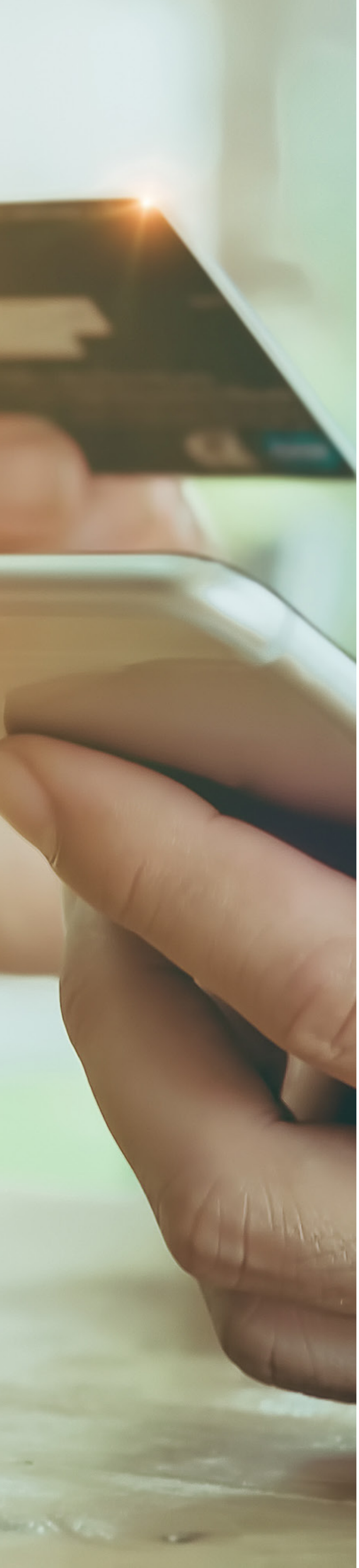


WHITE PAPER

Virtual Payment: The Next Generation of Contactless Payment

While innovative technological advancements have always influenced consumer spending habits, the recent pandemic has put a wider magnifying glass over the world of B2B payments. Work from home has forced businesses to pivot from reliance on paper checks and to think outside the box to manage the efficiency and security of B2B payments.

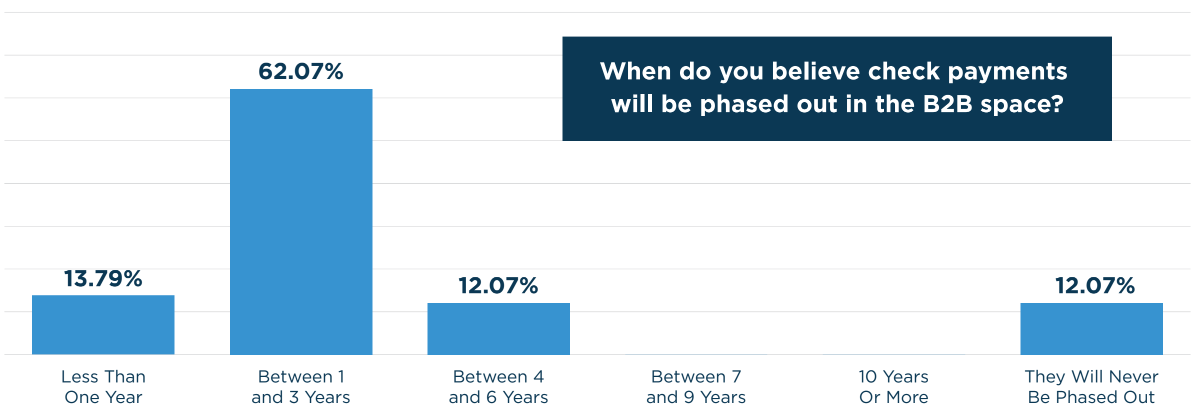
Business thought leaders are making projections on the future of B2B payment options in the wake of COVID-19, proposing that learnings from the pandemic will likely have a major impact on how businesses accept and remit their payments in the future.

THE PROBLEM WITH PAPER

One of the largest payment inefficiencies that the pandemic has brought to light is the antiquated and insecure nature of check and cash payment. Contactless payment has skyrocketed in use since COVID-19 became a global threat, with countries like Germany, once reliant on cash payment, increasing adoption of contactless payment from 35% in 2019 to more than 50% post-pandemic.

B2B payment has even more adoption issues to overcome, with 42% of business transactions currently being done by paper check. At an estimated internal cost of nearly $10 to issue a paper check, it is not surprising that business leaders are eager to find new, contactless methods to make payments.

In a recent survey of hotel and travel agency professionals, Onyx asked hospitality professionals when they believed that check payments would be phased out in the B2B payments space. The participants' answers seemed telling of the frustrations that lie with check payments, with just over 12% of respondents believing that check payments will be around for good. However, hospitality professionals seem eager in their timeline prediction for the inevitable phase out of check payments, with over 63% predicting that check payments will be phased out in the B2B space in between 1-3 years.

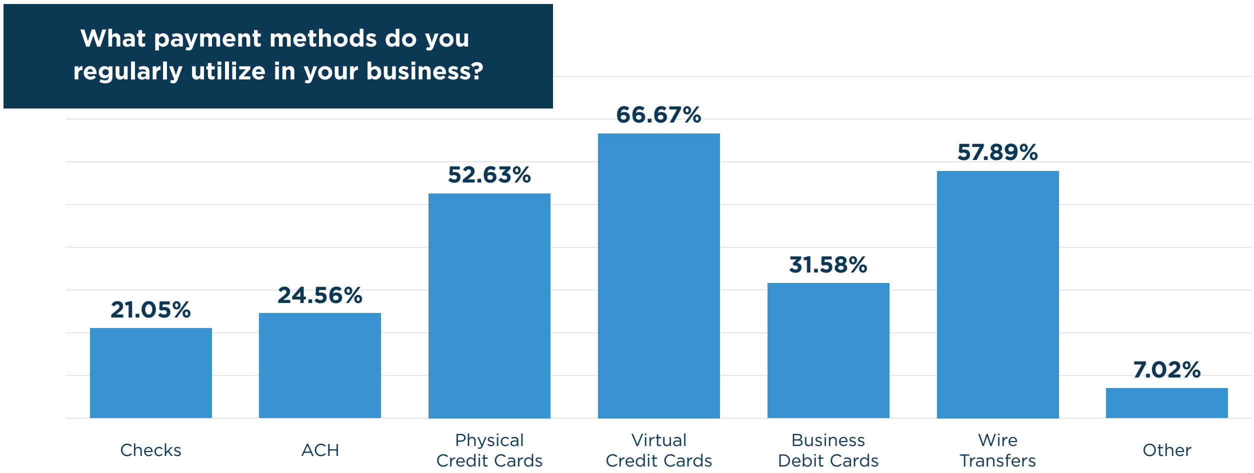


THE CONTACTLESS PRESENT

Created in the 1970s to combat issues created in computer systems by check payments, direct deposit payment, or ACH as it is better known in the finance world, has long been the contactless payment method of choice for businesses. Recently, security risk and payee demand have increased interest in virtual payment alternatives. Virtual Credit Cards (VCCs) were introduced in 2009 to combat some of the security and ease of use issues associated with ACH payments.

In fact, hospitality, potentially more so than any other business sector, is in a prime spot to better understand the potential of virtual payment over other forms of contactless payment.

According to Onyx survey data, agencies and hotels are already utilizing virtual credit cards more than any other payment method, with 66% of respondents utilizing VCCs regularly for payment over 23% utilizing ACH.



Wire transfers, the second most popular method, while a relatively swift form of payment, come with the highest amount of fees, costing anywhere from $15 to $50 per transaction. For agencies receiving a low volume of payments or payments below a certain amount threshold, these fees are not financially viable. Leveraging a consolidation service, such as Onyx's Sure Pay, may lessen the impact of wire transfer fees for agencies.

THE BENEFITS OF VIRTUAL PAYMENT

Virtual credit cards hold a plethora of benefits, especially for those in hospitality. With the high number of small transactions moving between suppliers and distributors, having the most secure, low-cost form of payment to manage these transactions is of the utmost importance. Here are some of the ways that VCCs outperform ACH and wire transfers for hospitality B2B payments:

Provide Payor Controls and Oversight

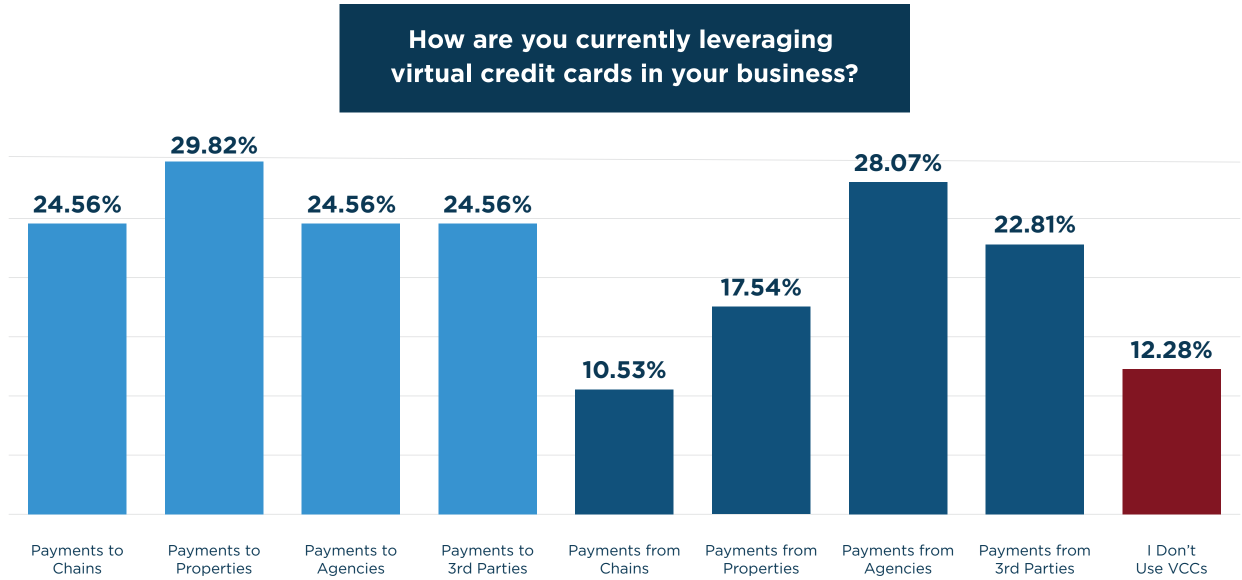
The control aspect of virtual payment should not be overlooked. VCCs allow for complete oversight of payment amount, payee, and payment data submitted.

"Hospitality professionals embraced virtual credit cards early on because they provide much needed control," says Dee Thomas, Product Director of Emerging Payments at Onyx CenterSource. "Virtual credit cards give the payor more control over how and when their payment is used, and they provide greater security for both parties involved in the payment process."

Since each virtual credit card number used is for a unique transaction, the payor can set rules to provide further clarity on when the payment can be sent and provide more detailed per transaction remittance details to the payee. This can be an especially helpful resource for business travel management professionals who can now have more control over employee travel overspend and can save time by cutting down expense report audits.

Multi-Use Opportunities

Another reason that hospitality has seen such wide adoption of VCCs is their suitability for multiple types of payments within the hospitality ecosystem. When asked how their hospitality business was currently leveraging virtual credit cards, Onyx survey respondents showed a variety of use cases for VCCs.



Only 12% of survey participants said they do not use virtual cards at all in their business. The most popular use case was travel agency payments to hotels, which is in line with wider industry data. From the survey data, it is clear that both hotels and travel agencies are beginning to adopt virtual payment for several different scenarios.

Virtually Eliminate Security Risks

VCCs are a one-time use card that allows you to set the payment amount ahead of time with a number unique to each transaction. This gives payors better security than physical credit cards, which carry one set of identifying information that can more easily be stolen or abused.

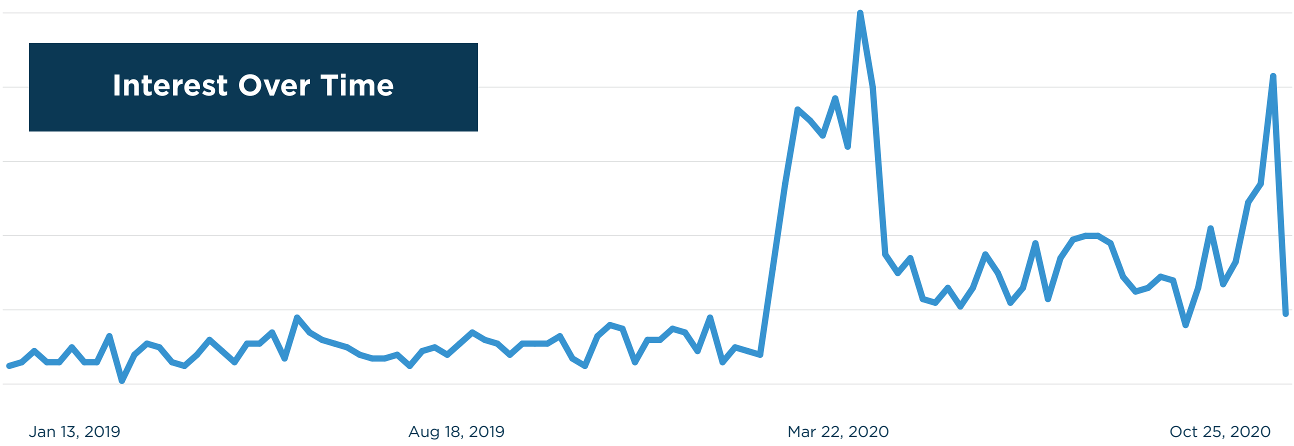
As businesses face increased risk of data breaches, virtual credit cards have been shown to be a safer method of payment than traditional credit cards. Many companies no longer trust providing traditional credit card numbers for recurring or even one-time payments.

Dee Thomas believes this is one of the main reasons that interest in, and usage of virtual credit cards is becoming more common. "Virtual credit card use is increasing in our ever-evolving digital world, mainly because of the increased security benefits," says Thomas, and it is true that use of virtual credit cards is on the rise.

PRESENT SURGE IN VCC INTEREST

According to Divvy Research, 2020 was the year that use of virtual credit cards outperformed physical credit cards. COVID-19 played a large role in this progress, causing companies to think more innovatively about how they will manage payment from a work-from-home environment.

In fact, according to Divvy, Google Trends showed a major spike in online searches for "virtual cards" in March, and the search term remained popular throughout the year.



This newfound popularity will most likely have a lingering effect, especially as people look beyond the contactless component and focus on some of the more long-term benefits of virtual payment.

THE FUTURE OF VIRTUAL PAYMENT

Will the effects of the pandemic be enough to keep virtual credit card momentum going in the future? Dee Thomas believes so. “There are virtual payment capabilities that are just beginning to emerge for hospitality,” says Thomas. “There are potentially even greater opportunities yet to be realized, and it’s an excellent time for companies to begin to explore how they can best implement this innovative form of contactless payment for their B2B needs.”

In support of agencies that have pivoted to a work-from-home business structure, Onyx CenterSource has recently launched a new method of payment to travel agencies receiving payment from CommPay clients. Agencies can now receive their commission payments via VCC.

This development provides a host of benefits to agencies, who usually receive commission payments in the form of paper checks:

- Securely receive payment to the inbox of their choice, giving them more control over who monitors inbound payment
- Receive payments without contact, whereas check payments pass through multiple people to make their way to an agent
- Increase cash flow with faster access to funds than check payments
- Get an electronic receipt of payment with stay information in advance of payment

As virtual credit cards continue to grow their footprint across larger business segments around the globe, more use cases will arise for the payment type to support. Expect to see innovation coming from virtual payment leaders like Visa and WEX in the future. More security measures, payor controls, and exciting developments are on the horizon for this emerging payment type.

Will you be ready?