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Commercial card spending set for strong growth as focus shifts from T&E

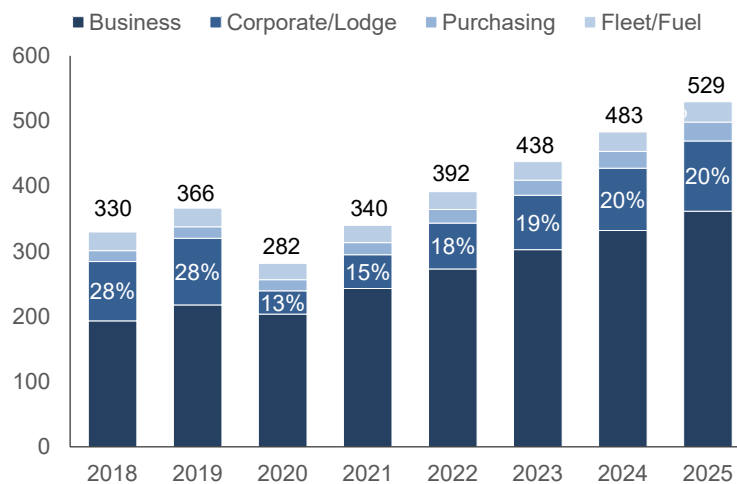
Diversification by traditional issuers and fintechs will drive growth in European commercial card spending to €530 billion by 2025

Recovery in T&E spending will be slow as business travel practices permanently change

RBR's *Commercial Cards in Europe 2021* forecasts that European commercial card spending will be 44% higher in 2025 than in 2019 as issuers exploit potential in new sectors to counter a challenging environment for T&E cards.

Corporate and Lodge card payments declined sharply in 2020 on the back of the COVID-19 restrictions and their impact on business travel. They will recover slowly as companies which learnt to rely on video conferencing when travel was not possible, continue to do so as restrictions are lifted. Not only will this allow them to cut costs but also respond to increasing concerns over the impact of travel on climate change. It will be 2025 before spending on these products returns to the levels seen before the pandemic.

European commercial card expenditure by product type (€ billion)



Source: *Commercial Cards in Europe 2021* (RBR)

Fintechs are playing an important role in facilitating Business card issuing

In contrast, there is strong potential for greater Business card spending as, even though such cards already account for more than half of commercial card expenditure, many SMEs do not currently hold payment cards. RBR's study shows increased Business card uptake is being supported by fintechs, which are making it easier and more cost-effective for SMEs to open an account and take out a commercial debit card in markets such as the UK. In response, traditional banks are pricing their commercial debit products more competitively, thereby further boosting growth.

New appetite for card-based B2B payment solutions

There have historically been barriers to greater usage of purchasing cards, which are typically used for the procurement of goods and services. These barriers take the form of established methods of settling invoices based on credit transfers, as well as gaps in B2B acceptance because of merchant service charges that suppliers have sometimes perceived as prohibitive.

RBR's research reveals a desire by both traditional and new players in various countries to introduce card-based B2B payment solutions, partly as a result of the drop in T&E expenditure. The diversification of product offerings is well illustrated by Germany-based AirPlus, which launched Purchasing cards in 2020 for goods and services, software licences and office supplies. This complements the travel expense management card solutions for which the company is best known.



PRESS RELEASE

Improved cash flow a key benefit of card acceptance for suppliers

Suppliers are increasingly willing to accept charges for card acceptance because of the value they attach to earlier payment and improved cash flow, especially in the current climate of economic uncertainty created by the pandemic. The card payment cycle enables companies to settle with suppliers earlier, while enjoying an extended period to pay off the card balance in comparison to the terms for traditional B2B payment methods.

High untapped potential in the SME and B2B sectors

Explaining why we can expect robust growth in the commercial cards sector in Europe despite the slow recovery of Corporate and Lodge card spending, Chris Herbert, who led RBR's research, remarked: *"The effectiveness of video conferencing and the pressing concerns about climate change will continue to impact T&E card expenditure even after COVID-related restrictions are behind us, leading to a shift in focus for commercial card issuers who will increasingly look to exploit the high untapped potential in the SME and large business B2B sectors"*.

Notes to editors

These figures and insights are based on RBR's study, *Commercial Cards in Europe 2021*. For more information about this report or to discuss the findings in more detail please email Chris Herbert (chris.herbert@rbrlondon.com) or phone +44 20 8831 7305.

RBR is a strategic research and consulting firm with three decades of experience in banking and retail automation, cards and payments. It assists its clients by providing independent advice and intelligence through published reports, consulting, newsletters and events.

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