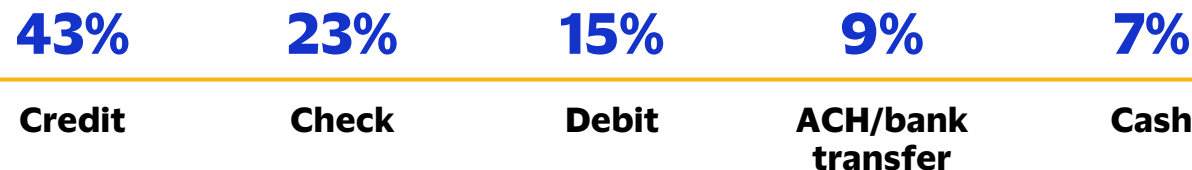


HOW AND WHERE DO SMBS SPEND MONEY?

Credit and online dominate spend share.

For payment methods, credit has the highest share of spend. Proportional spend on credit and debit differs across firmographics and credit profiles.



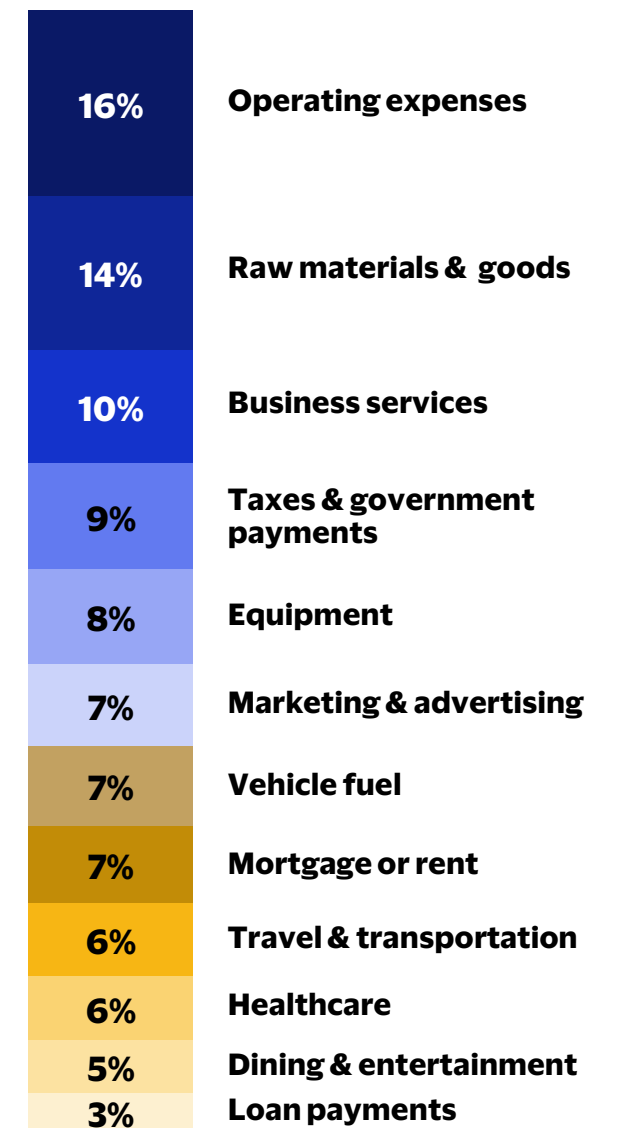
HOW DOES SHARE OF SPEND DIFFER BY FIRMOGRAPHICS & CREDIT PROFILES?

- Newer SMBs** with a tenure of 5 years or less put a lower share of spend on credit compared to SMBs with a tenure of 6 years or more, and SMBs with a tenure of 10 years or less put a higher share of spend on debit compared to SMBs with a tenure of 11 years or more.
- Minority-owned and women-owned SMBs** put a higher share of spend on debit compared to SMBs that are not minority-owned or not women-owned, respectively.
- SMBs with less than \$10K credit limits** put a lower share of spend on credit and higher share on debit compared to those with \$10K credit limits or higher.
- SMBs whose primary credit card for business expenses is a co-brand card** put a higher share of spend on credit and lower share on debit compared to SMBs whose primary credit card for business expenses is not a co-brand card.

For payment channels, SMBs say nearly **two-thirds** of their business spend occurs online, with **49%** of spend occurring on computer. **Half** of online spend occurs on credit.

For expense categories, the **highest proportions of spend are allocated to operating expenses and raw materials and goods**. Credit is the most popular payment method—that is, a higher percentage of SMBs say they use credit compared to other methods—for all expense categories except mortgage or rent and taxes and government payments.

Lack of acceptance is the biggest barrier for using card for mortgage or rent, business services, healthcare, loans, taxes, and raw materials and goods. For other expense categories, **avoidance of debt, getting better payment terms, and not maxing out credit limits are key barriers** to not paying with card.



Share of "other" not shown in share of spend for payment method and expense category charts.

All data shown throughout the report are self-reported.

The SMB Pulse study was commissioned by Visa and conducted by Murphy Research in September 2021 and surveyed 1,200 SMB payment decision-makers in the 48 contiguous US states. SMBs are defined as having 1-100 employees and \$50K-\$25M in annual revenue. Credit questions were asked to SMBs who use credit for business expenses.

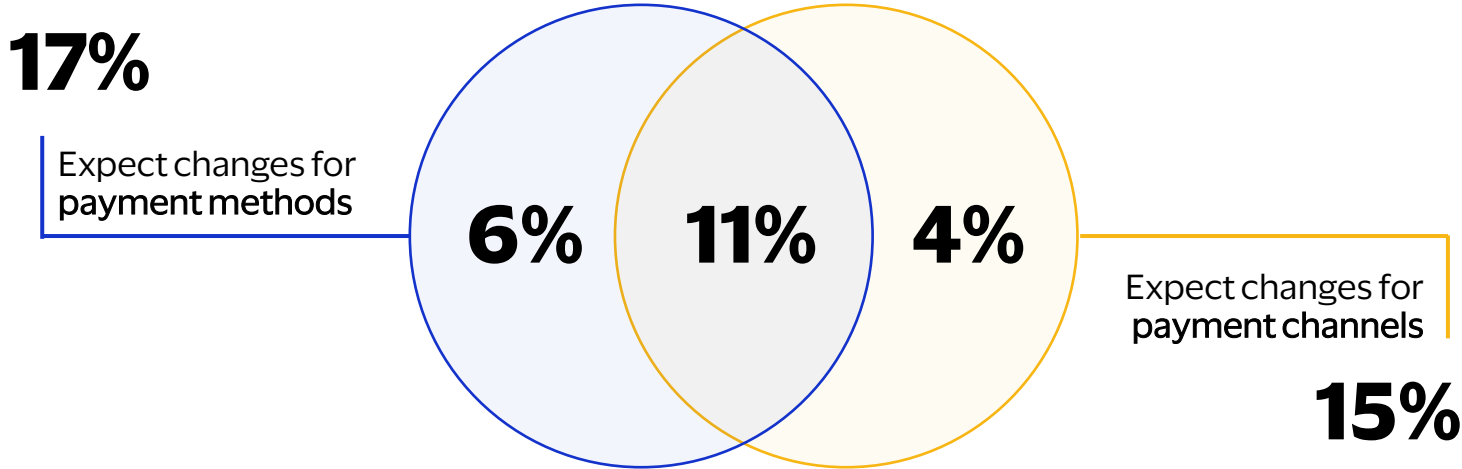


HOW ARE SMBS CHANGING THEIR SPEND?

Most SMBs surveyed don't intend to change how they split their spend across payment methods or channels.

There is heavy overlap among the few who expect change across payment methods or channels in the next 12 months. **Newer SMBs**, **minority-owned SMBs**, and those with specific credit profiles such as SMBs with **lower primary credit lines** (<\$10K), **heavy credit spend**, or **higher primary credit line utilization** (>25%) are more likely to expect change.

Rewards would entice SMBs to new methods or encourage more usage of current methods, while increased **fees** would drive them away from current methods. **Vendors** strongly influence payment behavior and could encourage change.



We would change our habits if the annual credit card fee became too high or if our credit card rewards diminished. Also, we try our best to pay in the format that is most preferred by our vendors.

— Light Credit Spend SMB

An interest rate hike for credit cards would reduce credit spend. An increase in points or rewards would get us to use our card more.

— Heavy Credit Spend SMB

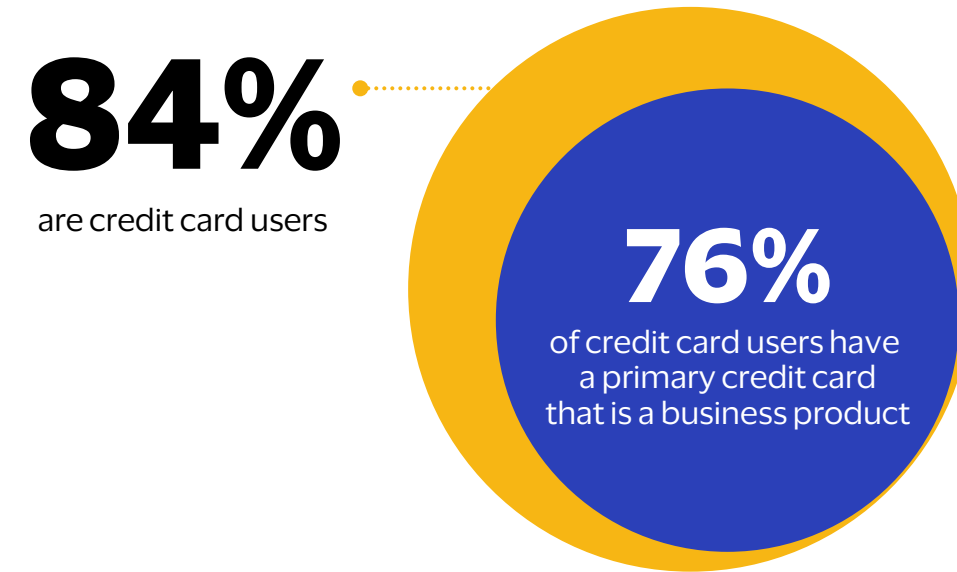


HOW DO SMBS ENGAGE WITH THEIR PRIMARY CREDIT CARD?

Most SMBs surveyed that use credit cards have a business product as their primary credit card.

The majority (84%) of SMBs surveyed are credit users, with an average of 2.5 credit card accounts each. Three-quarters of credit-using SMBs have a primary credit card that is a business product, another 16% use a consumer product, and 8% have a corporate card as their primary credit card. Among those with a business product, 17% have a co-brand card and two-thirds have a card that is not co-brand.

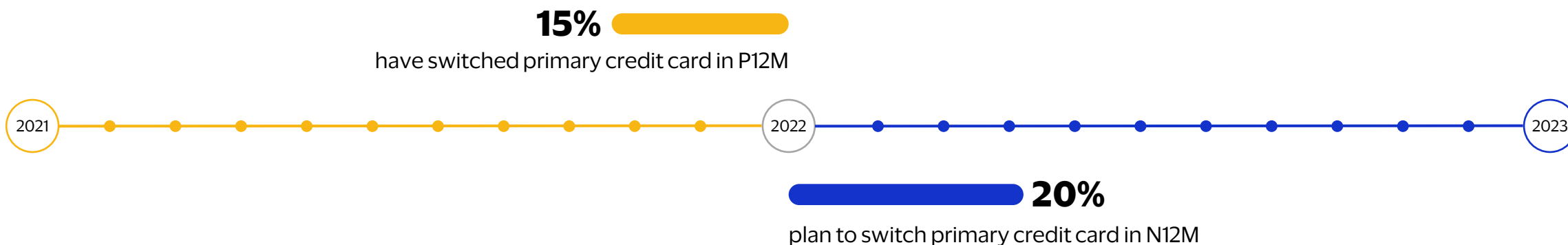
Two-thirds of SMBs with a consumer product as their primary credit card have employees compared to 89% of those with a business product as their primary credit card. Among SMBs that have employees, primary consumer cardholders are less likely than primary business cardholders to provide credit cards to employees.



Cardholders are loyal to their primary card.

A small portion of SMBs surveyed say they have switched or plan to switch their primary credit card. Earning more rewards and better credit lines are top drivers.

SMBs with certain primary credit card rewards, like travel/miles, are more likely to be switchers. Those with specific credit card profiles or behaviors are more likely to be switchers, including those with a primary credit limit of less than \$10K, primary credit line utilization greater than 25%, and heavy credit spenders (\$100k+/year). Minority-owned and newer SMBs are also more likely to have switched or plan to switch primary credit cards.



FAST STATS

34%

Average perception of monthly primary credit line utilization

\$45K

Average perception of primary card credit limit

57%

Report to have annual fee for primary credit card

78%

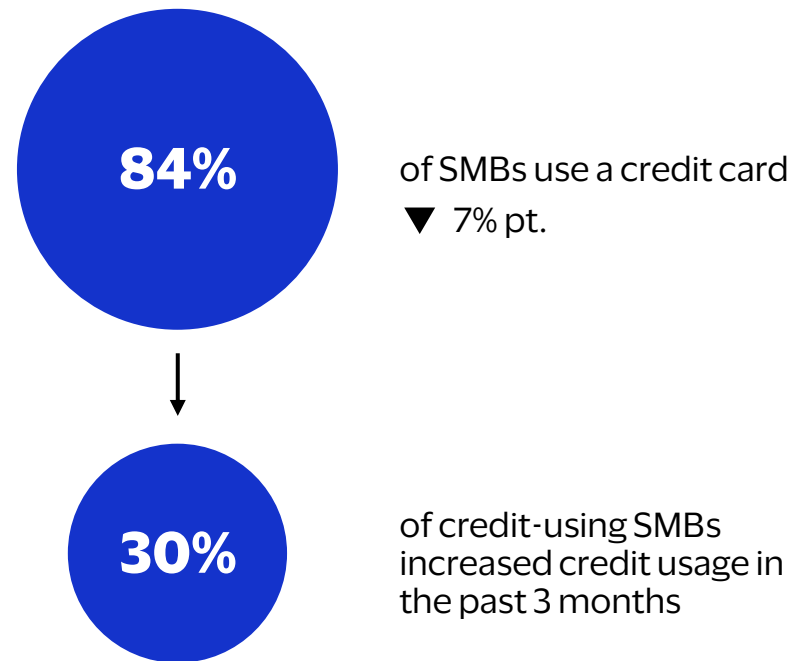
Average perception of percent of credit spend on primary credit card

WHAT'S TRENDING?

TREND #1

Fewer SMBs say they use personal credit cards, but business cards remain stable.

This wave, compared to Wave 2 in June 2021, the percentage of SMBs surveyed that say they are using credit cards dips slightly, primarily **driven by a decrease in the use of personal credit cards**. However, the percentage of credit-using SMBs that say they have increased credit card usage in recent months is stable overall and even higher this wave for smaller SMBs.



TREND #2

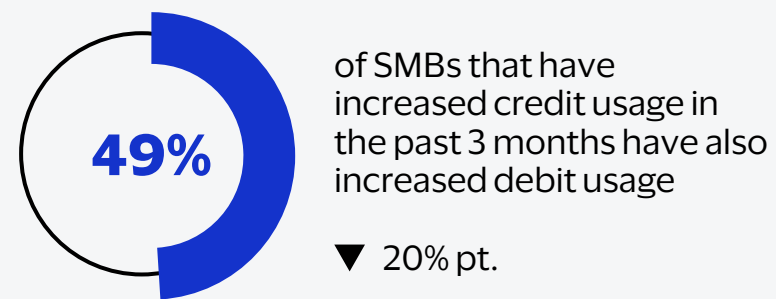
More SMBs say they use debit cards, though SMBs that increase credit usage are cutting back on debit usage.

More SMBs say they have debit cards in their wallet and are using debit most often this wave. This trend is driven in part by smaller SMBs.

45% of SMBs use a debit card ▲ 6% pt.

15% of SMBs use a debit card most often ▲ 6% pt.

However, SMBs that say they are **increasing their credit usage are starting to cut back on debit**.



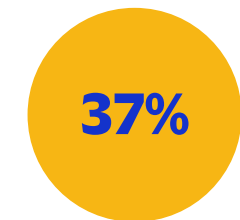
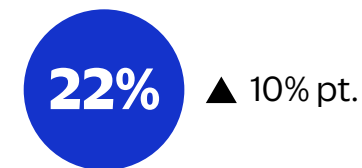
TREND #3

Risk tolerance is rising for smaller SMBs.

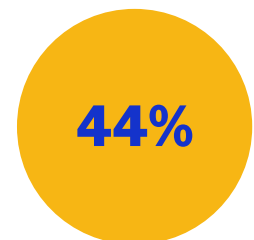
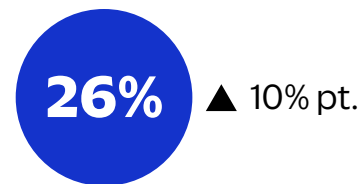
This wave, compared to Wave 2, in addition to increased credit usage, **credit line increases and maxing out credit lines are up** for smaller SMBs. Larger SMBs are generally stable on their risk tolerance apart from credit card payment behavior—there is a slight increase in revolve behavior for both smaller and larger SMBs.

- **Smaller SMBs**
\$50k to \$500k in revenue
- **Larger SMBs**
\$500k to \$25m in revenue

Increased credit usage



Credit line increased



Maxed out credit line

