



GLOBAL SUMMIT REPORT



CPI's second Global Commercial Cards and Payments Summit was held in New York on March 23-24, 2010. Almost 200 senior-level participants from over 70 organizations and 15 countries gathered to hear the insights of over 30 top speakers, covering a wide range of topics related to the theme of 'Growth through Customer-Centric Innovation'. A number of clear messages emerged from the two days of intensive presentations, forums, panel discussions and networking including the need for greater 'intimacy' in understanding customer needs, ensuring appropriate new technology is applied, and growing customer requirements for an integrated approach to payments working through partnerships and new technology players. Participants were continually reminded of the enormous opportunities for growth in a payments industry whose surface has barely been scratched.

Over two intensive days, attendees debated how commercial payments can harness new technology through partnerships and moving towards convergent, fully integrated end-to-end payment solutions that drive true customer value – while balancing rewards for all participants including suppliers. Sessions covered topics as wide as innovation principles in B2B, Prepaid solutions, P-cards, travel management, regulatory developments, growth of e-Payments, Public Sector payments, support of multinational expansion, the needs of mid-market corporates, and payments convergence and integration.

By the close of the conference, several key trends and themes had been identified:

- **Opportunity abounds** - many speakers referred to the plethora of opportunities available to automate commercial payments, both card based and other payment methods.
- **Know your customer better** - in an increasingly complex and challenging environment, the need to develop 'intimacy' with customers to understand underlying needs and build trust is ever-more important.
- **Embrace new players** - mobile payments are here already, and alternative payment methods are making inroads and these new entrants can complement rather than conflict with established industry players.
- **Work towards integration** - the end-game is fully integrated, end to end solutions across the payables and receivables spectrum – and third-party outsourced services.
- **Appropriate technology, simple solutions** - customers need simple solutions that can be easily understood and adopted by end-users. If you need to explain how something works, you have already lost.
- **Business is going cross-border** - large companies are increasingly looking for global solutions to their geographically expanding businesses. Even SMEs now have international sourcing and payments requirements.
- **Make your assets work harder** - develop the huge databases built up by the payments industry into powerful benchmarking tools that speed customer adoption and penetration.

Innovation Principles for the 21st Century



The 2010 Global Summit opened with a presentation from Dr. Charles Stryker, President of Venture Development Center, which defined some of the innovation principles required for success in the 21st Century. As an outsider looking in, he offered an alternative insight into the growth opportunities technology could unlock for the commercial cards and payments industry.

'We found that virtually all successful firms at their core were tech-enabled' said Dr. Stryker, advising the audience that 'company development meetings are attended by lots of people - product managers, business developers, marketing, finance, lawyers and so forth - but not technology people. Be more diligent at including hard core tech people in your company'

The other conclusion from Dr. Stryker's work was that the fastest growing businesses had identified something that was done today in a problematic and costly way, using old technology and lots of people, and had applied new technology to solve the issue in a very different way.

Dr. Stryker had some clear advice to the audience on how these principles should apply to their business. 'In your own business, there are today hundreds of applications of poor technology solving problems in costly old ways with lots of money being spent. Being in market leading companies, as many of you are, there is always caution, a comfort in using technology that is yours, which prevents innovation'. He went on to warn: 'so it's usually a new player, not the established players, that come to dominate a new application - they have a 'Perfect Storm' way of thinking'

Finally, Dr. Stryker talked about challenges to achieving these objectives in large organizations. He felt this was very difficult, with no easy tips. New approaches needed to be developed outside the mainstream of a company as an 'incubator' business with management oversight that can be incorporated into the main company at a later stage.

The Role of the Networks in Customer-Centric Innovation

The next speaker, Group Head of Large Market Segment, Global Commercial Products, MasterCard Worldwide, Marcie Verdin, referred to the widening role of the networks and that aligned Dr Stryker's recommendations with an end-to-end environment.

Verdin began by reminding the audience of the enormous opportunity commercial payments market, of which cards based payments were for less than \$1 trillion. 'With only a 1% share, we are just scratching reflected, adding that 'if all of the corporations worldwide adopted corporate cards alone, the market would grow to \$5.7 trillion!'

Surveys of 400 companies over the past few years had demonstrated felt reporting and integration, service and acceptance were the most decisions on switching supplier were keenly focused on pricing and 'Decisions are driven by cost, even though clients say it's about service levels - so how can we change this? Verdin asked. The answer was to better focus on customer needs, taking a balanced approach tailored to each segment.



examined key themes payments

of the \$90 trillion currently responsible the surface' Verdin best practice with

that while customers important needs, financials.

Next, Head of Global Commercial Solutions at Visa, Darren Parslow, looked at how Visa thinks about innovation. Estimates of market size and the enormous market opportunity were similar to those of MasterCard. Prepaid was a particularly huge - \$3 trillion - opportunity, three times the size of the entire existing market.

The objectives of innovation were to increase the number of participants, the number of interactions, and the value of interactions. 'Take an old familiar problem and apply new solutions and technology'.



'It's not about having sexy products, but about how we sell and distribute these' said Parslow. 'We have great tools, but don't have great sales and marketing distribution to get them to the customer – relationship managers need to sell solutions, not technology or how we do things – they need to solve the problem' .

Parslow emphasized that while competing with cash and check is the key focus, companies should be asking how to make their CPOs and CFOs lives easier and use us more by selling existing tools in a more effective way. 'The assets are there, we need to use them in different ways – for example, providing a monthly report to SMEs saying 'we saved you so many \$' using existing products to add value'.

The session ended with Vice President Business Development at UATP, Tony Cunningham, explaining how UATP was helping to expand alternative forms of payment in the T&E segment, working with the core group of 26 airlines. The objective was to price-Smith-style' to create a 'Win-Win-Win' match consumers, issuers and merchants 'Adam solution including all parties.



Cunningham emphasized that 30% of the alternative form of payment such as using existing relationships and develop new relationships between

largest global retailers now accepted an PayPal. By partnering with Airlines, UATP was technology to increase choice for consumers and issuers and merchants.

Closing the opening session of the summit with a look at future trends, Cunningham described how issuers and corporations needed continued development of online booking tools, where data can be tracked and analyzed 'real time. Better data improved issuer relations and easy to use billing systems and online portals and dashboard enabled better business decisions.

The summit then broke into concurrent sessions, the first of which examined global commercial payments innovations and the control of costs through innovative prepaid solutions.

Spotlight Session A – Prepaid Innovations – the Fast Growing Segment

The enormous opportunity for commercial prepaid is a much discussed topic and the first spotlight session looked at how these products could be further developed through innovation.

The session began with a presentation from Jennifer Vanderwall, Senior Business Leader, Commercial Prepaid Solutions, MasterCard Worldwide, which focused on Commercial Prepaid Innovations – new business, new customers, and new revenues.



Vanderwall made a strong case for commercial prepaid stating that it made sense for both businesses and government agencies and can play a strong role in the business payment mix as it is low risk, does not require granting credit and is perfect for one-off or infrequent payments.

She went on to detail the large opportunities available. By 2015, research done for MasterCard suggests that the global public sector prepaid GDV will be \$284 billion and the equivalent estimate for commercial prepaid is \$195 billion.

Illustrating her points with case studies, Vanderwall cited several case studies including the U.S. social security payments program which allows 4 million unbanked recipients to get benefits faster and safer and saves the agency 89 cents per check. The Italian government used the Poste Italiane card to deliver aid to 1.3 million people and the U.S. Red Cross now regularly delivers disaster relief on prepaid cards. Other examples, such as replacing employee meal vouchers in Venezuela and Walmart's payroll program were highlighted to show the real benefits of commercial prepaid applications.

The next presentation from Christopher Russell, Executive Vice President, Travelex Global Business Payments, looked at Controlling Global Costs through Innovative Prepaid Solutions. Russell looked at current options available for corporate and government payments and then examined the challenges that prepaid can

address: credit/risk; fraud; maximizing efficiencies; cost reductions and personnel changes. He noted that 'cash is vulnerable and prepaid provides many benefits to offset this'.

Russell defined the Travelex target market for prepaid cards as 'any company or government agency with domestic and/or international travel'. The main benefits of these products are the simplicity and security of the systems and the lower costs which users enjoy.

He ended with several interesting case studies to illustrate the points made above, including how Virgin Atlantic replaced all crew payments of cash and travelers cheques with prepaid cards for over 5,700 employees.



The second concurrent session looked at the way in which innovation drives customer adoption.

Spotlight Session B – Innovation Drives Customer Adoption



Henry Ijams, Managing Director and Founder of PayStream Advisors, started the session by observing that commercial cards growth was slowing after period of very high growth, and that there was a need for more innovative approaches to change customer behavior and attitudes. The broadening payments landscape presented many opportunities, but how could these be taken advantage of?

Ijams presented research data on recent developments in electronic invoicing, payables discounting and other working capital solutions, P-cards and supply chain financing. He noted that although over 50 % of companies were evaluating e-invoicing, only 20% were currently using this process. Most tellingly, a two-thirds majority of respondents (64%) stated that they processed fewer than 25% of their invoices electronically – indicating the enormous unmet potential. Overall, only 20% of invoices were processed electronically. These figures indicated the enormous potential from filling hitherto unmet ePayment adoption goals.

PayStream's e-payment and P-card survey, which covered a cross section of 500 companies in the US, revealed that almost 80% of companies were using ACH while 72% were using P-cards. Findings revealed that ACH stands out as a preferred mode of payment for several advantages including cost, data security and completeness, and supplier acceptance while P-card were seen as a better option in terms of "ease of use". 60% of participants were planning to increase their use of ACH. 67% stated that use of ACH had increased over the past 2 years, while this figure stood at 48% in relation to P-cards.

Diane McGuire., Managing Director of the National Association of Purchasing Card Professionals, next presented an interesting customer perspective on the challenges of taking P-cards global. She commented on the huge gap between where companies currently had a P-card program, and where they are interested in establishing one: for instance, 14% of respondents currently had a program in Europe, but 44% wished to have one.



According to McGuire, the largest obstacles respondents encountered in taking their programs across borders included finding a single issuer for all markets, complex legal and regulatory requirements, and lack of supplier adoption. Other challenges included understanding contracts and pricing structures, the need to use multiple systems (even if on one platform), lack of line item detail, local support levels, and the prevalence of Chip and PIN outside the US.

On the question of how providers could assist companies in going global, McGuire revealed that simplifying exchange rate conversion, better reporting, and providing education were among the key needs – along with improving supplier acceptance. Identifying and contracting issuers, obtaining sufficient local support, and identifying and understanding available technology were also mentioned as critical areas on which to provide help.

Spotlight Session C – Future Vision... How Litigation and Legislation May Affect Cards and Commercial Payments

This spotlight session addressed how legal and regulatory developments might impact commercial cards and payments. The first speaker, David E Teitelbaum, Partner, Sidley Austin LLP presented an update on U.S. Regulatory Developments. Teitelbaum stated that overall commercial cards have greater flexibility than consumer cards.

The recent CARD act changes do not apply to commercial cards directly but Teitelbaum offered a very good description of how resource drains from the consumer side of the business could impact commercial cards. He noted that commercial cards do have their own set of challenges though, including criticism of small business lending, card substitution rules and cards for international clients.

Prepaid cards will likely be affected, especially rewards, incentives and payroll cards. However Teitelbaum described the complete exemption on prepaid cards not marketed to the general public, for example employee travel cards.

Other regulations were discussed with the real message that the complexity of these laws and the difference of state by state rules make it a challenge for the industry.

This was followed up by a European regulatory update presented by William Long, Counsel, Sidley Austin LLP. Many multinationals, even if based in the U.S. must understand these regulations as they will impact their payments practices.

Long explained that there have been several regulatory developments in Europe and all are designed to increase competition and open the market. These include regulations such as the Payments Services Directive which is designed to enhance transparency and standardize laws



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Other regulations, such as the new Anti-Money Laundering Directive and the Third E-money Directive will impact commercial cards as network branded prepaid cards will be regulated under this.

E- money Directive and the Third were reviewed. Long specified

An issuer then addressed the audience with a challenge about regulation – are we going to do it ourselves or are we going to sit and wait to be regulated? Kevin Phalen, Commercial Card and Comprehensive Payables Executive from Bank of America delivered a very thought provoking talk that challenged the industry players to get out and work with regulators better. He outlined the potential dangers of not doing this and speculated on the severity of the impact to the industry if revenue streams such as interchange came under regulation.

Phalen also touched on some of the impacts of regulation to date and how the industry might work together better to present a unified point of view to regulators and customers.

Spotlight Session D – Automation as Innovation?

The fourth Spotlight session focused on the link between automation and innovation.



First, Peggy Yankovich, Senior Vice President, Global Transaction Banking Division of HSBC, looked at how innovation could be employed to integrate commercial cards into AP systems. Yankovich described how innovative products had been recently introduced which increased the speed and efficiency of payment system transition to automated platforms, although stressing there was still a need 'for an incremental process with a keen focus on controls around invoice and payment approval'.

U.S. B2B payments were currently worth \$18 trillion, of which \$14 trillion was accounted for by transactions over \$5k. While check still accounted for some 70% of payments, and P-card less than 7%, a majority (61%) of companies were talking about moving P-card to new spend categories. Peggy went on to describe that principal barriers to adoption of cards continue to be perceived control issues, as well as challenging supplier economics.

There was nevertheless a definite and growing trend from paper to electronic payment: 'the economic crisis means Treasury and Procurement have become more strategically important departments in a company than they used to be. Companies are trying to drive out cash that is trapped in working capital.'

According to Jeffrey Pape, Senior Vice President, Program Management at US Bank, companies are being forced to change payments for economic reasons. Recent research is showing that use of checks is falling faster than expected, and that consolidated, integrated payments are what customers are increasingly looking for. Furthermore, companies are realizing that A/P execution and supplier adoption has strategic value, to drive cost out of process – using automation to increase efficiency and reduce costs while maintaining control. According to Pape, 'for the first time, in 2010 the percentage of electronic invoices is expected to surpass that on paper - this shows that the trend is really taking hold now'. Organizations realize that they must balance the range of controls with the needs for cutting costs, and that introducing cards can achieve these aims if the right controls and analytics are in place. Key challenges, according to Pape, relate to how tightly checks are embedded in the system and the trend towards epayments: 'suppliers and checks are still very tightly intertwined'.



Pape's final message to the audience was that a well-tuned accounts payable process had a high strategic value to most CFOs and purchasing organizations. As a result, silos were increasingly breaking down, and 'in the next two years or so, payments integration will become a base expectation of clients - and will rely on you to deliver this'.

Customer Forums

The remainder of the first day of the session was dedicated to a series of Customer Forums. These focused in turn on the needs of multinational corporations, mid-market companies, and the Public Sector.

Customer Forum A – Meeting the Needs of Multinational Customers



Paul Horn, Director of Global Transaction Services at Citi, introduced the first customer forum focused on Multinational Corporations by examining the major trends and innovations in global commercial payments.

Horn started by reminding participants that P-cards continued to be a difficult sell in many European markets, as checks had already largely been replaced by more efficient electronic payment methods. This highlighted the need for providers to add more value than 'just replacing paper checks'. Networks had a huge infrastructure for moving money around, Horn said, which had enormous potential. He added 'we collectively as an industry need to make this a workable solution'.

U.S. customers are asking Citi to take its ideas globally, Horn said, but some if this was not yet possible – even with Citi's proprietary global platforms. Client challenges included reconciliation, visibility of spend, and fraud – and they were 'crying out for product to meet those needs'. The most successful approach, Horn felt, was to find the biggest pain point at the client and helping them to solve it.

Citi Director of Global Transaction Services John Finnigan followed on by emphasizing that here were no 'right answers' for multinational clients 'what one sees as best practice for one client is not acceptable or appropriate for another' – hence the need to have a highly customized approach. To achieve this, Citi used a highly effective diagnostic covering supplier type and segmentation, payment methods used, and where the company is versus where it wants to get to using different technologies.



Finnigan described how a full spectrum payment analysis of AP data was utilized to identify working capital efficiency opportunities, along with industry benchmarking, in order to identify and help achieve efficiency, savings, and best practices.

Customer Forum B – Identifying Innovation Requirements of Mid-Market Corporates

Mark Ellefson, Senior Vice President and Christine Hunsucker, Senior Vice President, Treasury Management Sales at Wells Fargo, jointly opened the Forum with a look at digitized payments. Reflecting on the great achievements to date of the commercial payments industry, Hunsucker said evolution had become revolution, and questioned how we can apply where we have been to where we are going.



Hunsucker spelled out a few key learnings from Wells Fargo's work with mid-market clients.

Learning No 1: Increasing the complexity of programs only works if the end user gets a benefit. The technology put in place should not be driving corporate policy, the company should do this – you can't allow the technology out there to control the business, technology should complement the business.

Learning No 2: The basis of long run success all starts at the beginning. If given control, customers want to over restrict programs; to get around this, we benchmark with other companies in the client vertical and see the way they do it, the limits set etc.

Learning No. 3: More data does not mean the right data. Clear data and materiality drives adoption, and standard reporting often gives you the best outcome if it is used intelligently. Put in right and consistent data into a workable solution that addresses customers' needs and concerns.

Megan Minich, Senior Vice President, Commercial Electronic Office, Channel Management, Wells Fargo, next examined how mobile technology was likely to impact commercial payments. Minich commented that mobile communication products were fundamentally changing how people were doing certain things. Minich challenged the audience to 'think what mobile means for your customers - how it will evolve, and replace paper with electronic'.



Minich described how mobile is changing the way we are living – pointing to studies showing people are more likely to leave home without their wallet than their mobile phone. The reach of mobile is greater than ever, allowing customers to increasingly multi-task.

'What does this mean for you and your company?' Minich asked the audience. 'How do you change the way people pay and work?' The answer was to know your audience, whether corporations, merchants or consumers, and to encourage adoption with promotions and rewards. Minich commented that Wells Fargo has global mobile payments platform, and that there had been numerous learnings from developing this. Customer don't use mobile to reconcile accounts, but use it for approving payments and checking balances; locally downloaded applications were preferable to browsers due to the great variety of devices in the market; and 'the coolness factor gives you a one-time trial only'.

Minich ended by saying that customer expectations are rapidly rising, and 'what is now new and in vogue, soon customers will be expecting this from you'. The advent of new devices such as the iPad would have further implications, however she added 'don't just adapt and shrink laptop applications to a smaller screen, but translate your approach to the next level' - citing the successful example of emailing customers pdf account statements requested by mobile.



Customer Forum C – Innovation Drives Growth in the Public Sector

The final Customer Forum looked at the way innovation drives growth in the Public Sector.

Eduardo Vergara, Managing Director and Global Commercial Card Executive at J.P. Morgan, introduced the forum by comparing and contrasting private and public sector commercial payments needs. Vergara said that the public sector was a global leader in innovation and best practice, but had needs which had to be approached in a very special way. The biggest difference, Vergara noted, was that in the public sector payments needed to support the mission, and the risk of failure could therefore be 'life threatening'. Additionally, the public sector is open to public scrutiny and the slightest issue could become a public relations nightmare.

Public Sector payments exhibited more controls and greater sophistication compared with the private sector, Vergara commented, with a principal focus on pre-approval rather than reporting and reconciliation. Public sector needs could rarely be met with a plain vanilla solution, and had to be even more customized than those for large corporations.

Next to speak was David Shea, Director, Office of Charge Card Management Federal Acquisition Service, U.S. General Services Administration. Shea, responsible for the US SmartPay 2 initiative (the largest commercial card program in the world with 3 million cards, \$30billion in charge volume and 100 million transactions annually) complemented the commercial payments industry on its services to Federal Government, but highlighted the problem that 'companies try to approach our sector with a plain vanilla approach and fail, as government has unique requirements as the price of mission failure is extremely high'.



Shea felt that providers sometimes did not 'do their homework sufficiently'; although he admitted that government departments were also at fault as they often did not know what they needed. Referring to earlier comments from Wells Fargo, Shea advised 'don't listen to how we talk, but see what we do'.

As with NASA, the Government wanted to be an innovator to help the private sector develop new applications, Shea commented, adding that 'what you have helped the Government do is great, but the surface has only been scratched'. Innovation, he believed, could best be encouraged by better communication as well as understanding. 'It's important that the solution won't 'lose' us' he commented. Shea also questioned how the payments industry would cope with new regulatory initiatives impacting Government spend, such as the 3% withholding on higher value merchant payments required by TIPRA in 2012.

In terms of future developments, cleaner reporting and the development of green data measuring carbon footprint were key requirements.



Graham Mackenzie, Stored Value Program Manager, US Department of the Treasury, went on to describe how innovation had been used to take 'Cash Off the Battlefield'. Referring to Stryker's recommendation to use an incubator approach, Mackenzie described how the army had replaced a variety of curious payment methods – including 'Instant Payment Certificates' and POG coupons - with 'instant issue', offline chip card. He described how the first 'EZpay' single load closed loop card had evolved into a re-loadable open-loop card, and Navy Cash had been issued with a chip and MasterCard general purpose spending facility.

These payment products had both increased satisfaction of end-users, by replaced lengthy compound queues, and reduced the risk and cost of transporting mountains of cash. Card interoperability was the next area that needed to be developed, commented Mackenzie.

Next, Eva Robinson, Executive Director and Head Public Sector Commercial Cards JP Morgan Treasury Services, explained how public-private partnerships were helping advance U.S. Government payments. Robinson commented 'much of what we experience today in our industry is the result of the cooperation of the public sector with the private'. She added that 'forums such as CPI give us opportunities to exchange best practice'. Robinson referred to a number of successful initiatives including the One Card at the Department of the Interior with: 90,000 cards and \$690m in annual spend, which showed how technology could adapt to the specific needs of customers. Robinson commented that in contrast to P-card, Prepaid was still to reach a plateau with opportunities to displace considerable check and cash volumes.



Robinson ended by offering a few tips to the audience. 'Know your customer, develop intimacy with Government'. However she cautioned 'be aware of the difference between public and private sectors – the crucial importance of mission, for example – these are the secrets to differentiation'. She advised that dialogue could not be emphasized enough.



In the final presentation of the session, Richard Palmer, Chair of Accounting and MIS at the Harrison College of Business, examined historical and 'best practice' perspectives relating to US Government P-cards.

Palmer cautioned that while the Government P-card had been a tremendous success, certain negative trends were appearing: recent P-card usage had fallen as a proportion of government budgets, and the number of transactions had declining even though average transaction size had risen. He concluded that government P-card usage was now falling behind the private sector now. In Palmer's opinion, providers needed to continually refresh their programs, both private and public sector – and that benchmarking was one way to offer support as well as offering end-user usage incentives. Referring to the sensitivity to scrutiny of Government programs, Palmer noted the differing impact of 'traumatizing events and the effect of bad audits in Government in comparison with private companies'.

Delegates then adjourned to a reception where they networked, debated and exchanged views about key industry issues and developments.



Drivers of Customer-Centric Commercial Payments Innovation – The Big Picture



The first speaker of the second day, David Hillman, Principal of Consulting Strategies LLC, asked how the commercial cards business could be grown from \$1 trillion to \$5 trillion without fighting the rebate battle. Hillman revealed that 90% of travel costs derive from the actual cost of goods and services – principally air and hotel – and that this was where the savings opportunities for companies were to be found, rather than from squeezing out further rebates. The recession was focusing companies more than ever on travel expenses, creating opportunities for corporate cards. Hillman indicated that the key decision maker had changed from the Travel Manager, who was focused on travel costs, to the CFO and CPO who were more focused on price and rebate, and that the challenge was to re-focus attention on the more important 90% cost portion.

To encourage corporate card usage, Hillman said providers should use benchmarking to show customers the return that mandated corporate card usage policies bring to the bottom line. He added that while many global companies used to run regional programs, they were increasingly looking for a true global capability - providing local issuance and relationship management and consistent globally integrated data.

Describing meetings management as 'the last bastion of un-managed travel', responsible for between 25 and 40% of total T&E expenses, Hillman said providers needed to demonstrate to clients that corporate and P-cards offered a very effective solution to controlling this area.

Hillman continued by examining the way providers could differentiate their product by developing enhanced data to deal with ancillary airline fees, and using relationship managers that understand travel.

Matthew Jackson, Corporate Card Consultant, Transaction Services Specialized Business, National Australia Bank (NAB), presented under the descriptive title of 'Know Cards Know Savings – No Cards No Savings'. He reviewed the ways in which NAB had differentiated itself from the pack, helping the issuer achieve dominance of the government and university sector.



NAB focused on customers who truly understood the value that cards can bring to a business, Jackson explained, and that real time technology and owning a fully integrated, proprietary expense management solution had been the key to achieving growth.

It was easier to retain and grow an existing customer than to bring in new clients, Jackson reminded the audience, saying that effective Relationship Management was the key to developing 'lifetime relationships' with the highest client retention rate in Australia, at 95%.

Jackson continued by describing the importance of speed to market and scalability, and how end-user acceptance often needed a staged approach – for example continuing to send parallel paper statements for a time before moving to full electronic billing. He described how selling in the card served the important task of 'opening the door' for the rest of banking team to sell products.



Next Des Cahill, Managing Director of First Data Commercial Services, offered suggestions on how to put checks out of business. Cahill said checks were difficult to reduce as they provided control and comfort to CFOs - who 'view with terror the spectre of employees running about with thousands of cards'. Checks were slow, expensive and error prone with 90% of the process conducted manually. Automation was not just about moving check to ACH however, but creating an opportunity to gain efficiencies from moving to electronic processing.

Cahill blamed slow progress on the fragmented range of solutions available, which did not provide balanced benefits to all interested parties. These solutions, he said, often 'robbed Peter to pay Paul' and went on to ask 'why do consumer solutions have more traction'? Examining these helped understand what to do in the corporate environment, he suggested. People could use iPods without training – 'we are far too technical and complex in our industry, we aren't thinking enough about the customer' he added, referring to a recent article suggesting lack of technical literacy was anchoring people to checks.

Cahill closed by warning that an independent 3rd party might bring in a solution, and that this wouldn't be a financial institution.

Referring to the size of the multinational segment, Robert Kirby, CEO of Spendvision, commented that 'even small companies are now multinational'. According to Kirby we should not spend our time explaining how a technology works, but deploying it to a customer to meet his needs, which in the case of multinationals meant one seamless solution fully 'in sync' with business requirements.



In Kirby's opinion, 'we are facing radical change in the way Telecoms companies, who already have the technology in increasingly define how we interact: mobiles will become the that changes in the psyche of consumers will shift into the payments will rapidly move to an end to end solution covering vendor finance and cash flow management.

payment systems operate'. place, will be key players and access device. He predicted corporate world, and

Card providers, Kirby continued, would need to support this model in the multinational space with secure integrated payments, corresponding with uniform corporate business rules. A seamless single platform would be required, with consistent customer service and consolidated global data. But, Kirby said, 'we need a smarter way of doing this without rebuilding what we have. We need a standard set of platforms, there is no value in fragmented set up with multiple confusion points - we need one solution for everybody in the value chain'.

Small Business Forum



Lance Blockley, Managing Director at Edgar, Dunn and Company, opened the session by reviewing issues impacting SMEs when paying cross-border suppliers. While globalization to most people conjured up visions of Volkswagen, iPod and Fosters, many SMEs were becoming multinationals in terms of product sourcing overseas to reduce costs. Research showed that as they did so, they faced significant challenges in foreign exchange, security and surety. To this group, who made relatively infrequent transactions, convenience was key and price sensitivity low: they wanted a common, standardized and simple way to pay. What was required was not a bespoke Citi-style diagnostic, but a generic system and template-based platform.



Continuing with a review of small business credit cards, Frank Martien, Leader of Commercial Payments Practice Area, First Annapolis Consulting, said that small businesses now had a recovering charge-off profile. Martien revealed that as many as half of small start-ups are financed by SME credit cards, which tied in with president Obama's initiatives to support this key business group. As a result, innovation in business charge cards was becoming a key area. Inspiration could be taken from Europe, which had progressed further with such products including small business charge cards, which attracted confident players with a better risk profile and higher spend – a potentially profitable product for the U.S.

Drivers of Customer-Centric Commercial Payments Innovation – Applications for the Future



Sid Vasili, CEO and Founder of Invapay, opened the third general session of the day by addressing the question of how suppliers and financial institutions could best innovate to meet customer needs. CEOs, Vasili said, faced ever-increasing challenges with rising compliance and processing costs, supply chain and receivables risks and a lack of liquidity – with a growing focus on cash flow and control rather than only cost. However, banks were not listening enough to companies' needs – they were offering products and not solutions.

Referring to research showing 80% of companies thought procurement was important for competitiveness, Vasili described how processes remained mired in paper, poor data continued to inhibit supplier contract negotiation, supplier coverage was restricted by service fees on large ticket items, and the key decision makers, CEOs, had low supplier knowledge and were difficult to reach.

Banks needed to make it easier to cut operating expenses and optimize working capital, in Vasili's opinion, melding all parties into an end-to-end solution. 'We are not offering a 'joined up' solution, we are running 'silos' of solutions' he said. Another key issue highlighted by Vasili was the need to distribute rebates throughout the organization – to 'spread the joy' thereby increasing P-card acceptance.



TSYS Commercial Services Group Executive Keith Pierce followed with an assessment of emerging forms of flexible payment solutions. The increasing pace of change needed to be embraced to help customers, who had high expectations for flexible, bottom-line impact products which presented profitable opportunities for providers. With their bird's eye view, processors were in a good position to help identify evolving needs and potential solutions argued Pierce. The more sophisticated needs of buyers and suppliers required more sophisticated solutions from providers.

Emerging forms of flexible solutions included card normalization using payment intermediaries and supplier cards, guaranteed funds payments, and multi-source fund vehicles enabling pay now, pay later, or pay along. Meeting future customer needs will require increasing confluence, flexibility and interoperability, concluded Pierce.

Robt Sadeckas, Global Card Strategist at HP Enterprise Services, concluded the session by taking a look at how convergent technology enabled new packaging of services to drive growth. Sadeckas described how the advent of 'Cloud technology' enabled providers to package multiple services into one portal 'edge' to the virtual world, and integrate information from a wide variety of applications and sources while giving a seamless appearance to customers. The 'edge of choice' for both banks and customers, Sadeckas predicted, would be the mobile device.



Sadeckas went on to ask 'how do you sell this to customers? To do this, he argued, we need to know how customers can use this technology, and applications need to add true value and be accessible. Multiple points of communication with customers are valuable, increases intimacy.

To conclude, Sadeckas referred to the potential push back from management, who might say 'but what does this have to do with banking?' However, he predicted that 'if you don't do it, somebody else will' referring to the way in which POS terminal suppliers had made inroads into additional services to merchants that were traditionally provided by banks.

A 360 degree View – Key Stakeholder Innovation Panel Discussions

The Summit concluded with three separate panel discussions. The first panel focused on customer needs, with the predominant view that end-users wanted ease of use, convergence with consumer systems, and integrated platforms and data. Unless card members could easily log in and reconcile transactions, they would default to an inefficient paper process and valuable data would not be captured.



Panel A – What do Customers Really Need?

David Shea again emphasized the critical Government need to support mission delivery: payment products needed to be reliable and have the confidence of end users. Rebates continued to be important, tangible incentives to departments. Data however was the 'Achilles heel' of the value proposition – clean level III data was needed to understand spend

for strategic sourcing, identify new products for mission delivery, and provide oversight to detect issues in compliance and buying patterns.

Janelle Centers, Global P-card Program Manager for Intuit Inc., commented that as customers 'we don't know what we don't know, and we rely on you to help and guide us with subject matter expertise'. Providers needed to show users how technology would benefit them, and what the value proposition was for each stakeholder. Relationship Management was also critical, not only for a 'pat on the back' but to deal with sometimes difficult situations where honesty on what could realistically be delivered, reliability and trust played an important role in retaining and building the relationship She emphasized that rebates continued to have high visibility, but this could be diminished through a strong value proposition.

Finally, Centers commented that while process efficiency had been maximized, compliance and supplier optimization was now a key focus at Intuit.

Panel B - Financial Institutions Want to Meet Customer Needs

The second panel began by reviewing the role of relationship management, and the importance of developing customer intimacy. On-site visits and call reports shed light on what is driving a customer's business, what the key challenges and pain points are.



One theme was noted again and again: the importance of integration, not only into ERP systems but from point of view of overall payment strategy. Banks are beginning to realize that a more sustainable payment strategy is to offer multiple payment products. To support this there needs to be greater vertical specialization, understanding which industry a customer is in, the business model, and what the buy and supply chain looks like. Customers require relationships to be managed with project management discipline using integration specialists rather than technology specialists, and

meeting this need pays dividends. It is important to sit down with your CPO and understand his objectives; this will help a provider win business.

Panel participants also discussed how as banks become increasingly sophisticated, there was a need to do more 'silo busting'. They should not just sell to, but listen to the customer – for example a U.S. solution is often not right for an Asian customer. Second or third party information could not be depended on: banks needed to go to customers and obtain direct input. Cards were central to the sale, but customers often wanted other solutions and to ignore this risked losing business to others who could provide these wider solutions. However, one issue raised was, how do banks make a profit given the high cost of attentiveness to individual needs and product customization and innovation?

Panelists discussed how rising global interest rates would require changes to the card payments business model. This might make the model of rebates unsustainable, and necessitate some tough negotiations on extended payment terms.

Panel C – Advancing Commercial Cards and Payments

The final panel was composed of non-financial institution members of the CPI Advisory Board, all leading professionals in the commercial cards and payments space.

The first topic focused on the organizational models that were most effective in providing commercial card services.



Although the growth in corporate and Government commercial prepaid card applications had been dramatic, it remained a mystery for some organizations as to why they should use such cards. Program Managers offered excellent insights into this challenge, as they can see across the whole process including technology and service offering. These advisors are very vertically oriented industry-wise, and provide an excellent dynamic for financial

institutions to increase profits by getting closer to customers.

The next point to be raised was that as inefficient paper payments processes in both the consumer and corporate world were a substantial burden on the economy, should Government not be more involved? Comparisons were drawn with Europe, where SEPA was being implemented, in contrast with the U.S. approach of relying on market forces. A commonly held view was that intervention was appropriate in some cases, with reference to how in Ireland a levy had led to dramatic reduction in usage of checks.

A challenge presented to the panel was that commercial card average ticket price and spend was stuck at relatively low levels, despite the development of many features to encourage usage. There were many barriers that the industry was not addressing, and this needed more cooperation among all parties. What was needed was an easy to use, efficient, low cost payment system but the increased number of complex systems make it difficult for people to understand even for those working in the industry. Was there room for a PayPal style product called BizPal?

Another panelist's view was that the industry had multiple products available but had made little headway in penetration – particularly in fleet and travel. Who would help in dealing with this challenge? Who was sitting down with customers, including government and airlines, to look at the key issues with them? Should this be the role of MasterCard and Visa, or should it be done issuer by issuer? What was needed was a vertical perspective on what the issues were and how to solve them.

The value proposition should be shaped to appeal to all stakeholders, was the opinion of another panelist. The industry is too siloed, and needed to 'gain the ear' of the customer. There were many needs that card-based systems could meet, but there was too much focus on what it takes to launch products and platforms rather than on ways of helping end-user adoption. Legislation, for example on virtual payments, needed to be appropriate for the issues, and bodies such as CPI have an important part to play in this area as innovation is introduced. Regulators don't understand enough about the industry yet, and need to be guided to introduce the right type of regulation.

A question raised by the audience was which other industries commercial payments should benchmark with. One issue identified was that while benchmarking looked backwards, innovation looked forwards. Could industry associations play a role, as they can provide benchmarking information across their membership base? Should we be using web conferencing, social groups and networking? Benchmarking data should help identify low-hanging fruit, savings that can be unlocked with new technologies and techniques. Private label, single purpose cards could also offer insights – for example in the area of auto parts and home improvements: certain features might be integrated with general purpose cards to increase impact and serve mid-sized organizations with a single product.

The final question of the session asked, if the U.S. Government mandated that checks be phased out as had the UK Government, where would these payments go? In response, panelists agreed that this scenario should be articulated by the whole industry. Clear migration paths and products would need to be developed for organizations not yet ready to adopt a fully electronic approach, as had been done by the APACS industry body in the UK. There was general agreement of the useful government could play to increase efficiency in system: Sweden had a similar card penetration to the US, but had converted almost all checks to ACH.

The summit concluded with a summary of the key themes of the two days and an invitation to join CPI same time, same place next year for the 3rd annual Global Commercial Cards and Payments Summit to be held at the Hilton New York, March 23 – 24, 2011.

