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AIRLINE & TRAVEL PAYMENTS 2025

B2B Payments

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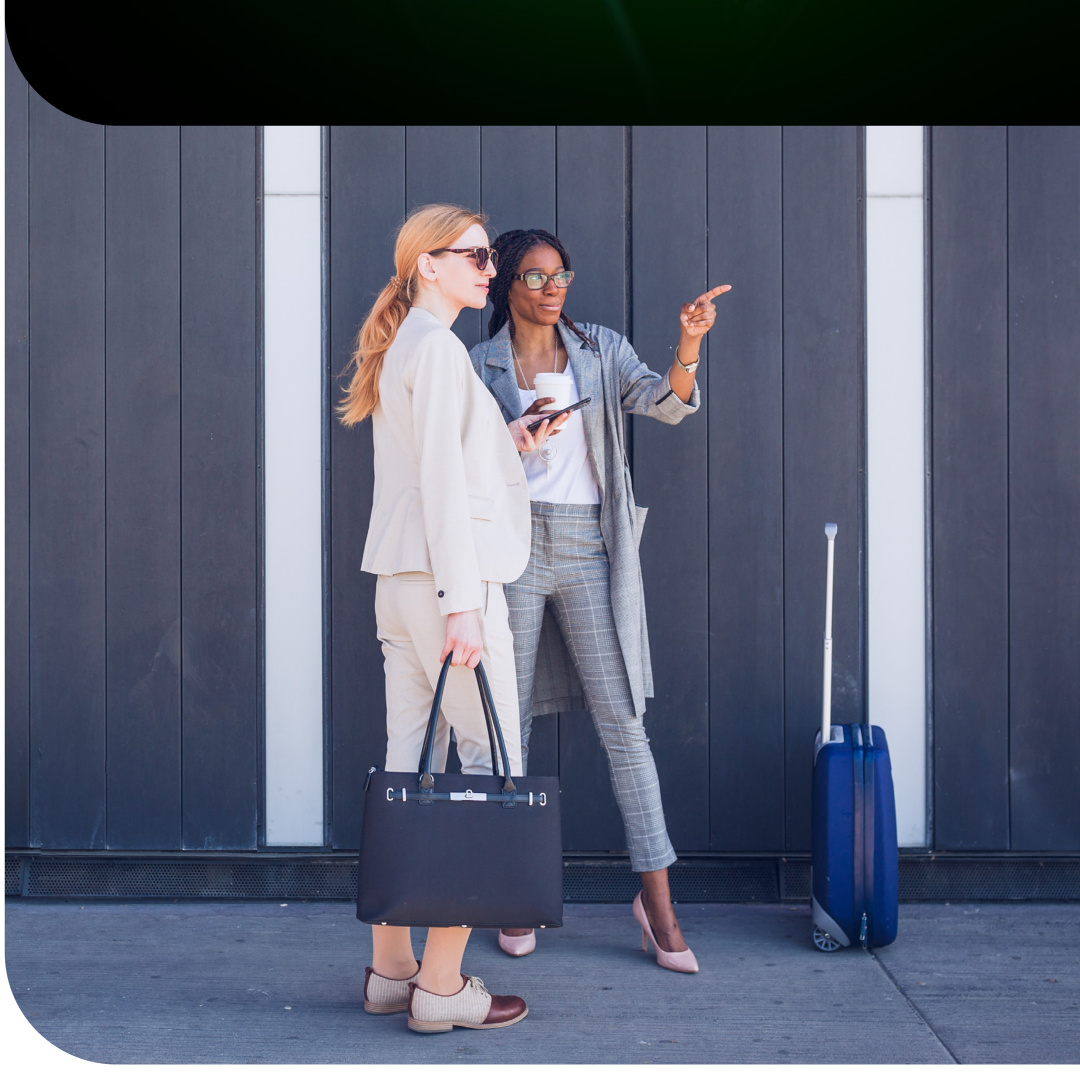
In the Airline and Travel industry, B2B payments involve multiple travel providers. A single booking could require a travel agent to pay a car hire provider, an airline, an insurance company, and a hotel. In the past, it was predominantly travel agents who sold holiday packages and payments would only flow in one direction: from the travel agent downstream to the travel suppliers.

However, this has changed significantly in recent years. Today, holiday packages are being offered by airlines, hotels, cruise lines, and more - you can even book flights through your banks and payment providers. This means more distribution channels, deeper competition, and payment flows in multiple directions.

There is no doubt the pandemic led to a big shift toward direct distribution. This is reflected by the fact that direct sales now account for over 90% of the US domestic air market[1]. In the wake of last-minute travel restrictions, passengers became more reliant on airline vouchers and the re-booking functionality. Refunds were also inevitably processed quicker in cases where passengers had a direct relationship with the airline. Any passenger funds that were refunded by the travel agencies would need to be processed through an industry remittance platform, such as the IATA (International Air Transport Association) BSP (Billing & Settlement Plan).



Airlines are pushing for direct customer relationships and payment traffic via their own channels. Apart from saving on distribution commissions, it enables them to foster long-standing customer relationships and lets them leverage the power of customer data. Since the pandemic, however, the indirect channel has picked up again and remains fundamental. It enables airlines to reach niche markets such as the luxury travel space and is crucial for targeting customers who increasingly want to compare travel prices.

To harness the power of indirect distribution, the payment flows need to work for all participants in the value chain: the travel providers, the re-sellers, and the traveler.

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We invited a group of leaders across airline and travel payments to discuss key trends and opportunities shaping the industry. Here's what some of them had to say about the future of B2B Payments:

The renewed case for virtual cards

Travel distributors need payment intermediaries to remit funds to travel providers such as airlines. The pandemic stretched existing payment and remittance platforms to breaking point with an unprecedented volume of refunds in a short space of time. The administrative processes underlying these remittance platforms were simply not designed to handle such significant volumes of demand.

Because of this, virtual cards were brought back to the forefront. They not only let travel suppliers pay each other quickly but also allow for quick refunds. Furthermore, they have a regulated dispute process should business relations become tricky. This provides benefits to all participants in the payment flow:

Airlines

Many airlines have been reluctant to accept virtual cards on a widespread basis because of the costs involved. On the face of it, they are more expensive than accepting funds via ARC (Airlines Reporting Corporation) or the IATA BSP Cash processes. However, the perception has been changing over the years as airlines better understand their value.

- **Reassurance and speed of funds:** As the economic outlook for travel and airlines remains highly volatile and unpredictable, access to cash is critical. It is in the best interest of airlines to receive their funds from intermediaries as quickly as possible. Virtual cards can reduce settlement timelines significantly, especially in countries with long BSP settlement intervals. In addition, virtual cards provide a safe and secure option to receive funds for transactions outside of the ARC/IATA infrastructure and agreements, for example, for NDC (New Distribution Capability) direct bookings or bookings made through non-IATA accredited agents.
- **Refund speed:** Should an airline need to refund a travel agent, the process to refund is quicker and less resource intensive. A simpler process also helps airlines reduce their cost of sale and maintain good relations with trade partners.
- **Distribution incentive:** As mentioned above, indirect distribution is a vital component of an airline's distribution strategy. Used strategically, the incentive the travel agent receives from the virtual card provider can be negotiated as a distribution incentive (commission). For this to work, transparency regarding the structure of these incentives would be required. However, this is not the case today as they tend to be commercially sensitive bilateral agreements between the virtual card provider and the travel agent.

> "The most effective airline and agency B2B payment strategies I've seen integrate their distribution & risk management strategies. Virtual cards, when leveraged correctly, play a critical role in the success of those strategies, enabling greater efficiencies for the travel value chain as a whole."
>
> **Livia Vité, Head of Airline Partnerships at Wex**

Travel agencies

- **Less manual remittance or reconciliation:** Travel agencies might have to pay any one of many suppliers including car rental companies, insurance providers, or tour guides. There is a heavy lift in terms of processing remittances and reconciling them. Virtual cards enable travel agencies to automate the process flow for paying their suppliers. They reduce the need for manual reconciliation and the risk of error, as well as help travel agencies remit funds faster. This may be useful in securing better rates on the services they procure on behalf of their customers. Achieving real-time visibility of payments also supports the leadership of any travel agency to have a solid finger on the pulse of their operational finances.
- **Financial incentive:** Most virtual card providers incentivize the usage of their card program with a share of the interchange they earn from every transaction as issuers. This allows the travel agency to cover some of the costs they incur to process the customer payment.

Opportunities to improve the B2B payment flows

Let's explore some ways the Travel and Payment industries could work together to broaden acceptance and reduce costs associated with virtual cards:

- **Move to cards with tiered cost structures**
  Many of the card schemes now offer card programs with variable fee structures. This allows airlines and travel agencies to use the incentive, that the virtual card provider pays to the travel agency, as part of the negotiated commission payment. It also allows the airline to balance its payment costs with a potential revenue boost on the distribution side.
- **Introducing additional forms of transfer**
  Open banking and blockchain-based tokens and currencies are just two of many additional forms of payment currently being trialed as alternative means to transfer money between travel providers. While they promise to be cheaper, they do face limitations when it comes to what the legacy infrastructure is able to handle. Most of these pilots are between a small set of participants only and industry standards would have to be changed and implemented across the entire infrastructure to allow these new forms to scale.

Conclusion

It is more important than ever to ensure that the financial and commercial arms of travel businesses work together to ensure that payment strategy decisions are made together. And the key here is transparency. All parties should be aware of the true costs and benefits of the payment methods they use and accept. Airlines deciding on the use of virtual cards in the B2B space is a great example of where collaboration is needed to ensure a balanced view of managing payment costs and leveraging payment methods to drive sales.

Greater collaboration between all stakeholders of the travel ecosystem will be required to enable additional, potentially cheaper payment methods such as open banking or digital tokens. In the meantime, the payment industry, Worldpay from FIS included, fully supports the greater adoption of virtual cards. The launch of Worldpay/FIS card programs will give airlines and travel agencies even greater flexibility to determine mutually beneficial payment flows.

Co-authored by Sam Lindfield, Senior Strategy Manager & Rachel Herrera, Head of Airline and Travel Partnerships

[1]ARC Sales Statistics, 2022

Get in touch with us today

Email: airlines.travel@fisglobal.com

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Payments 2025 highlights the key trends shaping the future of payments across key industries. Using our years of experience and leveraging our vast network of specialists from across the industry and beyond, we share expert opinions and recommendations. We explore the social, economic, technological and environmental factors that will shape the next few years, so we can help you prepare for tomorrow.

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