

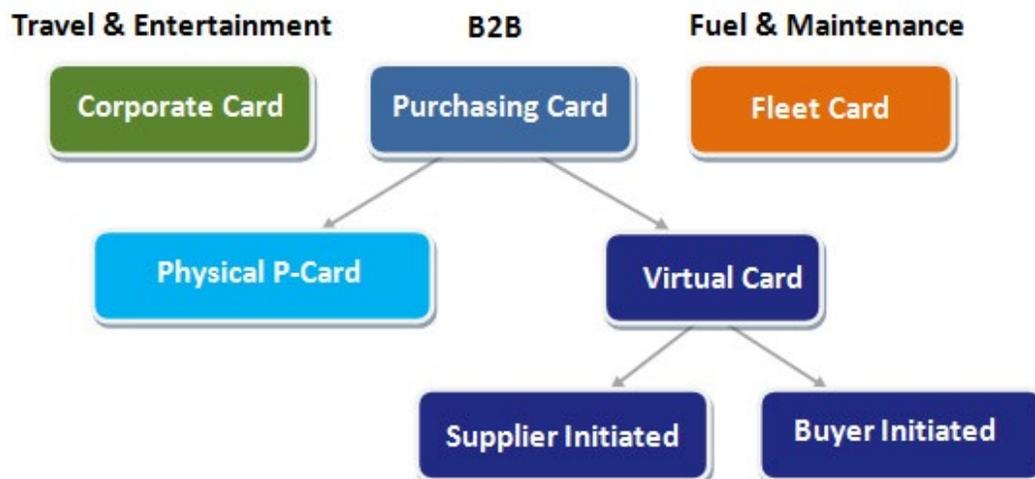
# Key Trends Driving The Growth Of The Commercial Card Business In The United States

## Segments

Originally business payment cards were primarily used for business travel and entertainment (T&E). Diners Club was one of the earliest examples of this. Over time, the early adopters of commercial cards began to use them for non-T&E purchases. In response to this trend, payment card networks began to develop variations on the original business payment card to serve these other needs.

Today, commercial card portfolios include a number of discrete products, customized for specific audiences. These can be broadly categorized into corporate T&E, purchasing, fleet and multi-use cards. While a majority of these are credit cards, a growing number of them are debit cards used by government entities and small businesses.

The illustration below depicts how these different commercial cards are used in the marketplace today.



## A Growing Market

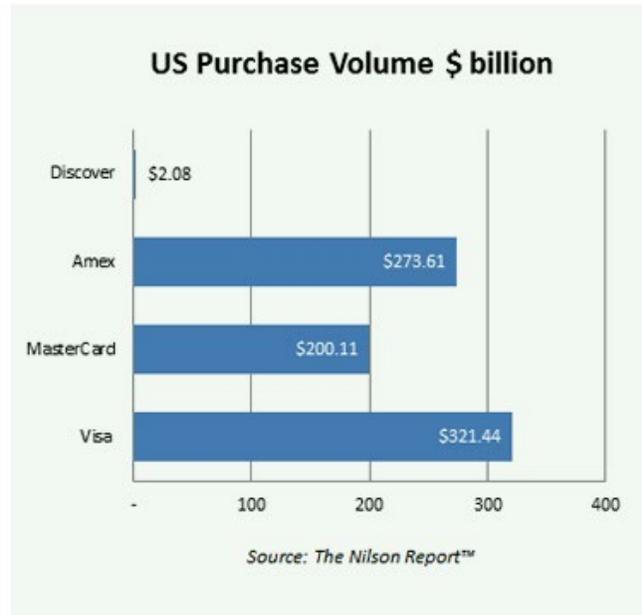
In 2012, The Nilson Report stated that commercial cards accounted for \$797.2 billion, or 21.1 percent, of the \$3.8 trillion consumer and commercial purchases of goods and services in the US. This represented a 13.1 percent increase in volume for commercial cards over 2011 and was the first time the category had captured greater than 20 percent of the overall share.

Out of the total \$797.2 billion purchase volume, Visa clearly emerges as a leader processing \$321.4 billion in commercial card transactions, closely followed by Amex with \$273.6 billion and then by MasterCard with \$200.1 billion. Discover has a much smaller share of commercial cards with \$2.1 billion in transactions.

Every card brand has been able to increase their commercial card purchase volume but Visa, Amex and Discover all lost market share year over year from 2011 to 2012, 42.2 percent to 40.3 percent, 34.8 percent to 34.3 percent and 0.29 percent to 0.26 percent respectively. The beneficiary has been MasterCard whose market share has increased from 22.8 percent in 2011 to 25.1 percent in 2012.

According to Mercator Group, purchasing is the largest and fastest growing area within the commercial card segment growing at a CAGR of 18% between 2007 and 2010. Mercator estimates that the overall market will double by 2015. The research done by Mercator predicts that growth in commercial card purchasing activity will be primarily driven from the adoption of purchasing cards at the middle and the large corporate level.

In 2012, Mercator reported that while the five largest issuers controlled 60 percent of the total value of the commercial card transactions in the United States, this was a decrease from the previous years when these same institutions accounted for 64 percent of that value. Smaller issuers that are offering differentiated products to smaller corporations that are new entrants in the commercial card market are responsible for this erosion in share.



## Key Enablers

One or more of the following needs is driving the adoption of commercial cards by corporates:

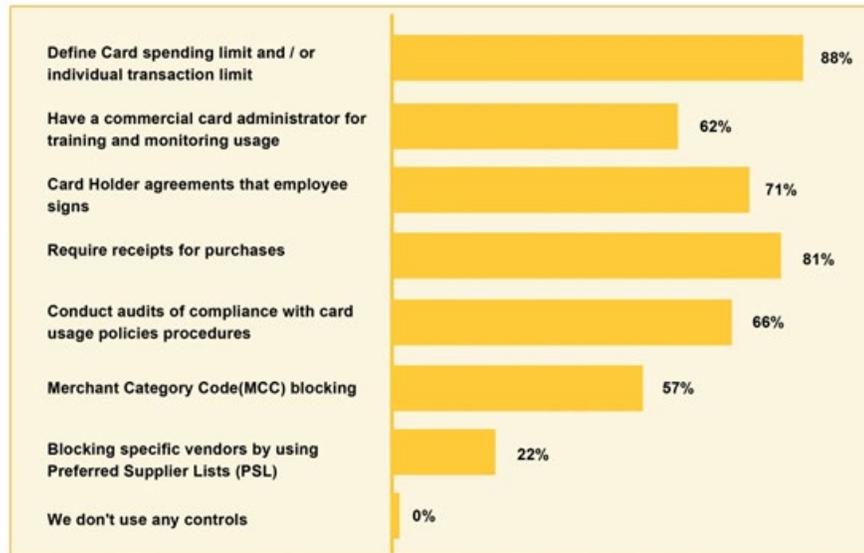
- **Increased Security and Control**

- Commercial cards provide corporates with the ability to control spend by merchant categories (MCC), day of the week, and time of day. Using a variety of messaging options (e.g., text, email) spending can be controlled in real time.
- With the announcement of a standardized approach to tokenization, Visa, MasterCard, and American Express commercial card programs will be able to provide more flexibility with less fraud to corporates wanting a more granular level of control.



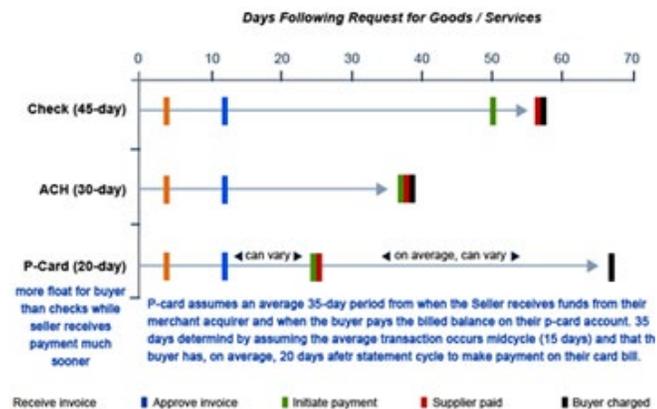
### Controls to Prevent P-Card Misuse

Defining card spending limits is the number one mechanism companies implement to prevent card misuse.



- **Capital and Cash Flow Management**

- Using commercial cards integrated with the treasury and accounts payable functions corporates can operate more efficiently and effectively manage their working capital and cash flow.



## ■ Lower Costs

- Commercial card programs that offer data enrichment and analytics on historical spending allow organizations to lower transaction costs through negotiated discounts and transaction routing choices.
- Using a self-service portal accessed by a mobile application, corporates can manage their commercial card programs at a lower cost of support allowing administrators to set spending limits and users to submit electronic claims or reset passwords.



### Benefits of P-Card Programs

Convenience ranks as the number one benefit of P-Card programs, followed by the receipt of rebates.



RS Software commercial card practice area covers several core competencies designed to help organizations take advantage of these benefits. These core competencies include corporate accounts payable integration, compliance monitoring and management, issuer platform and card management, and data services and analytics. RS Software's ability to identify and mitigate risks, streamline reporting and compliance processes and manage the development lifecycle of the commercial card application suite has provided lower costs, improved time to market and increased operational efficiencies for organizations worldwide. For more information, download "[How RS Software Delivers More Security And Efficiency To Commercial Card Programs](#)".

**"Key Trends Driving The Growth Of The Commercial Card Business In The United States"** was written by RS Software. For more than 20 years, RS Software has been a leading provider of electronic payment solutions for the leading issuers, acquirers and processors. Today, many of the world's leading brands in the payment space utilize RS Software's vertically integrated approach to providing solutions to gain a competitive advantage.