

# Commercial Perspectives

Small Business Cash Management Survey



**Overview**

Cash management is a critical financial matter for small businesses. As many small business owners can attest, good management of their cash position might mean the difference between the success or the demise of a business. To help understand the cash management issues that are on the minds of small businesses owners, Visa USA conducted its second annual Visa Small Business Cash Management Survey.

The survey queried several hundred small business owners and individuals with financial authority within small businesses nationwide. The topics included payment card acceptance, preferred methods of payment, payment timing and specific challenges in the cash management process.

A range of small business sizes was included in the survey:

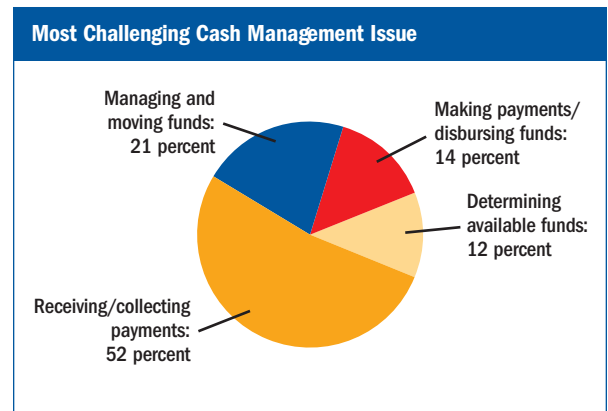
- “Smaller” small businesses have annual sales revenue of less than \$1M
- “Medium/mid-sized” small businesses have annual sales revenue of \$1M to less than \$10M
- “Large” small businesses have annual sales revenue of \$10M to less than \$25M

Overall, the Visa survey found that small business owners are increasingly adopting and are more satisfied with business payment cards as a tool for managing their businesses. The survey also found that financial planning, budgeting and meeting monthly expenses continue to be the greatest concerns for small business owners. Also, business payment cards are consistently considered to be a strong solution to help improve the cash management process.

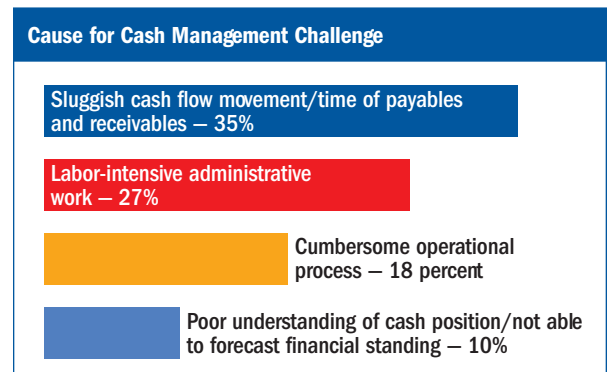
**Key Findings**

**Cash Management Challenge**

Small business owners ranked receiving and collecting payments (53 percent) as the most challenging cash management issue — regardless of their size; the ability to manage and move funds as the second most challenging issue, at 21 percent; followed by their concern with making payments, at 14 percent.

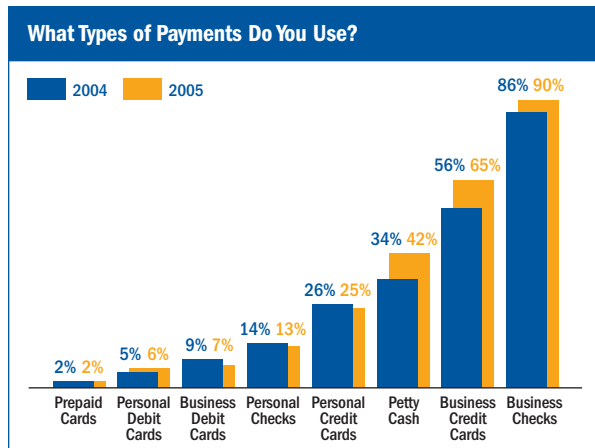


When asked what has contributed to these challenges, small business owners ranked sluggish cash flow as the largest factor driving cash management challenges, particularly not being able to always accurately estimate the timing of payables and receivables (35 percent). Another 27 percent noted that the cash management process involves labor-intensive administrative work; followed by observations of a cumbersome operational process (18 percent).

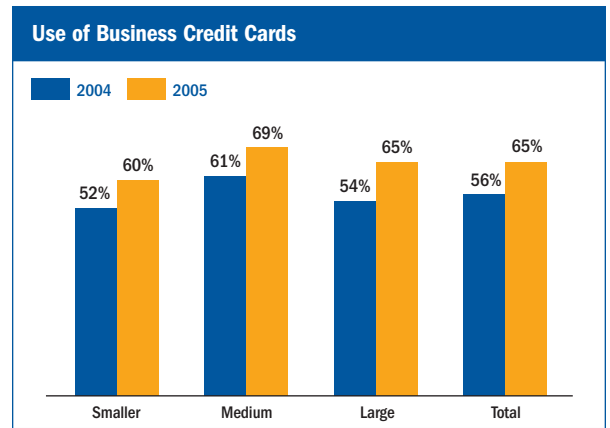


**Opportunity for Payment Cards to Solve Cash Management Challenges**

Small business owners have traditionally relied heavily on paper billing and payment processes, such as paper invoices, checks and money orders. According to the cash management survey, those habits are changing.



More small business owners, in general, appear to be using business credit cards as a form of payment in 2005 compared with 2004. In all, 65 percent state they are using business credit cards versus 56 percent in 2004, increasing to 69 percent among medium-sized small businesses. The largest jump in business credit card usage comes from large-sized small businesses, as 65 percent state they now use business credit cards as a form of payment versus 54 percent in 2004.

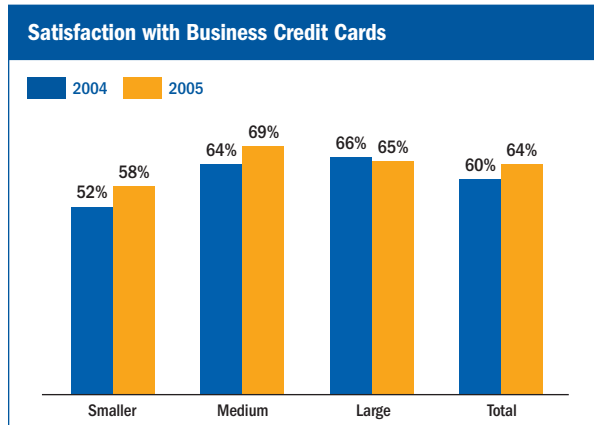


**Overall Use of and Satisfaction With Credit Cards Grow**

For those respondents who already have business credit or debit accounts, 45 percent noted that if they could, they would make all of their purchases using some type of business payment card. These small business respondents consider business payment cards (credit an/or debit) an effective tool for managing costs, such as travel and entertainment costs (91 percent), personnel supply services (48 percent), as well as for purchasing capital equipment and raw materials (44 percent); however, there is opportunity for growth.

Purchase Type	Check	Business credit card	Business debit card
Rent	85%	3%	6%
Core business services	94%	10%	6%
Maintenance and operating supplies	83%	37%	6%
Raw materials	67%	42%	38%
Capital equipment	74%	42%	31%
Travel & entertainment	36%	94%	50%
Personnel supply services	63%	47%	56%

Overall satisfaction with business cards as a payment tool has increased in 2005 (64 percent) over 2004 (60 percent), especially among smaller- (58 percent) and medium-sized small businesses (69 percent) in 2005 (52 percent and 64 percent in 2004, respectively).



**Ahead of the Trend**

The growth opportunity for payment cards is significant. The Visa Commercial Consumption Expenditure™ index<sup>1</sup>, which tracks business-to-business spending, projects non-payroll spending by U.S. small businesses will increase to \$4.9 trillion this year.

Visa has designed a suite of products and services to meet these needs and help maximize efficiencies by making payments electronic and delivering detailed online reports. This will allow small business owners to better manage their cash flow process through greater visibility into business spending. Visa business payment cards achieved record overall growth in calendar year 2005, at 30 percent year-over-year, and are the cards most accepted by small businesses nationwide.

<sup>1</sup>Commercial Consumer Expenditure Index Commercial Perspectives available upon request

**About the Survey**

The Visa Small Business Cash Management Survey was conducted by Survey.com in January 2006 and involved the responses of 468 small business owners or individuals with financial authority within a small business. Of the respondents, 9 percent had annual sales of less than \$1 million (“smaller” small businesses); 34 percent had annual sales of \$1 million to less than \$10 million (“medium/mid-sized” small businesses); and 32 percent had annual sales of \$10 million to less than \$25 million (“large” small businesses). Visa defines the small business segment as companies with less than \$25 million in annual sales and the self-employed.

**For More Information**

For information about Visa Business, please visit [www.visa.com/smallbusiness](http://www.visa.com/smallbusiness).