

Spend Insights

"After an uptick in anxiety in late 2015, responses have returned to more normal or even optimistic levels going into the second half of 2016. Responses in a few categories indicate a broader adoption of technology in business practices — including the continued growth in popularity of credit cards over checks."

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

Findings at a glance

New data about suppliers may provide insight into payment preferences

When asked about their top suppliers, small business owners across industries mention Amazon and other online retailers. Since respondents also indicate less concern about finding quality suppliers, this may suggest that online retailers are taking the place of previous supply sources. At the same time, preference for credit cards as a payment tool for business expenses continues to increase. Since credit cards are the predominant payment method online, the shift toward online suppliers may be accelerating the shift to credit cards. [Read more >](#)

Several signs point to increased optimism for the second half of 2016

With revenue and profit increases ranking one and three respectively in terms of what small business owners are most confident about, outlooks seem to be trending up. Likewise, business owners say they're less concerned in several key areas. Concerns about managing cash flow are lower than they have been since 3Q13. And in the past two quarters, fewer small business owners are planning to borrow and fewer cite apprehension about financing terms or access to credit. [Read more >](#)

Responses around staffing show contrasting needs

Overall, the number of small business owners citing anxiety about finding and keeping employees and the number who plan to increase pay both dropped significantly. However, when asked whether they've found hiring more of a challenge compared to 2015, nearly a quarter said yes — and most of these respondents indicate they're addressing that challenge by offering higher pay and better benefits. [Read more >](#)

Business owners continue to embrace online marketing and social media

Responses show small business owners are feeling more comfortable with migrating their marketing efforts online, including using social media. In fact, many respondents specifically stated they are engaging in more social media marketing. Additionally, fewer small business owners are planning to increase their marketing spend — possibly because they are focusing their resources on these cost-efficient, time-saving channels. [Read more >](#)



Top 5 Individual Concerns of 2Q16¹

This quarter	Last quarter	vs. A year ago
1 Attracting new customers	1 -	1 -
2 Cost of health insurance	2* -	3 ↑
3 Rising taxes	2* ↓	2 ↓
4 Retaining existing customers	4 -	4 -
5 More restrictive government regulation	7 ↑	5 -

Top 5 Macroeconomic Concerns of 4Q15²

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

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?

*Tied for second in 1Q16
 ** Tied for third in 2Q15

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New data about suppliers may provide insight into payment preferences

Business owners indicate that online retailers like Amazon are among their top suppliers. At the same time, their reported preference for credit cards as a payment tool for business expenses is also increasing. This suggests that a shift toward online purchasing – where credit cards are the predominant payment method – may be accelerating the overall shift to credit card payments.

Amazon is emerging as an important link in the small business supply chain

When asked to name their top suppliers, small business owners across industries mentioned Amazon. The online retailer lands among the top 3 suppliers for contractors, retailers and professional services firms, joined by Staples, The Home Depot, Office Depot and Lowe's.³

* The brand names and logos in the chart on the right, are used for identification purposes only and do not imply product endorsement or affiliation with Visa.

Who are your suppliers?			
Contractor	 44%	 30%	 25%
Retailer	 24%	 24%	 20%
Professional Services	 40%	 35%	 34%

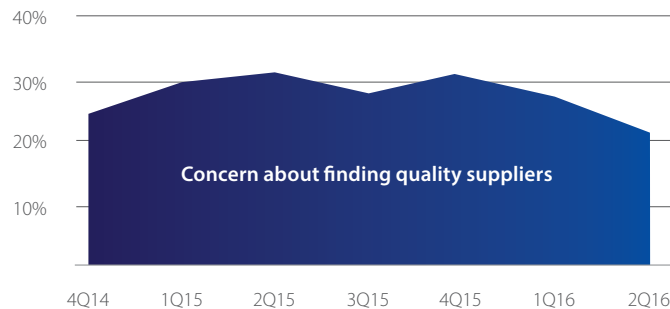


"Credit cards are more convenient and quicker than cash or checks."

— Publishing

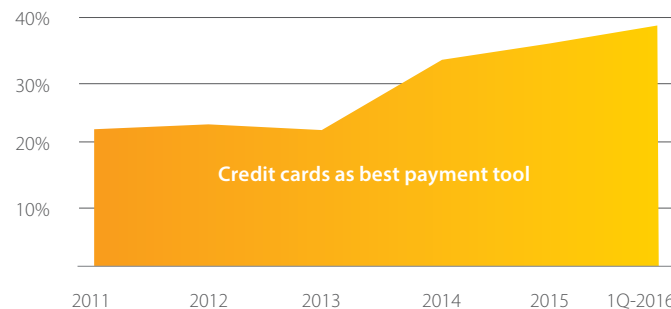
Amazon's rise may explain drop in concern about finding quality suppliers

Online suppliers appear to be filling a need in the marketplace, and may be helping small business owners procure what they need easily and efficiently.⁴



Small business owners increasingly use credit cards for business expenses

As preference for online suppliers trends up, so does preference for credit cards as a payment tool. This may suggest that the shift to online suppliers is connected to the shift toward credit card payments.⁵



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Small business owners are using credit cards for business equipment and supplies at an increasingly higher rate than average. Transaction volume in the category of equipment and supplies increased 16% over a year ago, which is 60% higher than the overall growth in transaction volume.

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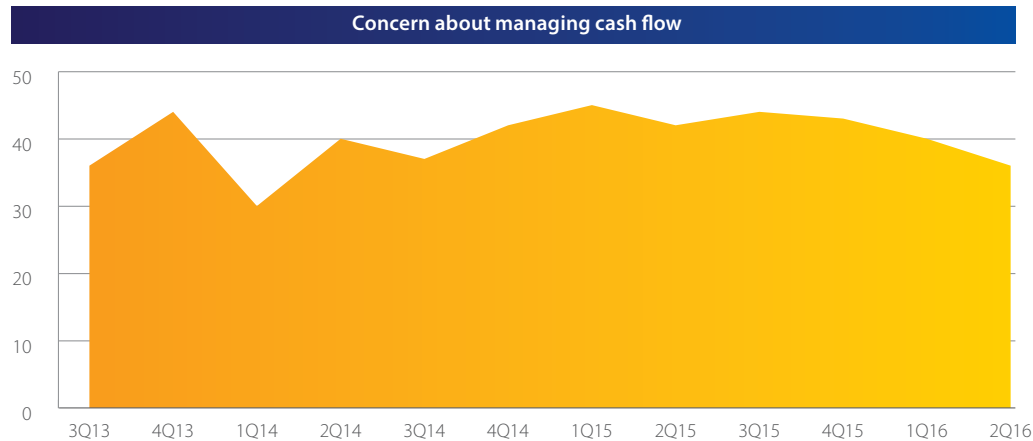
⁵Q: When making payments, which of the following is the best and most efficient payment tool for your business?

Several signs point to increased optimism for the second half of 2016

Small business owners indicate less concern about access to financing, and more confidence in revenue and profit growth. Likewise, concern about managing cash flow has reached its lowest point in nearly 3 years.

Concerns about managing cash flow continue to decline

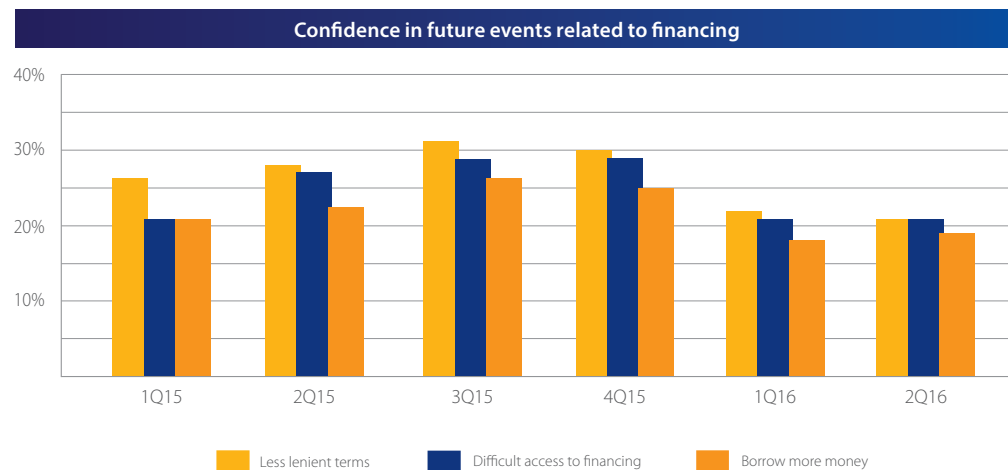
After a slight rise in the second half of 2015, concerns about cash flow management have declined to levels last seen in 3Q13.⁶



"My bank has recently increased my line of credit."
— Real estate sales

Business owners anticipate fewer financing difficulties

Fewer business owners anticipate a need to borrow more money – a significant decline from late 2015. Less than a quarter of respondents anticipate a tightening of credit or terms.⁷



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Increased optimism may be a contributing factor to a 14.6% increase in Small Capital spend compared to over a year ago. Discretionary spend, such as in the category of Travel and Entertainment, was up by 6.8%.

⁶Q: 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.

⁷Q: 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

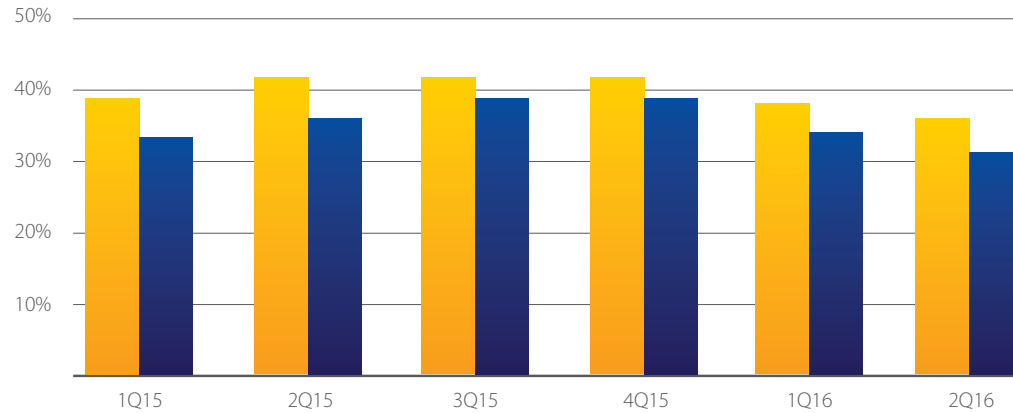
Responses around staffing show contrasting needs

Feedback around hiring and retaining employees is somewhat inconsistent. While some business owners report signs of a competitive labor market, most see less cause for concern in this area.

About a third of business owners are concerned about finding and keeping staff

After climbing above 40% in the second half of 2015, concerns over staffing needs have significantly declined to around 30%.⁸

■ Keeping good employees
■ Finding and hiring the right employees



“Employees are now stakeholders in the business’s success or failure.”

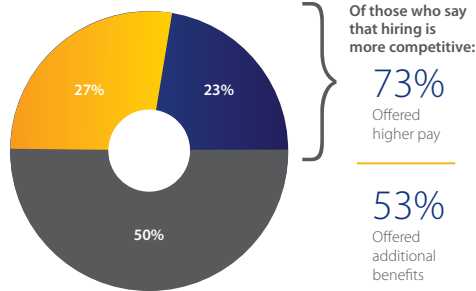
— Fashion

Signs point to competitive hiring in some areas

While half of small businesses have not hired in the past year, some respondents are reporting the need to offer higher pay and benefits to attract new employees.⁹

Hiring is more competitive

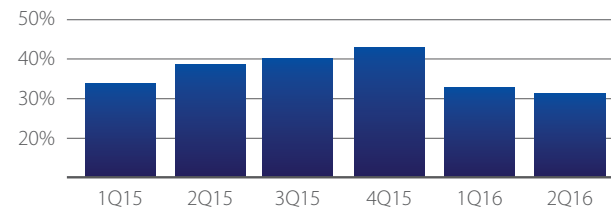
■ Yes
■ No
■ Have not hired



The outlook for increasing pay for existing employees continues to decline

While some respondents feel the need to offer higher pay for *new* employees, expectations of paying *existing* employees more have declined significantly since late 2015.¹⁰

Likely to increase existing employee pay



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Spend volume associated with hiring employees grew at a faster rate than overall spend in 2Q16, up 13.1% over a year ago compared to an 11% rise for overall spend. This slight increase could point to competitive labor markets in certain areas, but may not indicate an overall increase in employee hiring or pay.

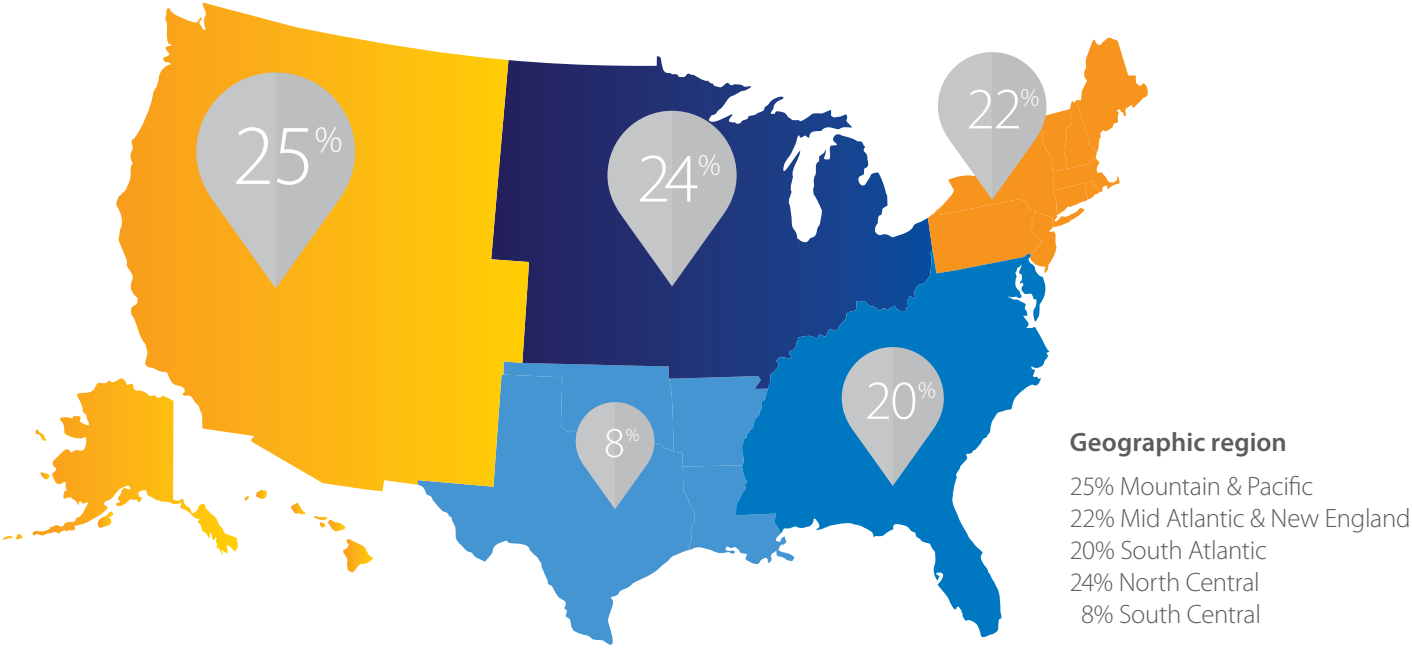
⁸Q: Now we would like to ask you about concerns that other small business people have mentioned. For each one, please indicate whether this is a critical concern, a major concern, a minor concern or no concern at all to your business.

⁹Q: Compared to a year ago, has hiring the right employees for your business become more competitive? If yes, how have you changed what you offer potential new employees?

¹⁰Q: 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.

About the small business owners we surveyed

Our 600+ respondents represent a cross-section of U.S. small businesses.



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

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 March 2016 and also consists of 600 interviews conducted between June 9-20, 2016.

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.

Location of business

48% operate their small business from a location outside the home.
42% operate their business from home.

Business description

25% own a professional services/management firm.
10% are contractors, 10% are retailers and the remainder represent a range of industries like real estate, medical practices, restaurants, and auto repair shops.

Employee size

39% have 2-5 employees.
A quarter are sole proprietors, while just 6% employ 50-100 people.

Company revenue

54% have annual revenues between \$50,000 and \$499,000.
A third have revenues between \$500,000 and \$4.9 million, while 12% have revenues between \$5 million and \$25 million.