

Commercial Cards: Global Trends

Cardinal Consulting

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Executive Summary

As corporations increasingly see signs of steady economic growth, many believe continuing success will be linked to penetrating new countries, particularly in the emerging markets. Card programs are viewed as an important tool for supporting organizations with geographic expansion, especially in regions such as Asia Pacific (specifically China), Latin America, the Middle East and Africa.

In managing their expense management programs, administrators are looking for a globally consistent technology platform that offers integrated card reporting capabilities to ease program expansion and reduce the operational burden on treasury and shared-services staff. These professionals are interested in working with expense management partners who can provide expert regional consultation for the program and deliver a holistic service across the globe.

Technology is key to the success of any commercial card program.

Procurement and travel management executives are keenly interested in using business-to-business (B2B) and travel & entertainment (T&E) card programs to drive costs out of operations. They are looking for best-in-class card program vendors who can support everything from oversight of cardholder's expenditures to the elimination of paper-based processes.

The right vendor is expected to facilitate the coordination of suppliers – both acceptors of card payments and those traditionally associated with cash – to help drive efficiency and acceptance in the purchasing process. An expense management partner should provide training and program communications as well as guidance to organizations seeking to deploy more robust B2B card usage, making it “easy” for treasury and shared-services staff to communicate with their constituents, saving valuable time and money in the process. The right provider will partner with an organization to facilitate cross-functional buy-in and offer assistance in expanding B2B card programs, linking such services to global expansion initiatives.

Technology is key to the success of any commercial card program. Integration of data and reporting with internal expense management and/or ERP systems is required to increase the efficiency of an expense management program. The technology advantages of card programs will prove vital for organizations as they look to meet global expansion objectives, particularly in emerging markets which hold tremendous promise for continuing growth.

Card Programs: Global Outlook & Expansion Opportunities

In the opinion of many expense and travel management professionals, the economy and their companies' prospects for growth are extremely promising.

For many companies, card programs are seen as a crucial tool for managing and supporting global expansion strategies.

An independent survey conducted by Cardinal Consulting during December 2012 and January 2013, which sought to obtain insights into business leaders' economic outlooks, as well as their requirements and preferences in expense management for both B2B and T&E solutions, found that more than 60 participants are looking to grow their organizations geographically. The survey focused on executives representing some of the world's largest organizations, operating in Latin America, Asia Pacific, Europe and North America. Executives deploying regional and worldwide programs were interviewed, providing a truly global perspective of the industry and marketplace.

The survey revealed that most respondents believe growth will come from penetrating new markets, versus expansion through acquisition, mergers or development of new products and services.

This emphasis on geographic growth suggests an important role for B2B and T&E card programs which can assist organizations in meeting their long-term goals. For global card programs, virtually 100% of executives interviewed noted their programs would be expanding, with a particular emphasis on emerging markets. Of the survey participants, 50% anticipated expanding into Latin America, 80% into Asia Pacific, and 75% mentioned China specifically.



Card partners and programs deliver important benefits, such as:

- Making the end-to-end travel experience smoother and more effective
- Enabling rapid ramp-up of operations
- Easing the on-boarding of suppliers and the acquisition of materials through the utilization of expense management expertise and tools

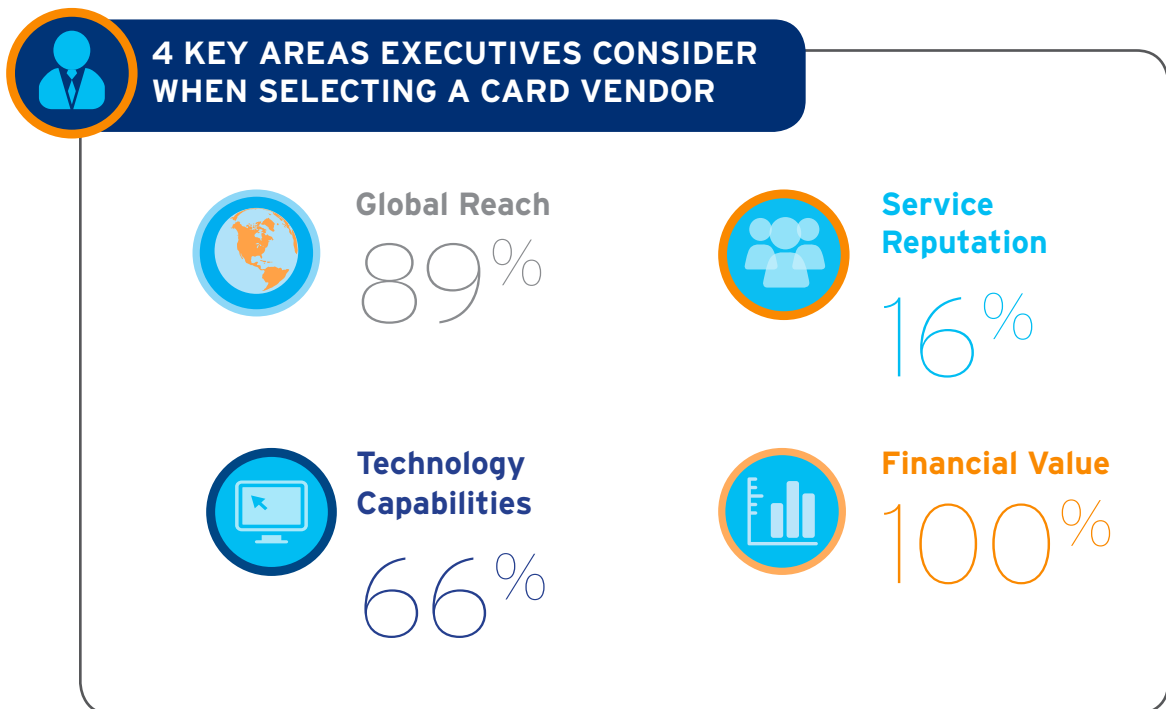
- Enhancing profitability as a result of growth by rapidly setting up administrative structures to provide better expense controls

This white paper will examine the trends in B2B and T&E card programs and how corporate treasury, procurement, and travel and entertainment executives envision these programs will help them meet their organization's global profitability and expansion objectives.

Vendor Selection: Finding the Right Partner

When searching for the best commercial card vendor to meet an organization's global growth needs, survey respondents listed four critical areas of focus: global reach, global reporting and integration, service and financial value.

- **Global Reach:** 89% of executives cited global reach as an important factor, in order to ensure the commercial card program is able to match their own global objectives.
- **Global Reporting and Integration:** Another key criterion is the ability to provide strong reporting tools and the capability to integrate with internal technology and enterprise resource planning (ERP) solutions. For 66% of respondents, technology capabilities were important in their selection of a vendor.
- **Service:** Service reputation was also seen as a factor in the decision-making process, with 16% of those surveyed specifying the importance of a vendor's industry standing.
- **Financial Value:** All the fundamental requirements noted above were underpinned by the need to deliver financial value.



Card Program Development: Factors that Influence Deployment

Increasingly, card programs are becoming significant components of larger corporate initiatives – particularly those related to expense reduction, supplier management and geographic expansion. The most frequently cited objectives of these programs include obtaining cost savings, improving insights into spending as a means of enhancing negotiating power and sourcing, and delivering high levels of support to cardholders and other stakeholders.

Also of importance is improving vendor acceptance of cards, enabling their use throughout the region.

The survey revealed three key areas of focus for the future development of card programs and their role within the corporation overall:

- **Emerging market coverage:** Card programs that offer emerging market coverage are best-suited to support corporate expansion goals. Organizational growth into the Asia Pacific and Latin America regions were frequently mentioned, with coverage of China listed as a very important goal for many companies. Key issues for these regions include the ability to transact locally to avoid foreign exchange (FX) costs and the elimination of cash to control risk. Also of importance is improving vendor acceptance of cards, enabling their use throughout the region. For card issuers using a “partner bank” model, better management of partner bank relationships and meeting region-specific compliance/regulatory issues were cited as crucial requirements of a card program.

Card programs that offer emerging market coverage are best-suited to support corporate expansion goals.

- **Integrated reporting and data access:** Businesses are most interested in integrated reporting and data access within a card program’s own technology solution, with the goal of providing time and cost savings. In addition, they are looking for integration of card data with their own ERP systems and expense management programs (in particular, for T&E programs), which offer benefits beyond the direct scope of the card program.
- **Cardholder program compliance:** Survey respondents indicated the critical importance of cardholder program compliance. The most savvy program administrators have initiatives – both with the assistance of card vendors and through internal efforts – to shorten cycles for payment times, reduce late payment fees, and ensure report filings are made promptly, all with the objective of reducing costs. Failure to achieve cardholder compliance can result in increased expenses through late fees, as well as in losses from “accounting-based” delays such as failure to allocate costs promptly to client billing. Best-in-class card program vendors typically facilitate compliance efforts within client organizations utilizing text or e-mail payment reminders to cardholders who subscribe to these services.

The Value of Expanding B2B Programs

As corporates seek to expand their B2B card programs, survey respondents noted that one of the greatest challenges they face is generating cross-functional support throughout the corporates' organization.

A cross-functional advisory team was seen as best-suited to explain and enforce changes to corporate policies that have been implemented as part of the global expansion of the business.

Survey participants highlighted the need to gain enterprise-wide buy-in of purchase cards by building a business case in support of expansion and bringing together a coalition of representatives from Accounts Payable, Legal, Procurement, IT and Human Resources. Such a group can help quantify savings, both in terms of dollars and time saved – and to clearly explain the advantages of using cards versus more traditional purchase order and invoicing systems.

Enterprise-wide acceptance is also required when it comes to the enforcement of new procedures for procurement and payment. Guidelines for how cards will be used must be flexible enough to accommodate unique departmental needs, yet be unambiguous to prevent misunderstandings and frustration.

A cross-functional advisory team was seen as best-suited to explain and enforce changes to corporate policies that have been implemented as part of the global expansion of the business. Such a team will also be able to expedite the process of identifying where the cards can be most effectively deployed. Knowledge of suppliers, manufacturing processes, legal issues and human resources policies can be addressed more effectively if the departments affected are “in the loop” from the outset.

Another critical role a cross-functional team can render is helping to identify key suppliers to be brought into the program, as well as clarify in which regions card programs make the most sense based on acceptance and other unique factors to the region, and to move the program into new expense categories such as the purchase of commodities or raw materials. These areas all require input and facilitation by the departments and offices affected.

Key Attributes of a Successful Card Program

As procurement and travel management executives seek to better-understand costs, eliminate the use of cash, and realize cost savings, the ability to link card programs to expense management technologies - whether they are function-specific such as travel expense management programs, or enterprise-level ERP systems - is critical.

Survey respondents indicated that they need a vendor capable of providing a truly integrated global solution. Nearly 100% of those surveyed noted the importance of globally consolidated reporting and program administration. Approximately 15% of those interviewed stated that they would like to have access to more "level 3" data for purchases, enabling increased insight into how cards are being used, without having to manually track data or go through multiple steps to consolidate information.

Feedback from executives managing shared services and procurement functions suggest 10% have an interest in having card vendors partnering with them to help improve their capabilities beyond the strict scope of the card program. These respondents would prefer their vendor to take a more consultative role, helping identify and implement best practices in expense management.



New Technologies Will Impact Expansion Strategies.

The majority do see opportunities for mobile-based applications to assist cardholders.

Survey respondents did not envision significant opportunities to deploy mobile applications for use in reporting, program administration or other administrative applications at a company program administrator level. However, the majority do see opportunities for mobile-based applications to assist cardholders, predominately through assistance in filing expense reports and checking statements. Many indicated the ability to use an application to quickly and easily view spend, access account data, reach support services and set up reminders for deadlines and payments would be useful.

The Importance of Service Capabilities

Across the board, those surveyed voiced strong preferences for extensive self-service capabilities. Card program administrators require maximum control over their card programs, particularly when it comes to basic tasks like credit limit management, code entry/changes, and enabling access to reports.

24/7 support was considered a necessity.

When self-service is unavailable, Program Administrators expressed a preference for telephone communication for problem resolution, stating it was the most expeditious and responsive channel. Access to phone support when needed, together with knowledgeable and responsive services teams, were listed as crucial attributes. For all T&E programs, 24/7 support was considered a necessity, while most business-to-business program administrators operating regional programs were satisfied with “business hour” phone support, as long as it covered the course of their business day across the breadth of the region. E-mail was considered suitable for routine and/or non-urgent support issues.

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