

**The Drivers of Growth in Electronic Commercial Cards and Payments**  
**Joanne Robinson, Principal, Commercial Payments International**

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**Introduction**

In recent years, electronic commercial cards and payments have experienced high growth rates – and these are forecast to continue for the foreseeable future.

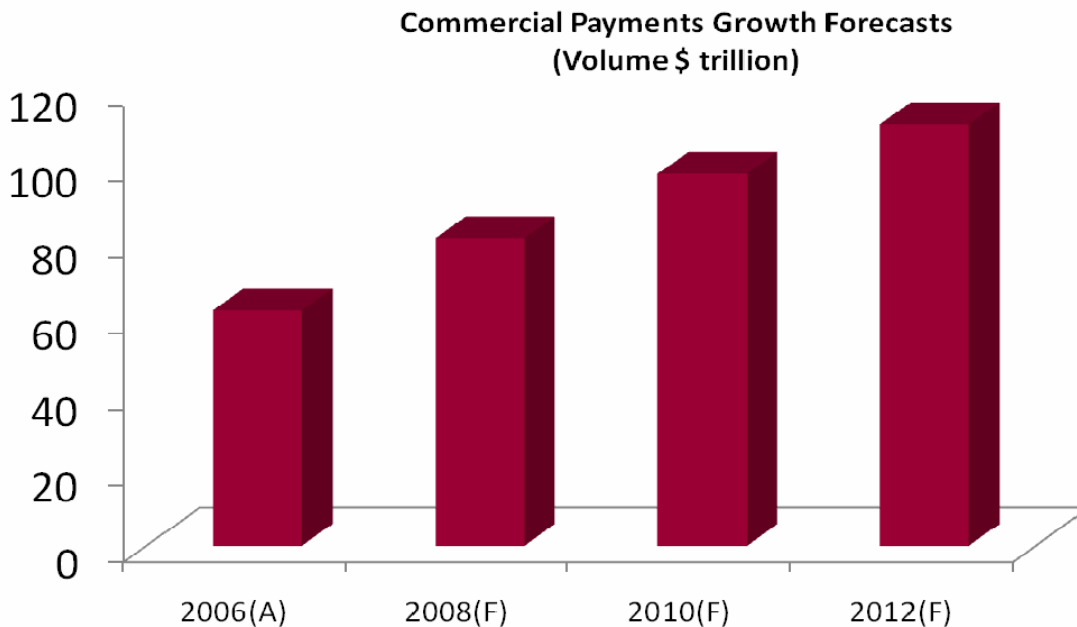
There are many factors that drive growth in commercial cards and electronic business-to-business (b2b) payments and all work together to drive market development. These factors are as diverse as the influence of multinational corporations, to technology, to organizational structure, to roles of the government, to data availability. The benefits of automating payments and the entire procure-to-pay process are unarguably significant for all organizations involved.

While many factors drive growth there are also constraints to growth that need to be understood and managed.

This article will briefly address the key drivers of growth in the electronic commercial cards and payments industry and how each one acts as a catalyst in very different ways.

**Growth in Size of Sector**

**Size of Market** - At over US\$80 trillion in volume in 2008, the commercial payments industry is enormous and continued growth is guaranteed as economies expand and new businesses are established all over the world. *Commercial Payments International* expects growth to continue at a healthy rate and by 2012 commercial payments volume is expected to exceed US\$110 trillion.



Source: CPI estimates

**Emerging Markets** - Growing economies such as China, India and Brazil, are driving the growth of the size of the electronic commercial payments market. This is mainly due to growth rates in these economies coupled with another evolution, which is the move away from inefficient paper-based systems.

**Paper-to-electronic Shift** - One of the areas with the most opportunity – and some of the largest challenges – is the shift of payments from paper based systems and processes to electronic payments. It is widely believed that large-ticket business procurement and supply chain purchases will migrate to lower-cost electronic payment channels. Card payments will continue to be the preferred payment method for items such as travel and entertainment, fleet services, and other smaller direct purchases.

### **Convergence with Organizational Goals**

As the goals of the various organizations that utilize electronic commercial payments converge with the capabilities and benefits of the electronic commercial payments product offerings, they begin to act as drivers of growth. Businesses have become increasingly cost-conscious and have begun to focus on improving business process efficiency to generate real savings. Automation of the procure-to-pay process results in direct savings in addition to increased controls, transparency, and the ability to enforce policy compliance.

The data generated through centralized, automated processes supports a goal of many organizations: the ability to negotiate better terms and pricing from suppliers of all types.

### **Data Definitely Drives Growth**

The desire to obtain more and better data both cost effectively and efficiently, has been a driver of growth for commercial cards and electronic payments since they were introduced and continues to be one of the most valuable benefits to end-users.

Data standardization across borders is something that multinational clients find highly desirable, but a challenge with which the industry continues to struggle.

While data is an extremely valuable benefit of commercial cards programs, all participants must understand local data protection regulations and practices.

### **Marketing Drivers**

Marketing drivers present significant opportunities and challenges to the industry. While best practices vary from market to market there are commonalities which will drive growth of commercial cards and payments in almost all markets.

A clear message has to be delivered to potential end-users to drive growth – and very specific benefits of why these programs will help organizations to streamline processes, produce significant cost savings and increase controls spelt out.

Pricing is a key element of the marketing mix and one that poses a real challenge for commercial cards and payments suppliers, merchants and end users.

### **Product Sophistication and Availability**

Growth in all markets is driven, to some degree, by product availability and how easy it is to use the various forms of electronic payments. The type of products, ease of accessibility and the infrastructure to support them vary widely among countries and does have an effect on how markets develop. There are some unique characteristics of markets that determine product offerings and how widespread they are, but there are a few key drivers of growth that are common to all markets.

### **Technology as a Key Driver**

Technology has proved to be a key tool driving growth in commercial cards and electronic payments and without advances in technology and new applications, the industry would not be enjoying its recent and current growth rates. There is no doubt that technology provides the foundation for growth in commercial cards and electronic payments supporting the goals of an organization to streamline and automate processes, create efficiencies, and reduce costs.

### **Product Innovation**

While most would agree that technology drives product innovation in the industry, some innovations are driven by a specific customer need. In recent years, there have been many new products introduced and some developed to address a very unique need from customers. While all are not earth shattering innovations, there are many new products and applications that assist in driving growth in a specific segment or market.

### **Risk Management**

Risk management is both a challenge to and a key driver of growth in all types of electronic commercial cards and payments. Risk management has often been a constraining force for the growth of electronic

payments, but effective risk management policies and tools can become drivers of growth when applied properly for an individual program and its specific needs.

### **Regulatory Influences**

One of the more difficult challenges is the legal and regulatory issues that influence commercial cards and electronic payments. Commercial payments are subject to regulation though this varies widely from market to market in both degree and type. And the complexity of legal requirements becomes more and more difficult when more than one jurisdiction is involved.

### **The Role of Governments as Drivers**

Governments as a driver of growth in electronic payments have roles at several points in the value chain:

- governments establish, maintain and bear the cost of organizing efficient payment systems
- governments are often users of commercial cards and electronic payment products
- governments accept electronic payments and commercial cards for b2g payments
- governments develop applications for g2c payments through cards and other payment products.

### **Multinationals Drive Growth and Present Challenges**

One of the ongoing challenges facing the industry is providing a solution that serves the needs of multinational clients. Solving this problem drives growth, especially in corporate card programs where companies push their providers, usually in their home territory, to develop a product that can be expanded across the enterprise. Many want a truly global solution, presenting serious challenges to issuers and providers of all types.

### **Organizational Structure**

While many drivers of growth exist, they require an organizational structure that supports growth. Electronic commercial cards and payments programs will not be maximized without the correct organizational focus to support ongoing growth. Growth accelerates when an organization focuses on electronic commercial payments as a specialized product area of its own. This is true not just for issuers, but for processors, solutions providers, and professional services providers.

### **Conclusions**

While the benefits of electronic commercial cards and payments are very obvious it is puzzling why penetration rates are not high except in a very few markets. Most of the drivers of growth can be controlled to some level though not all. Those that can be controlled need to be better understood in some instances and utilized to maximize programs.

Senior management commitment is necessary to the success of these programs. In the best-in-class organizations, usage of commercial cards and electronic payment options is mandated, a strategy that more organizations would do well to adapt.

Product innovation has addressed some specific and unique needs of end users in the past few years, however all the way down the value chain, the understanding of the needs and problems that customers want to solve by use of these products could be understood much better.