



The benefits of virtual cards in the new normal

With COVID-19 changing the way we work, many of our clients are evaluating how their processes support employees, suppliers and their overall business. As a result, payments have become an important focus. From the risks of sending employees into the office to do check runs, to the cash flow pressures for both buyers and suppliers, to the increased risk of fraud attempts, organizations are exploring payment strategies that can have a meaningful impact on operations.

Electronic payments already an aspiration

In research conducted by the Institute of Finance and Management (IOFM) pre-COVID, 71% of companies indicated they want to increase electronic payments within the next three years.¹ With work environments that depend on manual processes remaining problematic, the timeframe will likely be accelerated.

Accounts payable strategy can drive bottom-line benefits

Organizations today are increasingly looking to accounts payable (AP) to play a more strategic role in the business. In fact, 66% of companies surveyed by IOFM in 2020 said they expect their AP departments to become more strategically important over the next three years.² For example, advances in technology offer opportunities for AP to leverage data for forecasting, enhancing supplier management and developing payment strategies that are aligned to organizational goals. Virtual card programs can make this aspiration a reality, driving increased efficiency, security and financial benefits.

The value of rebates has been especially highlighted during recent months. With travel curtailed, spend on T&E has been cut significantly. Organizations count on those rebate dollars as revenue for funding new technologies and programs like electronic invoicing or other initiatives to drive efficiencies. To supplement lower T&E spend, organizations can accelerate the migration from check to electronic payments via virtual cards.

With virtual cards, organizations don't have to make changes to invoice receipt and approval processes, and they can be used for almost every expense category an organization has. The only thing that changes is the payment method. Payments can be made anytime, anywhere, and virtual cards save time and money by eliminating manual processes.

Before COVID:

41% of AP departments made at least half of payments by check



Since January:

AP departments making at least half of payments by check is **down 7%**

¹The Future of Accounts Payable: Digital, Profitable and Strategic, IOFM, 2019

²The Future of AP: Are You Prepared for What's Next, IOFM, 2020

From growing rebate revenue to improving cash flow and reducing risk, virtual cards have demonstrated powerful benefits.

Better cash flow on both sides

As more organizations expand use of virtual card payments, the cash flow advantages add up for both buyers and suppliers. With more employees working remotely, many suppliers paid by check saw greater delays in payments because check runs were being shifted to an every-other-week or monthly process to reduce the risk of coming into the office. Buyers can extend working capital while also paying suppliers faster with virtual cards. This faster, guaranteed form of payment reduces inefficiencies and delays in the payment process and also includes rich remittance data, enabling automated reconciliation through ERP systems. And the benefits of having virtual cards as part of a payment strategy helps reduce friction between buyers and suppliers when negotiating payment terms.

Reduced fraud risk

Virtual card payments have the added advantage of dramatically low fraud risk (<0.0012%).³ With a predominantly remote workforce and the increasing sophistication of email fraud, many companies have been the victims of fraud recently. According to the 2020 AFP Payments Fraud and Control Survey, 81% of organizations experienced attempted or actual payments fraud in 2019.⁴ And on May 5, 2020, FINRA warned that COVID-19 could create additional opportunities for financial fraud. For example, email compromise presents a major opportunity for criminals, who might take advantage of remote working environments and use email to request fund transfers related to accounts payable invoices or request changes to accounts accepting funds.⁵ Because working remotely creates barriers to standard procedures for checking the accuracy of these types of requests, virtual cards offer a more secure and streamlined payment option for many AP teams.

Accelerating the advantage

While we have seen a steady increase in the shift to virtual cards as a payment option before recent events, sometimes a crisis can help fast track smart decisions. From sustaining and growing rebate revenue and speeding up payments to improving cash flow and reducing risk, expanding the use of virtual cards has demonstrated powerful benefits during this pandemic. With virtual cards, organizations are turning adversity into real-world advantage for employees, suppliers and other stakeholders.

To learn more about how virtual cards can benefit your organization, visit optimization.usbank.com or [contact us directly](#).

³2018 RPMG Electronic Accounts Payable Benchmark Survey

⁴2020 AFP Payments Fraud and Control Survey

⁵Financial Industry Regulatory Authority (FINRA) Regulatory Notice 20-13

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