

# AVIDXCHANGE: STREAMLINING ACCOUNTS PAYABLES WITH VIRTUAL CARD



"TODAY 45% OF PAYMENTS ARE MADE THROUGH VIRTUAL CARD. WE SEE THIS GROWING TO OVER 80% IN THE NEXT FOUR YEARS WITH THE SUPPORT OF COMDATA AND MASTERCARD'S OWN INVESTMENT IN DEVELOPING THE B2B MARKET IN THIS AREA AND WORKING WITH BUYERS AND SUPPLIERS."

MICHAEL PRAEGER, CEO, AVIDXCHANGE

## EXECUTIVE SUMMARY

### Background

Headquartered in Charlotte, North Carolina, AvidXchange revolutionizes the way companies pay their bills by automating the accounts payables (AP) processes. They owe their recent growth to a shift to end-to-end electronic payments through Virtual Card Number (VCN) technology.

### Challenge

- AvidXchange recognized the traditional AP system utilized by most middle-market companies is extremely slow, manual and labor-intensive. The system results in long payment delays, unnecessary costs and internal inefficiencies.

### Solution

- AvidXchange created a suite of innovative AP solutions designed to streamline invoice capture, intelligently route approvals and eliminate paper invoices, and partnered with Comdata and MasterCard to further automate electronic payments through VCN technology.

- VCN offers a broad array of benefits for both parties within the payments process. For Buyers, it simplifies the AP process, brings more operating flexibility and enhances security. Suppliers like the process because it expedites payment, allows for easy reconciliation and protects their banking information.

### Results

- AvidXchange's process has changed how its customers make payments by automating their invoice and bill payment solutions. Their end-to-end electronic payment process with VCN settlement has helped thousands of companies reduce costs, boost productivity and eliminate paper.
- Since partnering with Comdata and MasterCard, AvidXchange has enjoyed explosive growth and continues to expand. Company leaders foresee electronic payment methods growing to more than 80% of all company payments within the next few years.

## BACKGROUND

One of the 200 fastest-growing SaaS (software as a service) companies in the U.S., AvidXchange revolutionizes the way companies pay their bills by automating invoice and bill payment processing. They provide end-to-end accounts payables (AP) solutions that streamline invoice capture, intelligently route approvals and automate payments with virtual card.

Since partnering with Comdata and MasterCard in 2012, AvidXchange has experienced rapid growth. It now provides a complete bill payment solution for middle-market companies, with settlement through innovative electronic payment methods such as Virtual Card Number (VCN), rather than cash, checks and Automated Clearing House (ACH).

## CHALLENGE

The traditional AP process is slow and manual, consisting of numerous labor-intensive steps between invoice capture and research (see Figure 1).

This multi-layered system presents a number of challenges to both middle-market companies (Buyers) that usually do not have large, sophisticated treasury groups, as well as their Suppliers.

### Challenges for Buyers

The traditional, paper-based process can be a cost-, time- and resource-consuming drain on a company. It requires manual data entry which leaves room for human error and mistakes, and can be costly to fix.

The end-to-end process also takes roughly 30 days, during which there is a lack of visibility – a financial department may not know about an expense until an invoice lands on someone's desk. Because the process is so time-consuming, it prevents accounting staff from addressing more productive tasks such as analytics, reporting and other value-added activities.

Settlement through checks or ACH exacerbates the challenges with the traditional system. Producing checks is expensive and inefficient, considering the costs of check stock, toner cartridges and specialized printers as well as mailing expenses. With ACH, Suppliers need to be manually set up and managed. Finally, there is a lack of easily-available, detailed data and reports for Buyers, when paying through check or ACH.

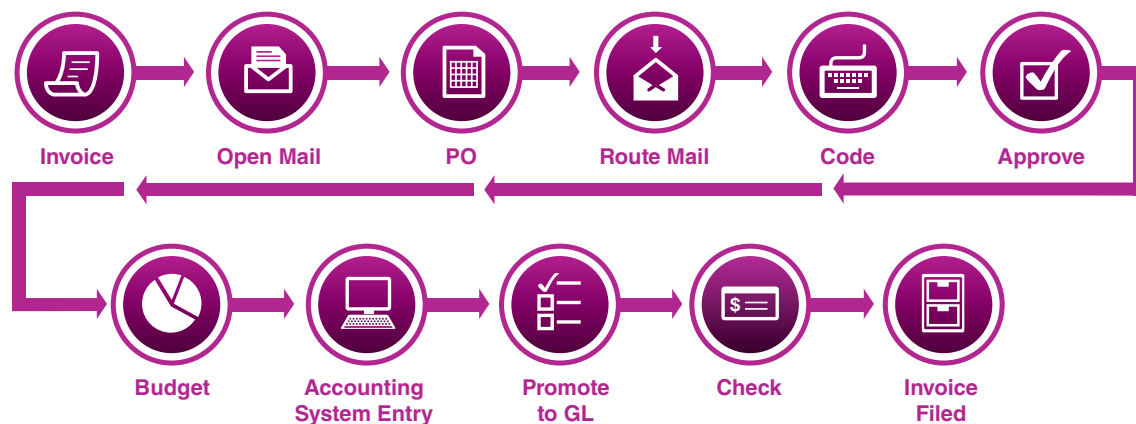
### Challenges for Suppliers

The traditional system raises many obstacles for Suppliers as well. As with Buyers, the process is a slow, inconvenient one for Suppliers, creating a manual work-intensive and difficult reconciliation process. The system results in a long, drawn-out cash-conversion cycle and there is a very real need for payment acceleration.

With settlement through check, Suppliers worry about Buyers defaulting on payments as well as the accountability of new customers. The process suffers from a lack of visibility as Suppliers do not know when they will actually receive a check until it arrives. Fraud and security issues also plague Suppliers who are often concerned about the safety of their bank information on file for ACH.

**Virtual Card Number (VCN)** is a unique, Buyer-generated account number linked to an underlying funding account and is used for the payment of invoiced goods and services. Controls can be established to limit usage to specific merchant type, dollar value, time frame, etc. and single-use numbers can be used to add a layer of security.

FIGURE 1: TRADITIONAL, PAPER-BASED ACCOUNTS PAYABLES PROCESS



Noticing an opportunity in AP outsourcing and automation, AvidXchange assessed the needs of companies seeking to improve their payment process. They learned companies wanted a payment solution that worked for 100% of their payments and, at the same time, did not want the challenge of managing multiple processes for different payments. Companies wanted to lower costs and simplify the overall process to make it cheaper, faster and more efficient. They also wanted security and fraud protection as well as data and reporting capabilities.

As a result, AvidXchange shifted focus to VCN, an innovative settlement option that sets the company apart and fulfills the needs of their clients' AP processes.

## SOLUTION

AvidXchange addressed this opportunity in middle-market companies through a suite of innovative AP solutions that automate the accounts payables (AP) process and provide more visibility and control, as well as reporting and analytics capabilities, when settlement is done electronically through Virtual Card Number (VCN). VCN is a card account number linked to an underlying funding account a Buyer can use for payments.

The electronic, VCN-based system automatically routes the payment, quickly forwards it to the appropriate approval sources and records it within the general ledger, eliminating more than half the steps that traditionally delay the payment flow (see Figure 2).

### Implementation

When implementing VCN, AvidXchange considered two partnerships: Bank-sponsored Visa program or Comdata and MasterCard. According to AvidXchange CEO, Michael Praeger, with the Bank-sponsored Visa team, the required integration to their VCN platform proved to be challenging, along with a rather bureaucratic decision-making process that didn't match the speed that AvidXchange was growing at. Comdata and MasterCard took on a proactive, entrepreneurial approach; their philosophy of "let's roll up our sleeves and partner together to figure out how to make this work" was a culture shared by AvidXchange.

Within the first six months of the partnership, AvidXchange realized a rapid growth in volume. Comdata's approach to payment optimization, integrated file exchange (issuance and reconciliation) and vendor enablement services made it possible for AvidXchange to design and configure a best-in-breed solution. "Comdata delivers the right people, processes and product innovation to accelerate our enhanced business model," states Michael Praeger. AvidXchange has experienced such tremendous expansion that they anticipate *three times* the volume within a year.

### VCN features for Buyers

VCN reduces both process and administrative costs: by simplifying bank reconciliation, cash management and Supplier maintenance activity. VCN allows Buyers to establish controls to limit usage to specific merchant type, dollar value, time frame, etc. The system enhances security by generating new card numbers for each payment. It also allows simple, efficient data integration with accounting systems and, because it operates essentially as a credit card transaction, it offers the ability to generate a financial rebate. Finally, VCN provides access to rich data to support spend tracking and forecasting, regulatory compliance and vendor negotiations.

### VCN features for Suppliers

VCN is convenient for Suppliers as it is easier to reconcile than Automated Clearing House (ACH) from the bank – better data and payment information is provided clearly with the remittance information. The process also enhances security and peace of mind. Unlike ACH, VCN does not require the collection and management of bank account information – a new card number is generated and configured for each payment, so no card or sensitive information needs to be kept on file. As VCN is a new concept for many companies, AvidXchange offers a high level of customer service with a dedicated Supplier enrollment team committed to explaining the automated process and its inherent benefits.

**“75% of companies are still processing paper today. At AvidXchange, 4,000 customers are still initiating the payment process by check. We are looking to convert them to VCN.”**

Michael Praeger, CEO,  
AvidXchange

**FIGURE 2: AUTOMATED, VCN-BASED ACCOUNTS PAYABLES PROCESS**



## RESULTS

The implementation of AvidXchange's end-to-end automated system, with Virtual Card Number (VCN) settlement resulted in significant advantages for both Buyers and Suppliers.

For Buyers, it:

- reduces processing costs through improved efficiencies and control
- decreases invoice-processing time from an average of 28 to 2.7 days
- leverages the card billing cycle to maintain or extend days payable outstanding
- reduces errors related to manual data entry
- transforms the accounts payables (AP) department into a profit center by creating efficiency, enabling the redistribution of resources to more value-added tasks and generating rebates

For Suppliers, it:

- delivers payment faster than checks
- provides the flexibility to plan when they get paid, saving them from the volatility of payment fluctuations
- helps forge stronger relationships between the two payment parties (Suppliers are often willing to accept VCN because their Buyers prefer it)

For both Buyers and Suppliers, it:

- offers enhanced security – Buyers enjoy better security against fraud and Suppliers enjoy the peace of mind of Comdata's and MasterCard's superior security measures
- gives both parties more control in deciding when they want to pay/get paid
- provides the powerful reporting and analysis tools that accompany advanced card-based payment solutions like VCN

## CONCLUSION

AvidXchange has transformed how companies make payments by automating their invoice and bill payment systems. Safe, secure and smart, VCN technology reduces costs, improves productivity and eliminates paper invoices and checks.

To develop this new process, AvidXchange utilized the strengths of both its partner companies. Comdata adopted an energized, entrepreneurial approach to problem-solving and supported implementation, allowing AvidXchange to scale and automate the process. MasterCard provided a solid, proven payments infrastructure and a centralized global network that integrates seamlessly with Enterprise Resource Planning (ERP) systems.

With the success of VCN, AvidXchange plans to continue introducing the process to companies across the U.S. While roughly half of settlements are being made by electronic payment methods in 2015, AvidXchange CEO Michael Praeger predicts these electronic methods will grow to 84% of all payments by 2018.

“We have a large, dedicated team on vendor enrollment and payment execution to help more Suppliers accept VCN.”

Michael Praeger, CEO,  
AvidXchange

### HOW A REALTY COMPANY TRANSFORMED ITS ACCOUNTS PAYABLES INTO A PROFIT CENTER

ABC Realty transformed its AP into a profit center by greatly decreasing its payment processing costs, which were significant with check stock and postage, and started earning rebates on all qualifying electronic payments, such as VCN transactions. After only a few months of partnering with AvidXchange, the company saw a **46% Supplier transaction adoption rate** of qualifying electronic payments, and that number is increasing all the time.

There are two major factors for this high adoption rate: AvidXchange's robust Supplier network and its dedicated team identifying accepted payment types for all Suppliers. The ever-growing adoption rate continues to increase ABC Realty's monthly rebate, which supports its profit center initiative. The VCN method is also particularly popular among Suppliers, because it reduces the time it takes for them to receive payment.



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