

Why the Merchant Model?

Travel-oriented businesses are increasingly adopting the agent as merchant model. Coupled with an effective B2B payments strategy, the benefits of the merchant model are amplified for travel providers and other stakeholders in the travel value chain.



Indirect distribution is a key part of travel distribution.

- A significant portion of travel spend globally is booked via travel intermediaries.
- Travel agencies deliver value to their supplier partners by extending reach, driving demand, and growing sales. These benefits can be further amplified with fraud reduction and improved payment management when travel agencies use the merchant model.

Merchant model delivers benefits across the travel value chain.

- Travelers can enjoy a seamless online shopping experience, find a greater and more diverse inventory, use a variety of payment options, and easily purchase bundled products.
- The merchant model builds on the core benefits of indirect distribution, such as extended reach, to deliver simpler and safer payment operations, and less fraud for travel suppliers.
- Travel companies can in turn deliver a better booking experience, cross-sell, up-sell, and develop deeper customer relationships compared to the agency model.

Travel agencies operate two distinct business models: merchant model and agency model.

- In the **agency model** the company takes the booking, but does not process the payment.
- The **merchant model** means the company takes the booking and processes the end payment, becoming merchant of record on the inbound consumer payment and therefore needing to make separate outbound payments to each supplier in the booking.

Virtual cards (VCNs) are a critical enabler in maximizing the benefits and adoption of merchant model.

- An effective B2B (supplier) payments strategy can be important for your B2C payment strategy, when operating the merchant model.
- It is essential that you have access to B2B payment choice to ensure the benefits also flow through to both travel suppliers and the end traveler.
- Having the right B2B payment options enable you to balance your risks and costs of acting as the merchant of record.

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