

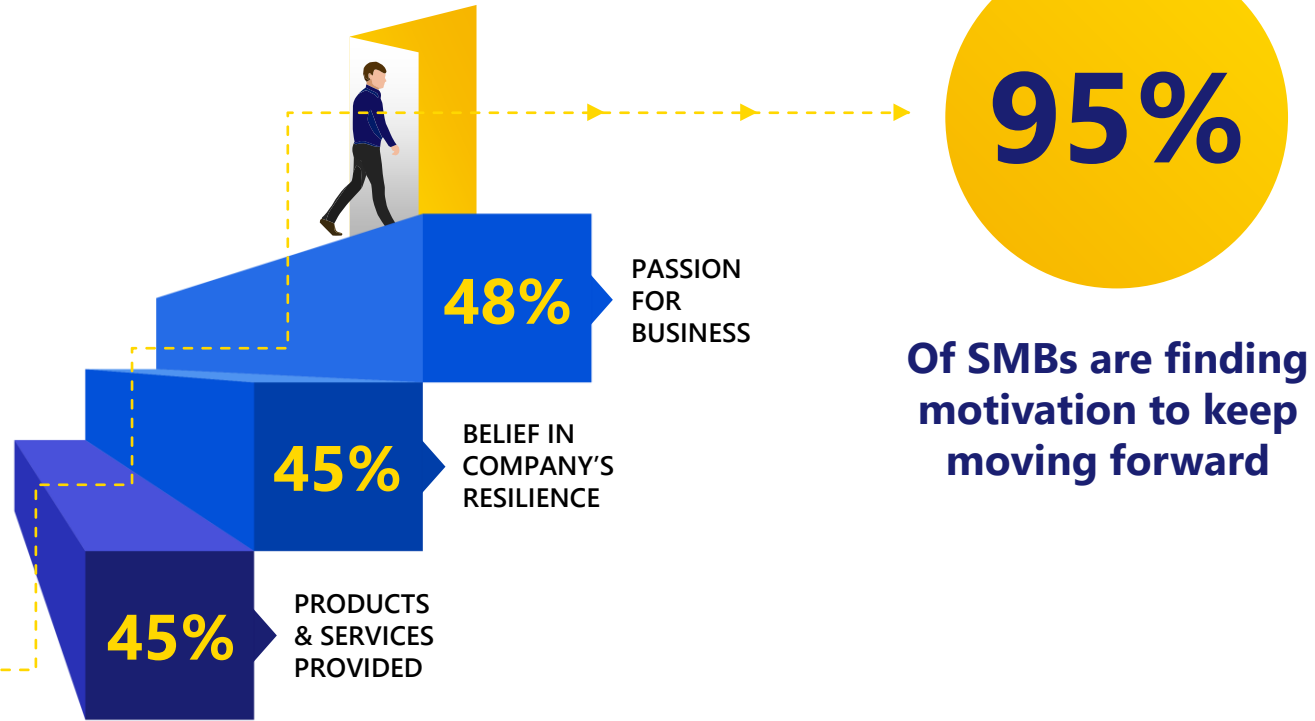
# SMALL BUSINESS PULSE

## Passion for Business Generates Resilience for SMBs to Move Forward During Trying Times

Small and medium businesses (SMBs) continue to endure financial hardships but refuse to be discouraged—they are bullish on the future of their businesses fueled by passion and iron will. SMBs are utilizing external, tangible resources to stay afloat and internal, intangible tactics to remain motivated and optimistic. SMBs are combating uncertain revenues by adapting their payment behavior.

To better understand SMB sentiments and payment behavior in

recent months, Visa surveyed 500 SMBs in the U.S. The research found that SMBs' resilience and unwavering devotion is tempering their caution and worry in the current climate. **Nearly all SMBs (95%) are finding motivation to keep moving forward** drawn from passion for business, belief in company's resilience, and products/services provided.



# 82%

### Optimism prevails amid challenges

Sixty-two percent of SMBs are optimistic about the future of the economy and **four in five (82%) are optimistic about the future of their business.** SMBs maintain this optimism even as nearly one-quarter of SMBs having scaled back in the past 3 months and less than 1 in 10 having expanded. Top areas of expansion include products/services, virtual locations, and sales channels.

Nonetheless, 70% of SMBs are facing challenges. Top challenges continue to be customer acquisition/retention, managing revenue loss, and government restrictions. As a result, many SMBs have scaled back their costs/budget, operating hours, and inventory/stock.

Methodology: 500 U.S. SMB (100 of fewer employees and \$25K-25M in revenue) owners or payment decision makers completed a 15-minute survey in January 2021. Credit questions based to SMB who use credit for business expenses.

### Optimism prevails amid challenges (continued)

Though most SMBs are currently burdened by challenges, **96% are utilizing tactics to maintain optimism.** These tactics include maintaining a positive attitude with clients, staying proactive, and keeping in mind circumstances will improve. Beyond visionary means for remaining sanguine about the future, **3 in 5 SMBs are taking tangible steps to adapt their culture to move forward in a positive direction.**



These actions include offering work from home, encouraging feedback, and embracing a culture of gratitude and appreciation.

While drawing on intrinsic strength is widespread, seeking outside aid is less common. Of those facing challenges, two-thirds have turned to their bank for help, and 60% have sought out aid from their credit card provider. Eighty-five percent have found these resources helpful.

Nonetheless, businesses desire more from their institutions and providers. Namely, they would like their banks to waive fees and offer low-interest loans, and their credit card providers to waive fees and offer late payment forgiveness.

**Additionally, financial institutions have opportunity to offer guidance, information, or aid to offer businesses much-needed relief.**

# 96%

are maintaining optimism

- 57% Keep a positive attitude with clients
- 55% Stay proactive
- 53% Keep in mind circumstances will improve

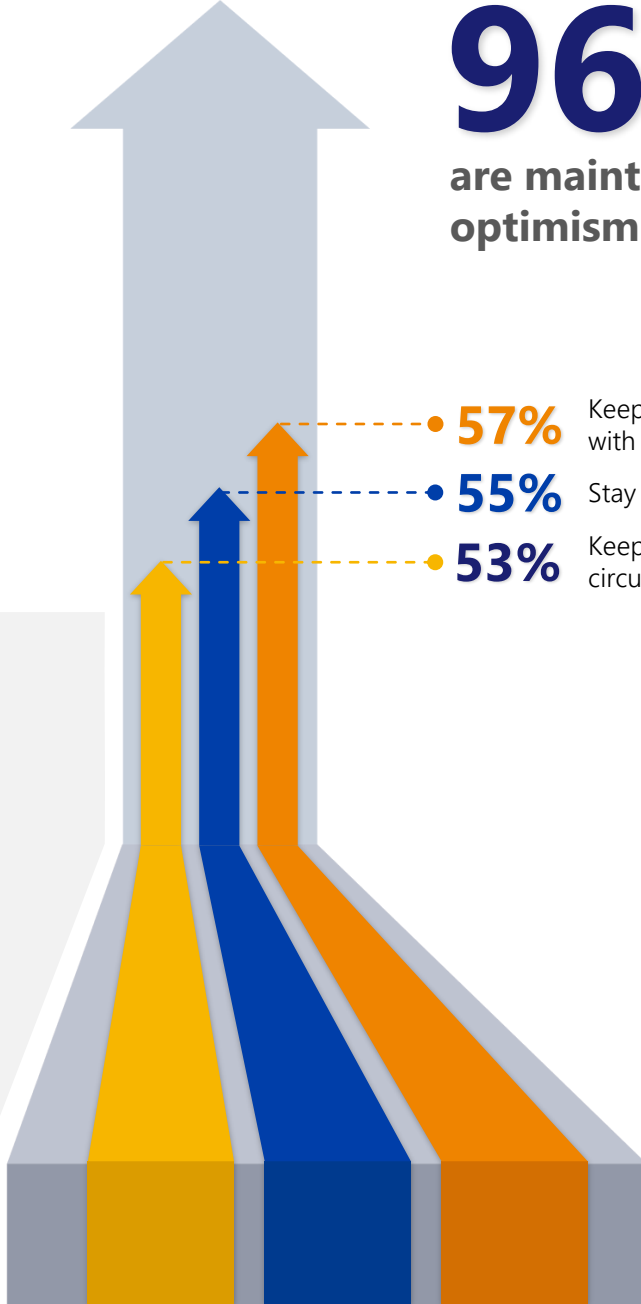
### Differences arise across key segments

Women-owned businesses are faring worse than their counterparts. They are more likely to have decreased revenues and scaled back in the past 3 months. Women-owned SMBs are less likely to utilize external resources such as their bank and credit card provider—leaving room for growth and intervention for this struggling yet resolute group.

In contrast to women-owned SMBs, minority-owned businesses are more likely than their counterparts to have increased revenues and expanded their businesses in the past 3 months. Despite positive performance, minority-owned businesses report feeling financially insecure. Unlike women-owned businesses, these buoyant SMBs are utilizing tangible resources, such as their bank and credit card provider, that may underpin their

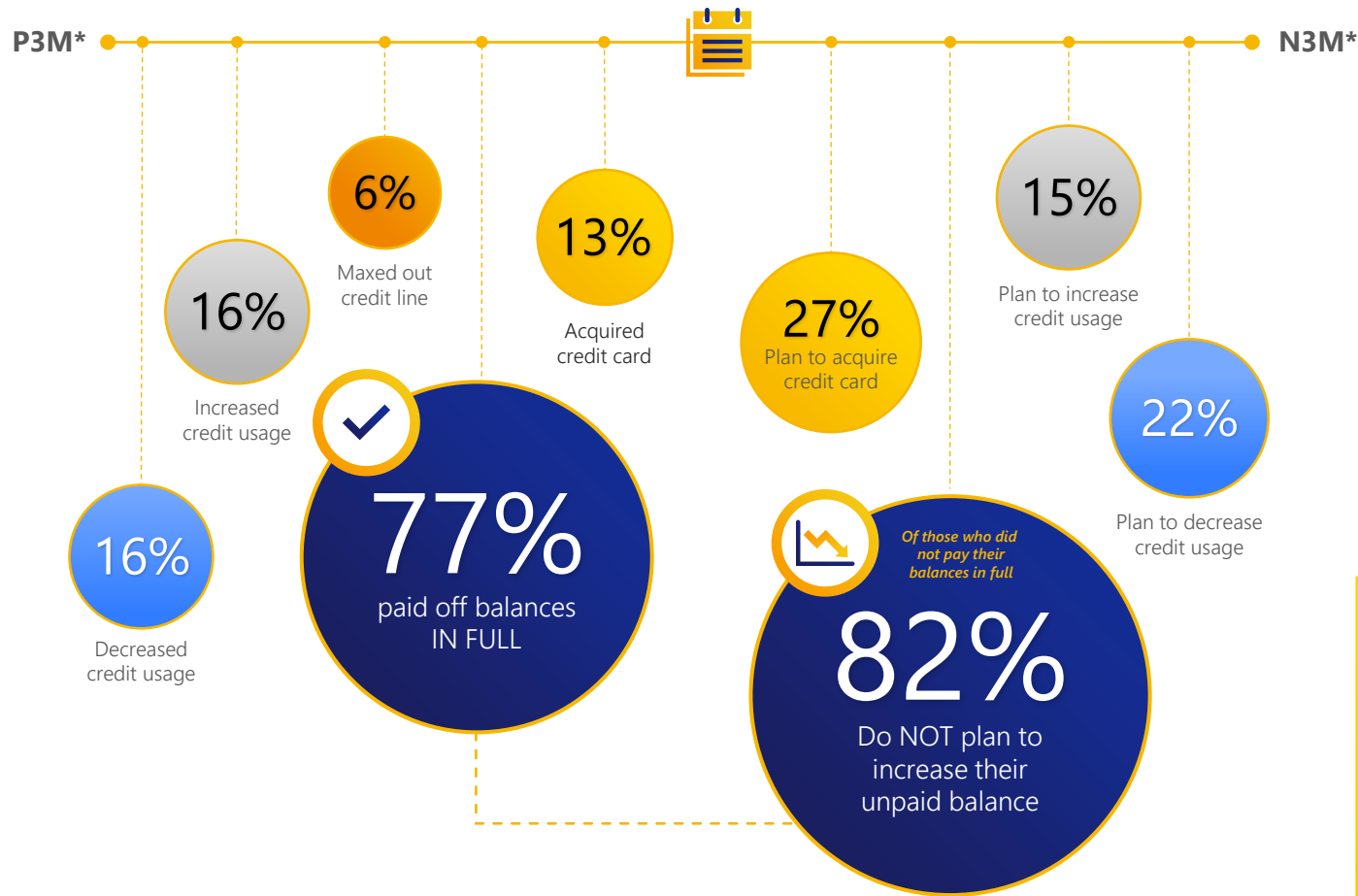
optimism and business performance. As minority-owned SMBs forge ahead, they are adapting their business cultures to move forward in a positive way.

A less-optimistic outlook characterizes in-person only SMBs. They are less likely than their counterparts to utilize resources for aid, adapt their cultures to move forward in a positive way, and utilize tactics to maintain optimism.



## Payment behavior is adapting to the times

SMBs' optimism contrasts with poor business performance metrics (i.e., decreased revenue and scaling back) and cautious spending. SMBs are adapting their payment behaviors amid uncertain or decreased revenues. They are utilizing credit to help with cash flow and extra funds. However, SMBs are also concerned about managing debt. They are trying to pay down balances and utilize debit to control spending.



## Credit helps with cash flow

Increased credit card usage may be driven by cash flow needs. SMBs who are increasing their usage are also seeking loans, increasing their credit lines, maxing out their credit lines, and not paying their balances more so than those who have not changed or have decreased usage.

## Cautious about taking on debt

SMB concerns about managing debt leads to cautious behaviors. They are paying off balances and spending within their limits. Only a small percentage (7%) asked for a credit limit increase to cover increasing expenses, put through larger transactions, or for cash flow due to lower revenue. Twelve percent of SMBs received unsolicited credit limit increases, but 60% of those businesses did not use the extra credit. Furthermore, most businesses are not seeking out additional credit lines. Better credit rewards and sign-up bonuses drive these acquisitions.

## Using debit to control spending

Just under 20% of businesses increased their use of debit. Financial reasons drive this increase—namely, to stay on budget and avoid taking on more debt. Increases in debit usage are the result of increases in overall spend and shifts from credit, check/EFT, and cash.

**Times are tough, but SMBs are tougher**

Resilience—bolstered by passion—drives small businesses to keep their heads held high amid challenging times. While certain SMBs are experiencing greater hardships than others, it is imperative that financial institutions ensure they extend support, provide guidance, and offer aid to all SMBs to help them flourish in these times of adversity.