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Greg Thompson on:

Why Virtual Cards Are The Future Of Controlling And Securing Business Spend



Virtual cards have long been associated with corporate travel and expense (T&E), because their advantages fit nearly hand-in-glove with the significant pain points that firms' travel managers face around security, spend control and manual reconciliation processes. "And then, of course, COVID-19 comes along and these pain points start to extend to the wider corporation," Greg Thompson, director of banking at Conferma Pay, told PYMNTS in a recent interview.

While the coronavirus has impacted business travel, the use of virtual cards for other B2B spending has actually been soaring, Thompson said. There's been a "solid realization among corporates" that nearly all corporate transactions — from massive supplier payments to incidental coffee purchases — have common features, he noted. And this has become all the more apparent in the era of COVID-19, he said, as employees are increasingly relocating away from their centralized office buildings and into their home offices.

According to the latest virtual card playbook release by PYMNTS and Conferma Pay, 34 percent of U.S. consumers have shifted to teleworking of late. These teleworking employees are looking for support from employers in outfitting their home offices and managing business expenses, noted Thompson, as 60 percent of U.S. workers report they'd rather forgo a business expense than pay it out of pocket. Compounded by the fact that more and more corporates have moved away from corporate cards for employees, the pressure is on for employers in terms of spend management in a suddenly far more fragmented environment.

Settlements need to happen fast, automated reconciliation is important, exerting spending control is critical and rich data capture is essential in this now more complicated world of work, Thompson said — and all are better enabled by virtual cards, which offer granular spend management through elements like spending caps and usage limits that "ultimately, you just don't get with credit cards or cash." Expense management apps are only part of the story — while they provide post-facto control, they don't generally provide the payment instrument, and certainly not the pre-spend controls that are critical in today's environment.

Leveraging Transparency In A Newly Decentralized World Of Work

According to Thompson, COVID-19 has in many regards been transformative for digital payments, sparking a shift in corporate operations. Organizations are redefining their supplier relationships, restructuring supply chains and redeploying their workforces away from offices and toward workers' homes. A number of Big Tech companies — Facebook, Google, Twitter — have announced that their workforces will be remote for at least the immediate future. Organizations are now figuring out in real time how to provide their workers with the office equipment they'll need, such as laptops, desks, chairs and printers. Reimbursement models of the past, said Thompson, are particularly ill-suited to a remote workforce — and expensively inefficient in a time when budgets are constrained.

That's a lot of change for corporate treasury departments to take on all at once, Thompson pointed out — but if there is one guiding principle in how best to manage this, it is one of control and transparency.

"Finance departments will continue to need full control over how much is being spent, when it's being spent — and, most importantly, what it's being spent on," he said. "Virtual cards are the only payment technology that gives them that full control and real-time visibility into their whole spending profile, while simultaneously



allowing them to quickly and effectively meet their workers' needs."

The employer is no longer sitting in a passive position in terms of employee spend — virtual cards allow for strict limits on both how much can be spent and more granular limits, like where funds can be spent and even what they can be spent on. Thompson also noted that the worker remains better off, and more likely to make the necessary expenditures, if the out-of-pocket element and the wait for reimbursement are taken out of the equation.

Controlling Risks For Corporate Cards

Among the many unfortunate outcomes of a pandemic, the increase in fraud levels is regrettably one that has been evident from nearly the start of the crisis. Fraudsters never met an opportunity they didn't want to exploit — and a big uptick in unusual purchasing patterns is just such an opportunity.

Old-school corporate cards with high limits designed for a pool of workers to use collectively present a very attractive target, Thompson said, as a static 16-digit card number with a high credit limit and multiple users represents big and often hard-to-spot security risks.

Fraud attempts aren't merely rising in number — they are increasingly coming from a wider variety of sources, making prevention an even bigger challenge. Many will be professional cybercriminals whose specialty, so to speak, is trading illicitly obtained cards on the web. But unscrupulous employees taking advantage of chaotic times to misuse corporate funds also pose a risk to organizations' security.

Virtual cards serve as an effective security enhancement, noted Thompson, simply by their very nature of making far less attractive targets than their traditional corporate card counterparts. The limits on them are far lower, align with employees' spending needs and are easily overlaid with other limits, making them genuinely difficult to misuse.

"Merchant-category groups can be restricted and date ranges can be set," Thompson said. "Ultimately, the employer is able to completely control the payments, and the spend can be reconciled quickly and effectively — particularly when compared to sharing one [permanent account number] among multiple employees."

Overall, Thompson noted, what companies get from virtual cards is full transparency into how funds are being spent and by whom, as well as control — so, not just over how much an employee spends, but where corporate funds can be used and when they can be spent.

The world of work is changing, and the solutions businesses need to manage their workforces must change as well. Virtual cards are ultimately an important part of that transition, said Thompson, so that control of operations in regard to spending doesn't ultimately become another casualty of COVID-19.

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