

**Accelerating The Time  
To Realized Revenue,**

a PYMNTS and Mastercard collaboration, provides a firsthand account of how payments automation can optimize businesses' B2B payments flows and TTRR. We surveyed 400 corporate executives in the manufacturing, healthcare and transportation/logistics/shipping sectors in the U.S. and Canada about how they plan to invest to streamline their payments processes and boost their bottom lines.

JUNE/JULY 2022 ■

# ACCELERATING THE TIME TO REALIZED REVENUE

VIRTUAL CARD EDITION

PYMNTS.com



# ACCELERATING THE TIME TO REALIZED REVENUE

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Accelerating The Time To Realized Revenue was produced in collaboration with Mastercard, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://www.pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

# INTRODUCTION

**J**PMorgan Chase & Co. CEO Jamie Dimon made waves on June 1 when he warned of an impending economic “hurricane” that he believed could potentially strike the United States economy. Luckily, there are measures businesses can take, including several digital payments innovations, to manage their payments operations and potentially improve financial performance in the face of uncertainty.

Virtual cards are one such innovation. A recent PYMNTS survey of 400 executives at businesses across the U.S. and Canada shows that businesses using virtual cards report a wide range of operational benefits, including lower transaction costs, tighter security, enhanced cash flow management and greater access to both rebates and credit.

The trouble is that not all businesses have access to digital innovations such as virtual cards. Mid-market firms are 21% less likely than large-market firms to use virtual cards, meaning that few of them have access to their operational benefits.<sup>1</sup> This could potentially put mid-market firms at a competitive disadvantage against their larger competitors.

<sup>1</sup> Our study defines mid-market firms as U.S. businesses generating between \$20 million USD and \$1 billion USD in annual revenue and Canadian firms generating between \$10 million CAD (\$12 million USD) to \$500 million CAD (\$398 million USD) in annual revenue. It defines large-market firms as U.S. businesses generating more than \$1 billion USD in annual revenue and Canadian firms generating more than \$500 million CAD (\$398 million USD) in annual revenue.

The Accelerating The Time To Realized Revenue Playbook: Virtual Card Edition investigates the usage of virtual cards to make and receive business-to-business (B2B) payments across the U.S. and Canada. The Playbook is the latest edition of our ongoing research into how U.S. and Canadian businesses in healthcare, manufacturing and the logistics, shipping and transportation sector are using digital payments innovations to streamline accounts receivable (AR) and accounts payable (AP) processes, accelerate cash flow and ultimately improve their businesses’ financial health.

## This is what we learned.

01

**Virtual card payments are most used in the healthcare sector, with 36% of all U.S. and Canadian healthcare firms using them to make B2B payments and 40% using them to receive payments.** Large-market firms in both healthcare and the transportation, logistics and shipping sector are far more likely than their smaller competitors to use virtual cards.

Large-market healthcare firms are nearly twice as likely as their mid-market counterparts to use virtual cards to both make and receive B2B payments. Forty-eight percent of large-market firms in the healthcare sector use virtual cards to make payments, and 52% use them to receive payments. Just 24% of mid-market firms use virtual cards to make payments, and 27% use them to receive real-time payments. Manufacturing is the only sector we studied where virtual card usage is less common among large-market firms than among mid-market firms.



## 02

**The firms that have adopted virtual cards to both make and receive payments cite enhanced speed, transparency and security as chief benefits.**

Canadian firms that use virtual cards cite more benefits from using them than their counterparts in the U.S. They are 137% likelier to say they have benefited from increased access to credit and 409% likelier to say they have benefited from added rebates, for example. Canadian firms that use virtual cards to make payments are 319% likelier than U.S. firms to cite lower processing costs as a benefit.

The benefits firms report seeing with virtual card usage also vary by sector. Healthcare firms are the most likely to cite improved transaction details, improved cash management and reduced exception processing as benefits of using virtual cards, for example, while manufacturing firms are the most likely to cite security and access to credit. Transportation, logistics and shipping firms are the most likely to cite payments speed, supplier expectations, access to rebates and lower payment processing costs for senders as benefits of using virtual cards.

## 03

**Businesses' infrastructure and staffing limitations are the most common impediments to wider virtual card adoption.**

Forty-eight percent of U.S. and Canadian firms that do not use virtual cards say that their current systems cannot accommodate the technology. There are also 36% that say it is difficult to integrate virtual cards into their systems, and 38% say they lack the expertise needed to implement them.

The most cited of these limitations is businesses' belief that their current systems can accommodate virtual cards. This is an especially common barrier in the U.S., where 26% of businesses say their existing systems cannot accommodate virtual cards. Just 15% of Canadian firms say the same.

# A top-level view of virtual cards

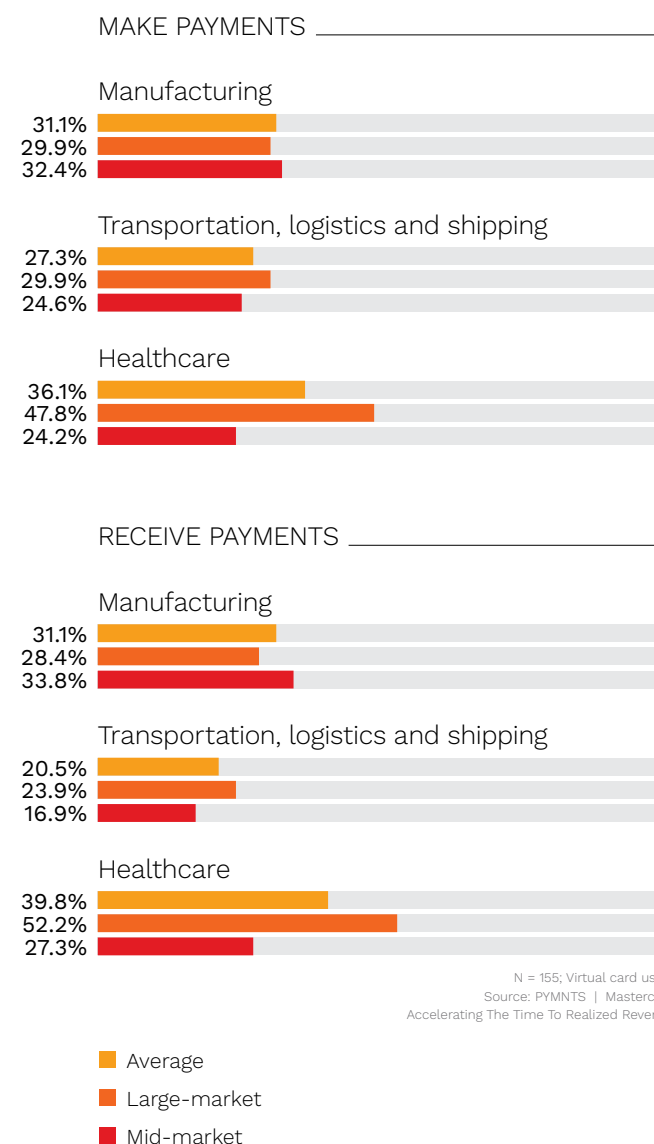
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**FIGURE 1:**  
**How many U.S. and Canadian firms use virtual cards**

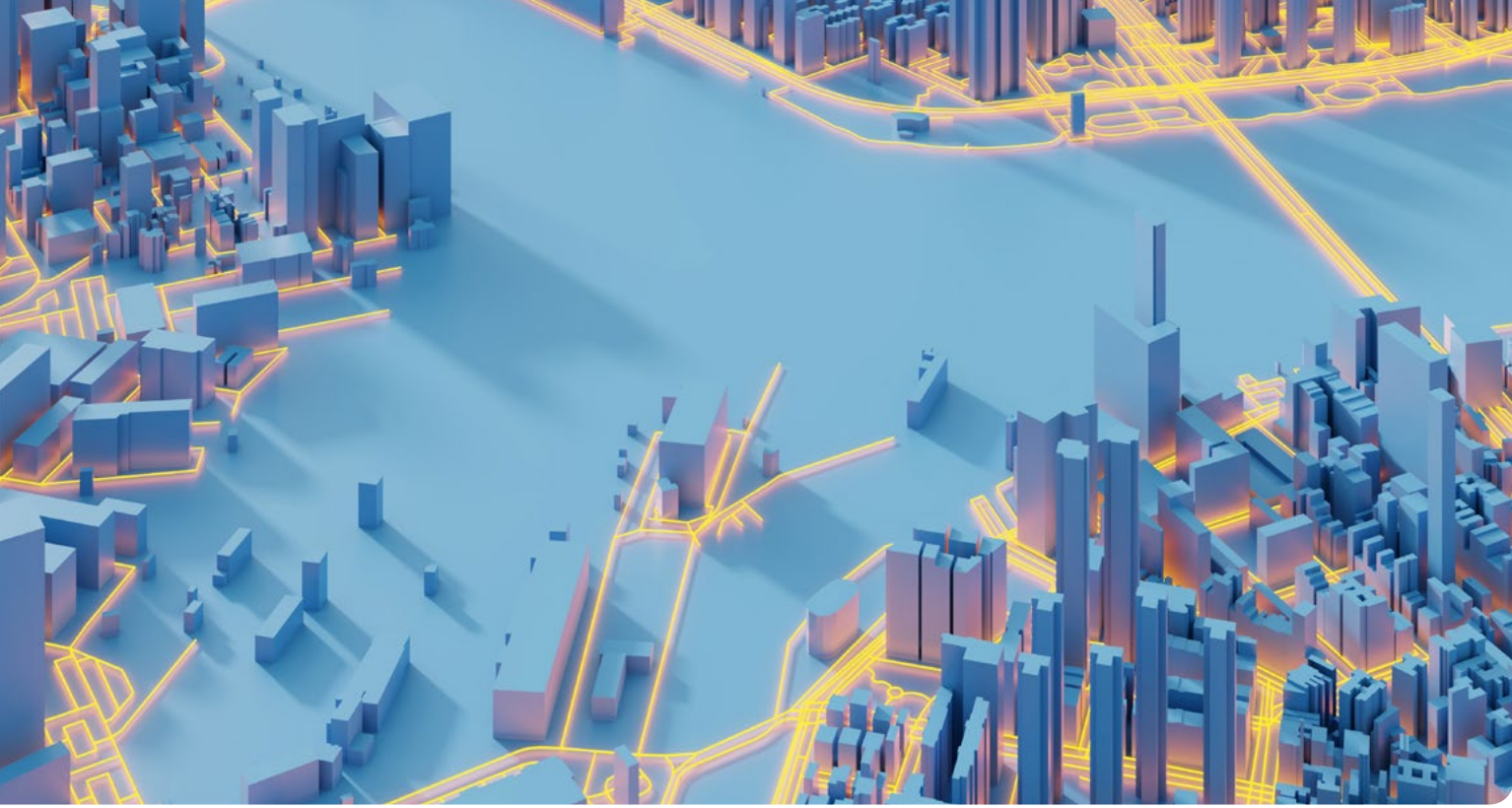
Share of firms using virtual cards to make and receive payments, by industry and size



Virtual cards have become a common feature of the B2B space in both the U.S. and Canada. Our research shows that 32% of all firms across these two countries currently use virtual cards to make B2B payments, while 31% use them to receive B2B payments.

The degree to which firms of different sizes and sectors use virtual cards nevertheless varies drastically in both the U.S. and Canada. Virtual cards are more commonly used among large-market firms than mid-market firms, for example, while healthcare firms are more likely to use virtual cards than either manufacturing firms or those in transportation, logistics and shipping.

Large-market healthcare firms lead the rest in virtual card usage. Not only do 48% of the large-market healthcare firms across the U.S. and Canada use virtual cards to make B2B payments, but 52% use them to receive B2B payments. Among mid-market healthcare firms, just 24% and 27% use virtual cards to make and receive B2B payments, respectively.



# 31%

OF U.S. AND  
CANADIAN FIRMS  
USE VIRTUAL CARDS  
TO EITHER **MAKE  
OR RECEIVE  
B2B PAYMENTS.**

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Manufacturing firms' virtual card usage also stands out. Manufacturing is the only industry in which virtual card usage is higher among mid-market firms than large-market firms. According to our research, 32% of mid-market manufacturing firms use virtual cards to make B2B payments, and 34% use them to receive B2B payments. This compares to 30% of large-market manufacturing firms that use virtual cards to make B2B payments and 28% that use them to receive B2B payments.

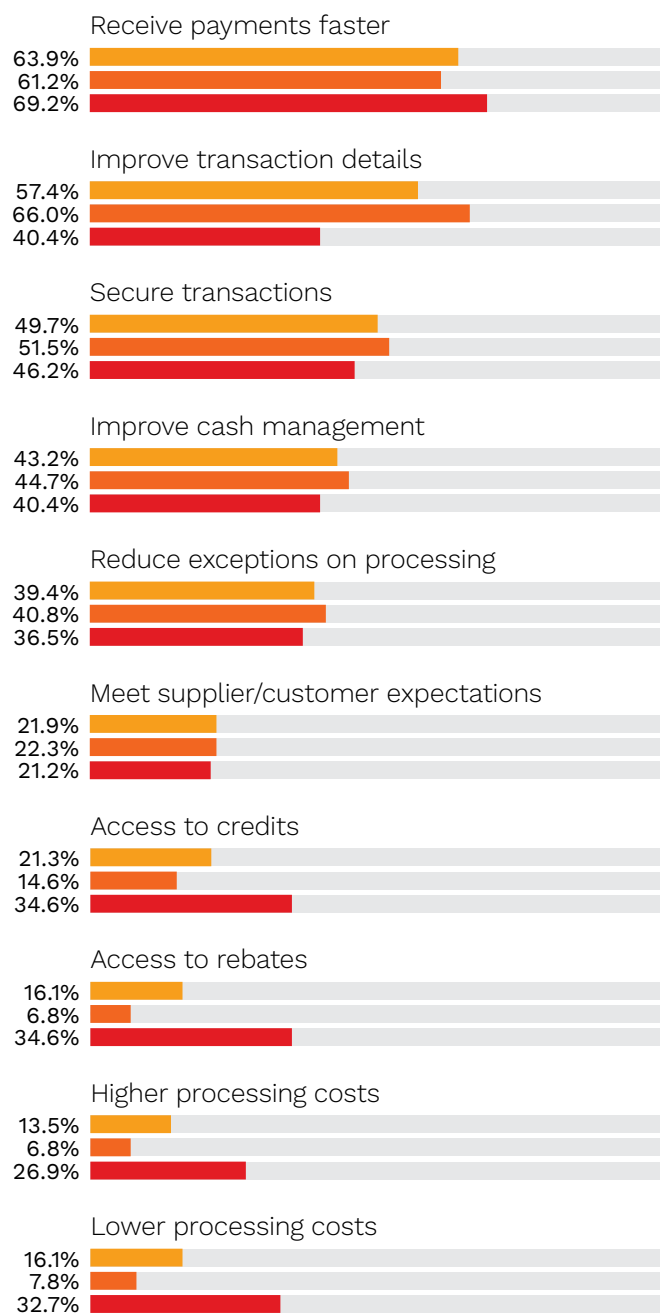
Virtual cards are least common among mid-market transportation, logistics and shipping firms. Just 25% of mid-market businesses in this sector use virtual cards to make payments, while 17% use virtual cards to receive them.

## Virtual cards, **real benefits**

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**FIGURE 2:**  
**The benefits that firms in different countries believe virtual cards bring to their businesses**  
 Share of firms that cite select benefits of using virtual cards, by country



N = 155; Virtual card users  
 Source: PYMNTS | Mastercard  
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**B**usinesses that use virtual cards report marked improvement in their payments operations, with some of the most common including enhanced transaction security, greater transactional detail and improved cash management, to name a few. Fifty percent of the businesses in our study that use virtual cards cite enhanced transaction security as one of the key benefits of virtual cards. Meanwhile, 57% cite greater transactional detail, and 43% cite improved cash management.

These benefits are not seen uniformly among U.S. and Canadian businesses, however. Canadian businesses that use virtual cards are more than twice as likely as their U.S. counterparts to say that virtual cards have increased their access to credit, for example. They are also four times as likely to say that virtual cards have expanded their access to rebates and three times as likely to report lower processing costs as a benefit that virtual cards have brought to their businesses.

■ Average  
 ■ United States  
 ■ Canada

Businesses in different industries also report seeing very different benefits. Healthcare firms that use virtual cards stand out for being the most likely to have benefited from improved transaction details, for example, as they are 17% more likely than average to cite these benefits. They are also 8% and 13% likelier than average to cite improved cash management and reduced exception processing, respectively.

**64%**  
 OF FIRMS THAT USE VIRTUAL CARDS CONSIDER **FASTER PAYMENT RECEIPT** AS ONE OF THEIR CHIEF BENEFITS.

**TABLE 1:**  
**The benefits that firms in different industries believe virtual cards bring to their businesses**  
 Share of firms that cite select benefits of using virtual cards, by industry

	AVERAGE	INDUSTRY		
		Manufacturing	Transportation, logistics and shipping	Healthcare
• Receive payments faster	<b>63.9%</b>	54.7%	<b>70.0%</b>	67.7%
• Improve transaction details	<b>57.4%</b>	54.7%	42.5%	<b>69.4%</b>
• Secure transactions	<b>49.7%</b>	<b>56.6%</b>	47.5%	45.2%
• Improve cash management	<b>43.2%</b>	41.5%	40.0%	46.8%
• Reduce exceptions on processing	<b>39.4%</b>	37.7%	32.5%	45.2%
• Meet supplier/customer expectations	<b>21.9%</b>	22.6%	25.0%	19.4%
• Access to credits	<b>21.3%</b>	28.3%	12.5%	21.0%
• Access to rebates	<b>16.1%</b>	13.2%	20.0%	16.1%
• Higher processing costs	<b>13.5%</b>	17.0%	15.0%	9.7%
• Lower processing costs	<b>16.1%</b>	11.3%	20.0%	17.7%

N = 400; Complete responses  
 Source: PYMNTS | Mastercard  
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Manufacturing firms are the most likely businesses to report seeing improvements in security and credit access, by contrast. Businesses in this industry are 12% and 25% likelier than average to say that virtual cards have improved their security and credit access, respectively.

All the while, transportation, logistics and shipping firms report seeing the most improvements in their access to rebates and lower payment processing costs after adopting virtual cards. These businesses are 19% likelier than average to say that virtual cards have improved their access to rebates and 19% likelier than average to say that they have reduced their operating costs.

## Mid-sized firms at a disadvantage

**T**he benefits that virtual cards bring to businesses' operations put businesses that do not use them at a competitive disadvantage. Although firms of different sizes and sectors report seeing very different benefits from adopting virtual cards, it is nevertheless clear that virtual cards have had a holistically positive impact on the businesses that have adopted them, benefiting not one but several aspects of these operations simultaneously. Not using virtual cards limits firms' access to their operational benefits, and this disproportionately impacts mid-market firms, which are 21% less likely than their larger counterparts to use them to either make or receive payments.

# Impediments to wider adoption

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Several key barriers prevent many U.S. and Canadian firms from adopting the virtual card innovations that can enhance their payments processes, but the most common is the belief that their current systems are incompatible with virtual cards. Twenty-four percent of the firms in our study believe this to be the case, and this share rises to 28% among manufacturing firms.

Manufacturing firms are also tied with healthcare firms as the most likely to experience problems integrating virtual cards into their current systems, with 18%

each citing this as a reason for not being interested in using virtual cards.

Lacking the in-house expertise necessary to get the most out of virtual cards is also a common reason why firms have not adopted them. Fourteen percent of the businesses in our study say that they lack the expertise needed to implement them.

Businesses can often address these barriers by enlisting help from third-party providers. Outsourcing virtual card operations to trusted third parties can not only grant businesses access to the subject matter expertise they are lacking in-house,

but these vendors can also work with businesses to find solutions compatible with their IT systems.

Other common reasons businesses give for not using virtual cards include a perception of a lack of interest among business partners and high costs of acceptance — and the prevalence of barriers such as these vary drastically by industry. Just 6% of manufacturing firms that do not use virtual cards say this is because their business partners lack interest in using them, compared to 15% of healthcare firms that say the same.

The solution to these issues is education and better communication. It is unavoidable that some companies may have concerns over the cons of virtual cards, for example, but it is also necessary to include a discussion of how the technology can reduce operational costs.

A lack of interest from business partners can also be a real deterrent for firms that want to adopt virtual cards — but it can change. Educating business partners on the benefits of using virtual cards can go a long way in opening the door to their adoption.

**TABLE 2A:**  
**Why some firms have not adopted virtual cards**  
Most important reasons for not using virtual cards, by industry

	AVERAGE	INDUSTRY		
		Manufacturing	Transportation, logistics and shipping	Healthcare
• Current system cannot accommodate	24.1%	28.0%	22.8%	21.1%
• Lack of expertise	13.9%	13.4%	10.9%	18.3%
• Problematic transactions	15.1%	20.7%	13.0%	11.3%
• High cost	12.7%	8.5%	17.4%	11.3%
• Lack of supplier/customer interest	12.7%	6.1%	16.3%	15.5%
• Integrating problem	15.9%	18.3%	12.0%	18.3%
• Currency conversion problem	5.7%	4.9%	7.6%	4.2%

N = 400; Complete responses  
Source: PYMNTS | Mastercard  
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**TABLE 2B:**  
**Why some firms have not adopted virtual cards**  
Share of firms not using virtual cards for select reasons, by industry

	AVERAGE	INDUSTRY		
		Manufacturing	Transportation, logistics and shipping	Healthcare
• Current system cannot accommodate	48.2%	45.1%	48.9%	50.7%
• Lack of expertise	38.4%	30.5%	43.5%	40.8%
• Problematic transactions	31.4%	39.0%	28.3%	26.8%
• High cost	34.7%	34.1%	40.2%	28.2%
• Lack of supplier/customer interest	34.7%	34.1%	34.8%	35.2%
• Integrating problem	36.3%	35.4%	32.6%	42.3%
• Currency conversion problem	18.0%	13.4%	21.7%	18.3%

N = 400; Complete responses  
Source: PYMNTS | Mastercard  
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# CONCLUSION

**V**irtual cards can help businesses streamline their B2B operations, improve efficiencies and ultimately boost their bottom lines, but many — particularly mid-market firms — are hesitant to adopt the technology. Concerns over infrastructural incompatibility and a lack of in-house know-how are preventing them from investing in the virtual cards that can help their businesses reach their full competitive potential. Enlisting help from third-party providers can help overcome these hurdles to adoption, but that is only the first step in what should ideally be a multifaceted approach to education and discussion about the benefits of virtual cards.

## METHODOLOGY

**A**ccelerating The Time To Realized Revenue Playbook: The Virtual Card Edition, a PYMNTS and Mastercard collaboration, examines how today's large-market and mid-market businesses are integrating new and emerging technology into how they make and receive payments. From Sept. 8 to Oct. 12, 2021, we surveyed a census-balanced panel of 409 corporate executives from U.S. and Canadian firms with more than 10 employees and met revenue thresholds: more than \$20 million in revenue for U.S. firms and more than \$10 million USD for Canadian firms. Firms were in the healthcare, manufacturing or transportation/logistics/shipping industries. Interviewees were required to have knowledge of their companies' accounts payable and accounts receivable or treasury management operations, and we inquired about the impact of their latest innovations on optimizing their cash flow and working capital. Country subsets were weighted to match a set of demographic indicators, and the overall sample was weighted to account for the relative adult population of each country.



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