Travel industry losing out by failing to understand the true costs of payments

Agencies spending up to $6,000 a week on manual payments, reconciliation and other associated functions.

Melbourne, Australia

Jun 19, 2013

New research from eNett and PhoCusWright has unearthed an apparent gulf between perception and reality in terms of the true cost of payments in the travel industry. Many see credit card costs as a major concern, but don’t realise that credit cards work out 37% cheaper than alternative payment methods. At the same time, a large proportion of the industry is spending huge amounts of time on manual payment processing and reconciliation, despite the drain this has on resources.

The misconception around credit cards stems from the fact that organisations look only at merchant fees and airline charges, without considering the cost of manual processing, reconciliation, fraud, processing chargebacks, and reporting on invoices and commissions across multiple payments platforms.

These tasks are proving very costly. The research finds that 40% of the industry still operate in this way and for an agency, these processes can cost anywhere between $300 and $6,000 per week. And it’s the same for suppliers –the average hotel has 17 staff members spending 18 hours a week. Even using a conservative estimate for average turnover of between $1-5m per annum, for an industry which is estimated to be made up of over 250,000 agency establishments worldwide, this equates to a total loss of more than $1.5B per year.

Paradoxically, the research also suggests that despite still spending such large amounts of time on manual processes, many in the industry know there must be a better way:

Unpaid commission is cited as a major risk for 40% of agencies

40% of agents (and 46% of OTAs) cite fraud as their top payments challenge

33% understand that better integration with GDS would increase efficiency of payments and lower costs

26% think they'd be able to reduce admin and reconciliation costs if they could make better use of rich data and reporting

Anthony Hynes, Managing Director and CEO of eNett said: "The true cost of payments is a mystery for many travel companies because hidden costs and risks often skew the picture. We're releasing three whitepapers over the coming weeks as a series to help the industry take a wider view of payment costs. The research sheds light on just how much time and resource the industry is outlaying through use of out-dated and inefficient payment and reconciliation processes as well as the costs of supplier default and fraud. In a recent webinar we hosted, participants agreed that use of newer payment methods, such as Virtual Account Numbers (VANs), could greatly alleviate this situation and help cut costs. Through integration with the GDS and by creating an individual number for each transaction, VANs eliminate manual payment handling requirements, streamline reconciliation, reduce the need for expensive fraud prevention solutions and ensure that transactions are both efficient and transparent."