



Issuer Guide

# Virtual Cards



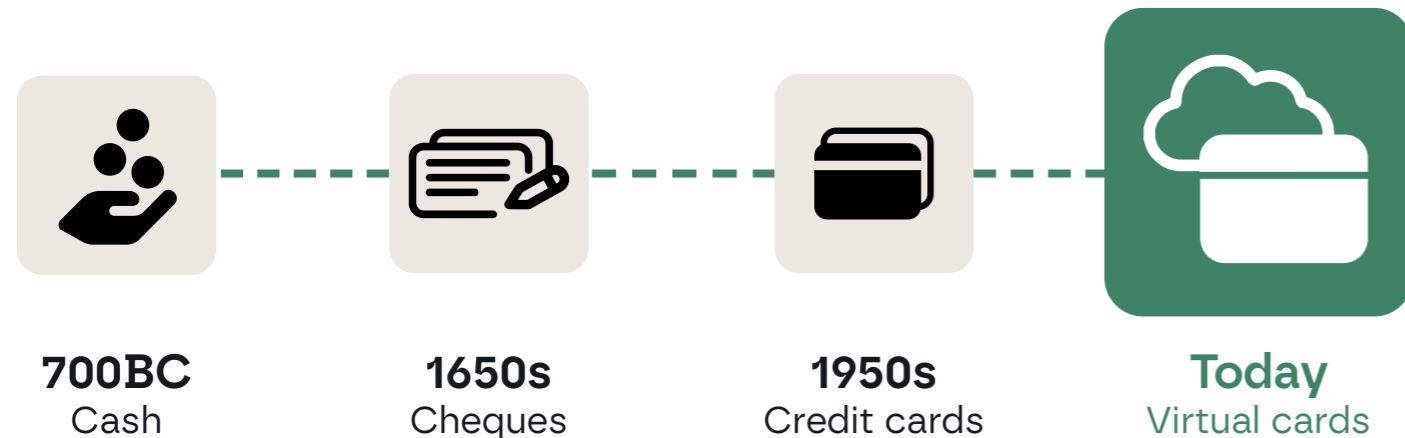
# Contents

<b>04</b>	<b>Virtual cards: the new standard for corporate payments</b>
<b>06</b>	<b>What is a virtual card?</b>
<b>07</b>	<b>What are virtual cards used for?</b>
<b>08</b>	<b>How do virtual cards work?</b>
<b>10</b>	<b>How do virtual cards benefit issuers?</b>
<b>13</b>	<b>How do your customers benefit from using virtual cards?</b>
<b>17</b>	<b>Summary</b>
<b>19</b>	<b>Fast facts</b>
<b>20</b>	<b>Contact</b>

# Introduction

## Virtual cards:

The new standard for corporate payments



## The fastest-growing corporate payments product

More and more issuers are offering customers virtual cards, meeting the demand for a flexible, secure and convenient way to make payments. This guide will explain how they work, the benefits to customers and issuers and point to their future potential. It will also demonstrate how offering a virtual card service can be straightforward and easy to achieve. We believe that virtual cards are the new standard in corporate payments. They are as much of a revolution for payments as cheques were in the 17th century and plastic credit cards were in the 20th century.

# Why issuers are introducing virtual cards

The reason more and more issuers are introducing virtual cards is simple:

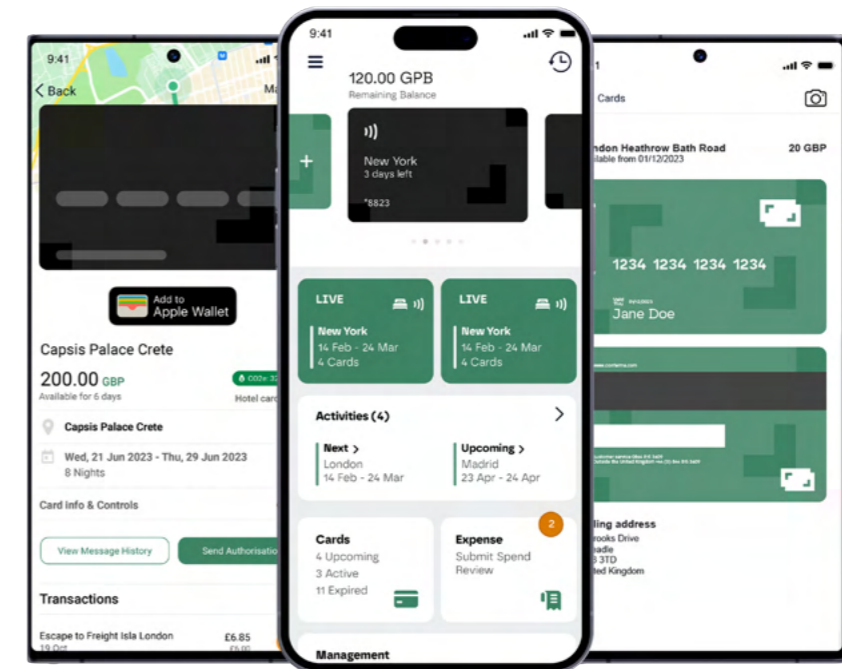
- They provide excellent benefits for you as the issuer, including incremental revenue from existing customers, and new revenue from new customers and market segments.
- They provide excellent benefits for your customers, including better data, better control and better process efficiencies

Virtual cards can be used for any payment. They are now managing a significant share of spend previously transacted through traditional lodge cards and purchasing cards and even physical plastic cards.

# Powered by Conferma

If, having read this white paper, you want to find out more, come and talk to us. We are the leading global independent provider of virtual card technology, integrating the world's biggest card schemes and issuing banks as partners. We partner with the five major card networks; Mastercard, Visa, American Express, Diners and UATP.

Jason Lalor  
CEO  
Conferma



## Other names for virtual cards

The virtual payments industry does not yet have a standardised name for the virtual numbers it generates. At Conferma, we label them virtual cards, but elsewhere you may see them called:

- Single-Use Accounts (SUAs)
- Single-Use Ghost Accounts (SUGAs)
- Virtual Credit Cards (VCCs)
- Virtual Account Numbers (VANs)
- eCards
- vCards
- Virtual Card Number (VCN)

The names are different, but they all mean the same thing.

# What is a virtual card?

**Virtual cards are the new standard for commercial payments. They are as dramatic an improvement in the way businesses pay each other as plastic credit cards were in the 20th century.**

The term 'virtual' can be misleading. A virtual card is a normal 14, 15 or 16-digit card number which banking partners issue from their standard Bank Identification Number (BIN) ranges.

Just like physical cards they also carry an expiry date, the cardholder name and a three or four digit CVV or security code. However, instead of being stamped physically across a plastic card, the number is:

- Generated digitally at point of sale
- Used for that single payment only

Virtual cards don't look any different to merchants and are processed as standard 'Cardholder Not Present' transactions. Restrictions can be placed on how the virtual card is used — including the merchant category code, amount and date range in which the virtual card can be charged.

## Breathing new life into centrally billed accounts

Virtual card payments are centrally settled through billed accounts similar to traditional lodge cards (a central account held by travel management companies on behalf of their corporate clients) and purchasing cards.

A traditional centrally billed account has just one card number which is used over and over again for multiple payments, made by multiple employees to multiple different suppliers, and poses a major security risk. With virtual cards, a unique, card number is generated but all the numbers are billed back to the same account.

We will explain the benefits in more detail later, but for now, the advantages of creating a unique card number, as opposed to repeatedly using the same number for multiple purchases, are abundant:

- **Better security**
- **Richer data for each transaction**
- **Automatic reconciliation of booking and payment**
- **Full audit trail**

Clients benefit from time efficient central accounts, reduced fraud risk, as well as enriched data, accuracy and auditability.

# What are virtual cards used for?

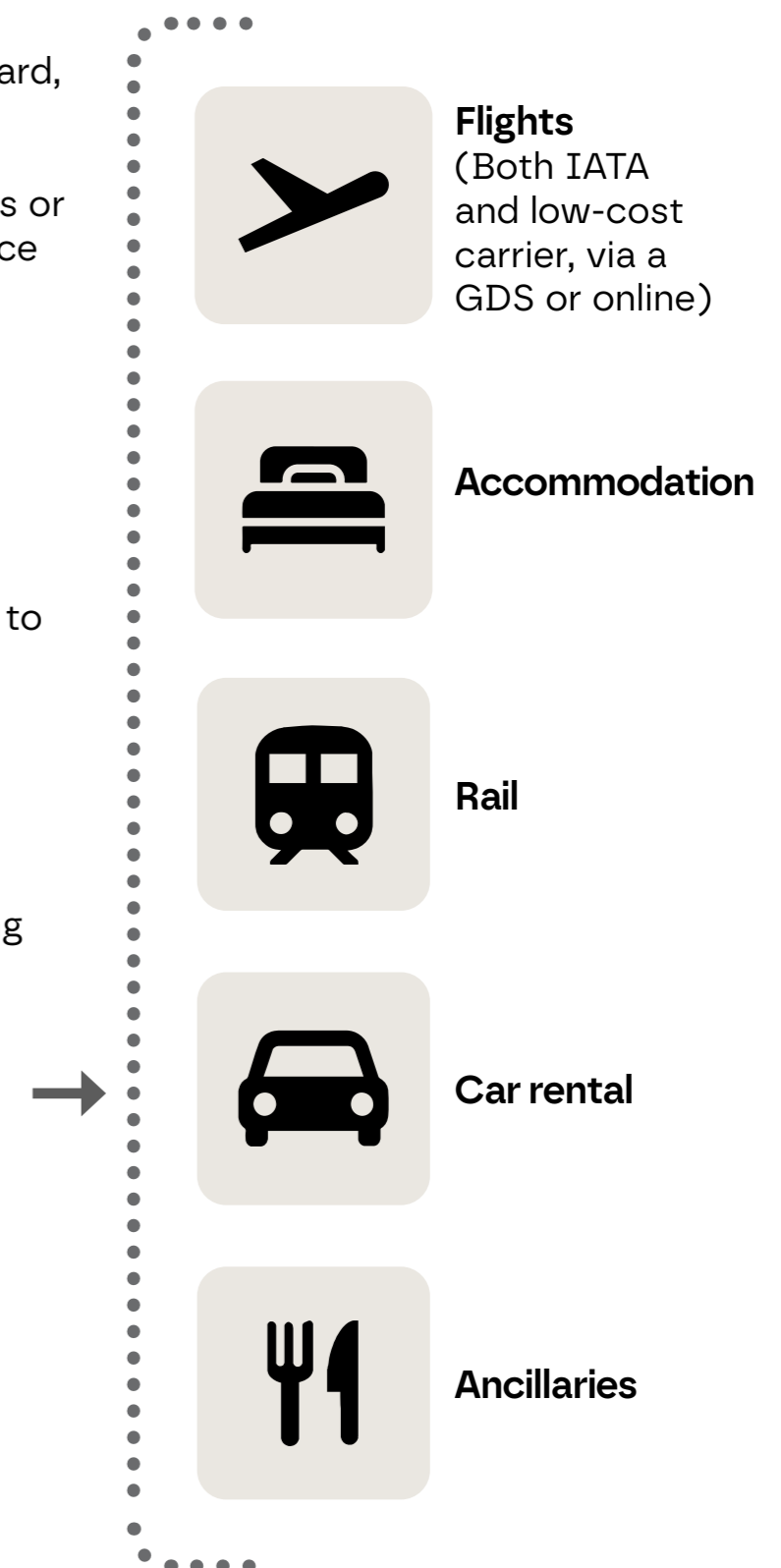
**If a merchant accepts physical cards, they can accept virtual cards. This makes the ability to issue virtual cards a vitally important asset for any industry, especially those with frequent and recurring electronic transactions.**

It can make the purchasing of goods and services by staff a straightforward, simple and secure process. Merchants can accept virtual cards either directly from corporate buyers or from intermediaries such as insurance companies and online travel agents.

## The travel connection

Virtual cards were originally created to solve particular payment challenges in the travel industry, such as hotel billback (travel management companies paying hotels on behalf of their corporate clients before billing them back separately) and OTAs (Online Travel Agencies) paying suppliers.

Today, virtual cards can pay for any kind of travel transaction, including:



# How do virtual cards work?

## Corporate travel

A corporate traveller books a flight online or via telephone through a travel management company (TMC). They are able to use a virtual card as part of the standard booking process the TMC uses. The bill is allocated the correct cost centre and the paperwork to claim expenses is eliminated

### Step 1 – The booking

The TMC (e.g. American Express Global Business Travel, BCD Travel, CWT) consultant books the customer's flight as normal through their preferred website; either a global distribution system (Amadeus, Sabre, Travelport) or the TMC's proprietary platform.



### Step 2 – The payment

Traditionally, the consultant would copy and paste either the traveller's credit card number or their employer's lodge account number. Instead, the consultant:

#### Keys in employee information

Payment cannot take place until required fields such as employee number and client code are completed.

#### Generates a virtual card

The consultant clicks an option on their booking screen to generate a virtual card. The process takes less than one second. Conferma automatically applies the parameters required for the virtual card, such as the credit limit, Valid From and To dates and merchant category control. These are usually driven by the booking rate, start and end date of the booking and the merchant type. The merchant accepts the number as a 'Cardholder Not Present' transaction.

Virtual cards work equally well through corporate online booking tools. As an example of this, Conferma is currently integrated into Concur, GetThere, KDS and Traveldo.

## Online Travel Agencies (OTAs)

A leisure traveller books a hotel through an Online Travel Agency (OTA).

### Step 1 – The purchase

The traveller chooses a hotel via the travel agency's website and proceeds to the payment page.



### Step 2 – The traveller pays the OTA

The traveller enters a personal credit or debit card number and completes payment in the usual way.



### Step 3 – The OTA pays the supplier

The OTA automatically requests and receives a virtual card from your issuer. The OTA forwards the virtual card to the supplier as a 'Cardholder Not Present' transaction, with the date of payment specified for the day of check-in or check-out. The supplier benefits because it has a guaranteed payment. The OTA benefits because it already has the guaranteed payment from the customer which improves its cash flow.

# How do virtual cards benefit issuers?

## Improve customer satisfaction

Virtual cards improve customer service with better data, better control and improved efficiencies. The next section explains why in more detail. In addition to satisfied customers, virtual cards also create many direct benefits for issuers.

## A simple process

With many entry-level virtual card solutions, issuers do not necessarily need special software to generate virtual cards. Virtual cards are a low-cost, low-impact product offering a swift route to market. You can be up and running and offering fully PCI-compliant Confermapowered virtual cards within 4-6 weeks.

## Boost incremental spend with existing clients

Virtual cards allow you to move more of your customers spend away from less efficient forms of payment such as cheque, BACS or ACH, and on to commercial card payments.



### Booking travel for new hires

Your client has hired a new employee, who is sent on a training course on their first week.



### Before virtual cards - Your issuer loses

The new hire has not yet been given a corporate card, so she either has to:

- Pay for her hotel on a personal card and reclaim from her employer, or
  - Your TMC pays the hotel on its own account and then invoices the client.
- Either way, your issuer risks not being part of the transaction process and, so missing out on revenue.



### After virtual cards - Your issuer wins

With a virtual card, the TMC pays the hotel securely and easily using one of your card numbers. Your issuer touches the transaction and earns incremental interchange revenue.



## Reduce service overheads

With no plastic involved and a fully automated process, minimal customer service is required



## Reduce risk

Virtual cards are as close to fraud elimination as it is possible to get in payments. The risks associated with plastic payment cards are well-known, but traditional centrally billed accounts are also very vulnerable to fraud because multiple employees use the same card number multiple times with multiple suppliers.

A virtual card cannot be stolen and even if the wrong person accesses the number, they can't misuse it, because the number is used for a specified amount and merchant category code or



## Reach new market segments

Virtual cards can open up market segments that have not traditionally used commercial payments. This is especially true for B2C businesses. Examples include OTAs (see page 14), the insurance market and fleet management.



## Reach emerging markets

Virtual cards are quickly gaining traction in regions such as Latin America, where there is still significant reluctance to issue corporate cards to employees. Virtual cards are also useful in markets with heightened concerns about card fraud. Another plus is that they can be issued in any currency supported by the issuer.



## Boost your commercial payment products

Virtual cards enable you to boost your suite of commercial payment products and enrich your relationships with key corporate clients by offering the most technologically advanced solutions.

## Issuer case-study: Barclaycard Precisionpay

Barclaycard, the UK's leading commercial card issuer has pioneered virtual card product development. It launched Precisionpay, a B2B version of Conferma's online virtual card portal Conferma web pay in 2011. Sales growth has been spectacular, including a 400 per cent rise in virtual card volumes in 2018.

### Why Precisionpay is important to Barclaycard

'A route into difficult-to-access client spend' Precisionpay is now a market leader in handling payments by online travel agents to travel suppliers. In the past, OTAs generally paid travel suppliers by invoice, which was inefficient. Highly automated businesses need highly automated payment solutions to maximise process efficiency.

Precisionpay is integrated directly into online agents' booking processes, automatically generating a virtual card for payment at point of sale.

Other specialist sectors in which Barclaycard customers deploy Precisionpay include insurance and motor sport, which can include payments with high average transaction values.

### Increased share of wallet among corporate customers

Incremental spend gained by Barclaycard includes:

- **Infrequent travellers without their own plastic corporate card**
  - **The procurement long tail: low-value transactions with occasional suppliers (a handful of transactions per year) that are not cost-effective for issuer customers to place on their enterprise resource planning applications.**
- Virtual cards provide the most automated, controlled and economical way for its business customers to pay their long tails.**

### Improved customer service

Key aspects of service improvement have included:

- **Automated total reconciliation of transactions and payments**
- **Savings of up to 55 per cent for client accounts payable departments**
- **Better oversight of B2B spend**
- **Routing more spend through Precisionpay to optimise rebates**
- **Better control, including flexible levels of card amount authorisation**
- **Reduced risk profile**
- **Better control**
- **Automated reconciliation and other process efficiencies**
- **Better data**
- **The maximum or exact amount to be paid**
- **The payee (or merchant category code)**
- **The date range during which the virtual card is active for authorisation(s)**

# How do your customers benefit from using virtual cards?

## A unique number for every transaction

The key advantage of using virtual cards is that **they use a unique card number that gives every purchase its own auditable identifier**. It means you enable customers to customise and track data all the way through the lifecycle of a purchase.

## Better control

Eliminate fraud and unauthorised spending

## Control what employees spend

Your customers can set parameters on every purchase made with a virtual card.

## Minimise fraud

The virtual card is unique; and the merchant, date and amount can all be specified. This represents a significant security improvement over lodge and p-cards, where multiple users pay multiple suppliers all using the same card number.

## Maximise transparency

Virtual cards give customers a clear audit trail, via the unique ID of the card number, showcasing exactly who paid for each purchase. Virtual cards also allow you to demonstrate control over your commercial card spend to your Sarbanes-Oxley (SOx) auditor.

## Better efficiency

Automate reconciliation and ditch outdated manual admin processes. Payment cards were a brilliant mid-20th century invention. Today, though, these cards still cause unnecessary legacy admin problems in an increasingly digital world. Moving payments into the virtual environment sweeps these problems away.

## Automate reconciliation

Or, more accurately, get rid of the need for reconciliation. All your customers dislike the headcount-heavy manual chore of reconciling purchase orders and payment statements – and the human errors that go with it. With virtual cards, the unique card number generated at point of sale means your customer's purchase and payment are inherently reconciled as soon as payment is made.

## Achieve guaranteed matching

Even after many hours of work, manual reconciliation is rarely 100 per cent accurate. Thanks to the unique ID of a virtual card, your customers can now match perfectly for the first time.

## Integrate seamlessly with other processes

Virtual card data flows automatically into customers' accounting or ERP systems with minimal or no impact on their usual workflows.

## Manage all employees

Companies don't like giving corporate cards to all employees. Examples include new hire, interns, temporary staff and contractors. There are also some countries where plastic cards are a difficult sell for cultural or economic reasons. Virtual cards provide an appropriate commercial payment product for all these employee groups, while helping your customers avoid complicated invoicing and billback procedures.

## Improved customer cashflow

Providing a viable corporate payment alternative for customer's employees without plastic also improves their business cashflow. That's because virtual cards replace less cashflow-friendly options such as cash advances and per diem allowances.

## Speed up expense reporting

Virtual card payments can feed directly into automated expense reporting systems.

# Better data

More, richer, faster

## Give customers richer data

Customers can associate large and varied data fields on to each virtual card to give purchasers and CFOs detailed management information.

Examples include:

### Purchase/booking data

All the details captured at point of sale on the purchase system/booking tool or by the service provider (e.g. travel agent).

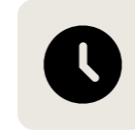
### Payment data

All the information provided by the card issuer when the payment is made.

### Company data

Customers can require company-specific information to be entered at point of sale before payment is authorised, e.g. employee number, cost centre, project code. This data is then available to customers as soon as the transaction has been completed.

## Give customers faster data



### Before

#### Traditional corporate payments

For traditional corporate payments, issuers usually send customers a monthly statement containing limited information (usually just supplier name, date of payment and total price). It then takes even more time to reconcile the payment data with the original purchase data.



### After

#### Virtual card payment

Virtual cards provide immediate visibility of booking and custom data before the transaction has even completed. Once the transaction is complete, customers receive next day reporting, with purchase and payment data already reconciled.





# Give customers detailed data

Virtual cards cure a major data headache for your customer's specialist Travel Manager



## Before

Traditional corporate payments

Traditionally, Travel Managers gather their data from two main sources, both of them incomplete:

- Data from the TMC is detailed, but only shows what was booked, not what the final bill was after amendments and extras.
- Corporate card data shows what the final billed amount was but is typically lacking in detail.



## After

Virtual card

Virtual card data is the best of both worlds because it IS both worlds: it combines both booked and billed data thanks to the unique virtual card number running throughout the purchase and payment process. For the first time, you can give customers data that is detailed but also shows what has actually been paid.

## Why better data matters to your customers

Virtual Cards improve all of the three Vs of business intelligence:

- Volume
- Variety
- Velocity

That improvement gives your customers the edge in all sorts of ways.

Examples include:

**Supplier management** – Your customers can arm themselves with a more detailed understanding of spend when entering preferred vendor negotiations.

**Employee management** – Your customers can monitor employee spending, not only to check for compliance but to ensure they are making the wisest buying choices.

**Move faster** – Your customers can identify and correct unexpected behaviour or trends before they become a problem

# Summary

**We have shown the growth, the power and the potential of virtual cards. As a corporate financial tool, it is an ideal solution to reflect and support the digital direction of corporate finance.**

## Corporate benefits

### Transparency

Customers using virtual cards have greater ability to monitor corporate spending and can keep track of it on a daily basis without waiting for the monthly expenses claims to come in.

### Security

The virtual card can only be used for the purpose it was generated and for the amount assigned to it. The danger of employee fraud is no longer an issue when virtual cards are used.

### Ease of use

For accounts payable departments, all virtual card purchases are automatically reconciled with cost centres. For employees, the system is easier to use and more convenient than paying out of their own pocket and claiming expenses at a later date. And for issuers, integration with existing systems can be a simple and straightforward process.

### Saves money

As the virtual card saves time, it cuts down on overheads for the customer and saves them money.

**The potential for your corporate clients is considerable and, as we have seen, demand is rising.**



## Benefits

### Move away from legacy, and less profitable, payment methods

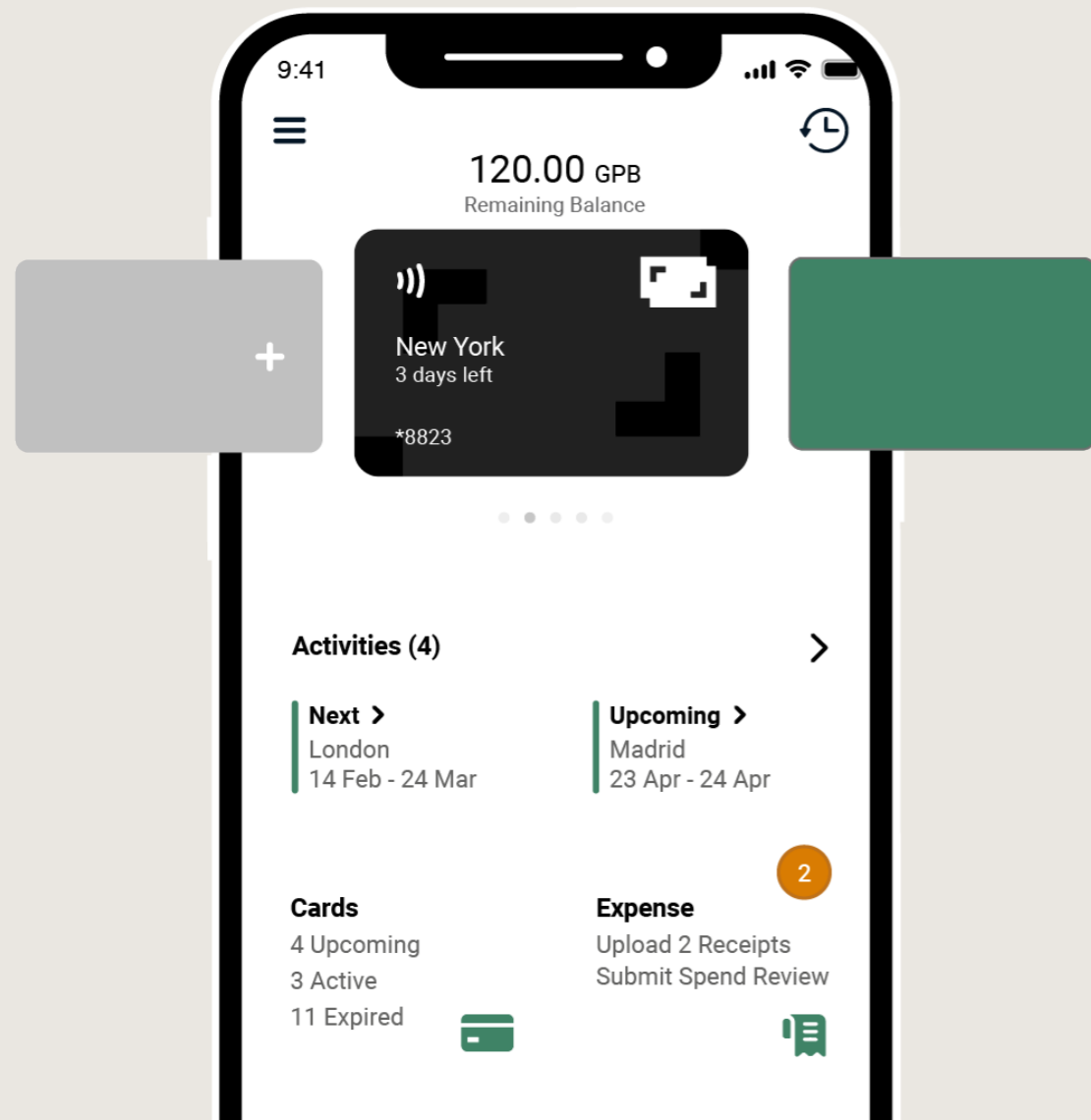
Cheque, BACS and ACH payments are outmoded, clunky and costly. Yet because businesses often do not have a viable alternative, they have no choice but to use them. These methods do not offer the same profit margin as the card payment. With the virtual card, you can have the profitability of the credit card without having to produce the physical card itself.

### Be part of the process

With the virtual card, issuers are not shut out of booking and payment processes and, with every virtual card transaction, they stand to claim valuable interchange fees.

### Customer satisfaction

The customer benefits are clear, and this is the key driver of the growth of virtual cards. An issuer offering virtual cards is an issuer that is listening to its customers and delivering for them. Offering corporate customers the power of the virtual card is a demonstrable way to increase satisfaction and keep hold of those valuable corporate clients.



## Fast Facts

To demonstrate the growth and potential of the virtual card, here are some fast facts from our own business:

**In 2018 Conferma-powered virtual cards were issued by over 35 banks, all five major card schemes, accepted by merchants in 206 countries worldwide and in over 50 currencies.**

### Conferma is used by leading Global Distribution Systems such as:

- Amadeus
- Sabre
- Travelport

### Conferma is used by leading corporate travel booking agencies such as:

- American Express Global Business Travel
- BCD Travel
- CWT
- Flight centre
- CTM

### Conferma is used by many self-booking travel tools and other travel platforms such as:

- Concur
- GetThere
- KDS
- Traveldoo
- HotelHub
- Argo IT
- Atriiis
- Serko

**Conferma is ratified to the highest banking security levels, including PCI Level 1 and ISO27001.**

Get in touch to find out more about how your company can take advantage of virtual cards.

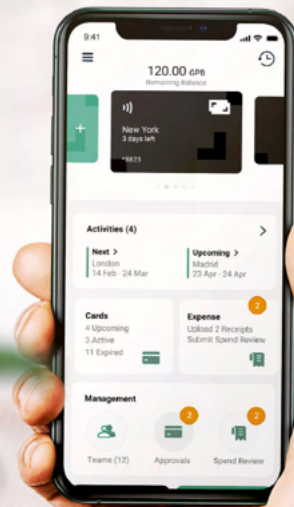
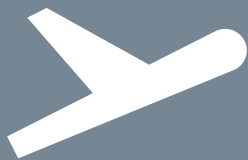
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