Virtual Card Solutions
SURVEY REPORT

2022
Summary Report

- Changing Objectives
- Major Challenges
- Performance Against Expectations
- Value & Value Drivers of These Programs
- Plans & Adjustments

Contents

Survey Quick Stats 3

Executive Summary 4

Key Finding Analysis 6

About the Firms 19

Survey Contacts

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Survey Quick Stats

DEVELOPMENT | RUNTIME | ANALYSIS

May	June	July	August	September

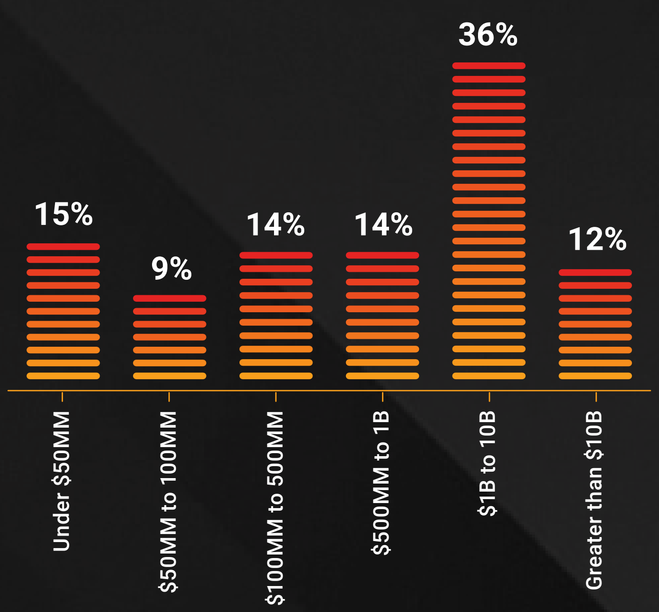
1st year of research

150+ respondents

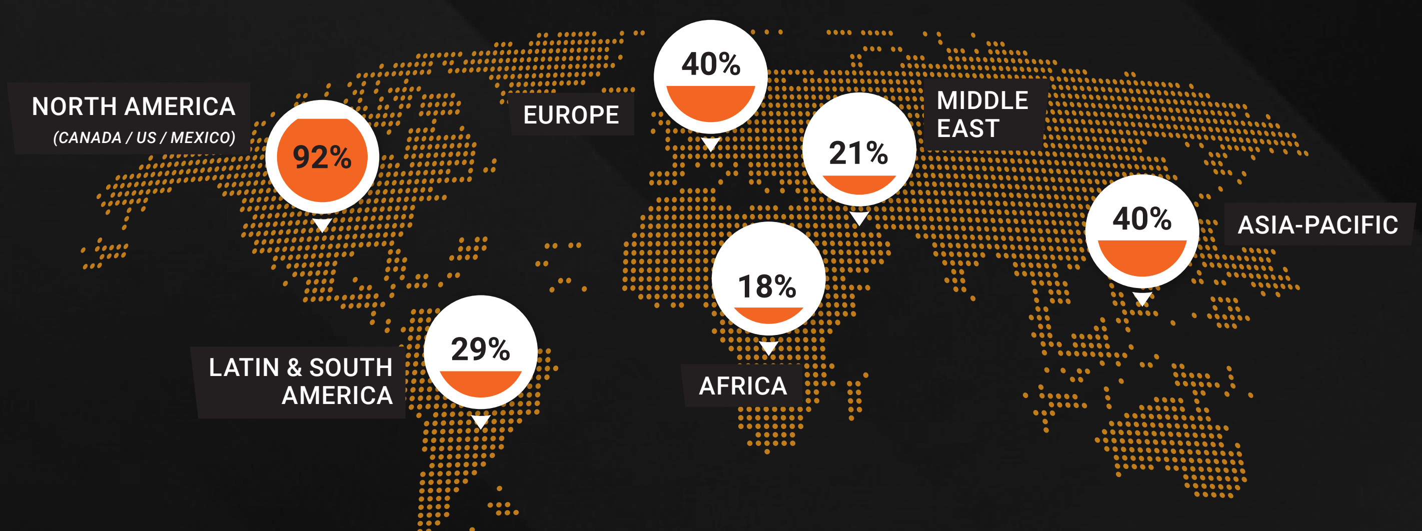
50+ questions

4-week survey runtime

Company Annual Revenue



Respondent Regions of Operations



An Additional Resource Related to This Survey: WEBINAR REPLAY

Executive Summary

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Founder & Managing Partner
Strategic Treasurer

In a growing environment of electronic payments, organizations are seeking ways to create safer, faster, and more efficient processes where visibility and value are increased, and exceptions and challenges are diminished. This survey explored the current evaluation of virtual card programs and performance by organizations along with expectations and plans for the future.

This Virtual Card Solutions Survey Report covers key elements from our recently analyzed research. The questions explored changing objectives, major challenges, value drivers of virtual card programs, and plans and adjustments program managers have underway.

Some native advantages offered by virtual cards have driven their initial growth since their inception. However, that growth has been paired at times with some amount of pain and learning. Moving out of the pandemic seemed an ideal time to take the pulse on this important payment channel and see how perceptions and plans are adapting.

This rapid survey was taken by over 150 payment professionals across the globe and included corporate respondents (76%) and bankers (24%). It contained over 50 questions, although no survey path required that many responses from any one individual.

These areas are both important and interesting for the payment professional, treasury expert, and banker. As we sifted through a mountain of data and key points, we enjoyed the process of identifying several key storylines that summarize the findings from this year's study.

Below are four headlines. If you 'flip' a few pages, you will find all 12 key findings and additional detail.

Payment Speed Matters

Delays in payments are a significant concern for vendors, and slow approval processes contribute to this issue. An acceleration of payments would significantly increase the adoption of virtual cards.

Virtual Card Challenge: Adoption and Attrition

Supplier adoption of virtual cards for payments and ongoing vendor attrition represent significant initial and ongoing concerns for virtual card program managers. This seems clear from the fact that the 'value-drivers' are not apparent, leading most buyers to target existing acceptors (69%).

Payment Security Is the Top Concern

- The importance of payment security has been increasing and leads all other areas of concern.
- Automation and working capital optimization also matter to companies.

Half of Those Not Using Virtual Cards Are Currently Considering It

Of the 56% that aren't, 9% had evaluated its use and decided not to move forward.
Reasons: vendor relationship or the amount of higher priority IT work.

Virtual Card Program Expectations Met? Mostly

But there is plenty of room for improvement. The majority of virtual card users indicate the program met their expectations, although two-thirds note that they have not maximized the results of their program.

We invite you to continue examining the results of this survey by reading through the *key findings* that are included in this survey report.

Finally, for those who took the survey — thank you. Everyone who completes the survey receive a more comprehensive report as a token of appreciation for your investment of time. As always, your survey responses remain confidential. Our thanks to Mastercard for underwriting this research and for their invaluable contribution throughout the scoping and design phases. We enjoyed their partnership, insights, commitment, and collaborative spirit throughout the project.

Review and enjoy.

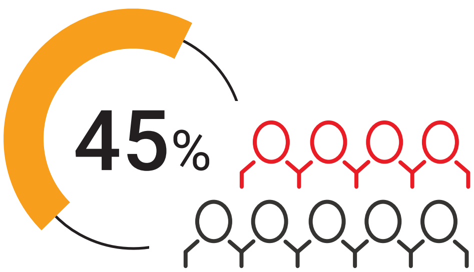
Key Finding Analysis

Payment Speed Matters

Payment delays are a significant concern for vendors, and slow approval processes contribute to this issue. The acceleration of payments is a major factor that will support the adoption of virtual cards, and the promise and reality of faster payments will drive more thoroughgoing acceptance of virtual cards.

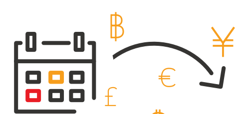
1. On-Time and Late:

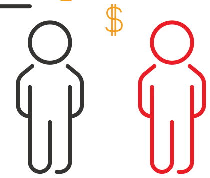
- **Serious Pain with Late Payments.**



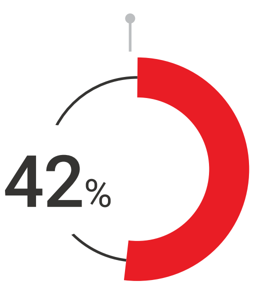
4 in **9**

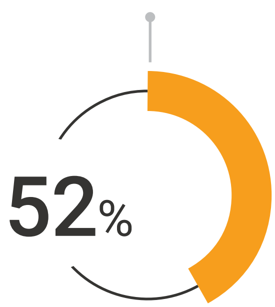
of the respondent companies indicate that their late payments are a source of friction with AP suppliers (moderate to heavy pain).

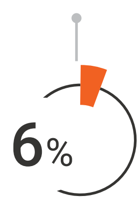




- **The Majority of Firms Mostly Pay on Time.** However, those usually paying on time just barely make a majority, as 48% either have some delayed payments (42%) or multiple delayed payments (6%).







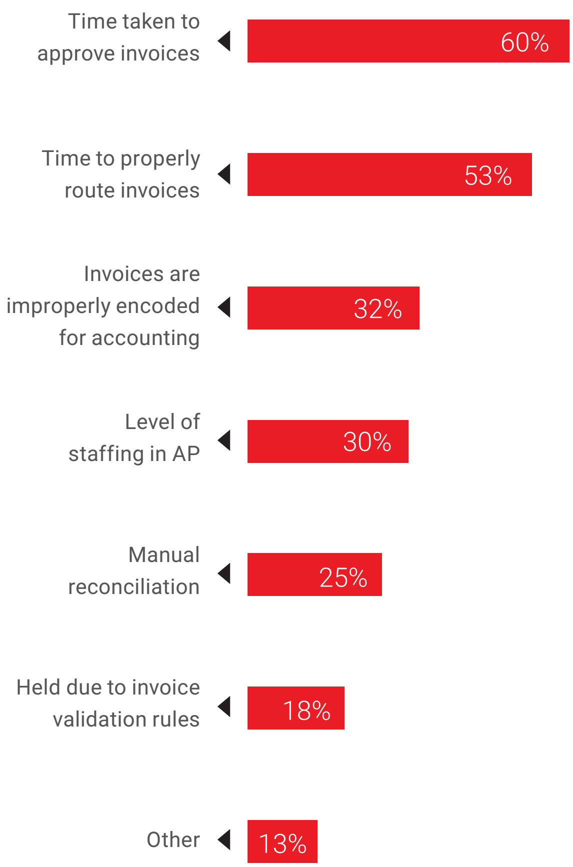
- **One-Eighth of Firms Never Pay Late.** On the other hand, more than a fifth (21%) of companies pay late 20% of the time or more.

2. Reasons for Delays — Slow Processes:

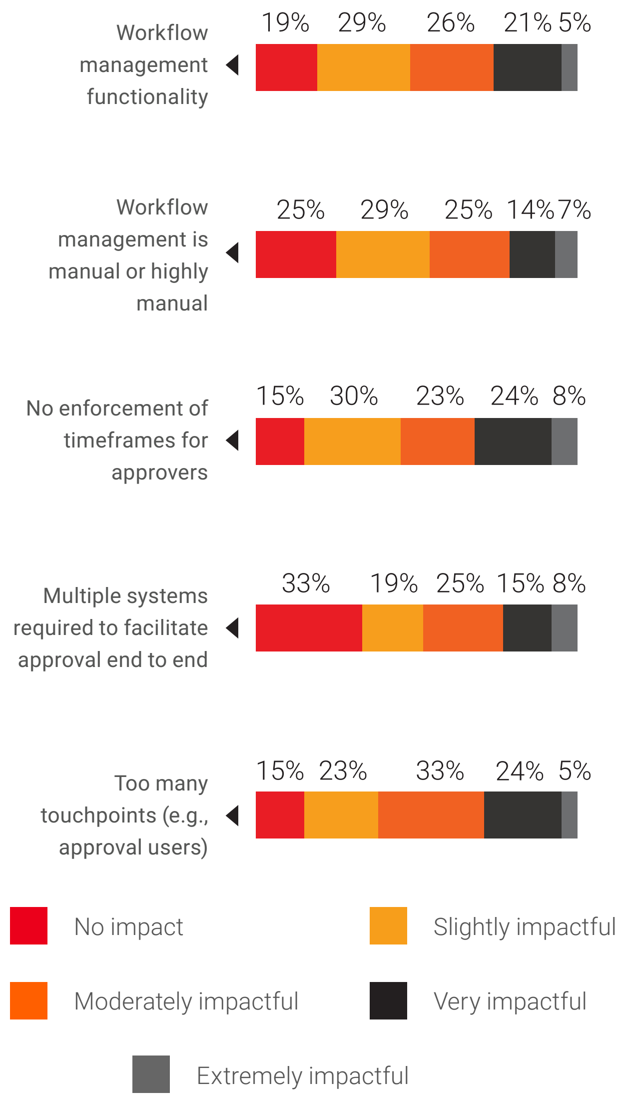
- **Fifteen Percent Have a Slow Invoice Approval Process.** Eighty-five percent have completed the approval process prior to a payment being due, which allows them to take advantage of early payment options/funding when desired and available.

- **Touchpoints, Routing, and Accounting Requirements Cited as Key Delay Factors for Invoice Approval.** Over half of firms identify the invoice routing process as a limiting factor for invoice approval, and another third (32%) point at the accounting encoding requirements as a contributor to this situation. Too many touchpoints were rated as moderately to extremely impactful on invoice approval time by 62% of respondents.

Q. What limits your organization from approving invoices faster? What causes exceptions? (Select all that apply)



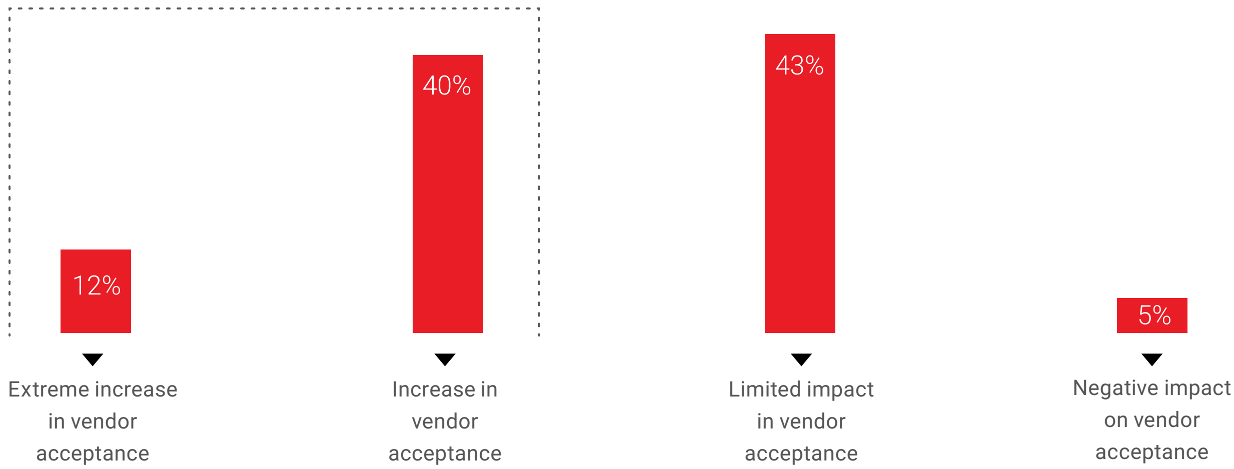
Q. Please rank these items based on your perception of their impact on impeding or slowing invoice approval.



3. Speed of Payments Will Drive Acceptance and Be a Key Part of Bank Messaging:

- **Rapid Payment Ability Will Drive Vendor Acceptance.** Just over half (52%) expect that the rapid payment option would provide an increase (40%) or an extreme increase (12%) in vendor acceptance. Forty-three percent believe it would have a limited impact.

Q. How would the ability to pay a vendor within a few days after they submit an invoice impact vendor acceptance of a virtual card?



- **Accept Virtual Cards and Get Paid Faster.** The lead message (72%) used to promote virtual cards with suppliers is that by accepting virtual cards, you can get paid faster. This emphasis on speed leads efficiency, visibility, and the carrot and stick approaches:

47% ▸ **Efficiency through better system integration.**

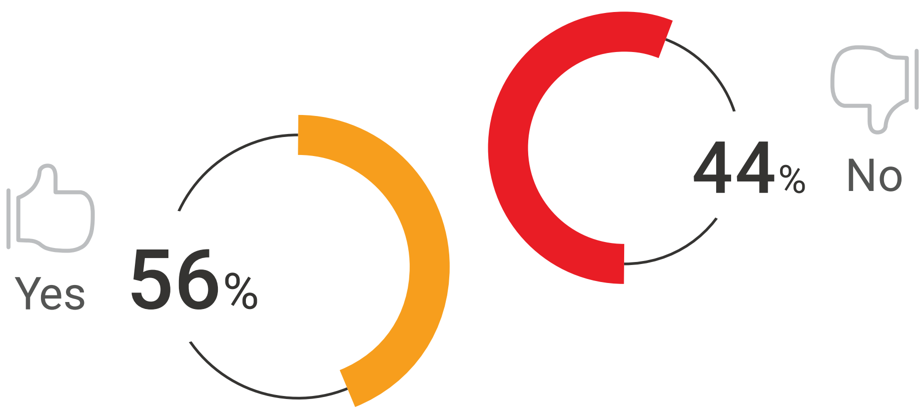
44% ▸ **Visibility as to when they will get paid.**

44% ▸ **Terms extension coupled with the faster payment option (carrot and stick).**

4. Fifty-Six Percent of Companies Offer Accelerated Payment Terms for Virtual Card Use:

- **Most Offer More Than 10 Days Improvement.** Those selecting the top two levels of importance for payment terms acceleration (extremely important, very important) offer the following priorities:
  - 84% offer 11 or more days of payment acceleration.
  - 37% offer 20 or more days of payment acceleration.

Q. Does your organization offer payment term acceleration to suppliers who accept virtual cards?



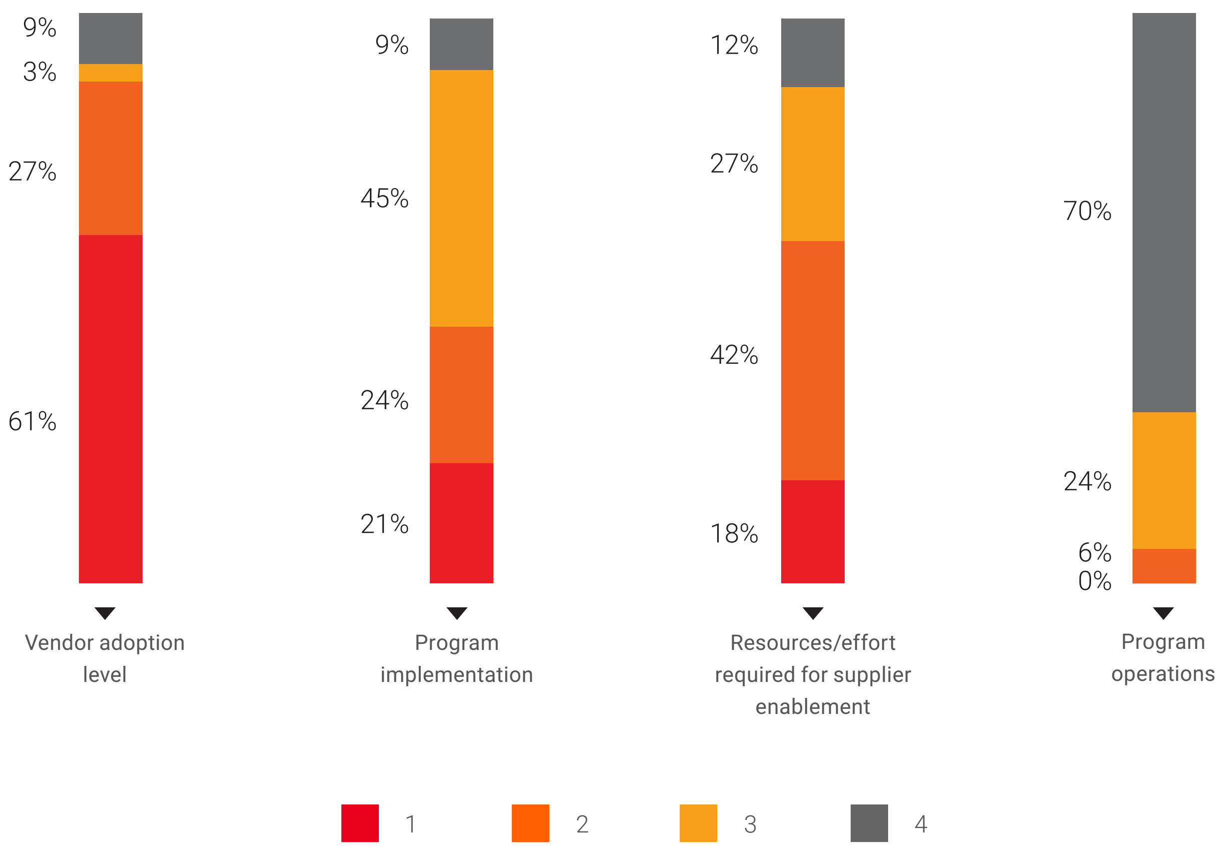
Virtual Card Challenge: Adoption & Attrition

Supplier adoption of virtual card for payments and ongoing vendor attrition represent significant initial and ongoing concerns for virtual card program managers.

5. Adoption Cited as Top Concern:

- **Top Program Challenge: Vendor Adoption Level.** Vendor adoption was identified as a top challenge by 88% of survey respondents, with 61% selecting it as #1, and 27% selecting it as their #2 choice. Ongoing program operations represent the lowest level of challenge among the four options:
  - 45% (21% #1) – Program implementation concerns.
  - 60% (18% #1) – Resources/effort required for supplier enablement.

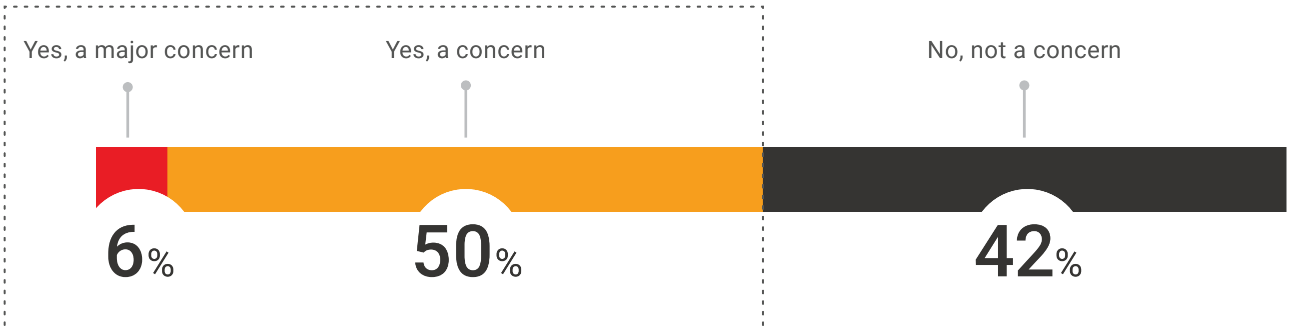
Q. Rank the perceived challenges with virtual card programs today, with 1 being the most difficult and 4 being the least difficult.



6. Attrition Rates a Concern for the Majority:

- **Supplier Attrition Is an Ongoing Concern for Virtual Card Program Managers.** The majority (56%) of respondents indicated attrition as a concern, with 6% listing it as a major concern.

Q. Is supplier attrition (suppliers opting out of your virtual card program) a persistent concern for your organization?



- The experience of attrition levels varies, with:

28%	Not knowing or measuring attrition.
32%	Seeing annual attrition of 3% or more.
19%	Seeing annual attrition of 6% or more.
1 in 6	Respondents identifying supplier attrition as an ongoing concern.

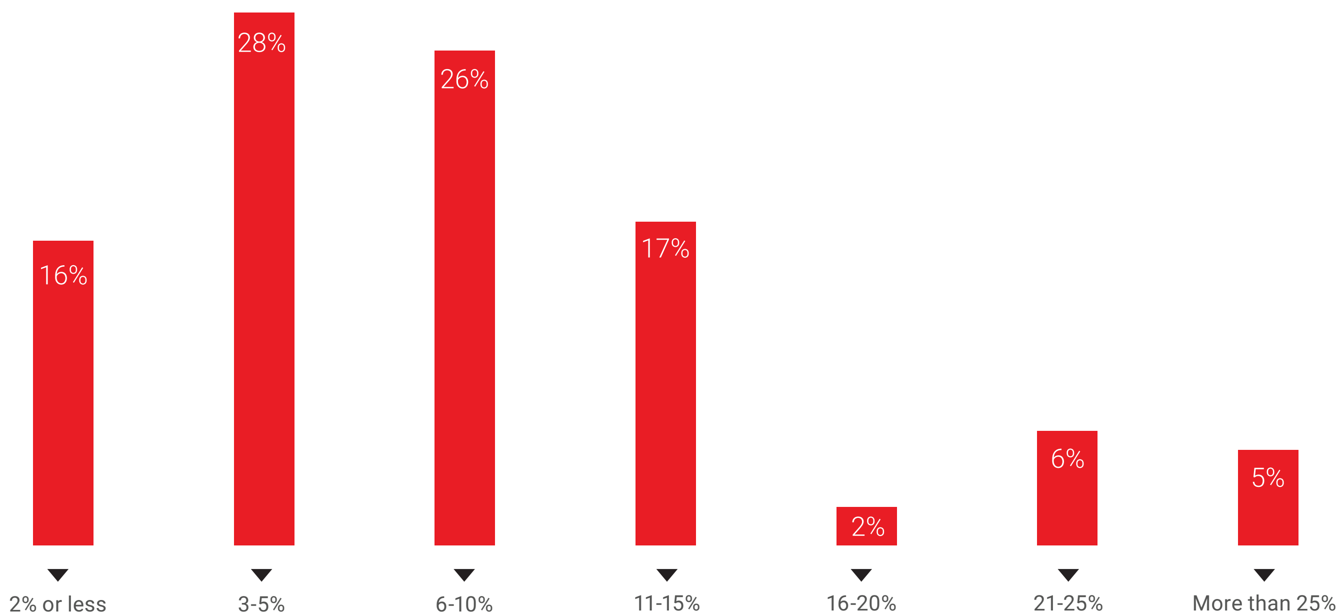
Lack of Details Leads to Process Defects

Manual interactions (defects) are often caused by incomplete or incorrect details. The level of defective processes creates significant work effort for both vendor and buyer.

7. The Majority of Respondents Indicate that 6% or More of Their Invoices Require an Interaction:

For 30% of companies, 11% or more of their invoices require an interaction.

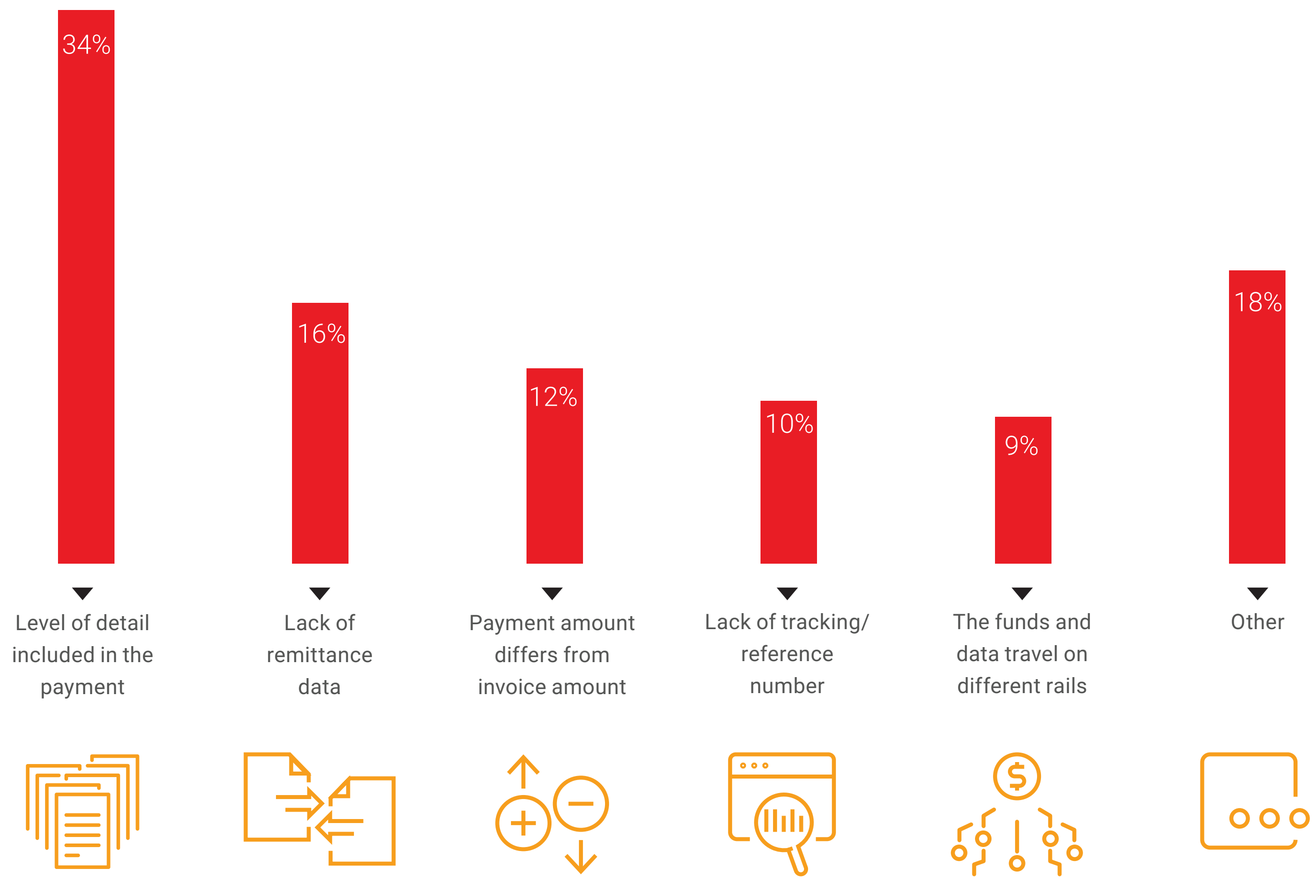
Q. What percent of your invoices do you estimate trigger an interaction regarding status of invoice approval or payment from your suppliers?



8. The Contact Is Due to Lack of Detail:

From missing information to changes and separate rails (data and payment), contact is made with the payer due to data issues.

Q. What issue most causes suppliers to contact you after receiving payment?



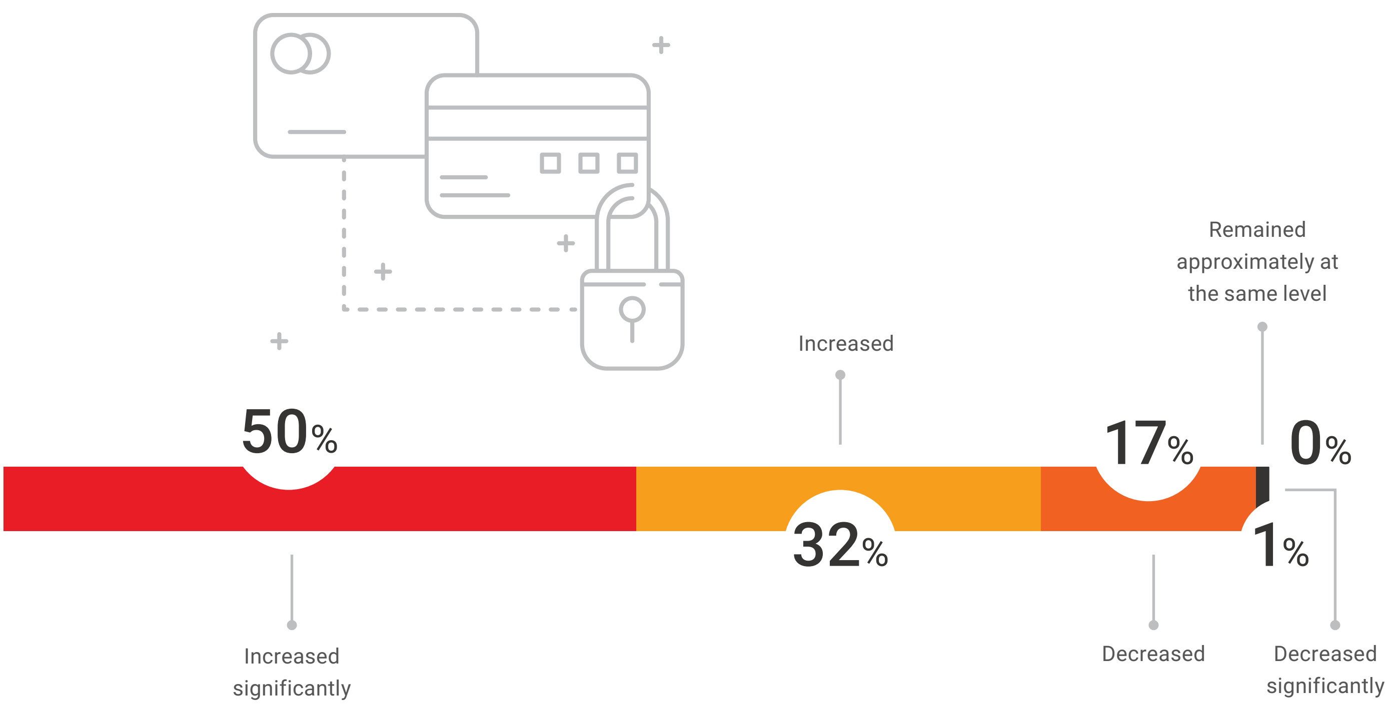
Payment Security on Top. Automation & Working Capital Optimization Are Also Important to Companies

The importance of payment security has been increasing and leads all other areas of concern.

9. Eighty-Two Percent Indicated Payment Security Importance Increased.

- **50% indicated this increased significantly.**
- **32% indicated their concerns 'increased.'**

Q. In the past two years, the importance of payment security to our organization has:



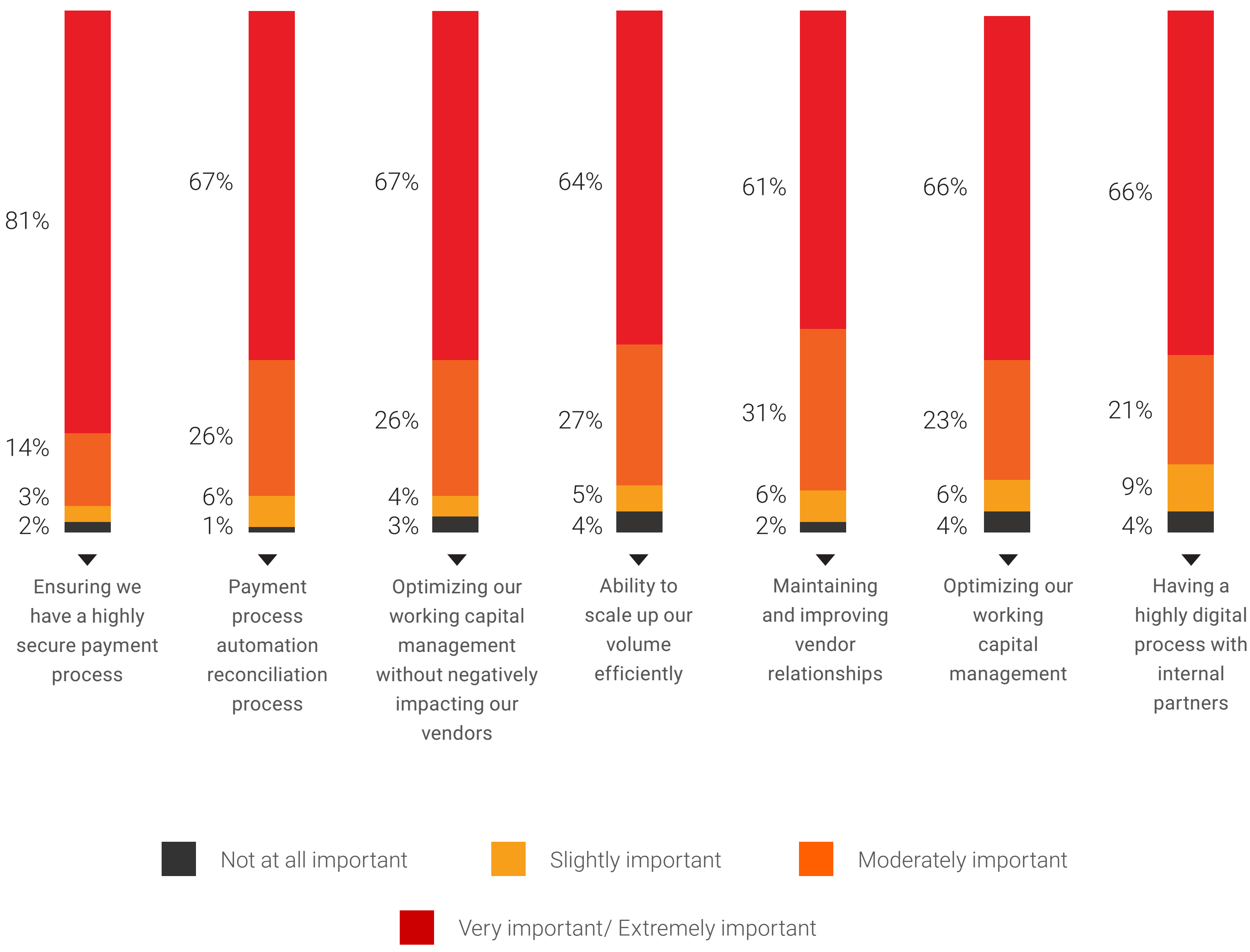
10. Security, Automation, and Working Capital Optimization Are Most Important.

For those selecting the top two levels of importance (extremely important, very important), the following results show the priority:

- **81% – Highly secure payment process.**
- **67% – Payment process, automation, and the reconciliation process.**
- **67% – Working capital optimization without negatively impacting vendors.**

Q. How important are the following considerations in your payment process/methods?

Note: Only top choices shown.

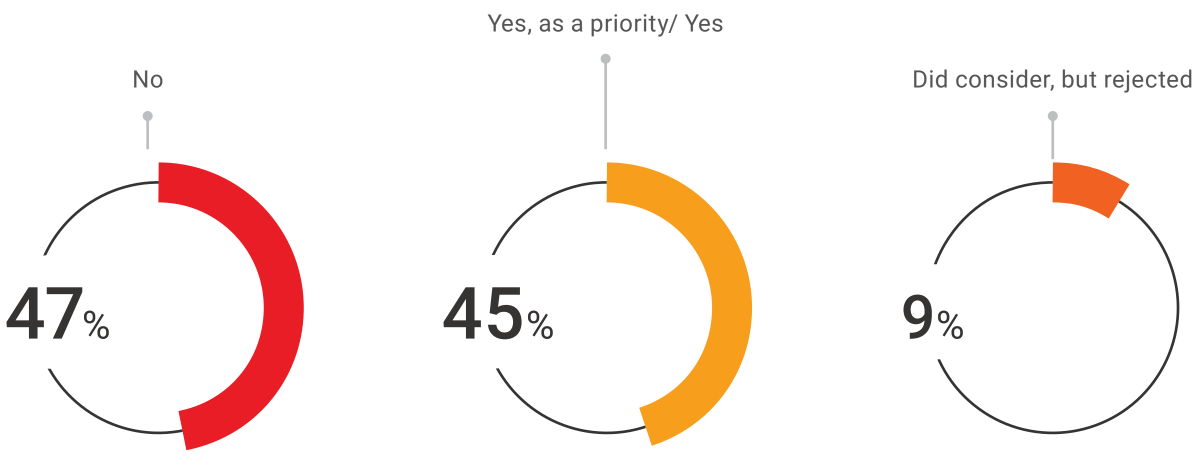


Not Using Virtual Cards? Nearly Half Are Considering It

Of the 56% that aren't considering it, 9% had evaluated its use and decided not to move forward. Reasons: vendor relationship or the amount of higher priority IT work.

11. Four out of Nine Considering Virtual Card Use:

- Of those not using a virtual card presently, 45% are considering its use. Of the 56% that aren't, a total of 9% did consider using a virtual card but decided not to. Given more recent changes to virtual card options, will the 9% reconsider at some point? Their reasons for deciding against it included:
  - 29% – Vendor relationships.
  - 28% – Too much higher priority work for IT.
  - 21% – Fraud control.



Expectations Met? Mostly. But Plenty of Room to Improve Virtual Card Performance

While the majority of virtual card users indicate the program met their expectations, two-thirds note that they have not maximized the results of their program. Supplier adoption and attrition represent initial and ongoing concerns for program managers.

12. Virtual Card Programs Meet Expectations?

Yes, by a five to four ratio for corporates and over a two to one ratio for bankers.

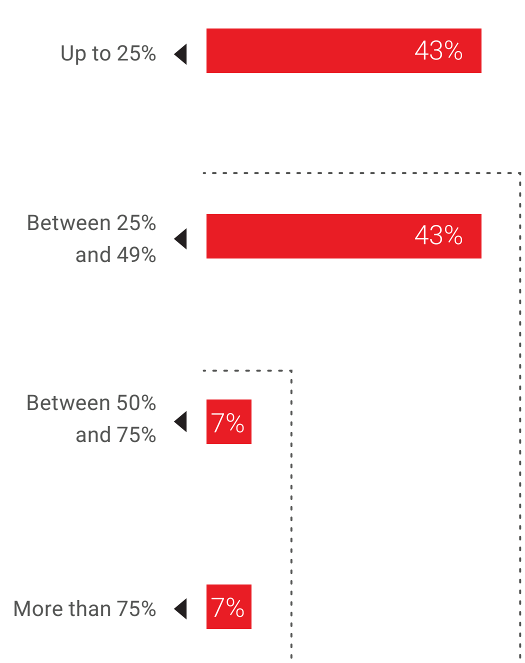
CORPORATE

- **Three-Fifths Think Suppliers See the Value of Virtual Cards.**
- **One-Fourth of All Virtual Card Programs Are Underperforming by 25% or More.**
  - 14% of these are underperforming by 50% or more (6% of all programs).
  - 57% of these are underperforming by 25% or more (25% of all programs).
- **Two-Thirds Have Not Maximized Their Virtual Card Program.**

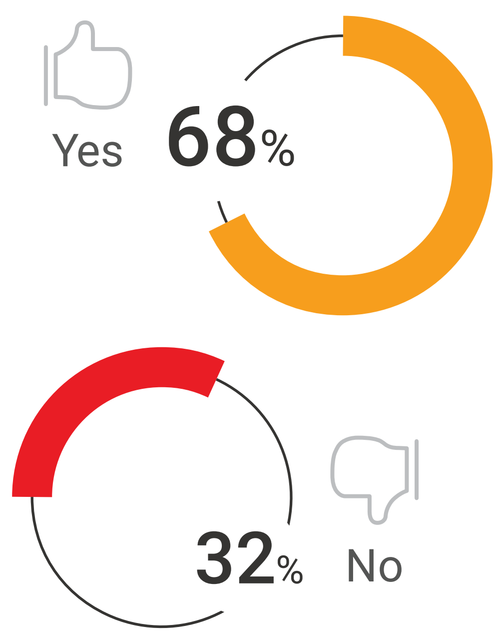
BANK

- **Bankers' Virtual Card Programs Have Met Their Expectations in Higher Numbers Than Corporate Users.** Just over two-thirds (68%) indicated the virtual card programs they offer to their customers have met their expectations. This is higher than individual virtual card program managers, of whom 56% could say the same, indicating a 12-point gap.

Q. CORPORATE: By what percentage do you estimate your virtual card program is underperforming?



Q. BANK: Has your virtual card program met the expectations you had for it prior to launching the program?



Survey Methodology

Strategic Treasurer is committed to meeting or exceeding industry standards for survey management and providing honest representation of high-quality, thorough research data. With experience researching the treasury and finance industries since 2004, we have developed a strict methodology to ensure that our readers and partners can rely on the data we offer.

This methodology includes using professional survey tools, requiring significant sample sizes before publishing or stratifying data, and cautious wording of the reports we write to ensure that correlation is stated only as correlation and that data is represented with accuracy and clarity, never twisted to support a specific agenda. For longitudinal data, we require that the questions used remain unchanged from year to year to ensure that the comparison is reasonable. We cull bot (robotic or programmed) responses by analyzing factors such as email address, completion speed, IP address repetition, and normal response ranges. Only real responses are counted for determining whether a significant sample size has been reached.

We prize respondent confidentiality and anonymity and will always protect personal and company information. Personally identifiable information collected may be combined with existing data in our databases for further analysis, but we will never report any personally identifiable information in any way to outside recipients or to underwriters. Additionally, Strategic Treasurer does not use company or respondent specific survey data or responses for any sales purposes. Translation: This further means that the business development/sales team is not given access to this data.

To learn more about the importance of robust survey methodologies, listen to our founder and managing partner, Craig Jeffery, discuss research and data quality on episode 149 of the Treasury Update Podcast, or feel free to contact us with any questions by emailing info@strategictreasurer.com or calling +1 678.466.2222.

About the Firms

mastercard

(NYSE: MA)

Mastercard is a global technology company in the payments industry. Our mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible. Using secure data and networks, partnerships and passion, our innovations and solutions help individuals, financial institutions, governments and businesses realize their greatest potential. Our decency quotient, or DQ, drives our culture and everything we do inside and outside of our company. With connections across more than 210 countries and territories, we are building a sustainable world that unlocks priceless possibilities for all.

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Contact us

Strategic Treasurer

Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1990s. Partners and associates of Strategic Treasurer span North America and Europe.

This team of experienced treasury specialists are widely recognized and respected leaders in treasury. Known for their expertise in treasury technology, risk management, and working capital as well as other cash management and banking operations, they efficiently identify issues, creatively explore ideas and options, and provide effective solutions and implementations for their valued clients.

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