

# Optal VANs success stories

How VANs work for customer,  
business and supplier



Optal's Virtual Account Numbers (VANs) eliminate some of the biggest frustrations in B2B payments, increasing choice and reducing risk with an alternative payment solution. They give businesses a way to leave legacy methods behind in favour of immediate buyer and supplier control, removing friction from payments in the process.

VANs mean automated reconciliation, reduced payment errors, simplified account data, and the ability for businesses to use their payments solution to derive additional revenue. More importantly, VANs lead to better customer relationships, fewer data security risks, better eCommerce business practices, and happier suppliers.

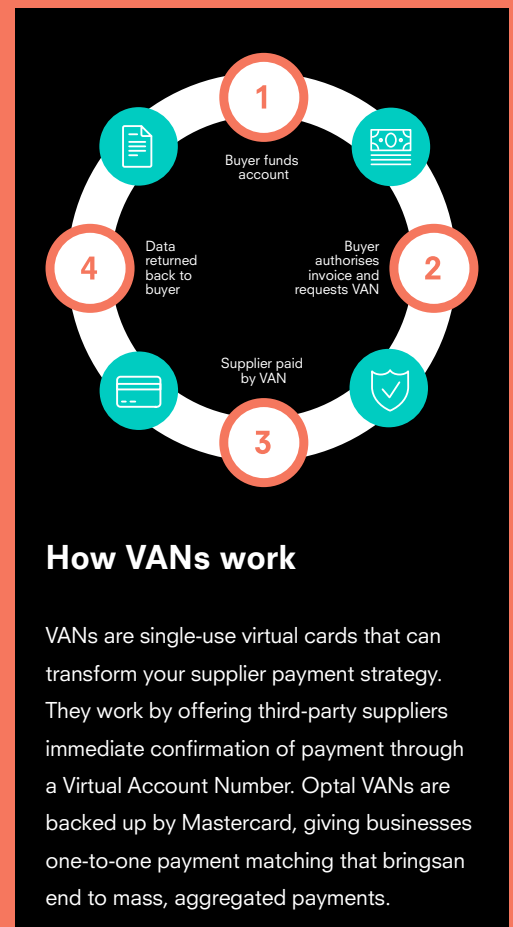
These four stories demonstrate how VANs work for four different user groups:

- The insurance customer's story
- The Data Protection Officer's story
- The online marketplace story
- The supplier's story



# 2 in 3

finance executives are interested in VANs.



## How VANs work

VANs are single-use virtual cards that can transform your supplier payment strategy. They work by offering third-party suppliers immediate confirmation of payment through a Virtual Account Number. Optal VANs are backed up by Mastercard, giving businesses one-to-one payment matching that brings an end to mass, aggregated payments.



# The insurance customer's story

Making an insurance claim can be stressful.

Perhaps a customer has crashed their car, is stranded on a country road waiting for 24-hour assistance, or their home has been burgled.

Whatever the problem, it's the insurer's job to make the claims process as fast and painless as possible. Fail, and there's a strong chance that the customer will look elsewhere next time their policy is up for renewal.



## Insurance breakdown

Sometimes it's the simplest and least obvious parts of the claims process that cause undue stress. Imagine, for example, your customer's car has been repaired after an accident. Understandably, the garage won't release the vehicle until they've received payment from the insurer. But with bank transfers and cheques, this can take days. That's if the payment actually reaches the right supplier, which is always a risk.

Sometimes the customer even has to foot the bill and then claim it back from the insurer, because some insurers are reluctant to go through the costly and time-consuming process of validating payee details for garages they might only use once. From the customer's point of view, being forced to part with cash after having paid a premium is not a great experience. Even if it's just until reimbursement happens.

The situation gets worse when the payment is to a third-party roadside recovery firm. Once a vehicle is fixed, the customer just wants to get on their way and make up some lost time. The last thing they need is to be forced to wait while a protracted payment process plays out between insurer and supplier – or be forced to pay up themselves.

## Customer recovery

Putting the customer in this kind of position does nothing to engender brand loyalty. Particularly when the reason behind it is that your payment processes are outdated and inefficient.

This is where VANs can make a difference, optimising payments between insurers and repair or recovery businesses.

VANs operate like a pull payment method, meaning insurers don't need to validate payee details. The supplier processes the VAN to get immediate confirmation of payment – just as they would when being paid by card by the public. The 16-digit VAN is authorised via the Mastercard Network, making the whole process much faster than cheque and bank transfer.

## The road ahead

VANs mean that customers are not forced to pay up front for repairs, having already paid their premium. They also enjoy a faster, easier claims process. This will then benefit insurers themselves, who'll enjoy better customer relationships and reduce cost as a result.



# The DPO's story

The Data Protection Officer (DPO) is an increasingly important role within a range of industries. Not least because the General Data Protection Regulation (GDPR) now mandates the appointment of a DPO in most organisations.

One of the key principles of the GDPR is data minimisation. The idea is that by reducing the volume of information you hold on employees and customers, you reduce the risk of that data being accidentally leaked or stolen, while streamlining data protection processes and even reducing data protection costs.



## Data risk

There are, however, hidden data protection challenges when businesses are paying their suppliers.

The traditional way of making supplier payments means you need to hold payee, bank account and sort code details (at the very least). This data needs to be captured, or updated, whenever an existing supplier changes their account or a new supplier is taken on. And it's down to the businesses at the top of the value chain to take on the burden of storing this information securely – adding to the potential data breach risk.

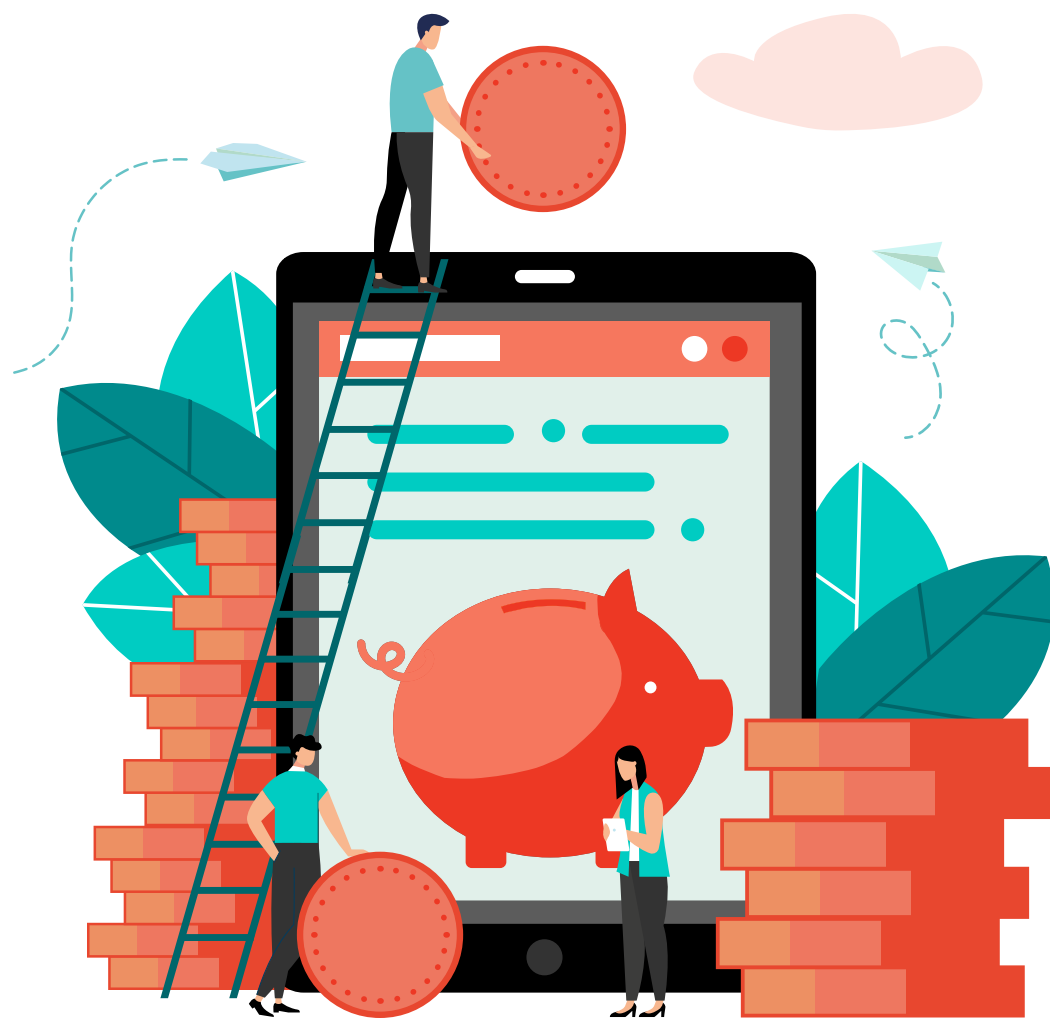
In another scenario: a business may be reluctant to pay one-off suppliers because of the added process complexity. Instead, it asks the end customer to pay for the service they've received and then claim the money back, which requires businesses to store claimant bank details.

Whatever the process, if either supplier or claimant's details end up in the wrong hands, the repercussions could be serious: regulatory fines, breach remediation costs, and reputational damage.

## Safer data

Optal VANs solve the issue of storing third-party bank data by either removing the need to store payee details; or by removing the need for end user customers to have to pay suppliers at all. Instead, the business at the top makes direct payment by VAN, without the data collection and storage burden.

VANs help to create a better all-round customer experience. And, vitally, they reduce the breach risk for the DPO.



# The supplier's story

Businesses spend millions of pounds every year with their suppliers. Whether it's an insurance firm working with garages or a booking site with hotels, the priority for the owners of these supplier businesses is to get the job done and get paid. Any friction in that process – such as extra costs, paperwork or delays – can eat into cash flow and profits, souring relationships with suppliers.



## Focus on the job

Sometimes suppliers don't have a large number of staff to help them out, particularly smaller businesses or artisan makers. So any extra effort in processing payments is unwelcome. But having to manage multiple payment methods, including bank transfers and cheques, can take excessive amounts of time.

For example, if a supplier is not on a merchant's approved list and is paid by cheque then someone will have to travel to bank it, delaying payment. All this adds to the payments process, wasting time and money.

Beyond admin, cheques and bank transfers also take several days to clear – something that creates additional problems. Garage owners, for example, are often unwilling to release vehicles until the payment has been confirmed.

Once the money does arrive, that's not even the end of the problem. Remittance slips are frequently short on detail (like invoice number) and can arrive some time before or after a payment is received. This can make updating accounts a painful and complicated process.

It's not hard to see how everyone loses in this scenario.

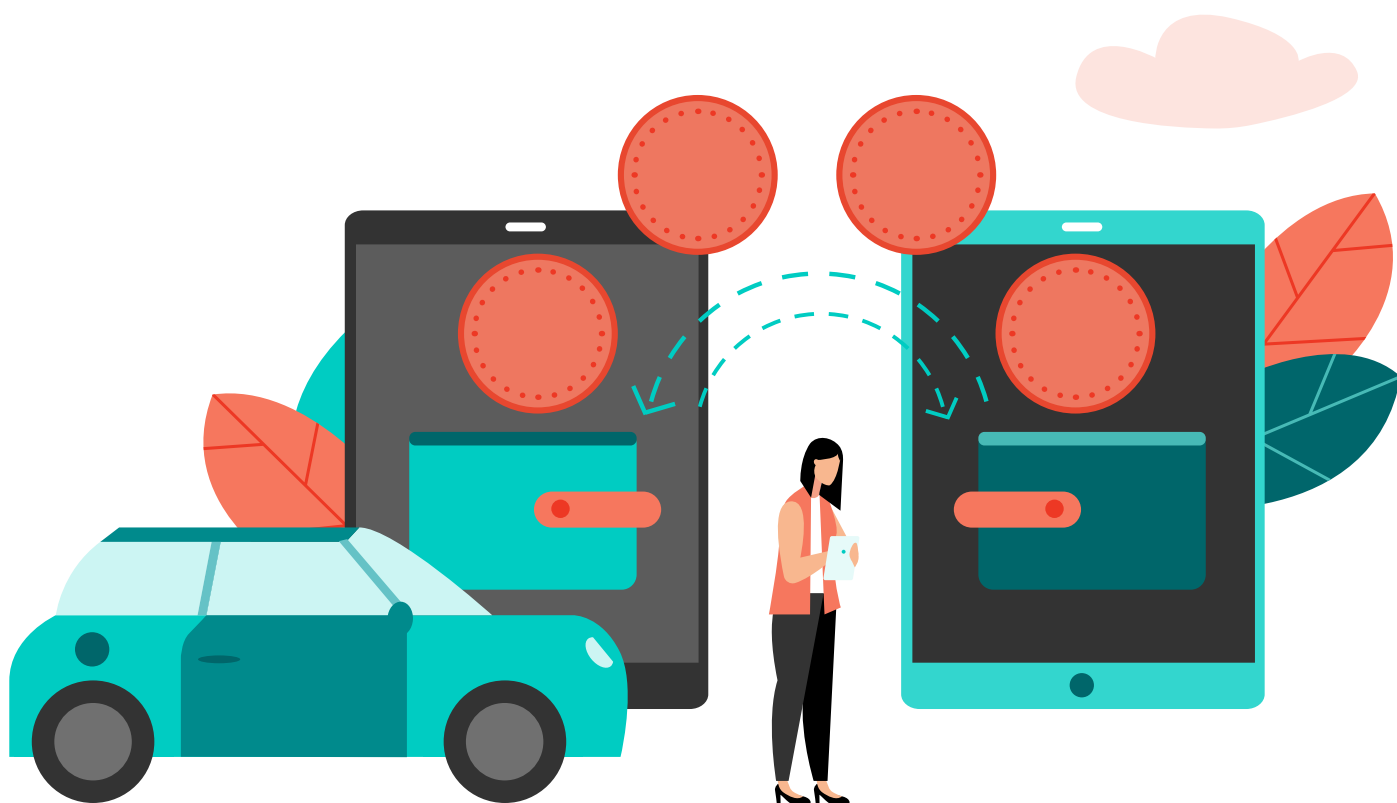
## Bridging the gap

Suppliers just want a system that works, allowing them to get their money quickly, securely and with no fuss. That's what they get with Optal VANs.

VANs mean that suppliers can receive cash on average up to 14 days quicker than they would by cheque.\* This means they can carry out their work or ship products knowing that there is no financial risk. There are also important time and money savings, thanks to the digitisation of the payment process. VANs reduce postage and bank charges, while freeing up time that can now be spent on more productive tasks.

Finally, accounting is made far easier because all incoming payments are in one place, using a card payment method the supplier works with every day, and with detailed references included in the VAN data.

It's better for merchant, supplier and customer – making for happier, more motivated suppliers and easier management.





# The online marketplace story

Online marketplaces are vital platforms for consumers to connect to sellers of goods or services. It's a model that's been adapted across the web, from travel search and booking sites, to more traditional platforms for the sale of physical goods, like online marketplaces. All of these benefit supplier and consumer, with both parties otherwise likely to find it difficult to reach one another, given the sheer volume of content on the web.



## Time is money

The marketplaces themselves have relationships with huge networks of individual third-party businesses. The challenge here is that the customer pays the marketplace direct by card, and then the marketplace in turn must be able to pay the supplier immediately. This is where legacy payment processes can create unwanted friction — especially if the supplier is based overseas. Traditional order and invoice processes are admin heavy for everyone, and for one-off purchases may not provide enough commercial certainty for the supplier to guarantee shipping until the money has arrived.

The knock-on impact on the marketplace can be severe. If shipment is delayed because of payment issues the consumer may follow-up with the marketplace direct, adding to the firm's admin and support burdens. They may even decide to cancel the order and buy from elsewhere. Even for sale of non-physical items, like experiences, the extra friction involved in payment can harm supplier and customer relations, and impact the online marketplace's brand.

## Quick and easy

With Optal VANs there's a much easier route. As soon as a customer pays into the marketplace by card, the system has the potential to recognise payment and can use the data to create a virtual card which can then be distributed to the end supplier. It's a seamless, automated process which does away with "after the event processing" — enabling payment to accompany order, as if the supplier was dealing with the end customer directly.

If the order is for physical goods they can be delivered without delay, which is good news for the marketplace, the consumer and the supplier.

What's more, the online marketplace is covered by chargebacks, in the event that the customer is not satisfied with their order. This innovative digital payment system also offers cost and time savings over traditional cross-border payments, which can be subject to high fees and foreign exchange rates loaded with bank commissions. Optal VANs benefit from Mastercard exchange rate.

It's a win-win for marketplace and supplier, with no impact on the customer at all.



# Time to change the payments process

VANs deliver clear benefits across the payments value chain, for customer, supplier and for merchant. That's why so many businesses are revolutionising their payments process, with an alternative solution that's fast, easy and low on admin. VANs offer businesses:

- An alternative payment solution to BACS, cheques and commercial cards that introduces more flexibility into the supply chain
- Immediate buyer and supplier control, removing payment friction from the 'tip to tail' of the supplier network
- A solution that meets all applicable payment regulatory standards

Optal VANs also provide a flexible rewards model for businesses, helping them to derive revenue from every payment made by VAN in their network. Few other solutions can impact EBITDA as fast by unlocking value from the payment process.

VANs are the payment alternative that enables large organisations to pay fast, save fast and nurture smart supplier relationships.



# Find out more on how Optal can fast-track your business to payments success with our latest eGuide: 3 Steps to Smarter Payments with Virtual Account Numbers.

To talk to us about how we could add value to your organisation, please contact: [info@optal.com](mailto:info@optal.com)



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\*All Optal's statistics quoted relate to our 2018 B2B payments report. In cooperation with Mastercard, we asked 100 senior finance executives within FTSE 350 companies and large public sector organisations what they thought of the state of B2B payments. These are their insightful views.