Breaking down barriers in commercial card acceptance

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A growth opportunity ready to be unlocked

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Whether it's a large multinational retailer paying for inventory, or a tech start-up paying their contractors in real time, businesses want ease of use, real-time information, connectivity, and a more unified experience in payments.

These commercial payments are the lifeblood of global commerce, powering the world's economy. As the end users that support commercial payments push for a more consumer-like user experience, they have come to expect fast, secure, and frictionless payments. This so-called 'consumerization' of commercial payments is a rapidly growing trend—and unsurprising, given the end users are themselves consumers.

There is a lot to learn from the consumer payments space that can be applied to commercial payments, though it's not simply a case of carrying over existing approaches. Participants across the ecosystem must look at how to harness these innovations in a way that addresses the needs and objectives of businesses across industries and geographies.

At Mastercard, we're working with our partners to drive innovation in payments that will lead to increased adoption throughout the ecosystem. For example, today's virtual card proposition is a sophisticated digital payment vehicle that goes far beyond previous iterations providing extensive flexibility around limits, usage, and the ability to share data.

It is our aim with this paper to help acquirers and issuers—and the teams within these organizations including those in product management, business development, risk management, and strategy—to better understand the potential that commercial payments can present to their business.

By harnessing this potential, we can create new opportunities for the ecosystem around optimization, visibility, and efficiency for suppliers, which will lead to revenue and growth opportunities.

In summary

- Businesses are increasingly demanding consumer-like payment user experiences, emphasizing speed, security, and seamless transactions.

- Virtual cards hold the potential to unlock this, providing faster, more secure payment options, with richer transaction data for streamlined reconciliation.

- But challenges in adoption remain, stemming from overly consumer-centric policies, transaction limits, chargeback concerns, and apprehension about administrative burdens.

- Ecosystem stakeholders, including acquirers, need to collaborate to overcome these challenges, educate businesses on virtual card benefits, and put in place processes that meet business needs and encourage adoption.

- Mastercard is innovating in this space with straight through processing (STP) capabilities for automation of payments, and AI-driven tools to increase data visibility and reconciliation, helping acquirers to unlock a greater share of this $80 trillion serviceable addressable market.[1]

Unpacking the commercial payments landscape

Commercial payments are often high-value transactions between businesses, and governments, for goods and services. They include payments via bank transfers, the automated clearing house network (ACH), corporate cards, digital wallets, checks, wire, and more.

Typically, the consumer payments market has received greater focus in the financial services sphere, in part due to well-publicized consumer demands for faster, seamless payments. However, business owners and governments now expect these same levels of service from their commercial payment providers and there is a significant opportunity for forward-looking acquirers to capture a greater share of this service addressable market valued at $80 trillion.[1]

Greater digitization of commercial payments holds significant opportunities. For example, at present, the U.S. is still heavily reliant on checks, which are both slower to process and more susceptible to fraud. Digitization drives efficiencies and accelerates reconciliation for both buyers and suppliers. It also increases transparency, which benefits commercial relationships by boosting security and mitigating fraud risks.

As commercial payments evolve and become more digitized, connectivity and interoperability will be key, both between the platforms facilitating the transactions and across the borders of the geographies involved. The cross-border share of the commercial payments market is already around 14% and expected to continue growing rapidly.[2]

$80t market

Making the case for the next generation of virtual cards

Despite the opportunity presented by the digitization of corporate payments, identifying the most effective approach to unlocking this can often be challenging. Many large players in the ecosystem, such as U.S. Bank, are working to overcome this and realize the benefits of improved commercial payment solutions.

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We believe there is huge potential in corporate and B2B payments, and we are aligning ourselves to fully realize this opportunity by developing targeted solutions that act as conduits for better buyer-supplier relations while optimizing acceptance costs and commercial card acceptance.

Brian J. Egan
AVP, payments product optimization, U.S. Bank

One form of innovation that to date has been underutilized is virtual cards—a digital payment option linked to underlying funding accounts. Virtual cards provide a quicker, easier way to make commercial payments. They are configurable, with custom controls able to define how, where, and when they are used. This includes setting cards as single or multi-use, pre-determining the transaction limit, and applying merchant category codes, ensuring payments are only used for specific purposes or at a limited set of businesses.

The richer transaction data that can be sent via a virtual card payment, as opposed to bank transfers or checks, also means that important payment information—such as invoice number or cost center—is included, making them ideal for commercial payments identification. This transaction data can also provide an easier path to reconciliation on the supplier side, helping them with faster and easier application against outstanding accounts receivable.

For those firms already using virtual cards to pay suppliers, the benefits are clear. According to research, 94% of firms report their transactions are faster, more detailed, and more secure.[3] Another study has highlighted that three in five (59%) buyers are now willing to switch suppliers if they don't accept virtual cards.[4]

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Virtual cards are reshaping how merchants use cards, with benefits such as enhanced security through tokenization and single-use numbers, customizable spending limits, and improved protection against fraud. They also offer lower processing fees and enable automated reconciliation, improving business cash flow and liquidity management.

David Messenger
Chief executive officer of global businesses, PingPong

One of the biggest challenges for a business is working capital management—crucial to allowing a business to meet its short-term obligations, such as paying suppliers and covering regular expenses like utilities and rent. Virtual cards have a clear role to play here as the buyer can benefit from bundling payments under a single card statement, with days to pay from the invoice due date, while the supplier can receive quicker payment.

3. Mastercard virtual cards
4. Virtual Credit Card Acceptance

Nuvei and eliminating workflow challenges

Nuvei is a payments partner for many of the world's leading brands, including Mastercard. Nuvei has a dedicated business unit, underwriting team, and product organization focused on building embedded payment experiences within Enterprise Resource Planning (ERP) systems. One of the company's goals is to overcome the challenges in commercial payments by eliminating all the workflow obstacles and manual activities that burden the acceptance of a payment and help clients realize its benefits and true potential as a business accelerator.

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B2B and corporate payments are a decade or so behind those in the consumer space. It's significantly more complex; buyers and suppliers have these long-term, trade-based relationships that need to have balanced terms, and there are integrations across the various different systems, such as ERP platforms and accounts payable and receivable platforms, to consider. It's a much larger problem to solve than a simple consumer payment, particularly in the SMB space where access to embedded payment solutions is limited. Together with partners like Mastercard we're working to address these challenges.

Murray Sharp
SVP, B2B, Nuvei

Clearing the barriers to realize better commercial payments

Despite their capacity to unlock major benefits, virtual cards and other innovations in digital payments still require industry players to rethink the consumer-like policies and procedures that govern commercial payments, along with combating assumptions and concerns in certain areas. There are also technology solutions, that can streamline processes, and regional differences to consider.

The need for commercial-specific policies

Some acquirers are quick to admit they use consumer-type models in the commercial space, and this is leading to underwriting challenges that inhibit some of the benefits of virtual cards.

Acquirers will often hold payments for lengthy risk and fraud checks, which delays payment or authorization and defeats the promise of providing quicker transactions to suppliers. They may also restrict the upper limits on payments, impacting commercial payment flows.

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Our research indicates the average B2B payment is around $40,000, and the average acquiring partner will underwrite a supplier for a maximum of around $10,000. So immediately we have a disconnect in the ecosystem.

Rebecca Meeker
SVP, B2B partnerships, Mastercard

Another challenging area is chargebacks, the process by which a payment is reversed and returned to a customer after they dispute a transaction on their debit or credit card. Limiting the scope of chargebacks, resulting in greater certainty about their applicability, can help acquirers become more comfortable in allowing a higher credit limit, a higher transaction size, or giving the supplier more flexibility when it comes to use of card.

Streamlining receivables processes

One common area of concern around the use of virtual cards is the potential administrative burden on suppliers related to card

acceptance, and consequent supplier pushback. Despite the benefits, some suppliers believe they will lose time by having to manually enter details for each transaction into their point of sale system.

This isn't the case though, and innovations in straight-through processing can now help to automate transactions, replacing the need for manual entry of information. Virtual card payments can instead be routed directly to the acquirer, generating an authorization request on the supplier's behalf and delivering approved transactions to their bank account.

Streamlining the reconciliation processes in this way frees up accounts receivable staff to focus on more important tasks, while still ensuring the supplier gets all the remittance data they need.

Recognizing regional disparities

There are also regional nuances to consider. Mastercard's B2B partners highlight difficulties with providing commercial acceptance solutions to businesses in certain markets, such as Germany, Hong Kong, and Singapore.

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Regional differences are a direct function of each market's history. Certain markets are more mature when it comes to commercial card acceptance, whilst others have come to it late or have come to favor different models. Even though the core tenets of the commercial card value proposition—working capital, security, controls—are ubiquitous, market conditions are not.

Sébastien Delasnerie
EVP, corporate solutions product management, Mastercard

Commercial payments must now be given the same level of priority as consumer ones, regardless of market, and improving acceptance capabilities for suppliers is critical in unlocking the opportunity. It's time to close the gap.

PingPong and enhancing digital payment solutions

PingPong is a cross-border payments platform, serving hundreds of thousands of businesses worldwide. With billions of transactions now flowing through the company's rails, its focus is on continuously refining processes to reduce payment errors, enhance transaction speeds, and minimize costs for end users.

PingPong utilizes Mastercard's technology to offer cutting-edge digital payment solutions to cross-border businesses that help overcome many of the challenges they face.

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Challenges remain within the B2B cross-border payments landscape, such as fragmented payment systems and a lack of interoperability across regions, with traditional systems having struggled to meet the unique needs of B2B payments. PingPong seeks to unlock opportunities and add value to businesses by evaluating discounted interchange fees and adapting chargeback rules. We remain committed to solving for B2B payments by designing and collaborating on solutions that facilitate the effortless global flow of money.

David Messenger
Chief executive officer of global businesses, PingPong

A push towards greater collaboration

Greater coordination, collaboration, and education across ecosystem participants is needed to address these challenges and ensure that all commercial payment market participants can capitalize on the growth opportunity.

The first step is to educate the businesses involved, including buyers and suppliers, about the value proposition of virtual cards. It's important to widen the discourse around commercial cards that has previously been restricted by use cases, policy administration, geography, industry, or size of the supplier. Those in the ecosystem must then work together to ensure that the potential value extends far beyond the card payment itself, such as through automating the reconciliation of receivables.

Because virtual cards are digital, they can be easily embedded within a buying organization's procurement and payable workflows. And the receipt of the payment can be reconciled into the supplier's receivable workflows. This requires platforms (such as ERP systems and Procure to Pay platforms), issuers, and acquirers to all come together to create greater simplicity of use end to end.

By partnering with such stakeholders around the world, Mastercard is helping to integrate virtual card technology into the systems that businesses have come to rely on.

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Platforms want to embed payments into the user experience as they realize it's part of the business workflow. But they don't want the regulatory and data responsibilities of that payment, which rightly belongs with the bank and buyer. If we all understand our role, and play to our strengths, we can enhance the commercial payments experience.

Rebecca Meeker
SVP, B2B partnerships, Mastercard
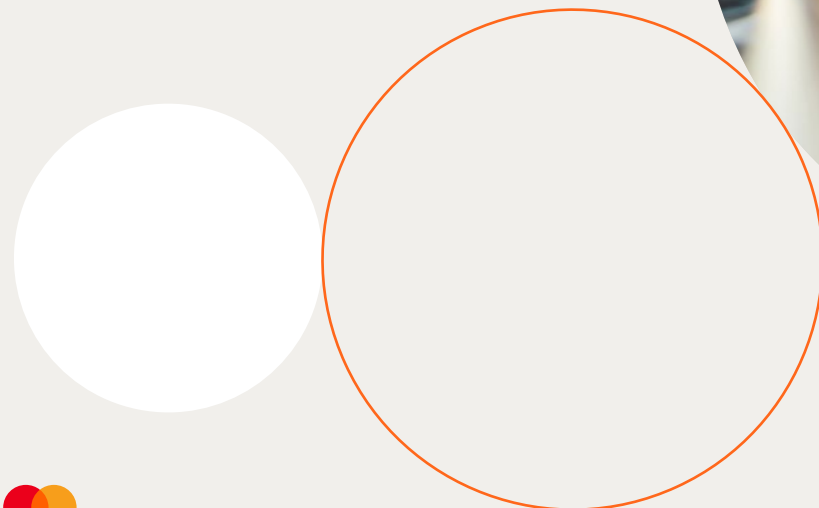
The importance of partnering to reimagine commercial acceptance

There is huge potential in the commercial payments space, particularly for acquirers, but this can only be realized if acquiring and issuing evolves beyond the consumer lens. It is imperative that lessons are learned from consumer payments, but the solutions must be designed and tailored to the needs and objectives of the commercial sector.

Unlocking that potential will require acquirers and other industry stakeholders to work together more closely to develop new solutions that benefit buyers and suppliers, and clearly demonstrate to both the value of cards.

Modern virtual card solutions have the capacity to achieve this, helping to transform commercial payments by bringing the same flexibility, speed, and security found in consumer card payments.

Education and collaboration will form the foundations upon which the next wave of growth can be built. Mastercard is committed to working with acquirers to identify new opportunities and align them appropriately to the specifics of B2B flows.

Only by taking the learnings from the consumer space and adapting them to meet specific commercial needs can we hope to create payment experiences for businesses that are equally fast, secure, and frictionless.

Shining a spotlight on Mastercard's initiatives

Mastercard Corporate Solutions is working with acquirers, issuers, fintechs, and others across the payments ecosystem to help enterprises adopt trusted payment solutions that deliver a seamless, digital-first experience around the world.

Initiatives and products include:

- Mastercard In Control™, which allows businesses to generate and manage virtual card numbers, providing them with custom spending controls and real-time fraud alerts that drive convenience and more efficient processes in the commercial payments sector.

- A collaboration program designed specifically to support the acquiring community by providing a framework through which acquirers can ideate and experiment with Mastercard and its digital partners.

- Efforts to increase data and transaction visibility using artificial intelligence (AI) and machine learning, delivering a better experience for all participants in the commercial payments value chain, such as better reconciliation and posting experience, enhanced data to inform higher transaction margins, and additional visibility on the parties involved to improve underwriting models.

- Mastercard Receivables Manager, a customizable solution that facilitates a more robust way of capturing virtual card payments, processing them straight through and facilitating the delivery of remittance data directly to ERP or account systems.

- Mastercard straight through processing capabilities are designed to increase virtual card acceptance by suppliers. With straight through processing, suppliers no longer need to manually enter each card account number into their point-of-sale system to accept payment. It automates the processing request for the supplier and then delivers the funds for approved transactions to the supplier's bank account.

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