The Pocket Guide to Virtual Payment

The Basics

conferma pay

The Basics:

How Virtual Payment Can Transform Your Travel Programme

Dear Reader

Feel like you're the last surviving person to be confused about virtual payment?
You're not!

Looking for an easy guide to the interconnected world of virtual payments?
You're in the right place.

The Pocket Guide to Virtual Payment is a business book series created by Festive Road and Conferma Pay to dispel all confusion around the existence, use and benefits of virtual cards for travel buyers.

Throughout the journey, we will guide you through everything you need to know about virtual payments – the goodies and the baddies – and will provide you with the business case to tell a compelling payments story in your organisation.

Enjoy the journey!

Contents

How payment fits in your travel programme

As a buyer of business travel, there are a multitude of programme strategy areas to contend with, from building an effective air programme to ensuring duty of care is fulfilled, building out a hotel programme to then ensuring it is communicated to your travellers.

Prioritisation is essential in order to keep both your bosses and travellers happy. Some areas of strategy seem to span the entire programme (and multiple company departments) being easily overlooked.
This is often the case with payment.

Balanced somewhere between Finance and Procurement (or wherever your programme reports to), it has such wide-reaching impacts that to tackle it may feel like completely uncharted territory! But to ignore it is to miss a huge opportunity.

Payment is a game changer for business travel today.

The consumerization of payment

Payment connects all the dots

In the spirit of accountability, payment connects all the dots. As soon as something is paid for digitally, it becomes identifiable. Payment information tells more about your employee travel than any other data — and it shows you how money is spent, by whom, where, and on what.

Payment is a vehicle for data. It connects all the dots of a trip. It tells the full story.

The Uber effect

Last year Uber became the most expensed business-travel brand in North America. The Certify SpendSmart report for the third quarter of 2018 found that 11% of all submitted expenses were for Uber, followed by Starbucks and Amazon. All these corporate favourites have one thing in common; they transformed the payment process to the point it became invisible. Their technology is easy to use and promotes transparency, safety and accountability between customer and supplier.

As business travellers are firmly setting consumer-grade technology expectations, payment is a way to deliver them and travel fintechs such as Conferma Pay are playing a critical role.

We are starting to see more corporates listing out digital payments as a focus area in TMC RFPs. In fact, 91% of travel companies shared that their primary reason for investing in this area was customer demand.

The drive for a consumer grade business travel experience is leading the way.

“Customer demand is the primary driver for investing in payment.”

Travel Payments Study 2018 –
Amadeus & PYMNTS

Virtual payment and data

Let`s first define virtual cards

A virtual card is a normal 14, 15 or 16-digit card number issued by a bank.

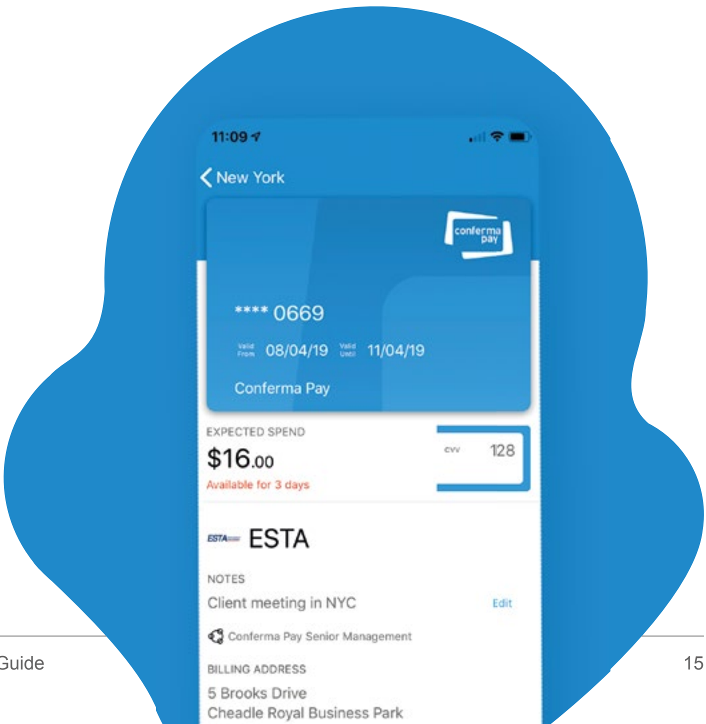
Just like physical cards they also carry an expiry date, cardholder name and security code. However, instead of being stamped physically across a plastic card, the number is generated digitally at the point of sale and used for a specific purchase only.

Travel managers place controls on how the virtual cards are used — including the amount, date range and suppliers who can charge the virtual card. Many also capture additional custom data from each transaction such as employee code, cost centre numbers, trip purpose, etc.

A unique ID for every trip or booking

The key advantage of virtual cards: using a payment number only once gives every purchase its own unique identifier. This one-to-one relationship between purchase and payment, allows data to be added, customised and tracked all the way through the lifecycle of the booking without any additional work. The marriage of purchase and payment data collected is a powerful combination known to automate reconciliation at 100%.

You can think of virtual cards as unique, single purpose, disposable numbers that collect powerful data for each trip.



Evolution into mobile

Virtual cards were originally created to solve particular payment challenges in the travel industry, such as hotel billback and low-cost carrier bookings.

Today, virtual cards can pay for any kind of travel booking including flights, accommodation, rail, car rental and ancillaries. Virtual cards don't look any different to suppliers and are processed as standard Card Not Present transactions (CNP).

With the ability to set clear parameters around spend, dates of travel and vendor type, corporates could get greater control and protection from fraud, whilst travellers are not expected to bear the cost of travel personally. A clear process developed.

While virtual payments were solving challenges for corporate clients in the business travel space, a payments revolution was happening in the consumer world. The dawn of the smartphone meant that consumers could now pay for all kinds of goods and services without any cash or plastic.

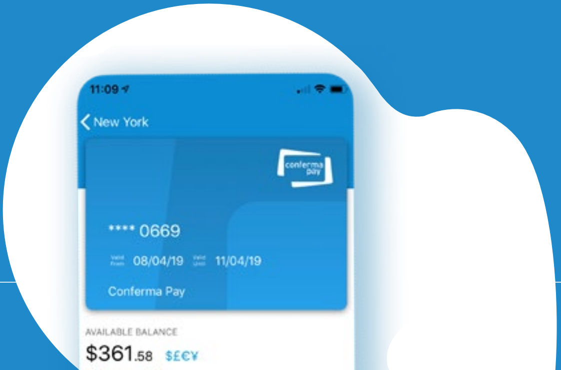
The introduction of the Apple Wallet five years ago and the prevalence of NFC (or contactless) payments makes the exchange of cash for foreign currency in advance of a trip seem like an anachronism.

Unlike other areas of business travel, this consumer driven demand for cashless payment can now be met in the corporate world and the uses go far beyond hotel payments.

In fact, as long as suppliers accept Card Not Present (CNP) or contactless payments, virtual cards can be used at the point of sale as well as on the go.

Think for a moment about what this means for the traveller:

1. No need to carry cards or cash on business trips – just a mobile wallet
2. No need for cumbersome expense reporting post-trip (hoorah!)
3. No need to support your business by using your personal card



82% of employees would use an app for business travel expenses.

https://www.conferma.com/download/UKs-Invisible-Bank.pdf
The UK’s Invisible Bank: Insight Report 2018

What all this means for you (the travel buyer)

As a buyer, managing stakeholders is a key part of the role. No travel department is an island (although it sometimes feels like one!) and decisions you make have an impact on others. Being able to talk about the benefits of virtual payment to travellers is one thing (and the front-end benefits are really compelling!) but convincing decision makers and CFOs requires a different approach. Payment is an important strategy area that affects just about every area of travel.

How do you pay for air and rail?

How are meals reimbursed?

What drives high quality data?

How do you identify pain points for travellers?

Payment sits at the centre of corporate travel.

Let’s explore how virtual payment creates opportunities that run through the entire travel programme.

How virtual payment can transform your travel programme

1. **No corporate card. No problem**

   Book travel for non-employees, employees and contractor who do not have access to a corporate card

2. **Free your travellers from the expense report**
   Remove manual reconciliation

3. **See the true total cost of trip**
   Capture big data, look at the big picture, unlock strategic insight

4. **Take control of spend**
   Apply spend controls per booking and enjoy easy compliance

5. **Reap the benefits of tighter security**
   Get equipped with payment that is virtually impossible to misuse or hack

I. No corporate card No problem

Book travel for non-employees, employees without corporate cards and contractors

For companies, who issue travellers with corporate cards, new employees often have to travel before their card is generated. Furthermore, companies often foot the cost of travel for contractors, keynote speakers, healthcare professionals, interview candidates…you get the picture.

The typical solution for non-card holding travellers is a combination of card-holding employees putting expenses on their individual card or the individual paying for themselves with a personal card and requesting reimbursement.

Conferma Pay research found that 36% of employees in the UK use their own money to pay for work-related expenses at least once per month. The average individual expense claim is £72.20. Other less secure processes see companies issuing cash advances or having hotels invoice post trip. All options lead to increased administration for the corporate, lack of control and frustration for travellers when expenses aren’t reimbursed quickly enough.

66% of employees wouldn`t pay for business travel if they had to claim expenses and wait for reimbursement.

The UK’s Invisible Bank: Insight Report 2018
https://www.conferma.com/invisiblebank

38% of employees felt stressed by a long reimbursement wait.

The UK's Invisible Bank: Insight Report 2018
https://www.conferma.com/invisiblebank

How to book travel for non-employees and employees without corporate cards

Virtual cards are generated at the point of booking, so the traveller does not need to worry about how travel costs will be covered.

Payment is immediate, so there is no requirement for complex invoicing processes to be introduced and no one is out of pocket.

The corporate travellers cannot exceed the amount allocated on the virtual card so overspends are impossible.

II. Free your travellers from expense reports

Imagine a world where you didn’t have to do any admin…

Your payments are seamlessly approved and happen automatically. A coffee is a device tap away. No receipts, no plastic or cash to hold or worry about, no expense reports to complete. A Zen finance management team. It`s just easy... travellers are never…

- Out of pocket for a business trip
- Personally liable for the money spent on trips
- Carrying cash or plastic cards
- Out of spend policy
- Wasting time on long expense reports
- Waiting weeks to be reimbursed

Why are cash and plastic bad for your organisation?

Last year Conferma Pay conducted research that showed how UK and US employees are effectively bank rolling their companies by expensing around £310m and $1.6BN each month respectively. We also know that the total cost of managing expenses for top US businesses is nearly $3BN every month. This leads to obvious economic inefficiencies as well as personal headaches. Expenses are costly to manage and an acute administration pain for everyone involved.

A cashless world

Money is changing. While there is no doubt that in the next few decades we`ll still be exchanging pieces of paper, digital payments are becoming the norm, and “card only” signs are becoming more and more frequent. Scandinavian countries are already moving towards a cashless reality and the mobile wallets created by online giants Alibaba and Tencent have become the most popular ways to pay in China.

How to introduce a zero-admin world

At the moment, mobile contactless technology offers the best way of doing that. The Conferma Pay app is the first mobile application able to add a virtual card into a mobile wallet pioneering the cashless use of Apple Pay and Google Pay for business purchases. This has allowed virtual cards to offer a true frictionless payment experience for travellers.

Zero admin plan

- Get business trip spend approved upfront
- Receive a virtual card for each payment
- Use a mobile wallet for payments on the go
- Tap to pay, snap a photo of the receipt and bin it

That`s it, done. Nothing to do back at the office.

III. See the true trip cost

Capture big data, look at the big picture, unlock strategic insights

Is all data equal?

We are constantly told that 'data is king!' But what if that data is disparate and located across multiple providers and systems?

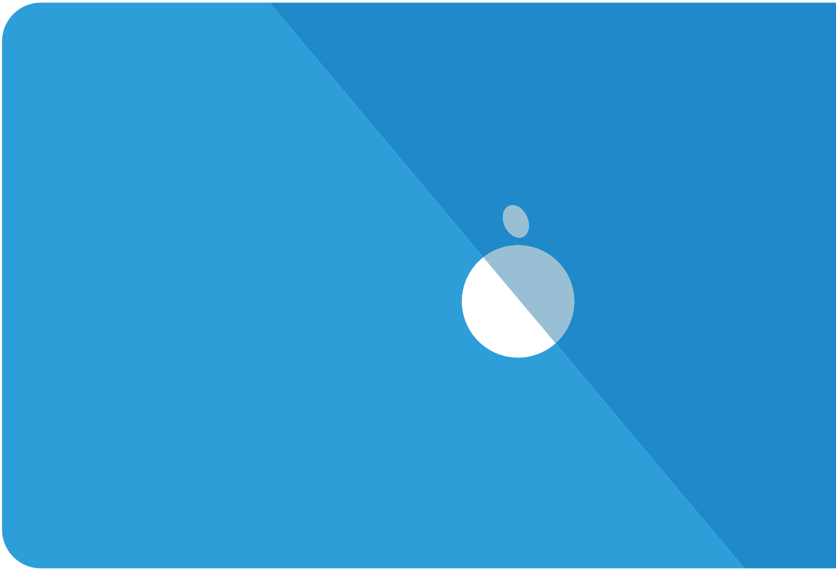
Let's take a typical trip. Amy is travelling from London to Frankfurt.

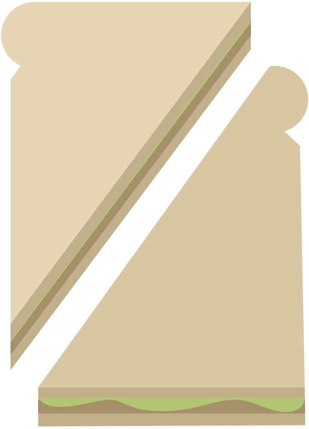
She is a new employee and doesn't have a corporate card:

- Air – booked by TMC and charged to a lodge card
- Inflight Wi-Fi – paid via personal card in-flight
- Inflight coffee and snack – paid via personal cash
- Hotel – paid for via the TMC billback process
- Meals – paid for using personal cash
- Taxis – paid for using personal card

To understand the true trip cost for any business is a complex task

While she is awaiting reimbursement for the items purchased using personal cash or card, the corporate is piecing together the cost of the trip. Some items sit in the TMC reporting: some in the card statement.



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But what about incidentals? They are hidden somewhere in the company general ledger. True visibility to the 'total cost of trip or travel' for an organisation gets murky.

Travel data usually comes from multiple sources. The TMC (stating what was booked) and the payment provider (what was paid). The matching of the two documents becomes a challenge as the booked amount at a hotel (typically room rate) is not always the same as the paid amount (breakfast / Wi-Fi etc). Matching and reconciliation becomes a headache and impacts process efficiency.

74% of businesses with over €10 million a year in sales typically have four or more staff spending an average of 16 hours each a week handling and processing payments.

How to capture the big picture

Virtual payment can be used anywhere that a CNP or contactless transaction is allowed. Put simply, if you can pay with your phone, you can use a virtual card. All transactions processed via a virtual card are linked back to the employee and the trip.

This means that the true cost of the trip is realised and the paid amount is linked back to the booked amount. Incidentals such as meals, taxis and coffees don't get lost in company data. Getting to the true cost of travel is easier. For finance departments, the process of matching and reconciling payments becomes a simpler task.

IV. Take control of spend like never before

Apply spend controls per booking and enjoy easy compliance

Everyone`s ‘favourite’ policy

For the corporate, policy controls are essential but they can be viewed as an inhibitor to a traveller, who just wants to be trusted to do the right thing.

The challenge of overlaying a great user experience with policy parameters is challenging and can lead to a clunky experience for the end user.

How to take control over travel spend and minimise risk

The generation of a virtual card provides an additional level of trip approval before the trip takes place. It limits the T&E spend per trip based on the restricted virtual card limit, as opposed to a corporate card with a £30,000 spend limit. As the traveller completes a payment, they upload a picture of the receipt and immediate reconciliation happens. All transactions are matched to the correct individual with the correct trip, including cost centre, department or trip purpose. The finance manager feels in control and the traveller does not have to wait for reimbursement.

V. Reap the benefits of tighter security

Get equipped with payment that is virtually impossible to misuse or hack

Security benefits

Individual cards carry a greater risk of fraud. When individuals have liability for the card (meaning it becomes linked to their own personal credit rating), this can create a bigger problem that may link back to an employer's duty of care to protect employees. Corporate cards typically come with a much higher credit limit than personal cards and even one instance of fraudulent activity can be significant for the organisation and the individual.

Although lodge cards are typically less prone to fraud, the same card number is used by a large group of individuals, and with a very high credit limit. The risk is significant.

Virtual cards have control parameters. The card limit, merchant type and 'life' of the card can all be controlled by the corporate. These controls ensure that the likelihood of fraud and the impact of any fraudulent activity is significantly reduced. Virtual cards can't be lost or misplaced by a traveller and cannot be used by multiple employees.

Fraud prevention

Widespread data security breaches at major retailers and hotel chains have shined a harsh light on the problems of recording and storing active payment card details. The benefits of single purpose virtual cards became particularly attractive since the big data breaches of 2018. Marriott International admitted that personal data including credit card details, passport numbers and dates of birth had been stolen in a colossal global hack of guest records. The BA`s security breach incident also meant that the personal data of 500,000 customers were harvested by attackers.

With virtual payment the spend and data associated with it is narrowed down with such precision (MCC, amount and date restrictions are the most common) that the cards are rendered useless for anything else other than their intended purpose.

Virtual payments speak to traveller efficiency and overall wellbeing.

Paying virtually for business trips

Perhaps an obvious question but a valid one, nonetheless. How do virtual payments look and feel to travellers and, importantly, other employees whose roles payment affects?

Virtual payment is essentially a cashless and cardless form of payment – they require no physical payment method other than your phone.

Once travellers have downloaded an app, a virtual card can be created or requested from the device. Importantly, this card has all the features of a regular card – it just lives within a mobile wallet as opposed to a physical wallet.

Pre-trip workflow

Pre-trip workflow

Typically, hotel and air are booked by a travel manager:

1. You receive a travel booking request from a corporate client

2. You make the booking

Behind the scene moments (which happen in a matter of seconds!)

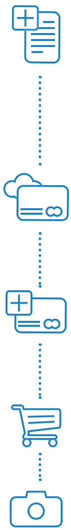
- Your booking system sends data to your virtual payment provider
- The virtual payment provider contacts the client`s issuer
- The issuer generates a virtual card number and sends it back to the virtual card provider
- The virtual card provider sends your booking system a virtual card number
- Your booking system is notified

3. You press PAY and complete the booking

That`s it! Everything else happens automatically, (especially reconciliation).

On-trip expenses

Typically taxis, meals, coffees as well as conferences and ecommerce purchases spent on the go by a traveller:



1. **Request for a virtual card from finance**
   If your employee is trusted, they can create one themselves within a set of rules that finance has arranged in advance. So, over to step 3.
2. **Finance sends a card to your virtual payment app**
3. **Add your virtual card to Apple Pay or Google Pay**
4. **Use that card for your authorised expenses**
5. **Every time you pay, take a photo of the receipt**

All done! Everything else happens automatically.

How to introduce virtual payment

1. Convince senior management

Travel is a complex game and getting the right people involved and the support of your suppliers is crucial if you are planning to roll-out virtual cards. Think about those people who may provide support or challenge to your project and engage them early. Do you know who is responsible for payments within your organisation? This may be your finance director, CFO or the person who heads up your accounts payable or P2P department. Meet them and understand how the process works today and what their key pain points are.

2. Speak to your TMC

The TMCs and OBTs are the gateway to virtual payments for travel buyers. If your TMC works with a large GDS or OBT and supports virtual payment, the technology should already be in place. Implementing virtual payment should not disrupt the workflow or booking processes you use today. Once you have initiated a virtual payment request, your TMC will approach their GDS or OBT partner to allow virtual payment via existing integrations and processes. You will simply be ‘plugged into’ an established workflow. Once everything is set up the TMC (via the GDS) makes the booking and sends the data to the virtual card technology provider.

3. Speak to your bank

Request to open a virtual card account with your company's treasury bank or another card provider. Your TMC may be able to introduce you to the correct contact to expedite the process. The issuer or scheme sends transaction data to the virtual card technology provider of your choice. Make sure that your issuer can connect to the virtual card technology provider you wish to use, such as Conferma Pay, by stating this in your initial conversations.

4. What Conferma Pay will do

Partnering with card issuers, TMCs and GDSs, companies like Conferma Pay underpin the entire virtual card process, providing the technology to enable virtual payment. The virtual card technology provider generates the virtual card and matches booked data from the TMC/GDS to the payment data issued by the bank card issuer or scheme.

To demonstrate the growth and potential of virtual payment, here are some fast facts from our own business:

45+
Banking Partners

700+
TMC's

70
OBT's and platforms

5
Card Networks

4
Major GDS's

200
Countries

Find out more about Conferma Pay

Contact us on:

sales@conferma.com

For more information visit:

www.confermapay.com

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