

VIRTUAL PAYMENT DEPLOYMENTS:

Training Travelers, Hotel Partners, TMCs and Other Stakeholders



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The shift to remote and hybrid work models has prompted companies to rethink travel policies and payment strategies with a digital-first mindset.

Virtual cards are emerging as one of many digital payment solutions gaining traction in this new working environment, with virtual card transactions expected to grow 340 percent in the next five years; increasing from 28 billion in 2022 to more than 121 billion in 2027, according to a [September 2022 report](#)¹ by analyst firm Juniper Research.

This growth is expected to be driven by B2B virtual spend, with the US forecast as the largest market, likely accounting for \$71 billion in B2B virtual card revenue by 2027.

New workforce dynamics: Who now needs virtual payment options?

With the new hybrid work model, travel spend patterns are likely to change as remote employees travel more frequently to meet their teams. Temporary or periodic payments may also be required for tools like laptops, a workstation at home or access to co-working office spaces.

This calls for decentralized payment processes with centralized controls as a growing number of employees may not be in the office to seek approval from a manager or finance department, but still need to access company funds in a safe and secure manner.

“Virtual cards offer employees a convenient and frictionless payment tool for work-related expenses, at the same time they empower managers to monitor and ensure compliance with company policy,” said Rudy Daniello, Executive Vice President of Corporations at travel technology company Amadeus.

Virtual cards can be programmed for one-time or multi-use and each transaction generates a unique card number, so they can be safely distributed remotely and provide an easy way to extend company funds to remote or temporary workers, such as trainees and contractors, who don't have a company-issued plastic card.

¹“Virtual Cards: Sector Analysis, Competitor Leaderboard & Market Forecast 2022-2027,” Juniper Research, September 2022

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“End-to-end digital spend management ... could save US companies an average 8.4% of direct travel costs.”

- Amadeus economic study

More control, more clarity

By digitizing the travel expense process, virtual card accounts for travel (VCAT) can help increase efficiency, spend visibility and control over travel spend. With automated travel and expense approval flows, the days of ‘spend and reclaim’ processes are over as companies can set pre-approved expense budgets for each trip and implement tighter controls to help avoid misuse and reduce fraud.

Virtual cards can also be easily integrated into the corporate booking tool or a mobile wallet, providing a contactless payment experience for employees on the road and greater control over on-trip spending.

Direct savings and productivity gains

A [September 2022 “economic case study”](#)² for end-to-end digital spend management in business travel¹ commissioned by Amadeus Cytric found that programming spend controls into virtual cards, particularly at the point of purchase, could save US companies an average 8.4 percent of direct travel costs in 2022 – a potential saving of \$24 billion.

The study also found that travelers, their managers and finance teams could save more than two hours per trip by using VCAT rather than traditional payment methods. A further 27 minutes is saved on average per trip as travelers no longer need to settle hotel bills at checkout.

These productivity improvements could potentially free up 121,000 full-time equivalents from travel-related administrative tasks.

For example, when the State of California introduced VCAT³ to improve its travel policy and streamline processes it was able to reduce back-office work, such as reconciliation of hotel bills for its Department of General Services, from 7-14 days a month to less than half a day.

But to make the most of virtual payment solutions and the process efficient, travel managers must take the time to train stakeholders and integrate technologies.

Stakeholder training and engagement

When it comes to introducing VCAT, travel managers can strengthen organizational buy-in by facilitating cross-department discussion, highlighting benefits and establishing best practices.

Full transformation needs finance, procurement and travel stakeholders to come together, along with clear communication and training programs for external stakeholders, such as hotels and travel management companies (TMCs). So, for travel managers wanting to champion virtual cards, ongoing stakeholder engagement is key.

Educate travelers

Explain to travelers what virtual cards are and how both they and the company can benefit.

Paying with a virtual card means employees no longer need to advance their own money and then wait to be reimbursed, while mobile integration saves time while they're on the road.

² “It’s Time to Transform: The Economic Case for End-to-End Digital Spend Management in Business Travel,” Amadeus Cytric, September 2022 ³ “Citibank State Travel Payment System Overview,” Citi

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HOW TO SECURE VIRTUAL PAYMENT?

A virtual card allows the user to generate a one-time card number that links to a centralized corporate bank account.

There are a number of parameters that companies should put in place when considering implementing VCAT. These include, setting spend limits, selecting which merchants the cards should work with, and expiration dates. Travelers must also be informed of those restrictions. For example, if the VCAT will only cover the nightly hotel room and taxes, the traveler must provide a different form of payment for any other charges.

For an effective VCAT rollout, where decentralized spending conforms to travel policy, centralized controls should be the same as if an employee were on site, speaking to the finance department. The same questions can be asked: What are you buying? For what reason? Is it within pre-agreed parameters (such as a travel policy)?

Travelers should be advised how to use VCAT via the corporate booking tool and associated mobile app, and what to do if a hotel cannot access credit card information. Mobile apps that allow travelers to display a picture of the card and number to a front-desk clerk who cannot find the form of payment in a hotel record have done much to alleviate problems. Use of VCAT at hotels continues to frustrate travelers and travel departments and reduce some efficiency gain projections.

Talk to your TMC

For standard transactions, the TMC's role will remain largely unchanged. But at the point of confirmation, the TMC's technology will be configured to push out a call to the company's payment provider to create a virtual card instead of leveraging legacy payment technology.

New relationships between virtual payment providers and TMC technology providers have also streamlined the virtual card generation process, with tools embedded to capture associated data. These solutions are integrated in the TMC ecosystem and help reduce the need for training.

However, Daniello said training becomes relevant when the TMC has the role of administering the virtual card program. "In this case, TMCs need to know how to enrich payments data with line-item information from hotel invoices. They also need to be able to report back to corporate clients and to offer any on-trip support to travelers who haven't encountered the virtual payments process," he explained.

Therefore, it's important to equip TMCs with the right information to explain the virtual card process to suppliers, such as hotels.

For The Walt Disney Company, which introduced virtual payment acknowledgements into its hotel RFP in 2018, Global Travel Technology Manager Chris Singh developed a virtual payment process and script for the TMC partner to use during the booking process.

"We leveraged a hotel booking script that the agent launches when starting a passenger name record (PNR)," he said. "The script will read the PNR and enter the necessary details for the robot to fund the one-time card and set up the billing letter. Training was minimal, just how to use the script."

Engage preferred hotels, regularly

Hotel acceptance rates for virtual cards have steadily increased over the years. One of the challenges has been conveying the virtual card number to the property.

David Wood, Chief Product Officer at virtual card tech provider Conferma Pay, said it's important to ensure that hotels know how to receive the virtual card number and then how to use it to process payments, including incidentals, in a 'card-not-present' transaction – a long-established process already in use at most hotels.

Unfortunately, hotels have seen exceedingly high turn-over rates in the past two years, so Wood warns that knowledge on how to process a card-not-present transaction has left the industry.

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WHAT STAKEHOLDERS NEED TO KNOW

Virtual cards 101

A virtual card is a 16-digit card number that can be used to pay for work-related expenses, exactly like a plastic credit card. However, unlike traditional plastic, a unique and tokenised card number is generated for every transaction. For one-time use, this card number expires immediately after the transaction is completed, providing added security and helping to mitigate fraud.

What difference does it make?

- There is a one-to-one relationship between the card number and what you pay for, meaning payments can be tracked and reconciled instantly.
- Each card can be assigned unique data and usage rules about where, when and how it can be spent. They can be set for single or multi-use.
- An automated payment and expense process means travelers may no longer be required to file expenses, creating an easier travel experience and encouraging policy compliance.
- Virtual cards are much less likely to be stolen or copied, making them a safer and easier way to extend funds to remote and temporary workers.

Where to use it?

- New partnerships have allowed for VCAT to be embedded seamlessly into booking tools and global distribution systems (GDS) to cover flights, agency service fees and hotel costs.
- When stored in a mobile wallet, virtual cards can be used anywhere plastic cards are accepted, including to pay for on-trip expenses like taxis or meals.

“Ensuring that knowledge is available is key,” he said. This necessitates ongoing training and awareness programs for hotel front desk staff. The RFP acknowledgement, Singh said, has helped to overcome challenges around acceptance, as the preferred suppliers are all on board. “To date, 65 percent of all hotel billing is on virtual payment, and we’re continuously adding new clients to the program,” he said.

Clear policy parameters are also essential. “Buyers need to demand that hotels move forward on wider acceptance of virtual payment, either that or move business to hotels that will accept,” Singh said.

The ability to integrate virtual cards into mobile wallets, and the increased adoption of virtual cards in consumer payment processes, will help to ease pain points during hotel checkout. According to Amadeus’ Daniello, “this is a fundamental change that removes significant complexity and will spur even wider adoption across the industry.”

Educate management

Budget owners and managers should have a high level of understanding on how to request a virtual payment option and why it is the preferable option for any employee, contractor or part-time worker. Using virtual cards to pay required travel expenses for non-employees has the potential to reduce invoice processing costs, which the [Institute of Finance & Management in its 2021 World Class AP Performance: Efficiency Benchmarking Metrics Report](#)⁴, estimates can cost from \$3 to \$16 per invoice, depending on volume.

With virtual cards, finance teams no longer need to audit manual expense claims because

spend is routed through the company’s own bank account. Costs and authorizations are approved in advance and set in payment rules. This is a significant transformation for corporations and should be explained, particularly to your finance department.

Engage executive leadership

Virtual cards offer a way to control corporate spend while giving leadership more visibility into any unplanned expenditures. Talk to executive leadership about the benefits virtual payments can provide, such as cost savings, lower risk of fraud and productivity improvements. Coupled with an improved experience for travelers, virtual cards provide a win-win solution for both companies and employees.

Easy integration

To make the most of your virtual payment solution, travel managers should involve both internal and external stakeholders to map payment processes and data flows. For example, data feeds to preferred hotels should include virtual card numbers, employee numbers and a description of the allowable payments, such as hotel charges and VAT. Meanwhile, data feeds back to the TMC or company can detail incidental expenses, nightly room rates, VAT or other tax breakdowns. Custom data fields can capture required accounting fields such as cost center, reason for travel, project codes, etc.

This enriched transaction data makes for more accurate reconciliation in both accounts payable (AP) and accounts receivable (AR). It also simplifies processes for international VAT reclaim on employee travel.

⁴ “IOFM’s 2021 World Class AP Performance: Effectiveness Benchmarking Metrics,” Institute of Finance & Management, 2021

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With the potential productivity and cost savings, all companies should prioritize virtual card discussions.

Consolidating different processes in a single digital platform can provide efficiency gains for multiple stakeholders and, as most solutions are cloud-based, software can be easily integrated into existing booking and accounting systems without disrupting operations.

Conclusion: Virtual payments the way forward

Companies can use virtual cards to manage, control and optimize travel spend while helping to ensure greater compliance with travel policy. Virtual payment systems offer cost savings and productivity gains, but effective deployment requires clear communication and data integration.

Unlike traditional plastic cards, virtual payments provide real-time and on-demand insights, where itemized data points are matched to individual transactions to enable more accurate forecasting and better inform negotiations with vendors. Card rebates, which range from 1-3 percent of spend, can also be optimized.

With the potential to improve the productivity of back-office workers involved in travel and expense tasks by around 6 percent, and reduce direct travel spend by 8.4 percent on average, virtual cards provide a truly innovative payment solution to current manual processes. This is a conversation that all companies should prioritize. ■

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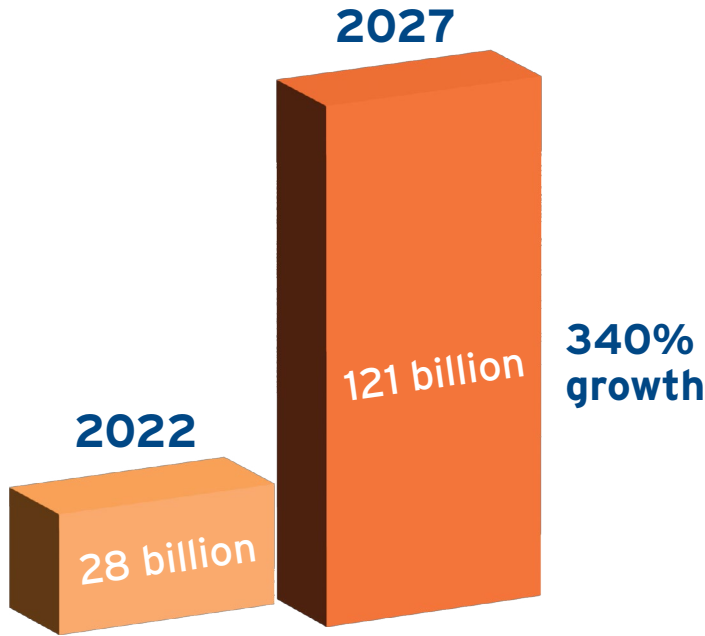
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Projected Growth of Virtual Card Transactions



Source: Juniper Research Virtual Card Market Forecast, September 2022



Stakeholders To Train on Virtual Payments and What They Need to Know

INTERNAL	EXTERNAL
Department Managers: Benefits	Temporary Workers or Contractors: Payments made for them
Travelers: How to use and access image of card on mobile app	Travel Management Company: How to help travelers, integrate data
Executives: Productivity and cost-savings	Preferred Hotels: How to process card-not-present transactions