



# The Middle Market for Credit Cards

## 3rd edition, 2005 – 2007

“Brand loyalty is a fundamental factor for credit and charge card issuers wishing to maintain their share of revenue in this key market sector”



FINANCE

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Appendix 1: ABS Business Register Counts

Appendix 2: Survey questionnaire

## 1. INTRODUCTION

The middle corporate market is defined in this study as businesses with an annual turnover between \$0.5 million and \$100 million.

This market is an important source of business for finance providers, with Australian Bureau of Statistics data from the BIS Shrapnel study *The Middle Market for Commercial Finance 2005-2007* valuing the 2005 plant and equipment finance requirements of this market at **\$6.3 billion**. As seen in our previous editions, middle market organisations are also highly reliant on credit and charge cards for their day-to-day business expenses.

Based on our 2005 survey data, we estimate that credit and charge card expenditure on business expenses by Middle Market companies accounted for 14% of the 2005 average monthly expenditure on all personal and business credit and charge cards. This includes payment for items such as travel (fares & accommodation), client entertainment, telephone/utility accounts and stationery. Our research also shows that a significant proportion of this expenditure is being put on personal cards, as opposed to corporate cards.

In this third edition of our biennial study, we again provide a comprehensive picture of credit and charge card usage by the middle corporate market, including the positioning of major card issuers and financial organisations. New information on the *usage of expense management systems* and *the usage of fleet cards* is included for the first time.

An outline of the **survey sample** and **methodology** is contained in Section 3. Section 4 comprises a **market overview**, providing an analysis of the Australian credit and charge card market in terms of current market dynamics and market data.

In Section 5, we review in detail the **main findings** of the survey including the incidence of card usage, usage of personal vs. corporate cards, the numbers of cards used per organisation, the types of cards used, how cards were chosen, types of expenses paid for, the usage of fleet cards (*new addition*), reasons for card usage, how cards are managed (*new addition*), and the average monthly spend on business related expenses by card and across the organisation. The chapter concludes with an analysis of future card usage by survey respondents.

The final chapter of the report provides a summary of the current state of the **Australian economy** plus forecasts of the key economic indicators, as prepared by BIS Shrapnel's Economics team.

The data is presented in a combination of text and graphics, with the text including "below the line" commentary on any statistically significant differences across sub-groups, eg differences in behaviour amongst users of charge cards vs. credit cards, company turnover, location, monthly expenditure, etc.

### 3. SURVEY SAMPLE AND METHODOLOGY

This study is based on an on-line survey of 308 companies using leasing, commercial hire purchase or other types of business finance. These organisations had to have an annual turnover between \$0.5 million and \$100 million to qualify.

The sample of **finance users** was provided by Pureprofile, a permission-based marketing service for advertisers and researchers. There are approximately 120,000 consumer account holders and 12,000 B2B account holders.

A total of 6,263 invitations were emailed to B2B account holders, selected by company size, job role (middle management or higher) and location - metropolitan and regional New South Wales, Victoria and Queensland.

A total of 2,942 individual organisations responded to the invitation email (i.e. 'click throughs'), with 371 completing the survey by meeting the screening criteria (key decision maker for financial matters, annual turnover and currently using finance). In order to minimise any over sampling, the invitations were sent out in waves, with strict quotas set for region, business type, annual turnover and commercial finance type. After data cleaning, a total of 308 surveys were deemed to be usable, i.e. they did not contain any illogical responses or contain too high a proportion of either "don't know" or "unspecified" responses.

In order to rectify the variations in the actual number of interviews achieved in each industry segment, the data has been weighted in accordance with the latest available Australian Bureau of Statistics (ABS) *Employing Business Entities Active for GST (estimated annual turnover \$500,000-\$100 million)* data, as at June 2001 (Appendix 1).

Data editing and coding was undertaken by the report author, with the data processed using industry standard software by an IQCA accredited research company.

The questionnaire used for the survey of finance users is provided in Appendix 2.

The study also included a desk research phase that comprised analysis of media reports (including *Factiva* searches) along with informal discussions with industry personnel.

As a standard practice by our company, all survey respondents were offered the opportunity of receiving a brief summary of the survey findings. In our experience, this creates goodwill and co-operation for future editions of our studies.

A summary of the sample profile is provided in the following table.

**Survey of middle market companies using commercial finance – sample profile**

<i>By location</i>	<i>Actual sample</i>	<i>Weighted sample</i>	<i>% [Weighted sample]</i>
Sydney	115	114	37
Other New South Wales	23	24	8
Melbourne	85	88	29
Other Victoria	15	12	4
Brisbane	52	53	17
Other Queensland	18	17	6
<i>By main business activity</i>			
Agriculture	5	9	3
Manufacturing	39	33	11
Construction	15	46	15
Wholesale trade	31	25	8
Retail trade	35	66	21
Transport and storage	11	16	5
Finance and insurance	36	10	3
Property and business services	77	62	20
Health and community services	31	23	8
Cultural, recreational	9	6	2
Personal and other services	19	10	3
<i>By yearly sales</i>			
\$0.5-\$1 million	58	61	20
\$1.1-\$5 million	88	81	26
\$5.1-\$7.5 million	36	37	12
\$7.6-\$10 million	26	28	9
\$10.1-\$20 million	34	33	11
\$20.1-\$30 million	17	19	6
\$30.1-\$40 million	9	10	3
\$40.1-\$50 million	14	14	5
\$50.1-\$75 million	18	17	6
\$75.1-\$100 million	8	8	3
Mean	-	\$14.6 Million	-
<i>By number of employees</i>			
1 to 5	32	32	10
6 to 10	46	46	15
11 to 20	56	58	19
21-50	48	46	15
51-100	39	36	12
101-500	48	59	19
500-1,000	21	15	5
1,001 plus	18	16	5
Mean	-	177	-
Total	308	308	100

**Survey of middle market companies using commercial finance –  
sample profile...continued**

<i>By position of respondent</i>	<i>Actual sample</i>	<i>Weighted sample</i>	<i>% [Weighted sample]</i>
Office/administration manager	47	43	14
General manager/business manager	98	90	29
CEO/owner/managing director	53	55	18
CFO/finance manager/financial	30	44	14
Director/partner	22	19	6
Accountant	31	31	10
IT manager/technical manager	10	7	2
Company secretary	7	10	3
Other	10	10	3
<b>Total</b>	<b>308</b>	<b>308</b>	<b>100</b>

**Note:** A rounding error of  $\pm 1\%$  may be evident in the data throughout the report.

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