

## Corporate cards go virtual, offering added security

"It's one of the fastest-growing products that we offer," a U.S. Bank official says

By [Beth Braverman \(/credit-card-news/authors/beth-braverman.php\)](/credit-card-news/authors/beth-braverman.php) | Published: April 3, 2017



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For years, consumers have been slowly shifting to do more banking digitally, including making use of virtual payment systems. Now many companies are starting to do the same, aiming to take advantage of the enhanced flexibility, security and efficiency that virtual corporate cards offer.

In fact, companies are expected to spend **\$132 billion on virtual cards in 2017** (<http://www.firstannapolis.com/news/sizing-growth-potential-in-n-a-commercial-cards>), exceeding the amount (\$123 billion) spent on corporate travel cards for the first time, according to First Annapolis Consulting, which focuses on electronic payments.

What are virtual cards? Virtual cards allow companies to generate a 16-digit virtual card number (no need for a physical plastic card that can be lost or stolen) along with a unique **CVV** (<http://www.creditcards.com/credit-card-news/credit-card-verification-numbers-security-code-1282.php>) code and expiration date. Each virtual card can include restrictions, including limits on the time period it can be used or how much can be spent (either overall or by day), how many times it can be used and in what currency or spending category. That makes them ideal for things such as event planning or travel. Some cards can be automatically uploaded for use in virtual wallets.

### Virtual cards are booming

Startups, such as Spendesk and Emburse, and larger players including Mastercard, Visa and Citibank, offer virtual cards to help companies better track spending..

U.S. Bank first introduced its virtual card products about a decade ago, but interest has ballooned recently with the virtual cards growing more than 20 percent per year.

"It's one of the fastest-growing products that we offer," says Robert Kaufman, senior vice president, corporate payments at U.S. Bank. "I can't think of a single customer that's not looking to shift to some sort of an electronic payment solution, and virtual cards are part of that solution."

In addition to using virtual cards for travel and other employee expenses, companies are increasingly turning to them as a means of paying invoices. Nearly 40 percent of companies with electronic account payable systems rely solely on virtual cards, according to RPMG Research's 2015 [Electronic Accounts Payable Benchmark Survey Results](http://www.rpmgresearch.net/products.php) (<http://www.rpmgresearch.net/products.php>) report.

For small businesses, virtual cards are a better option than business credit cards. Since many small businesses don't issue corporate cards to employees, workers have to use their own credit cards for purchases and then file for reimbursement or share a single company account, which can get clunky.

### Security benefits

Virtual cards provide more security than traditional physical cards.

"Since there is no plastic card, it can't be stolen," says Mario Zorn, vice president for digital payments with the business travel payment company AirPlus International. "But even if the number is stolen, it expires right after usage, so it's limited on the damage potential."

The security of virtual cards makes them appealing not only to companies, but to banks and card issuers, who have a vested interest in reducing fraud. Financial institutions also benefit from virtual cards, since there's significantly less overhead involved with producing and shipping physical cards.

### More control for companies

The ability to set parameters on the use of virtual cards makes them ideal for use by employees who aren't good candidates for a traditional plastic corporate credit card. The virtual cards come coded according to project, vendor and category, so that purchases get automatically entered into the expense management system without additional paperwork.

[Virtual corporate cards are] one of the fastest-growing products that we offer.

— Robert Kaufman  
U.S. Bank

"You can capture a really rich set of data elements associated with the transaction, since you use that unique 16-digit account number and tie it back in for reconciliation purposes or cost allocation," says Jud Staniar, senior vice president of product development and innovation at Mastercard.

The temporariness of virtual cards also makes them ideal for companies that want to provide expense coverage to freelancers or contract employees without giving them a full-fledged company credit card.

This comes in handy as the growing gig economy means that a growing number of companies are using such workers for a wider variety of projects. Another growing category for virtual cards is for infrequent travelers, who might need to charge expenses only a few times per year.

#### Looking ahead

As virtual cards for travel continue to grow, there's a new focus on expanding their use on the accounts payable side, where accepting virtual cards has been perceived to be both costly and inefficient for suppliers.

"That's been one of the challenges with virtual cards, since a lot of suppliers still have to manually process those payments," says Frank Martien, a partner with First Annapolis.

Growing adoption of buyer-initiated payments, however, which may have lower costs and also give buyers more control over working capital, may speed the integration of virtual cards in that space.

Even in the travel sector, most companies aren't quite ready to abandon physical cards. Virtual cards still aren't universally accepted, and for employees with large, frequent expenses, a more traditional plastic card might make sense.

Still, a growing number of companies are incorporating a blend of traditional and virtual cards. The balance will likely continue to shift, especially as more employees and consumers begin to adopt [mobile wallets \(http://www.creditcards.com/credit-card-news/infographic-digital-wallets-acceptance-rise.php\)](http://www.creditcards.com/credit-card-news/infographic-digital-wallets-acceptance-rise.php).

Experts say that the next step for virtual cards is full integration with mobile wallets, so that virtual cards can automatically be used via ApplePay or Google Wallet and used at any merchant with the capability to accept [Near Field Communication \(http://www.creditcards.com/glossary/term-near-field-communication.php\)](http://www.creditcards.com/glossary/term-near-field-communication.php) payments.

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AirPlus International

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