Travel industry “exposed” by inefficient payment systems

New report identifies large portion of industry at risk from slow adoption

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eNett has predicted that the travel industry faces “being left behind” as the cost of out-dated payment systems and payment methods fail to keep up with technology usage in other areas. The research, the first of its kind to explore the views of over 1,500 respondents from across the travel industry globally, found that the sector is not yet fully embracing the transformational power of more innovative payment methods and, as a consequence, agents, wholesalers and tour operators are still facing a number of challenges which impact their ability to compete.

The research was undertaken by specialist travel research centre PhoCusWright and the full set of findings will be revealed in a series of eNett and MasterCard whitepapers under the theme of “The Future of Travel Payments”, which brings fresh insight into travel payments trends, challenges and opportunities. The trends identified in the whitepapers, and the challenges they are causing, will be addressed in a webinar on 9 May (EMEA and US).*

The research highlights the need for the industry to look beyond standard payment fees and take a wider view of the costs including: manual processing; reconciliation and reporting; foreign exchange; delayed cash-flow; fraud; and supplier default. These hidden costs are creating an unnecessary burden at a time when travel suppliers are already under relentless pressure to cut costs and increase margins.

One such example is the cost of reconciliation, with agencies turning over $1million and $5million requiring one part time staff member to manage reconciliation, fraud, chargebacks and related functions. For larger companies managing over $1billion in bookings, the costs are skyrocketing with an average of 16 full time staff managing payments.

Similarly, the research has shed light on the number of agents losing out on unpaid commission, with 40% of respondents saying this is a problem for them. Many of those affected use a settlement service to recover lost hotel commissions, but this comes at a cost of 10% – 15 %.

There is light at the end of the tunnel though. The whitepapers identify a number of trends which indicate changes that agents need to, and are beginning to make in order to create major efficiencies and strengthen their competitive position as the market evolves. These trends will be discussed in the webinar* and participants will have the chance to:

• Discover the true costs of payments

• Learn how to reduce exposure to credit card fraud, surcharges and foreign exchange

• See how to improve efficiency with payment processing, integrated within the GDS

Anthony Hynes, Managing Director and CEO of eNett International said: "The travel industry continues to face a tough climate. A business's ability to deliver and succeed in this environment will be dictated by how well-placed it is to control costs, minimise risk, utilise its data and ultimately enhance revenue. We appreciate the challenges, and will be debating the solutions in a webinar on 9 May which you can sign up to at www.enett.com/insights. Deploying innovative new technology can help deliver the changes needed in a simple and straightforward way, meaning agents and tour operators can focus on doing what they do best – meeting and exceeding the expectations of your customer."

In August 2012, MasterCard Worldwide and eNett International signed a partnership agreement to provide innovative payment and reconciliation solutions for the travel industry through the use of Virtual Account Numbers (VANs). VANs eliminate the need for physical cards and can alleviate the challenges identified in the report by moving agents to one single payment platform which generates a VAN for each transaction needing to be processed. The system makes real-time reconciliation simple, because each transaction now has its own reference. VANs help cost control by offering extensive local currency capabilities – so there are no more hidden foreign exchange rates. They also work with the GDS and self-booking tools as well as low cost carrier websites. The research conducted for the Future of Travel Payments report found that more than half of companies with at least US$100M in annual sales currently support or plan to support virtual cards. With efficiency and revenue gains as well as cost and risk reducing benefits, smaller agencies should also be looking to diversify their payment options.