



## **2018 Greenwich Market Pulse**

*Economic Outlook, Alternative Payments, Tariff Hikes*

V72 November, 2018

# Content



Economic Outlook



Alternative Payments



Tariff Hikes

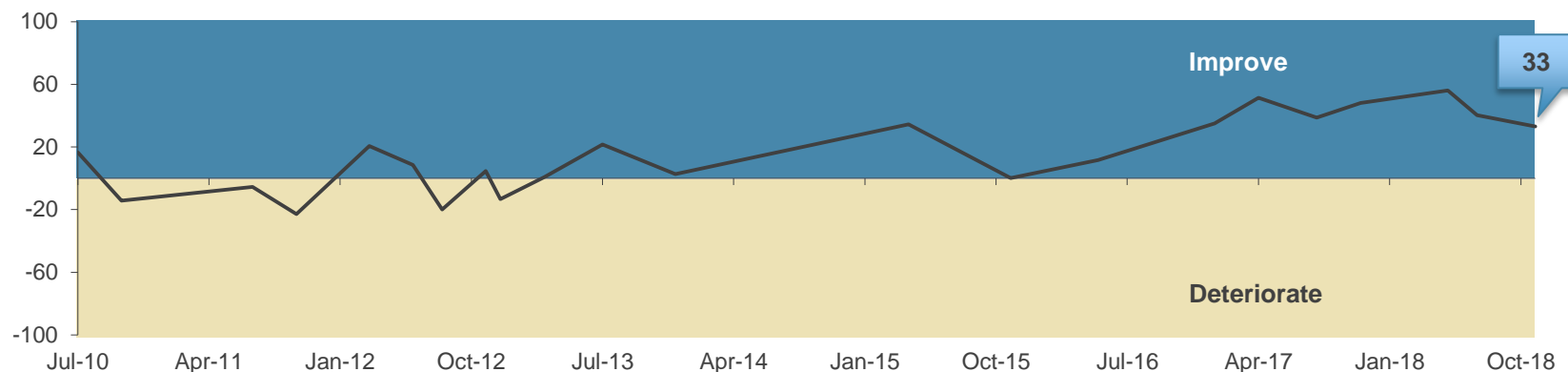
# Executive Summary

V72 November, 2018

- Small business owners and mid-sized company executives remain optimistic overall about the economy, but scores have slightly declined after a long period of gains. Companies with less favorable opinions cite political concerns and tariff hikes. Those with more favorable opinions cite tax treatment and decreased regulations.
- An overwhelming majority of businesses describe themselves as “late majority” or “laggards” in terms of adopting alternative payment technology, with a common belief that fin-tech/non-bank providers are less secure than banks. While the most important attribute in a payment provider is cost, fintech and alternative providers would also benefit by emphasizing their degree of security relative to banks.
- The only alternative payment provider with considerable adoption is Paypal, with 25% of businesses accepting it and another 26% considering it. However, there is a degree of openness to other alternative payment methods such as Mobile and Social payment apps. Specifically, over a quarter of businesses are considering accepting Apple Pay and Google Pay.
- The most prevalent effect of trade talks and tariff hikes is the cost of materials and the consequences of those cost increases—namely the cost of labor, the effect of passing costs onto customers, and reductions in business. Many are fearful or have already been impacted by the increased tariffs.

# Executives' Optimism Remains, Despite Some Softening

Greenwich Optimism Index – Small and Mid-Sized Companies (\$1 -500 Million)



## Why do you feel this way?

### Improve

- "Money is staying in the country and people are having more expendable cash on hand."
- "Based on current events, market upswings, employment levels, tax law changes on both a federal and state level."
- "Trump's tax cuts, decreasing legislation holding back business, and stage 2 of the middle class' proposed tax cut coming up. We do need the fed to cut back on interest rate increases."
- "Lower federal corporate taxes, favorable regulations from current US administration."
- "We utilize an economic forecaster to help predict what our level of business will be over the next 18 months."

### Deteriorate

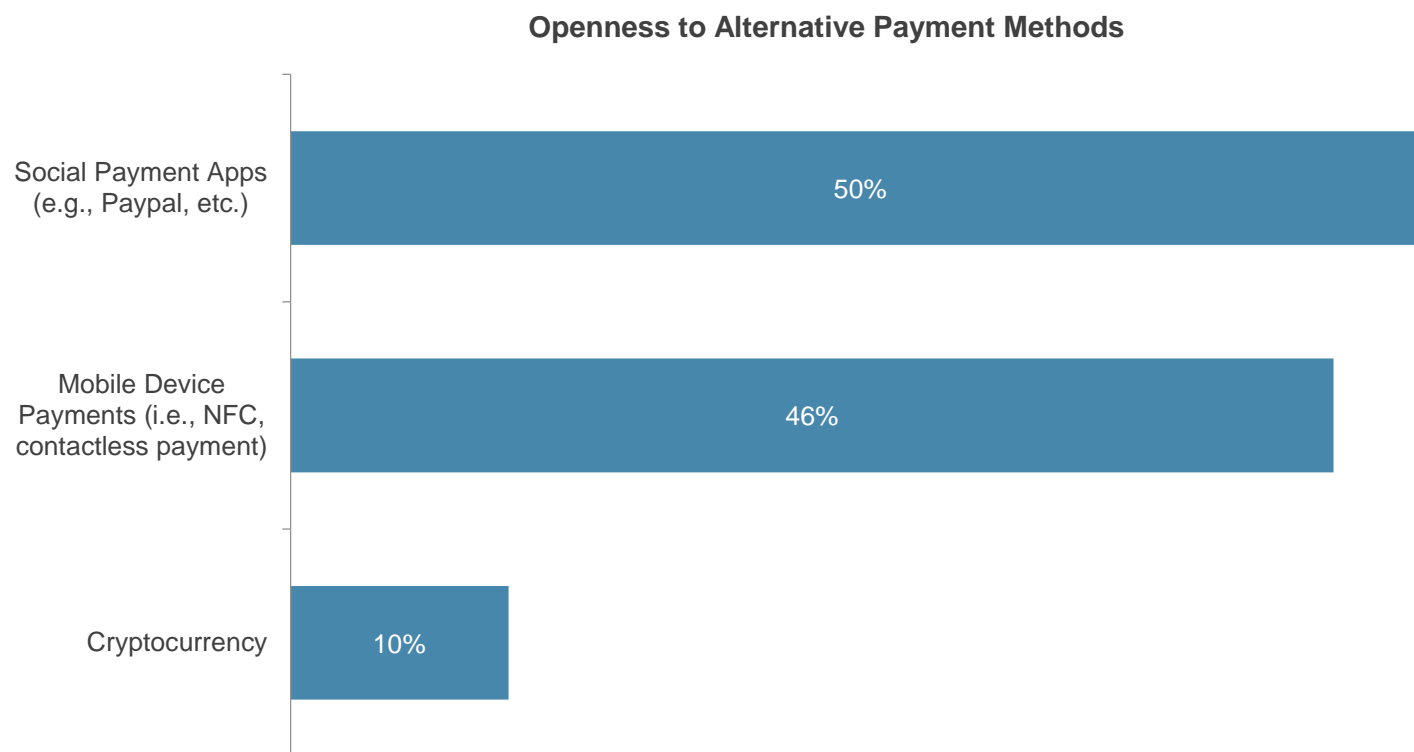
- "Because of rising tariff costs that will be passed down to consumers."
- "Impact of tariffs and higher interest rates on an already over-valued market."
- "I believe the mid-term elections along with our current focus on tariffs and nationalism may cost of may of the gains we have seen in the last 18 months."
- "Costs are going up, but our larger customers still want it at the old pricing or even less, and they want to go from net 30 terms to net 60 or 90 on top of that."
- "Increased interest rates, trade war with China, and possible change to the House and Senate."

Note: The Greenwich Optimism Index is the net score of companies who feel that the economy will improve versus deteriorate.

On a scale from 1 = Will Deteriorate Significantly to 5 = Will Improve Significantly, what is your view on or expectation for the economy over the next six months? Why do you feel this way?

Source: Greenwich Associates Market Pulse v72 (November 2018).

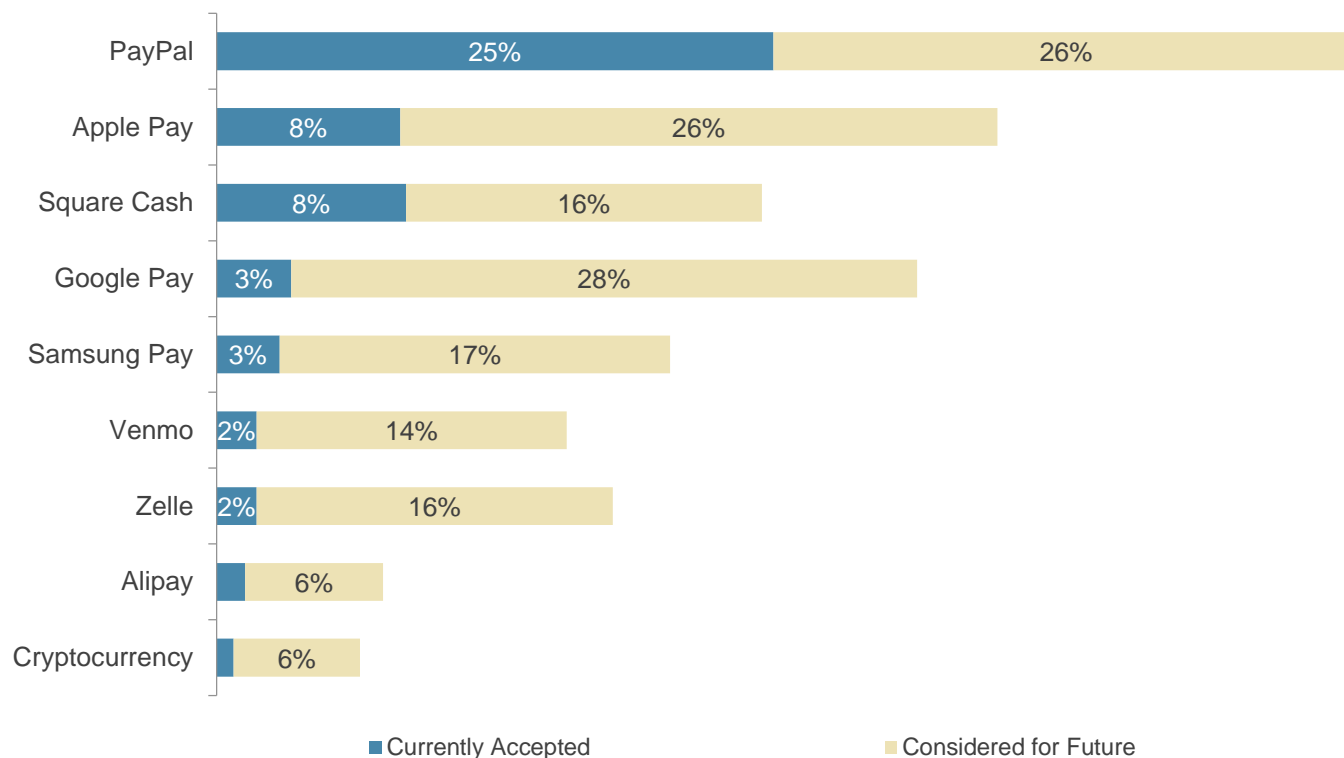
# Approximately Half of Executives Open to Mobile and Social Payments, but Far Fewer are Enthusiastic about Cryptocurrency



To what extent is your business open to each of the following alternative payment methods?  
Source: Greenwich Associates Market Pulse v72 (November 2018).

# PayPal has Earned a Commanding Position Among Alternative Payments Competitors

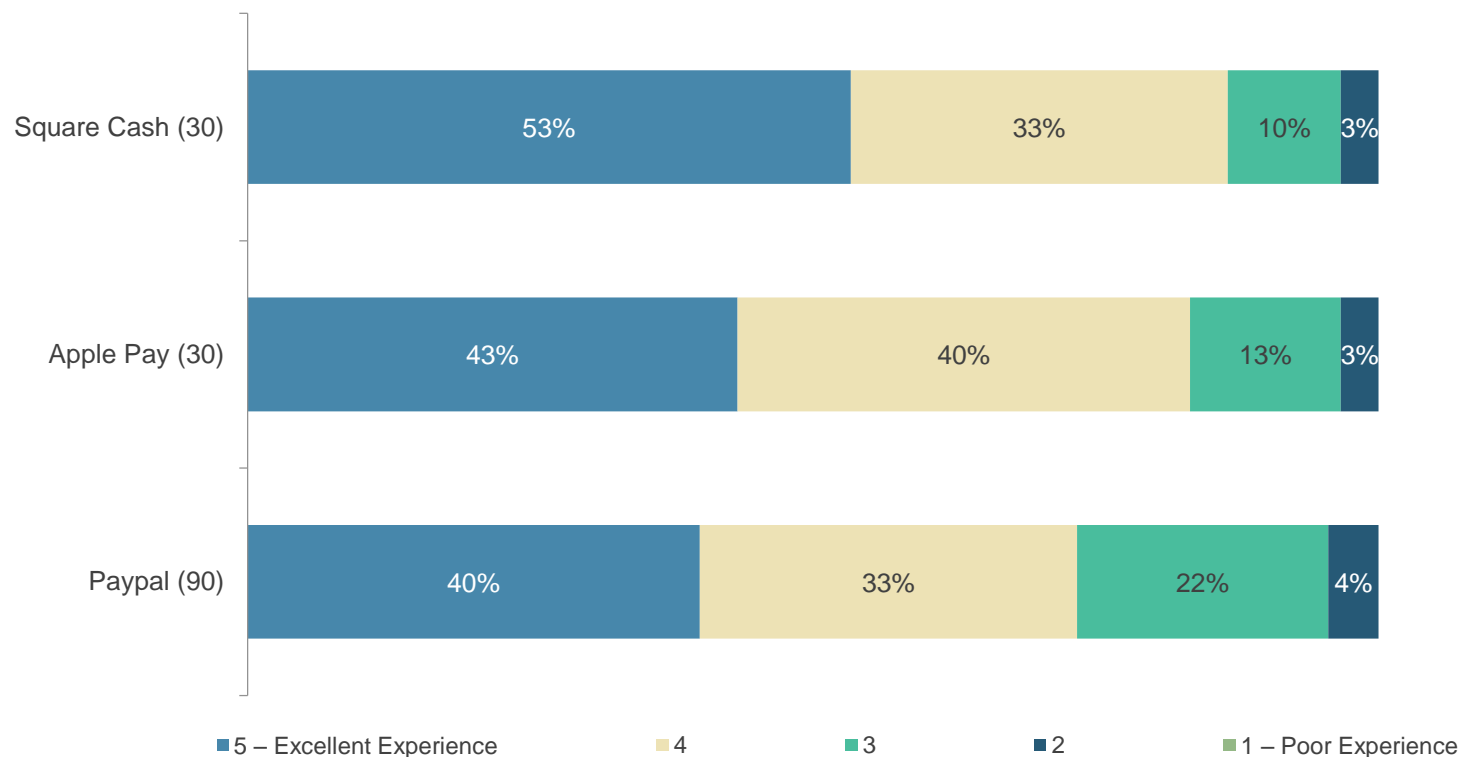
Forms of Alternative Payments Accepted and Considered



Which forms of alternative payments do you currently accept?  
Which forms of alternative payments would you consider accepting in the future?  
Source: Greenwich Associates Market Pulse v72 (November 2018).

# Users of PayPal, Apple Pay, and Square Cash have Largely had Positive Experiences

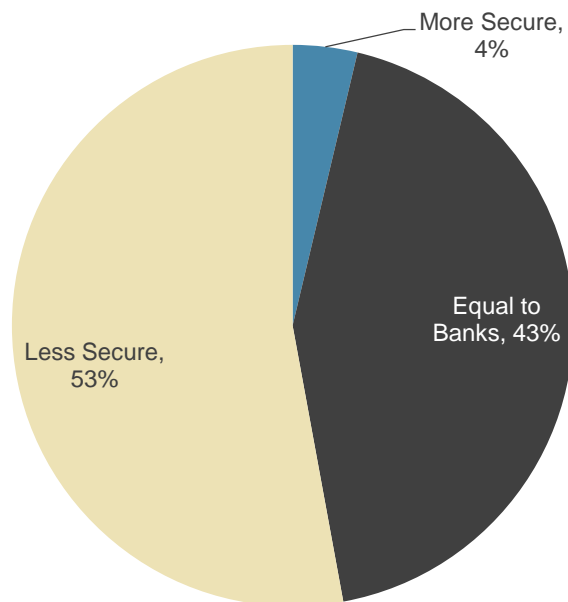
Business Experience With Alternative Payment Methods



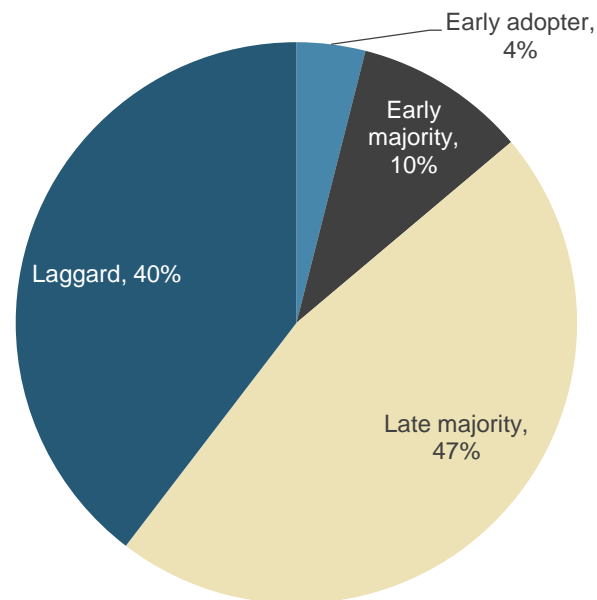
Please rate your business' experience with these alternative methods of payment using a 5-point scale, from 1 "Poor Experience" to 5 "Excellent Experience."  
Source: Greenwich Associates Market Pulse v72 (November 2018).

# Banks Maintain the Edge in Perceived Security, Slowing Adoption Rates Somewhat

**Perception of Alternative Providers' Fraud and Security Protection**



**Payments Technology Adoption Descriptor**

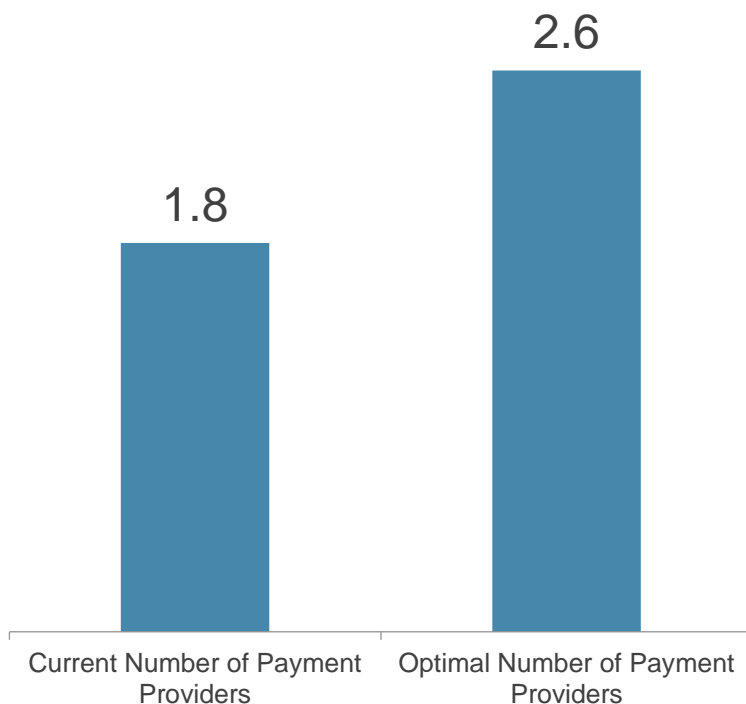


How do you perceive the security and fraud protection capabilities of non-bank/fintech payment providers in comparison to those of banks?  
In terms of adopting new payment technologies, would you consider your company an:  
Source: Greenwich Associates Market Pulse v72 (November 2018).

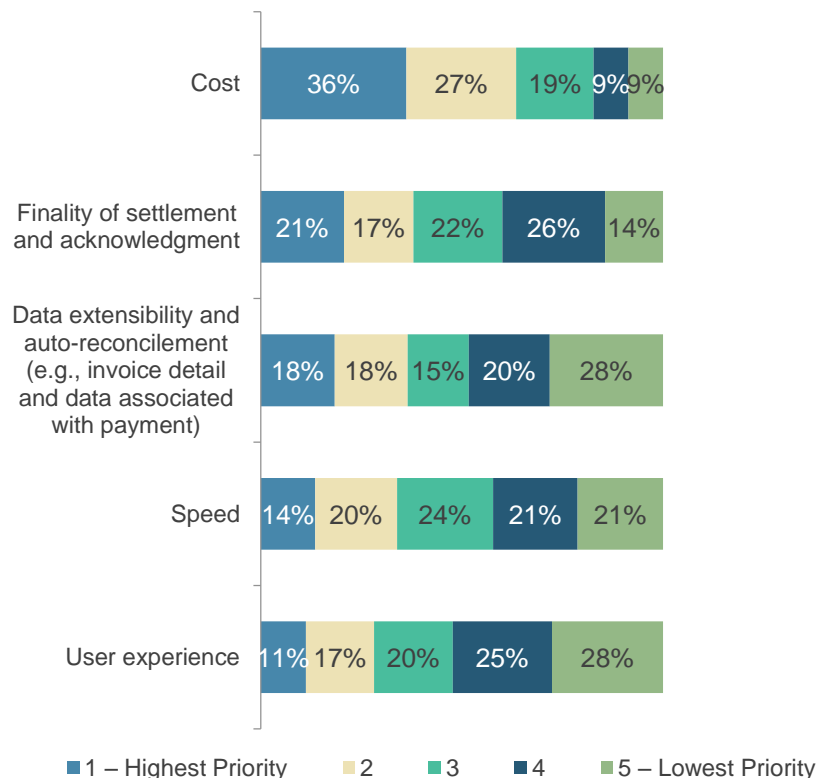


# Expanding Numbers of Payments Providers Driven by Diversity of Options and Competitive Pricing

Number of Payment Providers



Priority of Payment Attributes



How many payment providers does your company use?

What do you perceive to be the optimal number of payment providers?

Please prioritize the following payment attributes in order where 1 = “highest priority” to 5 = “lowest priority”

Source: Greenwich Associates Market Pulse v72 (November 2018).

# Top Business Impacts of Trade Talks and Tariff Hikes

## Increased Cost of Materials

- *We manufacture in Mexico, so changes to NAFTA have a direct impact. **Any delay in crossing our raw material into Mexico or getting our finished goods out of Mexico will cost us money.** Changes to tariffs and duties may affect our business model.”*
- *“We have already seen a **rise in equipment costs** due to steel tariffs.”*
- *“**Any steel tariffs will significantly impact our business**, since most of our projects include some sort of steel, such as rebar, sheet piling, and pipe piling.”*
- *“Tariff hikes will have a **severe negative impact** on our business due to the increase in our raw material costs.”*
- *“**Pricing by some vendors has already gone up 10%.** Those who do not utilize stainless steel have not gone up at all.”*
- *“Cost of materials already has **risen substantially** as a result of tariff issues.”*
- *“Material costs, such as steel, will be significantly more expensive. We’ve already seen a **25% increase in steel costs and anticipate another large increase** as the trade war continues between China and the US.”*

How do you see or anticipate recent trade talks and tariff hikes impacting your business?

Source: Greenwich Associates Market Pulse v72 (November 2018).

Greenwich Associates

# Top Business Impacts of Trade Talks and Tariff Hikes

## Passing Through Costs

- “Tariffs are creating higher raw material costs. **We are able to pass through some of those costs, but not all to our customers.** Thus, lower profits. We are not a fan of the tariffs.”
- “A lot of our parts and materials have been subject to tariffs and **we have had to pass a lot of that extra cost to our customers.**”
- “We are already experiencing cost increases on products from China that we consider to be significant. This will result in price increases for our products.”
- “We deal with many components made of steel and **have already seen the pricing going up for these items, which we have to pass on to our customers.**”

## Reduction in Business

- “**China tariffs caused customers to stop ordering one major product for two months.** Now they have accepted a 25% price increase but **we wonder if someone will kill our business by starting to make our product in Mexico.**”
- “The tariff hikes are adversely affecting my business. Our clients are having to deal with the tariff increases and consequently **don't have as much money for other services.**”
- “They will have a very negative impact on our business. All of our sales are overseas and if the government interferes much more, **we could lose about 80% of our business.**”

How do you see or anticipate recent trade talks and tariff hikes impacting your business?  
Source: Greenwich Associates Market Pulse v72 (November 2018).

# Top Business Impacts of Trade Talks and Tariff Hikes

## **Increased Cost of Labor**

- *“It will be more costly for general consumers to purchase goods and services, which will mean that our employees will be expecting larger salary increases to be able to maintain or improve their lifestyles. **This ultimately will increase our human services costs, which will potentially impact our ability to stay price-competitive in our industry.**”*

## **General Economic Concerns**

- *“Our business in large part is determined by the economy. **If the tariff hikes affect the economy negatively, this could impact our business negatively.**”*
- *“Our product is domestic, but the **trade talks and tariffs will impact the economy**, thereby impacting our business.”*
- *“My concerns would be **economic impacts on large segments of American businesses** and liquidity degradation, causing bankruptcies. I do not see this being a short-term concern at this time.”*
- *“Certain segments are or will be **damaged beyond recovery.**”*

How do you see or anticipate recent trade talks and tariff hikes impacting your business?  
Source: Greenwich Associates Market Pulse v72 (November 2018).

# Greenwich Market Pulse

**Greenwich Market Pulse:** An ongoing research series that addresses the most important and timely issues facing small and mid-sized (\$1- 500MM) company executives and their banking relationships. Greenwich Associates' access to thousands of financial decision-makers in the United States allows for constant contact with the market. Greenwich Market Pulse reports deliver the unbiased perspectives of these individuals in concise and actionable charts, complemented by insights and analysis from Greenwich Associates' industry experts. Greenwich Market Pulse studies are conducted four times per year and are often used in tandem with other annual Greenwich Associates research.

**Methodology:** 415 companies were interviewed online in October and November 2018, representing 215 small businesses and 200 mid-sized companies.

# Contact Information



Maribeth Farley  
Global Marketing Manager  
Greenwich Associates

Direct: +1 203.625.4314  
Email: [Maribeth.Farley@greenwich.com](mailto:Maribeth.Farley@greenwich.com)

[greenwich.com](http://greenwich.com)

© 2018 Greenwich Associates, LLC. Javelin Strategy & Research is a division of Greenwich Associates. All rights reserved. No portion of these materials may be copied, reproduced, distributed or transmitted, electronically or otherwise, to external parties or publicly without the permission of Greenwich Associates, LLC. Greenwich Associates®, Competitive Challenges®, Greenwich Quality Index®, Greenwich ACCESS™, Greenwich AIM™, and Greenwich Reports® are registered marks of Greenwich Associates, LLC. Greenwich Associates may also have rights in certain other marks used in these materials.