

[Home](#) [Payables Finance](#) [Receivables Finance](#) [Alternative Business Finance Index](#) [Network Sites](#)[CONTACT US](#) [ABOUT US](#) [ADVERTISE](#) [SUBSCRIBE](#)

Cards Still Fall Far Short Capturing B2B Spend

DAVID GUSTIN - May 30, 2017 1:14 AM | **Categories:** |



According to **The Nilson Report**, in the United

States, Visa, Mastercard, American Express, Discover, and private label (store, gasoline, medical, etc.) credit cards accounted for a combined \$3.347 trillion in purchase volume. Global card purchase volume for goods and services, reached \$20.6 trillion in 2016. Needless to see, both figures are impressive.

This spend generates significant processing fees for the card companies and other value added service providers such as the hardware provider, acquiring bank, card network, and the payment processor. Processing fees are paid by merchants and suppliers, where merchants are paid say \$97.50 for every \$100 transaction generated by a

Lead Sponsor

Get **Trade Financing Matters** In your Inbox.
SUBSCRIBE TO THE FREE WEEKLY DIGEST.

Popular Posts

Recent Comments

[Deutsche Bank acquires stake in FinTech TrustBills](#)

[Providing Preshipment Finance to Resellers in Africa](#)

[Event Driven Finance – Where are we now, where are we going?](#)

[Are Invoice Auction Marketplaces on Life Support? Post 1](#)

[10 Questions to Ask when Setting Your Customer Credit Limits](#)

[Cards Still Fall Far Short Capturing B2B Spend](#)

Trade Financing Topics

[Accounting Treatment](#) [Accounting Treatment](#)

[Alternative Finance](#) [Asset Based Lending](#) [Bank Financed](#)

[Credit Risk Management](#) [Dynamic Discounting](#) [ECA Finance](#)

[Factoring](#) [Invoice & Receivable Finance](#) [Legal & Regulatory](#)

card, and the other \$2.50 or so are split between the entities mentioned.

But according to **MasterCard**, Commercial Cards penetrate 1.6% of spend vs. 15% of personal consumer expenditure for Consumer Cards.

Why the variance between consumer and business?

When it comes to B2B and B2G transactions, card companies still fail to make much inroads in capturing spend volume, even after adding all kinds of fancy virtual card and ghost card products.

Why? Well, simply from my perspective, there are significant benefits flowing one way to the buyer using cards, whether pcards or virtual. These come in the form of deferring a payment by up to 55 days and rebate income provided as reward for using the card. From the B2B supplier's perspective, the card companies can talk about accelerating payment (with fat interchange fees, see chart below) or helping provide remittance details to settle transaction more efficiently, but that value proposition is weaker, especially for companies that are not small enterprises and have five or six figure invoices.

Letters of Credit Payables Finance Receivables Finance

Research Download Reverse Factoring Risk Management

Specialized Purpose Vehicles Supplier Onboarding

Supply Chain Supply Chain Finance Technology & Platforms

Technology & Platforms Trade & Commodity Finance

Trade Credit Commentary Trade Payable Finance

U.S. Merchant Card Fees 2016

Type	Fees (bil.)	Purchase Vol. (bil.)	Weighted Average
V/MC credit	\$47.53	\$2,242.02	2.12%
American Express	\$16.41	\$695.44	2.36%
V/MC debit	\$15.21	\$2,083.65	0.73%
PIN debit	\$3.39	\$505.73	0.67%
Private label credit	\$3.37	\$287.86	1.17%
Discover	\$2.48	\$121.47	2.04%
Total	\$88.39	\$5,936.17	1.49%

© 2017 The Nilson Report

There is also the issue of the legal structure. Pcards just do not deal with B2B disputes and discrepancies for companies to adopt for invoices other than T&E, suppliers, events, etc. The challenge banks have with B2B pcard transactions and higher dollar invoices is the pcard model for dealing with disputes is modeled on B2C transactions.

As a vestige of consumer credit card practices, corporate purchase cards still put the onus of chargebacks directly on the supplier, possibly circumventing existing contracts between buyers and sellers. In a typical scenario, buyers have up to six months to dispute a transaction and push it back to suppliers. This is too long—especially if card associations and banks want suppliers to use purchase cards for large transactions that go into the millions-of-dollars range. There is simply too much risk for both the supplier and the acquiring bank to assume over such an extended period. By abiding by the purchase card chargeback rules, both parties forfeit their right to other means of dispute resolution, thus complicating this scenario further.

If the weighted average is above 2% and they factor in many large companies like airlines, etc. that would pay considerably less, you can imagine what fees suppliers must pay for B2B transactions.

As I reported in a **recent study I did with the middle market**, although Pcard/virtual card use was the most popular technique according to our survey, we consistently hear how expensive the card model is to accelerate payment. In addition to only covering certain spend categories, the middle market companies have some leverage to fight off fees relative to their

some leverage to fight on use relative to their customers.

It certainly is an interesting space to keep abreast of, and **Trade Financing Matters** sees several developments and questions to ponder:

1. Whats up with Fintech & Card Partnerships? Are we finding success? - BaswarePay, VisaPayables-Bottomline, Amex BIPs, Visa – Invapay, etc.
2. Are suppliers willing to pay for the convenience of virtual card payments? Which types?
3. Will these products be used for more B2B marketplace transactions – see **American Express Thinking Beyond the Card**

For those interested in understanding this space more, please contact me at dgustin@globalbanking.com

Don't forget to sign up for TFM's weekly digest delivered to your inbox every Monday [here](#)

Related Articles

Discuss this:

Your email address will not be published.

Required fields are marked *

C o m m e n t

Name *

Email *

Website

Post Comment

Notify me of new posts by email.

Coverage

eProcurement /
Procurement
Supply Chain Management
Sourcing
Commodities
Supplier Networks
Services and Indirect
Spend
Healthcare Procurement

Network

Contributors

Pierre Mitchell | Jason
Busch
Peter Smith | Taras
Berezowsky
Kaitlyn McAvoy | Sheena
Smith
Lisa Reisman | Stuart Burns
Gert van der Heijden | Tom
Finn
Xavier Olivera | Jesus
Campos

Regional Coverage

United States
United Kingdom and
Europe
México y América Latina
The Netherlands
China

Quick Links

Sponsorship and
Advertising
Media Kit and Rate Card
Privacy Policy
Terms of Use

Network Sites

Spend Matters | Plus / PRO |
CPO
MetalMiner | MetalMiner
Indx
Spend Matters UK/Europe
Public Spend Matters
Europe
Spend Matters Netherlands
Spend Matters México y
América Latina
Trade Financing Matters
Public Spend Forum
Spend Matters Group
Healthcare Matters

Azul Partners, Inc.

625 North Michigan, Suite
1220
Chicago, IL 60611
Corporate Sales:
215.508.7414

Corporate Address

421 West Melrose, 10C
Chicago, IL USA 60657

Copyright 2004-2017
Azul Partners, Inc.
All Rights Reserved.

Spend Matters Network