The Coffman Organization, Inc. shows that it takes 3 "engaged" employees to every 1 "disengaged" employee to create full potential. (July, 2011, 15,000 small SB employees and related business outcome analysis)

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Best Practices: Technology & Connections

Great Leverage for Small Business Owners

Math is a great lesson for leaders.

- If your goal is to improve: Add something.
- If you want to soar: Multiply.

In this highly competitive market, research indicates that fewer than 30% of small business owners are considering a change in their fundamental business practices!

Yet technology and connections can yield huge returns for minimum investment! What actions could you take today to leverage your existing energy and impact?

Additional Resources:

See how small businesses are moving forward with Visa at www.visa.com/gobiz

Grow, manage and connect your small business at 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

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

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

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

WEBSITE — A Must-Have for Small Business

Websites are 24/7 “menus” for your customers.

- Be your customer — and then review your website. Is it compelling?
- Ask a friend/advisor (another business owner or trusted advisor) to review your hottest competitor’s site and then your own website.
- What “offers” can you sell right from the site? (Products, coupons, etc.) These can give you immediate customer lists for new offers and expanded business.
- Give your customers a card with your website and a coupon when they register. Let them know you’ll be posting new offers and savings for them right on the site.

CONNECTIONS — Magic Multipliers for Small Business

Don’t be a lone ranger! Ask for the help you need — and offer your expertise to others.

- What small business in your community has a website that rocks? Buy the owner a cup of coffee and get his/her “secret sauce.” Ask them for advice.
- Get out in the community at least 3 times a week with a specific goal in mind. Make a point to notice other small businesses “doing something right.” When you spot excellence in a business, tell the owner. The relationship you build may lead to an idea for your business.
- Young people are huge connections for technology. Have a son or daughter in high school or college? Get their help to use social media (Facebook, LinkedIn, etc.).