HOW TO MAXIMIZE VIRTUAL CARD ADOPTION

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Few topics have captured the attention of accounts payable leaders (AP) like virtual cards.

- Streamlined payment workflows
- Reduced operations costs
- The most secure payment method
- Cash-back rebates on card spend

These are exactly the types of benefits that AP departments need during times like these.

But those benefits are only possible with strong supplier adoption of virtual cards.

This paper reveals the benefits of paying suppliers with virtual cards, the top reasons that suppliers don't accept virtual cards, and four ways that businesses can achieve optimum card adoption.

What are virtual cards?

Virtual cards are a digital payment method that makes it easy and secure for buyers to pay suppliers.

Unlike other card methods, virtual card transactions do not involve a physical card. Virtual cards are plastic-less. Virtual cards are digitally generated for a single transaction or a limited amount of time.

Here's how virtual card payments typically work:

1. The buyer approves an invoice for payment.
2. The buyer's payment system or bank generates a virtual card number for the transaction.
3. The virtual card details are securely transmitted to the supplier via email or a portal.
4. The supplier processes the payment through their card acceptance system.
5. The payment is completed and both parties receive confirmation of the transaction.

Virtual cards have emerged as a game-changing tool for modernizing AP operations.

What are the benefits of paying suppliers with virtual cards?

Buyers can achieve significant benefits from paying suppliers with virtual cards.

- **Reduced risk of payment fraud.** The increased risk of fraud is the biggest challenge that AP leaders say their departments face in today's remote work environment[1]. Virtual cards offer several features that reduce the possibility of fraud. For starters, virtual cards are plastic-less – there are no physical cards for buyers to keep track of. Each transaction has a unique card number, expiration date, and security code to prevent unauthorized transactions. Virtual cards also are typically generated for a single transaction and cannot be used once the transaction is completed. Only an email is required to send a virtual card, and no bank account details are necessary. Buyers control the exact amount that can be charged to a virtual card. Virtual card transactions can be monitored in real-time, and the cardholder can be instantly alerted to any suspicious activity. Two-factor authentication and dynamic CVV codes make it hard for fraudsters to gain unauthorized access to card details.

Check fraud is prevalent in 63% of organizations experiencing fraud[2].

- **Cost savings.** Virtual cards significantly reduce the cost of paying suppliers. Virtual cards eliminate manual tasks such as printing checks, collecting bank account information, chasing down approvals, and stuffing and mailing envelopes. Virtual card transactions can be effortlessly initiated, freeing up staff time. Detailed transaction information is automatically provided with each virtual card transaction, eliminating the need for buyers to manually match transactions and re-key data. The revenue that buyers earn on card transactions can offset an AP department's overhead. Visibility into corporate spending helps buyers identify potential cost-saving opportunities and negotiate better terms with their suppliers. Minimizing the occurrence of fraud helps buyers avoid costs associated with investigations, financial losses, and legal repercussions.

1 Institute of Finance and Management (IOFM)
2 Association for Financial Professionals (AFP), *2023 Payments Fraud and Control Survey*

Checks are seven times more likely to be involved in fraud than virtual cards[3].

- **Effortless reconciliation.** Virtual cards make it easy for businesses to reconcile payments. The seamless transmission of data between buyers and sellers reduces the chances of errors. The comprehensive transaction data generated with each virtual card payment automates the process of matching payments to invoices. Transaction data can automatically sync in real-time between the buyer's virtual card platform and enterprise resource planning (ERP) application or accounting software, eliminating the need to re-key details. Invoice numbers, purchase order (PO) references and other unique identifiers associated with virtual card transactions reduce the need for human operators to intervene in the reconciliation process. Some virtual card platforms also can flag exceptions or discrepancies such as mismatches between payment amounts and invoices. And real-time or near real-time processing provides accurate and up-to-date visibility into the status of transactions and payable balances.

Automating the reconciliation of payments saves time and improves efficiency.

- **Opportunities to earn cash-back** from AP Spend. Every business wants to find ways to free up cash on existing revenues in today's uncertain economy. The cash-back that buyers earn on payments made via virtual card are one way that businesses can generate value. With virtual cards, a percentage of the transaction amount is credited back to the buyer's account, either as a direct credit, or a reduction in fees associated with the virtual card program. The percentage a buyer earns may vary depending on the terms and agreement they have with their virtual card provider. The supplier receives payment as usual. This cash-back offers businesses a way to offset expenses associated with the virtual card program or their accounts payable operation and provides a source of revenue for businesses.

Cash-back revenue is an incentive for businesses to embrace electronic payments.

3 Association for Financial Professionals (AFP), *2023 Payments Fraud and Control Survey*

These are some of the reasons that more businesses are embracing virtual card payments.

Biggest barriers to virtual card adoption

Suppliers have a lot to gain by accepting virtual cards. Virtual cards enable suppliers to potentially accelerate their cash flow by eliminating the possibility of payments becoming delayed or lost in the mail. The detailed transaction information that accompanies virtual card payments makes it easy for suppliers to post transactions to their ERP or receivables systems. Unlike paper checks, virtual cards don't require suppliers to purchase scanning equipment or make special trips to the bank. And virtual card payments protect suppliers against the possibility that bad actors will intercept their payment.

Suppliers that accept cards are likely thought of as valued vendors and buyers will often spend more with a supplier when card is accepted.

That's not to say that every supplier will accept virtual card payments.

There are four common reasons that suppliers may be reluctant to accept virtual cards:

1. **Lack of technology.** Some suppliers mistakenly believe that they don't have the right technology required to accept virtual card payments.
2. **Cost.** Some suppliers – especially those like retailers, real estate firms, travel agencies and other businesses with thin profit margins – balk at the interchange fees to get paid via card.
3. **Complexity.** The thought of training their staff to process a new payment method or integrating virtual cards into their existing systems is overwhelming to some suppliers.
4. **Established payment methods.** At first blush, virtual cards may be less appealing to suppliers that receive most of their payments electronically using other methods.

But these obstacles are no reason to throw in the towel on your virtual card program.

With the right strategic approach, buyers can overcome these objections to virtual cards.

Four steps to optimal virtual card adoption

There are four steps that are proven to drive strong supplier adoption of virtual cards.

1. Supplier enablement and onboarding
2. Multiple delivery methods for virtual cards
3. Variable interchange fees for cards
4. A holistic payments strategy

SUPPLIER ENABLEMENT AND ONBOARDING

Supplier enablement and onboarding are critical to achieving optimum payback from virtual cards.

Here are some strategies for effective supplier enablement and onboarding:

- **Segment your suppliers.** Driving virtual card scale and adoption starts with segmenting your suppliers. Card solutions providers can match suppliers in your vendor master database against lists of known card acceptors compiled by card issuers as well as suppliers in their payment network. These suppliers will be the easiest to contact and transition away from checks. Next, work with your card solutions provider to segment suppliers by industry and other data points, to prioritize your outreach. Your card solutions provider can help identify segments to target, based on their work with other AP departments. Segmenting suppliers and prioritizing your outreach efforts – rather than simply working your way through your vendor master database – will help accelerate adoption of your virtual card program.
- **Get your vendor data in order.** Missing contact information can stop supplier enablement and onboarding efforts in their tracks. Now is the time to review your supplier records to ensure that they contain the information you need to contact suppliers, including the name of your primary contact and their email address, telephone number, and mailing address. Some virtual card solutions providers have an account management team to help buyers track down missing contact information. Others use third-party data tools to verify supplier information.
- **Use a personal touch.** Every supplier is unique, with different requirements, capabilities, and expectations. Personalized multi-channel communications about your card program allow you to provide clear and relevant information to each supplier, build a stronger and more meaningful relationship between your organizations, and reduce the possibility of the information being overlooked. Use a combination of emails, telephone calls, and letters sent through the mail. And tailor each communication to the supplier's needs and preferences.
- **Put yourself in the shoes of a supplier.** Convincing skeptical suppliers to migrate to virtual cards starts with putting the benefits of the payment method in terms they care about. Start by emphasizing that funds from virtual card payments can be in their bank account as soon as the same day. Explain to suppliers that each virtual card payment includes the rich remittance information that they need for reconciliation and tracking. Make it clear that virtual cards are the safest payment method with guaranteed funds and complete liability protection and assure suppliers that they will have 24/7 access to a payee portal where they can see the status of payments and request support. Including these benefits in your calls, emails, and letters to suppliers will help you migrate them from paper checks to virtual card payments.
- **Let suppliers take matters into their own hands.** Put suppliers in control of their payments by offering a self-service web portal to manage their payment preferences. The self-service portals offered by some card solutions providers enable suppliers to input or update their payment information, without the need to fill out lots of paperwork or arrange a telephone call with an onboarding specialist. A self-service portal saves time for the supplier and accelerates adoption of the buyer's virtual card program.

- **Offload the burden of supplier enablement.** AP and finance teams have a lot on their plate these days. The last thing they need is the additional weight of contacting suppliers to sell them the idea of accepting virtual card payments. Outsourcing supplier enablement to a card solutions provider alleviates these administrative burdens, allowing AP and finance staff to focus on their core tasks. Buyers benefit from the card solutions provider's industry insights, established procedures, proven methodologies, and ability to adjust their processes to meet evolving needs. Some card solutions providers also have advanced technology platforms and tools that leverage machine learning models specifically designed for supplier enablement that get better as more and more suppliers are added to their data set. And using a virtual card solutions provider's supplier enablement service can often be more cost-effective than relying on in-house staff.

These strategies will help ensure the success of your supplier enablement and onboarding.

MULTIPLE DELIVERY METHODS FOR VIRTUAL CARDS

The more ways a buyer can deliver virtual cards, the better their chance of driving card acceptance.

Find a card solutions provider that supports multiple delivery methods, including:

- **Email.** Email is the most common method of delivering virtual card details to suppliers. Emails will often include a secure link to access important details such as the card number, expiration date, CVV code, remittance details and any specific. Emails are manually generated or as part of an automated sequence.
- **Telephone.** Some card solutions providers make it possible for suppliers to process virtual card payments over the phone to either another person or by inputting the card details into a virtual terminal.
- **Web portal.** The online portals offered by some card solutions providers enable suppliers to view the status of their payments, including virtual cards.
- **Mail.** It's tempting to think that one-time or non-strategic suppliers aren't good candidates for virtual card payments. But a new service that sends virtual cards through the mail makes it easy for buyers to target this "long tail" of suppliers and monetize up to 50 percent of their spend with little to no interaction. Here's how it works: new suppliers are automatically set up to receive virtual card payments by mail. Once an invoice is approved for payment, a virtual card is sent to the supplier via First Class mail. Address verification, automated mail tracking, and built-in fraud detection tools reduce the risk of lost or stolen payments. The virtual card payment comes with instructions on how the supplier can process the payment through its merchant terminal.

Virtual card payments also can be sent via fax, text messaging, and push payments to an e-wallet.

Offering a range of delivery options helps increase supplier adoption of virtual cards.

VARIABLE INTERCHANGE FEES

There's no question that manufacturers, retailers, hotels, food and beverage distributors, trucking companies, and other businesses with thin profit margins may be sensitive to transaction costs.

But variable interchange fees can make virtual card payments an attractive option for suppliers, especially when combined with faster settlement compared to traditional payment methods.

Look for a solutions provider that offers flexible rates to convert cost-sensitive suppliers to cards.

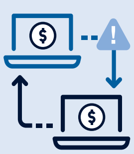
A HOLISTIC PAYMENTS STRATEGY

Virtual cards are a critical component of a holistic payment strategy.

Here are some ways to maximize the impact of virtual cards on your electronic payment initiatives.

- **Don't skimp on outreach.** The right approach to contacting suppliers and educating them on the benefits of virtual cards can pay big dividends when it comes to driving virtual card adoption. For starters, work with your card solutions provider to identify suppliers in your vendor master that already accept card payments. A solutions provider also can analyze your spending to uncover high-volume suppliers who may be receptive to the efficiencies provided by virtual card payments and suppliers in industries such as manufacturing or hospitality that have a higher likelihood of accepting cards. Also, assess the strategic importance of each supplier and whether your organizations have a long-term partnership that may motivate the supplier to accept cards. Weigh each supplier's technological capabilities and readiness to adopt new payment methods. It's relevant to consider the potential financial impact that virtual cards might have on each supplier.

- **Target the long tail of suppliers.** With the right strategy, businesses can convert one-time and non-strategic suppliers to virtual card payments. It all starts with providing clear and concise communications about the value proposition of accepting virtual card payments. Next, streamline and simplify the onboarding process to make it as easy as possible for long- tail suppliers to get started with virtual card payments and leverage a card solutions provider to assist suppliers in the adoption process. Also, consider automatically delivering virtual card payments by mail to long- tail suppliers to simplify their payments workflow. It's recommended to track your progress with long- tail suppliers to uncover new ways to refine your enablement strategy.
- **Lead with virtual cards when transitioning from paper checks.** It's tempting to default to Automated Clearing House (ACH) payments when trying to convince suppliers to ditch paper check payments. But virtual cards offer suppliers enticing benefits that should make them a buyer's first option when going electronic. Virtual cards settle faster than standard ACH, providing suppliers with quicker access to their funds. Unlike ACH payments, there's no chance that virtual card payments will be delayed outside standard compliance checks. Virtual card payments come with the rich remittance details suppliers need. And virtual cards are more secure than ACH payments.



ACH fraud is prevalent in 30% of organizations experiencing fraud. In fact, ACH is three times more likely to be involved in fraud than virtual cards[4].

- **Rethink your payment terms.** Adjusting payment terms can be an effective strategy for driving virtual card adoption among suppliers. Consider negotiating shorter payment terms for suppliers who opt for virtual card payments and longer terms for other payment methods. Payment terms also can be tailored by supplier segment (e.g., shorter terms for strategic suppliers). Ask your card solutions provider for strategies that have been effective.
- **Never stop onboarding.** Many virtual card programs never reach their full potential because no one ever re-engages suppliers after the initial onboarding push. Financial circumstances and decision-makers are constantly changing, creating new opportunities for adoption. Create a re-engagement strategy to get back in touch with suppliers that have previously said "no," as there could be new opportunities that could elicit a "yes."

These recommendations will help ensure the success of a holistic payment strategy.

Using the strategies described above, it's not uncommon for businesses to migrate 16% or more of their supplier payments volume to virtual cards.

Conclusion

Paying suppliers with virtual cards can help businesses of all sizes streamline their operations, reduce costs, mitigate the risk of payment fraud, and earn significant cash-back rebates. But none of these benefits are possible without strong supplier adoption of virtual cards. Not every supplier will accept card payments. But with a strategy that combines supplier enablement and onboarding, multiple delivery methods of virtual cards, variable interchange fees for cards, and a holistic approach to payment automation, AP departments can maximize supplier adoption and the benefits they achieve.

4 Association for Financial Professionals (AFP), *2023 Payments Fraud and Control Survey*

About Finexio

Finexio is the leading Accounts Payable (AP) Payments as a Service company focused on enabling end-to-end business payment capabilities in mid-market and enterprise organizations. This fully managed AP payments solution represents a powerful disruption to traditional, disjointed, manual AP processes.

AP software, Procure-to-Pay platforms (P2P), and financial institutions are also leveraging Finexio by embedding the robust end-to-end AP Payments as a Service capability directly into their platforms. Adding this critical “last mile” of payment execution and service fills a significant gap for platforms that previously only automated the AP process up to payment.

End customers of Finexio and its partners benefit from a “done-for-you” payments operations service that supports 100% of their business payments digitally. CFOs and finance teams seamlessly transition away from manual payment processes to modern, safe, and secure electronic payments like virtual cards. Finexio drastically reduces the workload of finance teams and makes digital payment adoption the simplest it has ever been, creating fantastic buyer and payee experiences. Customers benefit from significant time savings, reduced payment costs, increased cash flow, fraud prevention, and unmatched visibility into their payments data.

Learn more at **Finexio.com**

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