



IT PAYS TO KNOW.

THOUGHT LEADERSHIP SERIES – PART ONE

TRAVEL AGENCY AND AIRLINE PAYMENTS.

We're seeing more innovation in B2B travel payments. It's a key reason why it's now just as important for both airlines and agents to have a B2B travel payments strategy that complements their B2C one.

To ensure a sustainable model, and one that benefits all parties in the travel value chain, agents and airlines need to work closer than ever before. Our Travel Agency and Airline Payments thought leadership series explores how streamlining payment strategies, and working together for mutual benefit, can help both parties stay financially sustainable and better navigate the road to recovery.

Here's Part One.



AGENTS AND AIRLINES:
THE TIME TO DEVELOP A
B2B TRAVEL PAYMENTS
STRATEGY IS NOW.

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It's time to talk about a missed opportunity when it comes to suppliers thinking about B2B travel payments.”

Anthony Hynes
Executive Advisor

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CUSTOMER EXPERIENCE AND THE RETAILER MODEL.

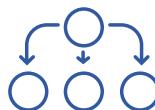


Customer experience drives business (and payment) strategy.

Customer experience leaders in the travel industry stand out. They perform better. And boast strong customer loyalty and advocacy. Customer experience has become a key metric of success for all companies, no matter what industry. When it comes to air distribution, B2B travel payments and customer experience are inextricably linked.

So it's critical that both airlines and travel agencies have a sound and well-informed B2B travel payments strategy for air. Especially when the travel distribution landscape is changing, and travel suppliers working within it have had to adapt too.

Customer experience is now driving the business strategies of both airlines and travel agencies.



Agencies forced to retailer business model.

Travel agencies have had to move to a retailer business model, where they control each aspect of the transaction, to deliver the customer experience needed to remain competitive, grow, and retain customers. For example, they have leveraged technology to drive sales through mobile apps, adopted artificial intelligence to improve the end-to-end traveller experience, and implemented a wide array of B2C payment methods to accept customers' preferred payment choices. These investments will ultimately grow their businesses, but come at a significant cost to travel agencies. So, the question is: how are agencies optimising their businesses for growth, and how are agencies and airlines working together for mutual benefit?



Balanced distribution and payment strategy for airlines.

Airlines have also embraced the retailer model, led primarily by low cost carriers (LCCs), who rely largely on direct to consumer sales. Airlines are also improving the end-to-end journey by investing in mobile apps, offering ancillaries, and improving their understanding of and ability to cater to traveller preferences. They're also offering some new B2C payment methods. While travellers booking direct welcome these improvements, airlines can't afford to ignore the impact their business strategy has on travellers booking through travel agencies. So, how can airlines ensure a balanced distribution and payment strategy that looks after their travellers, optimises customer experience, and makes financial sense to the business?

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HOW TRAVEL AGENTS CAN GROW AND PROTECT THEIR BUSINESS.

IMPACTS OF THE RETAILER MODEL.



Implementing new B2C payment methods.



Investing in preventing payment fraud.



Exposure to supplier risk and default.



Delivering an optimal customer payment experience.

Streamlining agency operations and reducing risk.

Let's take a closer look at the agency side. Essentially an agent's B2B travel payments strategy should complement its B2C payments strategy in the retailer model. To optimise their businesses and remain competitive, many agencies are looking to create efficiencies, reduce costs, and mitigate risk. So, where do B2B travel payments fit into this?

When it comes to efficiencies, process optimisation is the most obvious. For payments, this often means streamlining the conversion of the various B2C payment methods to pay the supplier, and/or ensuring payments are streamlined across all travel suppliers.

More efficient back-end processes naturally mean lower costs. But what about the additional costs to agents to operate the retailer model? Making a new B2C payment available

comes with the cost of implementing the payment method itself. Plus, the ongoing costs of acquiring those transactions and preventing payment fraud.

Which brings us to mitigating risk. For global or regional agencies, having different B2C payment methods across multiple markets adds complexity to managing fraud prevention. Leveraging technology, like mobile apps and new payment methods, while delivering the right customer and payment experience, comes with risks from hackers that can lead to financial (and reputational) losses, forcing agencies to invest further to keep their platforms secure.

Agents are also exposed to supplier risk when they act as merchant and provide those B2C payment methods. So who protects the agent when the supplier cannot deliver the service?

B2B travel payment strategy is critical.

Using the right approach to B2B payments can offset some of the risks and costs when the agent accepts these B2C payments. For example, an agent could look at streamlining how they pay different suppliers. It can also ensure every player in the travel value chain, from customer to travel supplier, is protected from the costs of fraud and supplier default.

In many markets, we have seen the most successful agencies who do this have adopted the "merchant model". This is where they act as the merchant for the inbound customer payment. They then control the payment, and deliver an optimal customer payment experience. We'll look at how these agencies have done this later in this series.

The right approach to B2B travel payments is critical for an agency to succeed in the retailer model. Without it, agents risk investing large sums of money on one side, and footing the bill for all the inefficiencies and risks on the other. This is not financially sustainable and, in the end, increases the costs and risks for all parties in the value chain.

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AND WHAT ABOUT AIRLINES?

KEY CHALLENGES FOR AIRLINES.



Increasing competition from LCCs and legacy carriers.



Adapting to traveller expectations in all channels.



Maintaining strong relationships with agency partners.



Designing an optimal B2B travel payment strategy to support distribution models.

Staying competitive in the direct distribution segment.

Airlines also face challenges in the current distribution environment. Including increased competition from both legacy carriers and LCCs, adapting to traveller needs such as real time alerts throughout the journey, and learning how to create the best customer experience through their online sales portals. All of this, in addition to their core business of maintaining and operating a safe fleet of aircraft.

When it comes to distribution and payments, most airlines have focused heavily on their direct distribution and B2C payments. B2B travel payments have generally been treated as part of the services provided by IATA and ARC.

This includes airlines who may not have traditionally focused distribution on direct to consumer, but who are now investing heavily in initiatives like IATA's New Distribution Capability (NDC). And assessing how, what and when to implement various B2C payment methods across the different markets they service. Essentially, they have also had to adopt a retailer model to compete in the direct distribution segment.

Airlines can't afford to ignore B2B travel payments.

On the other hand, airlines can't afford to ignore that indirect distribution continues to play an important role in their distribution strategy. Many leisure and business travellers choose to book through travel agencies for many different reasons. Most, if not all, airlines also need travel agencies to broaden their reach outside their home markets. Finally, with increased competition, strong relationships with agency partners also ensure better penetration and reach in all markets generally.

Consequently, it's just as important for the success of an airline's distribution strategy that its travel agency partners can operate a successful retailer model. It's clear then that airlines cannot ignore the role of B2B travel payments and should optimise how they accept payments from their travel agencies.

Airlines with payment and distribution strategies that complement each other have a competitive edge in terms of distribution, and are better positioned to manage risks and distribution costs. But it seems only some airlines are truly reaping these benefits today, something we'll explore later in this series.

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ROLE OF B2B TRAVEL PAYMENTS IN OPTIMISING CUSTOMER EXPERIENCE.

B2B travel payments impact the end traveller.

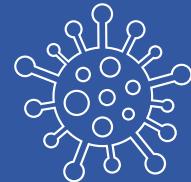
Why is there a very noticeable omission from almost all travel and airline industry conferences related to payments, with B2B travel payments largely absent from these forums? Perhaps it's because most travel and airline industry payment discussions centre around B2C payments.

Even when it's about a major innovation to airline distribution aimed at driving an air retailing experience, IATA's NDC, payment discussions still focus almost purely on B2C. Only recently was a working group set up to discuss B2B travel payments.

Yes, the end customer is the focal point for both airlines and agents. But it's important to understand and appreciate the impact of B2B payments on the end traveller.

How the other end of the payment chain is executed can significantly impact an agent's ability to sustainably maintain the retailer model. And keep control of the payment experience. This is how airlines can maximise the customer experience for all their travellers. The time to start thinking about and developing a B2B air payments strategy is now.

It's important to understand and appreciate the impact of B2B travel payments on the end traveller.



DOES THIS HOLD TRUE POST-COVID?

Absolutely. Even if the evolution of the distribution landscape we have been talking about happened pre-COVID-19, the pandemic has if anything magnified the challenges preventing businesses from achieving their objectives and reducing risk. And it has made protecting against risk a hot topic in discussions between airlines and travel agencies. All travel suppliers are looking for the most financially sustainable way to continue doing business.

Rethinking travel payments between airlines and agencies is an opportunity for both parties to find ways to address these challenges. The next step is to understand the challenges to the retailer model in the current B2B travel payments environment for air, and how airlines and travel agencies can achieve financially sustainable air distribution. We'll cover that in Part Two of this thought leadership series.

Got a question about how your B2B travel payments strategy can help drive your business success?

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