



Virtual Cards: The Key to AP Digitization

Stop Wasting Time.

Pay Your Vendors with Virtual Cards.

AP Under Pressure

Accounts Payable (AP) is under pressure today, with demands coming from every direction:

- **There is the demand to reduce costs** – the cost of checks, the cost of paper invoices, the cost of time, and the cost of exceptions.
- **There is the demand to digitize** – to transform manual processes, implement automation, save time, and improve connectivity with vendors.
- **There is the demand to improve cash flow** – to negotiate favorable contracts, avoid late fees, and maintain cash in-house as long as possible.

As part of the AP engine, you want to meet all these demands. Unfortunately, if you're like your peers, you're understaffed and overloaded with responsibilities. Manual work consumes your days, leaving you with little time for more strategic business initiatives.

A comprehensive digital payment strategy is critical to reclaiming your time and resources and delivering on your business objectives. As part of that payment strategy, virtual cards stand out for their ability to help you meet all the above demands by enhancing processes and productivity, increasing security and control, and improving the corporate bottom line.



“Virtual cards are the fastest growing payment type in the B2B payment landscape – outpacing ACH payments and purchasing cards.”

Source: PYMNTS.com

Virtual Cards on the Rise

Virtual cards convert checks – with all their manual effort, costs, and risks – into efficient and secure digital payments.

A virtual card works the same way that a physical credit or debit card works. Just like a physical card, a virtual card allows you to pay your vendors electronically through an existing payment card network such as Visa or Mastercard. However, instead of having a physical card with a static card number that you use with multiple vendors and countless purchases, you generate single-use virtual cards as needed. Each virtual card pays one vendor at one time for one purchase.

Every virtual card uses a randomly generated, 16-digit card number so that it is unique. It also contains an expiration date and a security code, similar to traditional credit and debit cards. But virtual cards can also leverage additional controls: you can control the expiration date, what merchant names can receive the card, access to the card, and the exact payment amount. The card can even contain general ledger clearing information.

Traditional virtual card payments are sent electronically to vendors, who then process these card payments in the same way they would process any other card transactions. Once the payment has been processed, the virtual card is rendered obsolete and can no longer be used. New straight through processing of virtual cards enables deposit directly to a vendor's bank account.

“Virtual card transaction value is expected to increase by more than 350% over the next 5 years.”

Source: Juniper Research



Improving Processes and Increasing Productivity

Virtual cards create an end-to-end digital payment experience that improves AP processes and increases productivity in three key ways:

1. Gain Operational Efficiencies, Allowing for More Time for Strategic Work

There is no question that paper checks are bound up with manual process inefficiencies. Checks must be physically printed, signed, addressed, metered, and mailed – all tedious and time-intensive tasks. Virtual cards require none of that.

Simply enter the payment data and the vendor's email address and click "send." Eliminating the burden of paper checks frees your team to engage in more strategic financial responsibilities to drive forward business goals such as negotiating payment terms and discounts with vendors and collaborating with the purchasing and procurement department.

“Manual processes are the bane of organizations – whether a small business, a mid-sized company, or a global corporation. Through virtual cards, manual processes and the AP resources they consume can be streamlined.”

– Veronica Fernandez, Sr. VP, North America Head, Visa Business Solutions

2. Achieve Better, Faster Reconciliation

Data is king in business today. In AP (as in AR), remittance data is one of the crown jewels. Yet payment methods such as checks, ACH, and wire transfers provide little space for remittance data. Virtual cards, on the other hand, have no space constraints. You can record general ledger clearing information, project codes, cost center information, and more; you can even include customized data capture fields. With rich data embedded in the virtual cards, reconciliation processes will be a breeze for you and your vendors.

3. Enhance Vendor Relations and Satisfaction

Virtual cards help support positive vendor interactions. For example:

- Using virtual cards increases vendor security by eliminating the need to ask for bank account details or addresses for physical checks. All that is needed to make payment is an email address.
- Because virtual cards go instantly to the vendor's email inbox or payments portal, vendors do not have to chase after late or lost check payments. Advanced virtual card technology can even deposit payment straight through into your vendor's bank account. This reduces their invoice to cash cycle and ultimately their Days Sales Outstanding.
- Vendors receive rich and detailed remittance information to streamline their reconciliation process.
- With complete status information at your fingertips, you can promptly provide an informed answer to any question a vendor may have about a payment.



“Accounts Payable – like most other areas of business – is powered by data. Virtual cards give AP improved payment and remittance data and therefore greater insight and control into a company’s cashflow.”

Veronica Fernandez, Sr. VP, North America Head, Visa Business Solutions

Enhancing Control for Better Cash Flow

Cash flow is constantly front-of-mind for AP. By enhancing AP's control over vendor payments, virtual cards help businesses sustain an optimal cash flow for the business. For example:

Faster Payments Improve Days Payable Outstanding (DPO)

If you are paying by check, you have to send the payment at least five to seven days before the payment due date. Virtual cards, however, can be scheduled for the payment date.

Setting Limits Minimizes Errors

With a virtual card, you can set specific limits as to who can process the transaction, when the transaction can be processed, and for what amount the transaction is authorized. Doing so minimizes the chance for the vendor to make a mistake in processing the payment.

No Cards On File Mean No Unknowns

When you leave a card on file with a vendor, you lose control as to when they take a payment. You therefore may not know exactly how much cash you have on hand. Virtual cards eliminate these unknowns by taking control back from the vendor and returning it to AP.

What About Purchasing Cards?

Purchasing cards have long been used by AP departments. In a study conducted by PYMNTS.COM and Mastercard, about **50% of businesses surveyed expressed that they expected their virtual card transactions to increase, with over 60% claiming that their purchasing card transactions would decrease or stay the same.** Here are some of the reasons for this transition from purchasing card to virtual card:

Purchasing Cards...

- ➔ are used for multiple transactions
- ➔ often result in reconciliation challenges
- ➔ allow the vendor to determine the amount and timing of a payment
- ➔ are prey to fraud and theft since they are open for re-use

Virtual Cards...

- ✓ are specific to a single transaction
- ✓ streamline reconciliation
- ✓ give AP control of amount and timing of payment
- ✓ have superior security as they are limited to specific payment amounts and time limits

Gaining Stronger Security & Fraud Prevention

Security is paramount for AP: security for your business and security for your vendor's business. Virtual cards give you that coveted security through:

- **Single-use cards.** Virtual cards use a unique 16-digit, randomly-generated number, expiration date, and CVV that can only be used once.
- **Transaction-level control.** You issue virtual cards for a specific payment amount and set controls to decline the authorization if the vendor pulls a different amount.
- **Secure account details.** Virtual card account details are securely stored and can only be obtained by authorized users.
- **Vendor data protection.** Virtual cards eliminate the need for you to hold vendor bank account information.
- **Robust card networks.** Virtual cards leverage the built-in security and controls of the card networks, making them a highly-secure form of payment.

All of these security measures minimize the risk of payment fraud associated with data breaches and other attacks, not to mention completely eliminating the risks that are inherent to paper checks. Plus, some solutions provide comprehensive reporting, user behavioral monitoring, and payment risk scoring to allow you to identify red flags or anomalies that could indicate possible fraud attempts before they actually occur.

“Checks are the #1 targeted payment method for fraud within B2B payments.”

Source: NACHA

Only 9% of businesses report payment fraud attempts via virtual card, compared to high percentages for check and 36% for commercial card.

Source: AFP

“Bad actors prey upon large and small businesses alike. Virtual cards provide multi-layer security to help protect both payers and vendors from theft and fraud.”

– Veronica Fernandez, Sr. VP, North America Head, Visa Business Solutions

Transitioning from Cost Center to Revenue Generator

Cost Savings

Paying via check requires high-speed printers, check stock, envelopes, postage, and secure storage. On top of that is the cost of time and labor for handling the physical checks and getting them out the door. All of this can easily result in a high cost per check. Such an amount adds up rapidly for companies issuing thousands of checks a year.

As a digital payment method, virtual cards eliminate these costs entirely. Plus, with efficient electronic delivery, virtual cards also help eliminate the expenses associated with late payments, stopping payments, and reissuing lost checks.

Cash Rebates

Virtual cards go beyond cost savings to actual revenue generation. You can earn cash-back rebates on what you are paying your vendors, literally making money on the money you spend. As your virtual card (as well as your ACH) transactions increase in volume, so could the amount you earn in cash rebates. With integrated reporting and analytics, you could easily demonstrate ROI to the larger business based on rebates earned for your virtual card program.

Early-Payment Discounts

With the ability to pay vendors exactly when you want, you can readily take advantage of available early-payment vendor discounts. This not only saves even more money, but improves your relationships with your vendors.

“Virtual card payments will exceed \$1 trillion this year, resulting in tens of billions of dollars in AP rebates.”

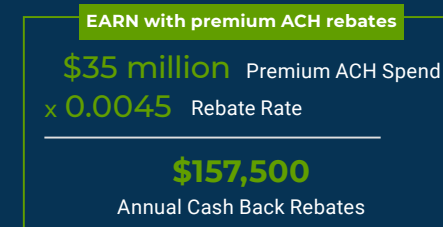
Source: PYMNTS.com

How Do I Save and Earn with a Card?

In this example, XYZ Inc. has an annual AP spend of \$200 million. 6,000 checks per year are replaced with virtual cards payments totaling \$30 million.



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By converting to ACH and virtual card payments, **AP contributes over \$675,000 of ROI per year.**

Improving AP KPIs through Digitization

Overall, virtual cards have a significant positive impact on a wide variety of AP key performance indicators (KPIs), including these top metrics:

1. Days payable outstanding (DPO)

Virtual cards empower AP to optimize DPO by taking full advantage of credit terms

2. Cost to process each invoice

Processing costs decrease significantly by eliminating paper checks

3. Time to process each invoice

Digitization reduces manual effort and speeds up the invoice-to-pay process

4. Exception rate

Payment errors decrease with the simplification of AP processing

5. Number of vendor inquiries, discrepancies, and disputes

Virtual cards provide a wealth of remittance data, timely payment, and high security, all contributing to vendor satisfaction

6. Late payments and penalties

With greater control over when payments are made, you can eliminate fees associated with late payments

7. Percentage of supplier discounts captured

By enabling payments to be scheduled for specific dates, virtual cards ensure that all desired early-payment discounts can be captured

8. Invoices processed per employee

By eliminating manual tasks, employees can process invoices faster, freeing up resources for more strategic work

These KPIs are not dry numbers: they represent different aspects of the health of the business such as cash flow, vendor relations, and resource constraints. Virtual cards, therefore, directly contribute to a business' overall success.

“The work of AP has far-reaching ramifications in an organization, including security considerations, vendor relationships, and cost savings. Virtual cards help support AP in achieving their business goals.”

– Veronica Fernandez, Sr. VP, North America Head,
Visa Business Solutions

The Virtual Card Business Case for Your Vendors

Virtual cards streamline the AP process and reduce both costs and fraud for AP departments; they also benefit your vendors and their Accounts Receivable (AR) function. Here is how to make the business case for virtual cards to your vendors:

- **Easy to process.** Virtual cards do not require a new process or new technology for vendors; they are processed just as a physical credit card would be.
- **Trusted networks.** Virtual cards are processed by known and trusted networks such as Visa and Mastercard.
- **Improved cash flow.** Virtual cards ensure faster payments and eliminate late payments, improving vendor cash flow and increasing working capital.
- **Robust data.** Virtual cards provide full remittance data that streamlines the vendor's cash application process.
- **Enhanced productivity.** Virtual cards save time for the vendor's AR team by eliminating the manual workflow required for processing checks.
- **Reduced DSO.** Virtual cards give vendors the opportunity to negotiate terms to get paid faster.
- **Increased security.** Virtual cards dramatically reduce the risk of fraud.
- **Decreased friction.** Virtual cards – and, in particular, virtual cards with straight-through processing – remove friction from the AR process.



Straight-Through Processing for Vendor Satisfaction

Typically, virtual cards are sent via email and the transaction is then manually processed by the vendor. However, depending on your volume and vendor relationships, it may be beneficial to implement straight-through processing for your virtual card payments. With straight-through virtual card processing, your vendor receives an email with remittance information but the payment transaction itself is automatically processed and seamlessly deposited into the vendor's bank account. This eliminates any manual effort on the part of your vendors.

Partnering for Virtual Card Success

It can be readily argued that all virtual cards – in and of themselves – are essentially the same. That cannot be said, however, for all virtual card providers. Here is what you want in a partner to ensure the success of your virtual card payment strategy:

Customer-Centric Values

Look for a provider with:

- ✓ Longevity and a solid reputation in the industry
- ✓ An established vendor network
- ✓ Proven success in vendor recruitment and onboarding
- ✓ A commitment to innovation with regard to payment strategies and technology
- ✓ Dedication to long-term customer success through an ongoing service model

Vendor Enrollment Excellence

A provider should be able to:

- ✓ Identify vendors who are known to accept card payments
- ✓ Offer customized vendor enrollment campaigns to meet payables optimization goals
- ✓ Educate vendors on the value of virtual cards to drive increased acceptance
- ✓ Provide full transparency into the vendor enrollment process
- ✓ Ensure continuous enablement so that new vendors are encouraged to enroll

A Robust Solution

A provider's solution should include:

- ✓ Variety of B2B and B2C payment types (e.g., card, ACH, check)
- ✓ Domestic and international payments
- ✓ Cash rebates earned monthly
- ✓ No fees for issuing a payment
- ✓ Complete data to streamline general ledger reconciliation
- ✓ The option to take advantage of straight-through processing capabilities
- ✓ Seamless integration with your accounting or ERP system
- ✓ Sufficient training provided for your AP department
- ✓ The assurance of a go-live in under 60 days

Strengthening Your Overall Payment Strategy

Virtual cards are a valuable payment method to have as you develop your overall payment strategy, with benefits for your AP department and your vendor community alike. However, it is just one of several payment types that your AP team will likely utilize.

To maximize cost savings and streamline the AP process, your organization should adopt an integrated payment strategy that combines virtual card, premium and traditional ACH, and check payments, as well as business-to-consumer payments. This approach streamlines payment processing and reconciliation and allows you to adopt a flexible payment strategy that aligns with different use cases and vendor preferences. You therefore gain the agility to adapt as your business evolves and grows.

“Accelerating B2B payments and simplifying the movement of money are goals shared by AP departments. Adding virtual cards to AP’s digital payment strategy is key to achieving these objectives.”

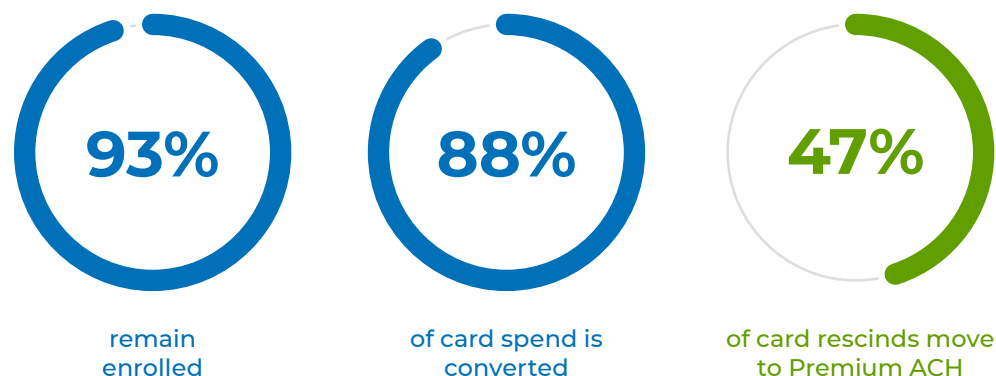
– Veronica Fernandez, Sr. VP, North America Head, Visa Business Solutions



Move Your Business Goals Forward with Bottomline

Paymode is the largest B2B electronic payment network, with 600,000+ vendors accepting virtual card and ACH payments and includes ongoing vendor onboarding services. Paymode will drive significant adoption of virtual card payments with your vendors – ultimately maximizing cost savings and rebates for your organization.

Of the vendors in the Paymode network who accept card payments:



With over \$450B in payments processed per year with zero payment fraud, Bottomline's Paymode network offers you peace of mind above and beyond what you will realize from other electronic payment solutions.

“Accounts Payable departments should embrace multiple payment strategies to achieve maximum efficiency and effectiveness. Virtual cards are a powerful addition to the AP toolbox.”

– Veronica Fernandez, Sr. VP, North America Head, Visa Business Solutions

Learn more about how Bottomline can help you incorporate virtual card into your payment mix

[Contact Us](#)



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