

September 2019

Travel payments: unlocking their potential



What to expect from this paper

Payment has been neglected by the airline industry. Historically considered a back-office cost center, it has recently taken on new importance as the potential key to improving the customer experience. New technologies are changing the way consumers pay for purchases, and air travel is no exception. As an industry, airlines see the promise, and are aware to lesser or greater extents of the challenge of not addressing these changes. But is it airlines' priority? Should it be?

In this paper, IATA investigates the many challenges and developments the industry faces, how payment measures up, and what options exist. Additionally, IATA presents a vision of a possible future, lay out what is at stake, and outline actions to unlock payment potential.

1. Travel landscape is being reshaped

- Airlines are faced with complexity
- New generations' behaviors are changing travel industry market
- There are great opportunities but also many challenges

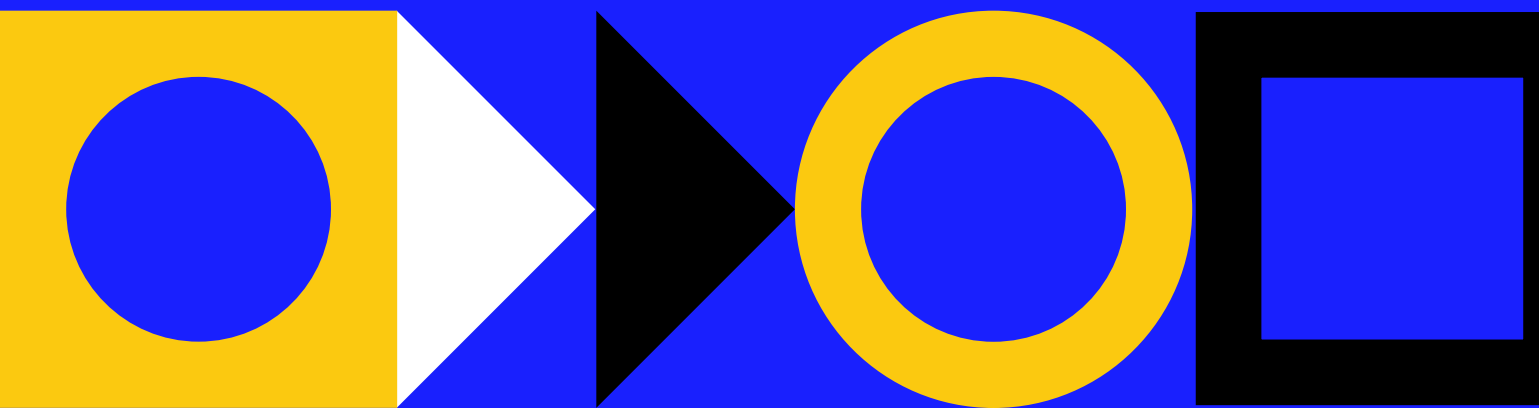
2. Payment is a cross-country path over rough terrain

- Payment infrastructure faces digital disruption
- Efficient payment solutions are needed to ensure industry future sustainability
- Any new payment offering must be compliant
- The industry needs solutions that enable adaptability

3. There are ways to smooth the ride

- The industry can surf the wave of banking modernization
- Travel businesses can spring from collaboration to gain the momentum needed
- The industry can rise to new heights

4. How to benefit from payment innovations



Travel landscape is being reshaped

Airlines are faced with
complexity

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market

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As airlines come to the end of what is predicted to mark a decade of profitability for airlines, they are reminded that those results have been hard-won¹ and, lately, somewhat fortuitous². Despite the recent drop in oil prices, fuel costs continue on an upward trend, and airlines' margins are always under pressure. Much-needed investment in renewal of fleets and other infrastructure keeps airlines living on the edge, and the strong competition of their offering makes it difficult to manage profitability in a sustainable way. Industry price transparency with meta-searchers has provided strong benefits to consumers, who have benefited from lower prices over time, but it has also introduced a challenge in creating sustainable value.

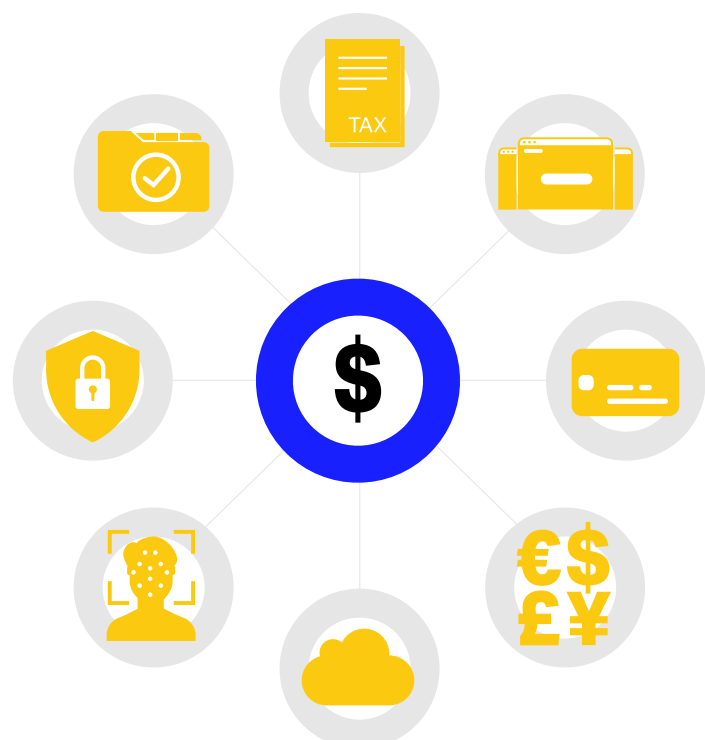
contribution and could ultimately impact their bottom line in more ways than one, whereas the industry and IATA are working hard to do its part for climate change with initiatives such as Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)⁴. But **an airline's everyday expense of generating revenue, including sales and marketing structures, and cost of payment, are far from negligible**. The technology must be regularly updated to keep travel competitive and not incur loss of earnings due to an inability to serve customers correctly, or to inefficiency. The Société Internationale de Télécommunications Aéronautiques (SITA's) 2018 Air Transport Insights⁵ indicate airlines are currently investing in biometrics and blockchain to ensure identity security with a seamless passenger experience, and in Artificial Intelligence (AI) for virtual agents and chatbots, again with the passenger experience in mind⁶.

- ¹ <https://www.iata.org/pressroom/pr/Pages/2018-06-04-01.aspx>
- ² <https://airlines.iata.org/news/iata-fo-recasts-355bn-net-profit-for-airlines-in-2019>
- ³ <https://blueswandaily.com/swedens-new-eco-friendly-aviation-tax-is-already-beginning-to-effect-air-connectivity/>
- ⁴ <https://www.iata.org/whatwedo/environment/Pages/index.aspx>
- ⁵ <https://www.sita.aero/resources/type/surveys-reports/air-transport-it-insights-2018>
- ⁶ <https://www.passengerterminaltoday.com/news/biometrics/sita-unveils-findings-from-2018-air-transport-it-insights-report.html>

Airlines are faced with complexity

Travel ecosystem, however, does not lend itself well to economies of scale. The thousands of players, both on the travel and freight sides of the business, as well as on the operational side, make for a convoluted system of interactions. Existing regulatory frameworks add complexity. And 'complex' often equals 'high cost'.

Airlines' basic cost of doing business is steep. Governments levying high taxes can feel challenging when aviation is a major contributor to economic health. Moves such as the 2018 Swedish climate change passenger tax³, that directly curtail the airlines' ability to make that



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These efforts come at a substantial cost, not just of the technology itself, but of relevant in-house skills, of supplier services, and also of data management and the risk of fraud or security breach that goes along with it. In fact, SITA's 2017 report indicated cybersecurity was a priority initiative of 95% of airlines over the following three years⁷.

New generations' behaviors are changing travel industry market

According to Accenture's 2017 airline survey, 88% of airline executives believe technology innovation needs to happen at an ever-faster pace to ensure competitiveness. IATA's 2018 Global Passenger Survey⁸ bears this out, confirming that customer expectations are of more options, more control, more information, more autonomy and more digitization, but also more privacy. A third and more of purchases of air tickets were accompanied by purchases of accommodation, insurance and transportation, indicating that travelers want to nail down the full journey from the start, and are looking to their air ticket seller to provide them with these options. IATA's survey demonstrates the passengers' desire for control: 56% of the respondents would like to track their bag and other wish to receive notifications of all types, including for baggage

wait times (49%), flight status (82%), security control wait times (46%), connections (42%), and many others. And passengers want to have this information delivered through a smartphone app. On the other hand, 54% don't want to use that device for in-flight entertainment, though they'd like to use it for customs formalities and planning their arrival at the destination airport. Of course, millennials⁹, as digital natives, embrace en masse all things paperless, from online check-in via smartphone, to e-boarding passes and scanning the boarding token themselves, via biometrics. And they expect baggage drop-off and claim to be completed in record time.

These expectations are fueled not just by technology per se, but by consumer brands who, according to Deloitte's 2017 Travel and Hospitality Industry Outlook¹⁰, have retrained consumers to expect results quickly, from a few taps and swipes. Think Amazon delivery, Starbucks purchase, and Uber Eats. "Those able to capitalize on these changing expectations with speed and agility are more likely to capture their share of the billions of dollars in [...] global travel growth", says the report. The fact is that consumer expectations are passed on to the B2B environment also. Millennials are now the largest living generation, taking more trips than any other age group, including business trips.

"Those able to capitalize on these changing expectations with speed and agility are more likely to capture their share of the billions of dollars in [...] global travel growth"

⁷ <http://www.airport-world.com/news/general-news/6327-airports-and-airlines-to-invest-33-billion-on-it-this-year.html>

⁸ <https://www.iata.org/publications/store/Documents/GPS-2018%20Highlights.pdf>

⁹ Widely accepted demographic cohort born between 1981 to 1996. <https://en.wikipedia.org/wiki/Millennials>

¹⁰ <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/us-cb-2017-travel-hospitality-industry-outlook.pdf>

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A 2017 survey by Expedia on Multi-Generational Travel Trends among European travelers¹¹ found they'd traveled an average of 1.5 times for business in the previous year, compared to 1.4 for Generation X¹². It is to be noted that the up-and-coming Generation Z also managed 0.8 business trips. The same study found, predictably, that the younger generations use their smartphones more than the older ones. But it also found that they do not plan their travel in the same way. Generation Z¹³ and millennials prefer search engines, including metasearch sites, more than older travelers, who favor Online Travel Agencies (OTAs). While millennials still turn to OTAs for booking, Gen Z books on the same sites it uses for planning. This is consistent with their budget concerns. In short then, airlines are contending with a heterogeneous consumers' demand, where digital natives no longer a marginal segment, and a newer generation coming up that sees the world in wholly new ways.

There are great opportunities but also many challenges

The 2037 forecast for aviation predicts a doubling of air traffic to 8.2 billion passengers, with the Asia Pacific region leading the charge¹⁴. The rise of the middle classes in China and India and the increase in Gross Domestic Product (GDP) will feed this growth, with demand being likely for low-cost air tickets. Already, India sells

the highest number of Low Cost Carrier (LCC) seats in the region, and government investment has boosted growth in the sector in China¹⁵. As these two countries could dethrone the US from the top spots for traffic in the mid 2020s, it is important to monitor the position of digital payments and the shift to the cashless societies. China's Alipay and WeChat Pay are gaining ground throughout Asia, and even East Africa since 2018¹⁶. Both services now boast over 900 million users worldwide each^{17 18}, and Alipay's parent company, Ant Financial Services, offers a range of financial and banking services and platforms, as well as being involved in a number of digital payment joint ventures across Asia. In India, a 2016 report¹⁹ by Boston Consulting Group and Google, asserted that the conjunction of high smartphone penetration (520 million by 2020 or 50%+ of mobile ownership), of widespread Internet access made possible by the National Optical Fibre Network initiative of Digital India, and of a steady growth under way in digital payments, would see the emergence of next-generation payment service providers. "Supported by a favorable regulatory environment and coupled with a young demography eager to try and test new digital technologies, the Indian payment industry is bound to grow multi-fold in the coming decade."

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¹¹ https://info.advertising.expedia.com/hubfs/Content_Docs/Rebrand-2018/MultiGen_Travel_Trends_European_Travellers-Small.pdf

¹² Typically use birth years ranging from the early-to-mid 1960s to the early 1980s. https://en.wikipedia.org/wiki/Generation_X

¹³ Typically use the mid-1990s to early-2000s as starting birth years. https://en.wikipedia.org/wiki/Generation_Z

¹⁴ <https://www.iata.org/pressroom/pr/Pages/2018-10-24-02.aspx>

¹⁵ <https://www.businesswire.com/news/home/20190218005200/en/Global-Cost-Airlines-Market-2022-Market-Overview>

¹⁶ <http://www.chinadaily.com.cn/a/201806/13/WS5b21244ba31001b825721b4c.html>

¹⁷ <http://www.chinadaily.com.cn/a/201811/30/WS5c00a1d3a310eff30328c073.html>

¹⁸ <https://www.mobilepaymentstoday.com/news/allied-wallet-adds-wechat-pay-with-900-million-active-users/>

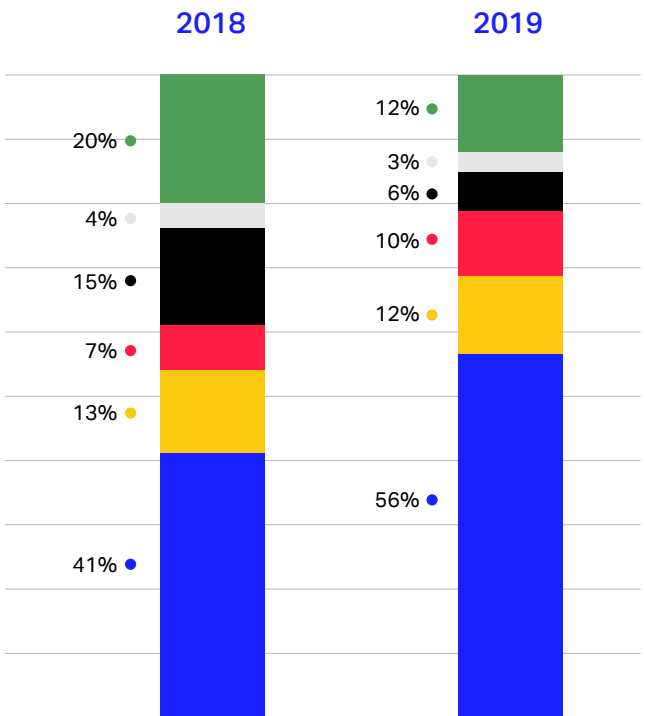
¹⁹ http://image-src.bcg.com/BCG_COM/BCG-Google%20Digital%20Payments%202020-July%202016_tcm21-39245.pdf

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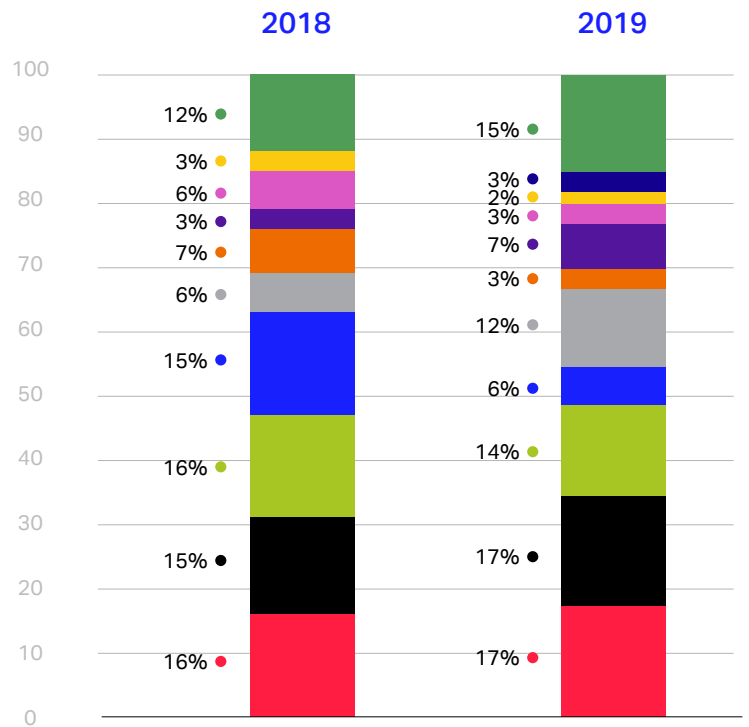
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Top payment methods used in ecommerce



China

- WeChat
- Paypal
- Credit card
- Debit card
- Alipay
- Others



India

- Credit card
- Debit card
- Bank transfer
- Paytm
- Amazon Pay
- Cash on delivery
- Google Pay
- Charge & deferend debit card
- Paypal
- Cash or cheque in the mail
- Other

Ecommerce transaction value breakdown by payment tool (%) in 2018 and 2019

Source: Global Data

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The outlook for airlines is therefore a challenging one, with passenger expectations and technology offerings leading the industry in new directions.

In this regard, IATA introduced New Distribution Capability (NDC) program to enhance the capability of communications between airlines and travel agents. The NDC standard enables the travel industry to transform the way air products are retailed to corporations, leisure and business travelers, by addressing the industry's current distribution limitations and creating new benefits:

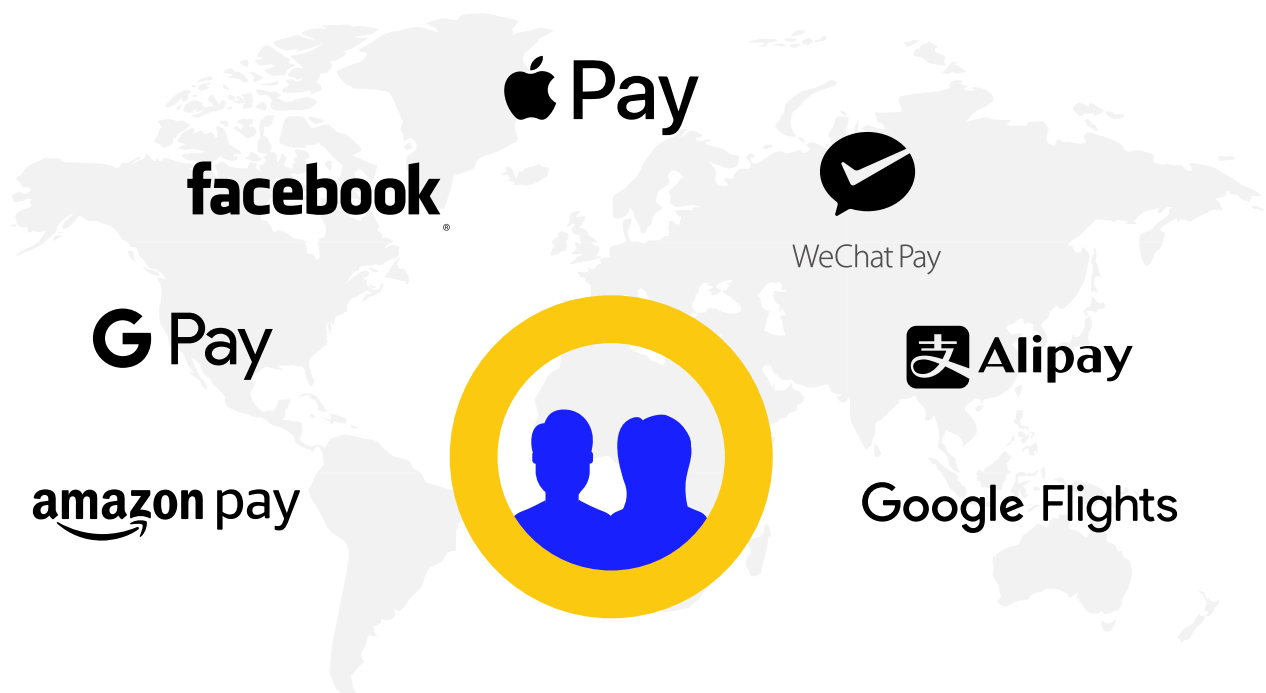
- o Product differentiation and time-to-market
- o Access to full and rich air content
- o Transparent shopping experience

But there is also the risk that new entrants will disrupt the rules of the game. When airlines opened up direct sales channels some 20 years ago, seduced by the siren call of the Internet and its promise of enabling cost-cutting and

increased control, most of these players did not exist. Search engines and metasearch engines, including for example Google Flights, are becoming more popular as Generation Z becomes more numerous. It is only a short step from meta-search to booking and payment, such as Amazon Prime in India selling flights²⁰. Will these so-called Internet giants, such as Alibaba and Google, enter travel distribution leveraging NDC? While they constitute an additional distribution channel, they also have powerful customer bases that are already using their wholly-owned payment methods. The question therefore, is how will their advent change travel landscape further? Additionally, as [search moves to voice, led by Amazon, Google, Apple, Xiaomi, Alibaba](#)²¹, will it become easier for consumers to use voice assistants and the payment methods of these providers to purchase travel services?.

²⁰ <https://www.amazon.in/b?ie=UTF8&node=16749507031>

²¹ <https://quoracreative.com/article/voice-search-statistics-trends>



Payment is a cross-country path over rough terrain

Payment infrastructure faces
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Efficient payment solutions
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How can airlines ensure that they are keeping up with and benefiting from the growing payment offering and disruption? Airlines' hard-won cash is currently being reinvested in fleet and inflight products renewal, leaving them with less to spend on technology innovation, the cost of which is significant. Careful choices have to be made, and those choices are complex because of the need to integrate with the systems of many partners.

No wonder then that many companies are favoring solutions that make more obvious impact in the market or on the business. Chatbots, such as Finnair's Finn, Lufthansa's Mildred or Avianca's Carla, go a long way to giving passengers a semblance of the control they desire. Accenture's survey of airlines for its Technology Vision 2017 report found that "84% of airline executives expect to make moderate to extensive investments in embedded AI solutions over the next three years."²²

A move to cloud computing and providing Application Programming Interfaces (APIs), a big trend in 2017, paved the way for new possibilities²³, both in terms of services that can be offered and ways of interacting with partners. Payment, as has been the case historically, takes a back seat.

"84% of airline executives expect to make moderate to extensive investments in embedded AI solutions over the next three years."

Payment infrastructure faces digital disruption

The historical approach of considering back-end functions as cost centers has left the industry with a complex process of reconciliation that's costing money. In a 2018 study from PYMNTS and Amadeus, 41% of respondents said the complexity of managing payment systems was the biggest source of payment-related financial stress²⁴. Additionally, **the economic impact of payments is often underestimated, considered much less important a focus than sales acquisition costs**. According to McKinsey²⁵, however, sales and marketing acquisition costs are between \$5 and \$15. Merchant fees vary between 0.5% and 3% of the cost of a flight. On a \$300 ticket, that's up to \$9, well within the same ballpark. **And this does not include other payment related costs such as fraud, data protection, anti-money laundering/know-your-customer regulations, or reporting and reconciliation. Question is: should payment be part of cost of sales, or remain a financial back-office cost?**

There are inefficiencies also in travel distribution. Developed originally to cut costs and expand sales, direct distribution now accounts for almost 50% of sales for full-service carriers and more for low-cost operators, but complexity, and

²² https://www.accenture.com/_acnmedia/accenture/next-gen-5/insight-tech-airlines-2017/acc-tech_vision_airlines_report_v15.pdf

²³ Global Airline Industry Almanac – A spotlight on 2017 and key trends for the year ahead – Amadeus

²⁴ <https://www.pymnts.com/wp-content/uploads/2018/08/Travel-Payments-Study-July-2018.pdf>

²⁵ <https://www.mckinsey.com/industries/travel-transport-and-logistics/our-insights/a-better-approach-to-airline-costs>

Payment is a cross-country path over rough terrain

therefore costs have increased. Channels have multiplied, and every new offering must provide the same frictionless payment experience whatever the customer touch point. The cost of credit cards and other payment processing, once borne by travel agents, is now airlines' responsibility, and varies from 0.3% for debit cards up to 10 times as much for corporate credit cards and Virtual Account Numbers (VAN). **In total, estimated expenditure in payment costs represents a total of \$8 billion for the airlines industry²⁶.** And these costs do not include other administration fees for handling the different types of payment that multiple geographies require, including management of foreign exchange risks. The weight of these costs has 60% of travel companies responding to a survey by Ixaris²⁷ that their priority in choosing a new payment service or product, would be its ability to lower the cost of transactions.

With NDC airlines will be able to distribute the entirety of their product portfolio through all channels. By specifying the standards for communication for any intermediary, the door is opened to potential new entrants, from the Alibabas and Googles of the world, to new start-ups and existing IT travel players. This will encourage competition on distribution side and support the industry as stated earlier. But Internet giants though are equipped with the payment solutions customers are looking for; thus promising vigorous competition for access to the customer data. With One Order airlines will be able to streamline and simplify the back-office financial process further, transforming them in retailers with the replacement of tickets by orders. **As payment forms and entrants multiply, it is most important to innovate in order to achieve efficiencies and economies of scale.**

²⁶ <https://www.iata.org/pressroom/pr/Pages/2019-01-08-01.aspx>

²⁷ Ixaris, MagnaCarta 2018

Costs of processing payment

Visible Costs

- Payment methods
- Payment processing
- Fraud and defaults

Hidden Costs

- Treasury management and FX
- Back office costs
- Compliance

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Efficient payment solutions are needed to ensure industry future sustainability

The nature of travel business is that it is international and, while travel business have done their part to make the world a smaller place, there is still much diversity. Technological advances in payment vary enormously around the world. Consumers in China have embraced mobile payments, with 26% paying for their flights via their smartphone²⁸. The figure is 11% for India, whereas other countries average only 1-2%. In a B2B scenario, this translates to travel agents in China using fast payments, while Canadian agents prefer credit cards, and Indonesian agents like standard bank transfers.

New B2B payment players entered the travel industry. VAN are used as a method for travel agents when booking through a Global Distribution Systems (GDS), thanks to seamless integration with the systems, and incentives²⁹ that provide a significant revenue stream for them. While they aim to reduce risk and speed up payment for airlines; they also incur in high fees to airlines. Both VAN and bank transfers, especially fast payments, are expected to increase as forms of payment, according to IATA analyses.

Existing travel industry players have developed payment strategies, and are extending their offering to new technology-enabled payment forms in indirect channels. Payment innovation is led by GDS providers, who favor virtual cards. eNett, a successful provider of virtual payment solutions, is owned by TravelPort and integrates additionally with Amadeus and Sabre. Amadeus B2B Wallet announced they transacted the amount of \$100 billion in 2017³⁰. In direct channels, technology partners are also extending their offerings to provide global coverage. Payment gateways like Elavon, Worldpay or Adyen are aiming to ensure all the major payment methods of each region of the world are accepted. All these players are aiming to serve the travel and tourism industry as a whole. **Question is: how to provide payment solutions that provide cost efficiencies and achieve economies of scale to support airlines segment financial sustainability?**


²⁸ <http://paythatway.worldpay.com/travel/WorldPay-Why-do-they-pay-that-way/>

²⁹ <https://van.enett.com/RewardCalculator> or <https://amadeus.com/en/business-function/payments/b2b-wallet>

³⁰ <https://www.youtube.com/watch?v=egSXzSfnGW0>

“Technological advances in payment vary enormously around the world. Consumers in China have embraced mobile payments, with 26% paying for their flights via their smartphone²⁸. The figure is 11% for India, whereas other countries average only 1-2%.”

Payment is a cross-country path over rough terrain



Any new payment offerings must be compliant

Developing new payment methods is no easy task. Payments must be trustable and robust, and must therefore be secure and compliant. Regulations with which to comply abound, designed to protect the transaction, to protect the identity and data of the parties transacting, or protect society against criminal activity by exposing certain data relating to the parties transacting (know-your-customer). And these regulations are multiplied by the number of markets in which the payment service is offered.

Every new payment method introduced has undergone significant investment in security to counter risks of hacking or other interference, and fraud or money laundering. It has been tested and certified as compliant, numerous times. It offers a frictionless, value-added experience to consumer users, and seamless integration and workflows for the financial back-office of B2B customers. And it is updated regularly, in line with all evolutions, whether technological, regulatory or commercial.

Making sure airlines stay in the race is therefore an expensive undertaking, and one that necessarily involves a trade-off between the various cost components to maximize profitability. **Industry cost of payment goes beyond processing fees. It includes the cost of market knowledge and customer insights to keep on top of evolving customer expectations with regard to payment, compliance in multiple markets, anti-fraud measures and actual fraud, information security, systems integration, operation and support, and multiple payment forms, as well as the cost of the transaction.**

The industry needs solutions that enable adaptability

Airlines need to shape up to stay in the running in this shifting landscape. Adaptability to the new external conditions constitutes a key competitive trait for long term survival. **The industry needs cost-efficient and flexible solutions that enables adaptation to changing demand, in different parts of the world and over time. The industry needs robust solutions that protect against bankruptcies, fraud and cyber threats, and comply with the most stringent regulations.**

There are ways to smooth the ride

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There are ways to smooth the ride



IATA was founded on industry cooperation, and the IATA Clearing House and the Billing and Settlement Plan (BSP) have been central pillars of that cooperation for over half a century. Payment has changed in the last two decades, disrupting the cohesion of the system and bringing new challenges to individual airlines. True to its mission, IATA has adapted, to continue to facilitate payment and its management for its member airlines, by implementing new systems such as IATA Financial Gateway (IFG) and IATA Easy Pay. Payment, however, is also changing, as explained previously. [It is now time to look at the role IATA can play to serve the air transport industry well into the future.](#)

[A number of major trends are shaping payments that the industry could harness and use to its advantage.](#) To do so cost-efficiently would require investing in the right infrastructure now, to fully reap the benefits later. These opportunities arise from advances in technology, but also from changes in consumer expectations, that have a knock-on effect for business-to-business relations.

The industry can surf the wave of banking modernization

First and foremost, the banking sector is being disrupted. The proliferation of FinTech is forcing a change in how banks approach the provision of services. Financial institutions that responded

to a recent PwC³¹ survey said at least 25% of their revenue could be at risk of going to FinTech companies in the next five years. With such extreme pressure, they are doubling their efforts to catch up and innovate on the technology front. The same report states “technological change is the most creative force—and also, the most destructive one—in the financial services ecosystem today.” The lines between technology and financial services therefore look set to become even more blurred, as the head of the Global Banking Practice at Accenture predicts in a January 2019 Forbes article³².

[Fast payment, also known as instant payment, is one of the fundamental ways banks are changing their offering.](#) The move from Automated Clearing House (ACH) batch payments to real-time one-to-one payments presents significant opportunity for airlines. Accelerated cash collection, which can even be cross-border in the Euro zone, can reduce working capital costs. [Risk is reduced because such payments are irrevocable, and fraud is diminished because the transacting parties are clearly identified.](#) With fast payments, financial back-office functions could also be streamlined: real-time payments can include meta-data identifying the transaction partner and type of item invoiced, leading to automatic reconciliation and expense categorization. Finally, [fast payments can be used for instant refunds in direct channels, improving the consumer experience.](#)

“Technological change is the most creative force—and also, the most destructive one—in the financial services ecosystem today.”

³¹ <https://www.pwc.com/gx/en/financial-services/assets/pdf/technology-2020-and-beyond.pdf>

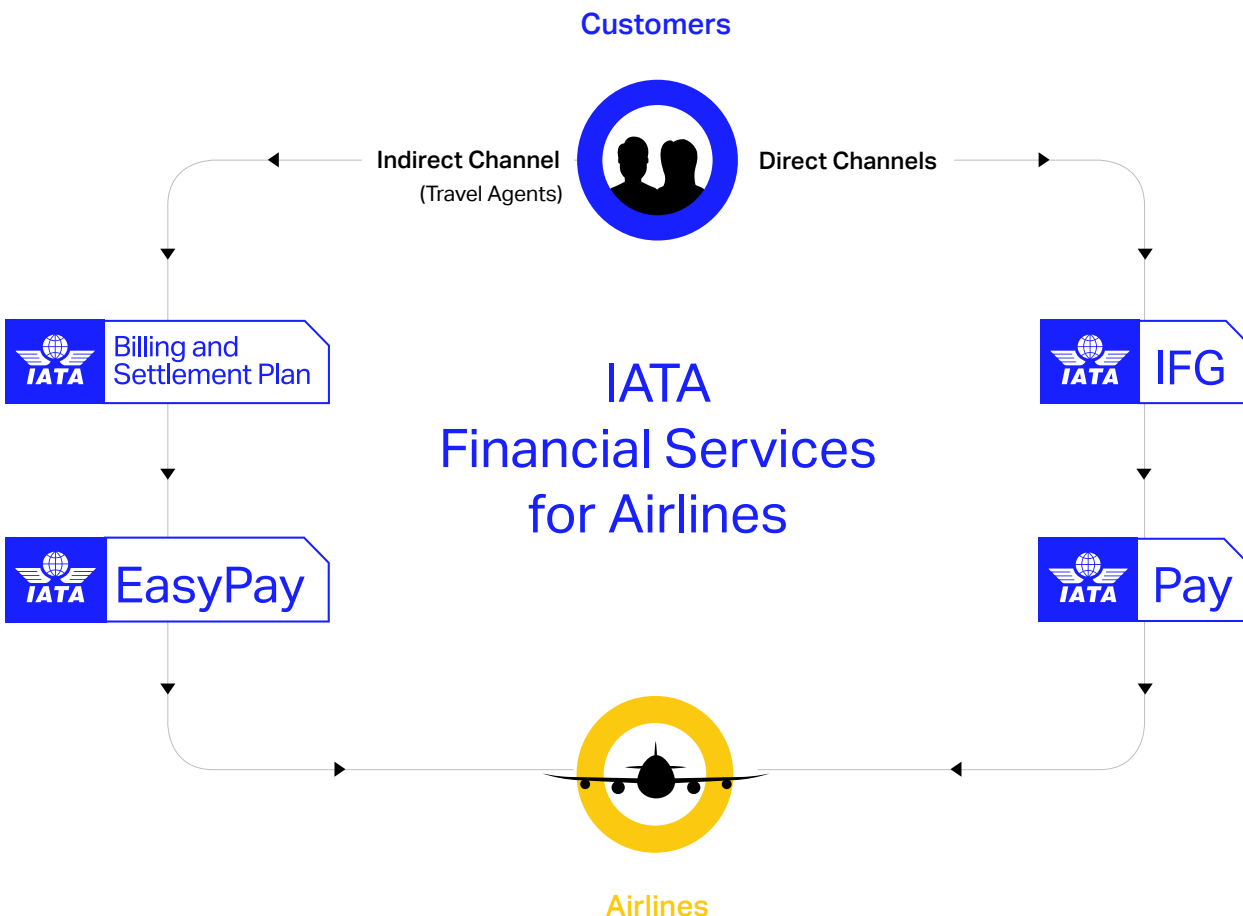
³² <https://www.forbes.com/sites/alanmcintyre/2019/01/07/10-major-trends-driving-banking-in-2019-bankings-evolution-accelerates/#1a1a6f687050>

There are ways to smooth the ride

It is important to note, however, that fast payment might not be available in all circumstances. Banking infrastructure varies around the world, both in what it offers and in its regulatory framework. While IATA expects to see fast payments become increasingly available with time, there may be a delay before generalizing its benefits to the entire industry. Additionally, indirect channel partners may not be willing to go this route. They may benefit from holding on to money for treasury purposes. [Incentives linked to dynamic offering could encourage travel partners to get on board.](#)

Another technology trend, blockchain, can help with this. [Airlines could use it for smart bilateral contracts with B2B partners. Its transparency,](#)

[the immutability of data, the in-built traceability and fraud protection, the decentralized storage and the highly controlled entry validation, make for a two-way commitment with a very high level of trust. With blockchain, airlines could easily establish and automate the rules of distribution and payment with travel agents, including incentives, methods of payment with discounts on early payment for example, and foreign exchange conditions.](#) Such contracts could even include automatic enforcement, eliminating the need for Agency Debit Memos (ADMs). By stipulating these rules and enabling them to be automated, cross-border payments could be accelerated, and airlines could improve their cashflow and grow their business.

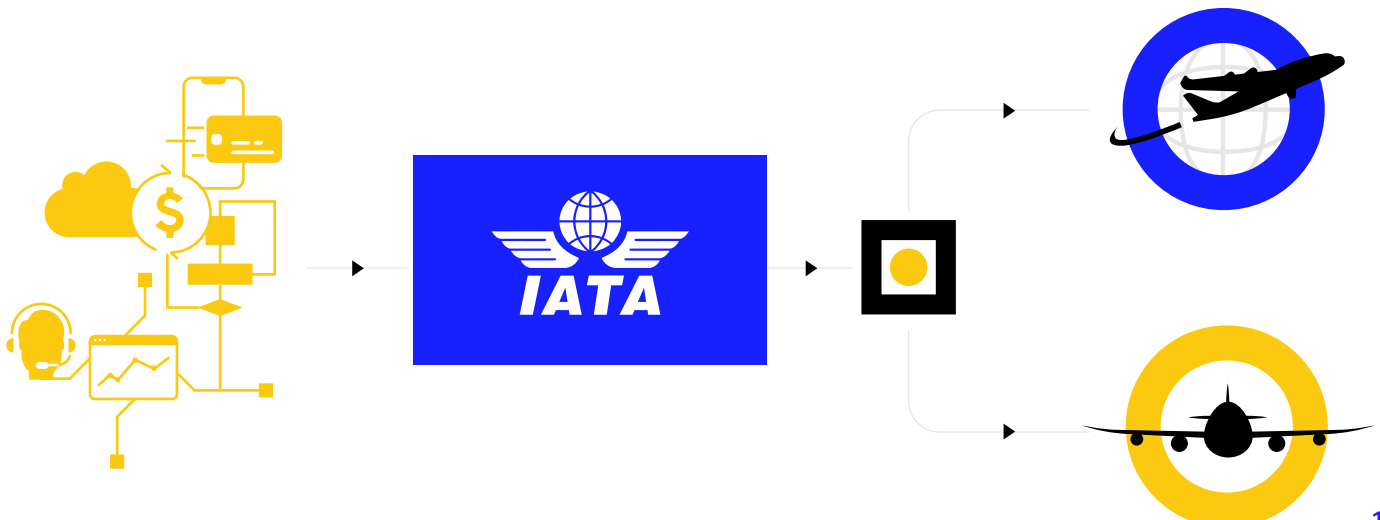


There are ways to smooth the ride

Streamlining how airlines manage their finances is, as evoked earlier, an important and necessary goal. A third trend, **virtual accounts, represents an important and cost-effective asset here.** Virtual account applications may bring all of the airline's corporate bank accounts together in one software interface. Similar to Personal Finance Manager (PFM) applications in consumer side, the airline could see its overall expenses, and be better advised as to how and where to save money. Virtual account applications may do so by collecting information from the company's various accounts in different financial institutions. In the same way, airlines could use such applications to centrally manage all bank accounts across geographical borders and infrastructure systems. With this global view, tailored to different user profiles, it would be easy to establish rules for use of the various accounts, and automate actions and transactions. However, **reliance on such tools is likely to depend on the evolution of the banking industry in a given market. Open Banking initiatives (such as the one introduced under the Payment Services Directive 2 - PSD2 - in Europe), and regulations that encourage them,** are not yet pervasive but, again, time is likely to have a positive impact on the situation.

Travel businesses can spring from collaboration to gain the momentum needed

As discussed previously, the implementation of new payment offerings and technologies by an individual airline requires significant technological and compliance investment, and may not necessarily result in the development of a solution that would adequately meet its needs. IATA has the capability to assist airlines in that respect in developing the back-office tools and services the air transport industry needs to keep up with the increasing payment offerings, and provide these tools and services in a cost efficient manner by building upon its existing process infrastructure for the benefit of the entire air transport industry.



There are ways to smooth the ride



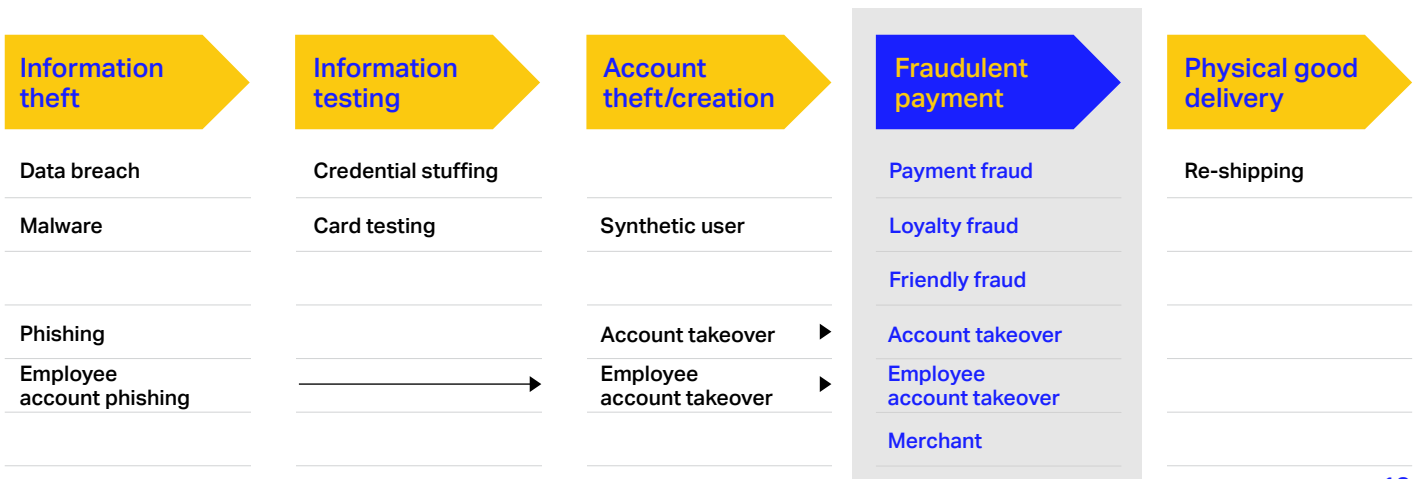
With new payment technologies come additional security considerations, of course. An increase in electronic transactions exposes an organization not only to the risk of hacking and information being stolen, but to new types of fraud. To the use of stolen card numbers, even adding social engineering: for example, a fake agency. The need therefore to protect systems, data, customers and reputations from data breach is ever more important.

Imagine all industry sharing intelligence of cyber challenges and fraud across our industry.

And not just challenges but solutions also. Where none are readily identified, all actors work together to find them, faster and more cost-effectively than any could alone, whether at the passenger transaction level or the agent level. IATA could assist airlines and travel agents in centralizing the information, the solutions and the resources needed, freeing airlines, agents and partners alike, from the expense and burden of discovering the risk when it is too late.



Fraud types summary



The industry can rise to new heights

The BSP has been serving the industry well for many years, ensuring simplified and predictable payment between the distribution network and airlines, improving financial control and cashflow, and reducing costs, for all, across the globe.

Imagine, instead of waiting to receive a batch payment every two weeks, **sales are settled in real time** – courtesy of a fast bank transfer payment. The cost of such a solution would likely be very low as many regulators are backing the expansion of fast payments.

There are ways to smooth the ride



Imagine further: bank transfer is just one payment method available in the BSP. IATA EasyPay is an e-wallet already offered to travel agents to reduce financial security requirements. With a virtual account, a travel agent could link IATA EasyPay to its bank account, much like consumers use PayPal today, and airlines could offer an improved experience to their agents network. Agents would no longer need to transfer the funds from bank account to wallet, as it could be automated.

Smart contracts, governing a particular transaction with any travel actor, can stipulate bank transfer as the payment method, even specifying that it be made at a deferred date to encourage the transaction. For example, the vending airline could benefit from safe, fast cash collection at a much lower cost, in exchange of a more attractive fare. **Coupling dynamic offering in distribution with payment conditions could provide a renewed way to establish flights sales through travel agents.**

IATA looks into the future of industry payment and the benefits and efficiencies it will bring for airlines, with regard to, e.g., accounting and reporting. For example, airlines could benefit from a system where expenses are automatically categorized through a virtual account, and a detailed breakdown of transaction costs is provided by an extension of the existing capabilities of IATA's Transparency in Payments (TIP) tool.

To round out IATA's offering of streamlined, automated, cost-effective back-office services to the industry, imagine adding **capabilities of supply chain finance. These could provide industry-wide savings in the billions of US dollars, and have a major impact on airlines' treasury and working capital.**

How to benefit from payment innovations

Outsourced, industry-wide services may enable economies of scale by standardizing and automating, as well as ensuring regulatory compliance. From invoicing to payment to reconciliation and reporting, airlines can simplify their back-office functions and avoid cost increase. IATA aims at developing the necessary infrastructure and solutions which may be integrated with IT systems of the airlines.

All the services adapt to the needs of each member airline in each geography, enabling the best possible formula for each location, based on its particular possibilities and constraints. As best-in-class solutions that fit the airlines' purposes, IATA payment systems and solutions remain competitive in the face of challenges from new entrants, and evolving customer demand. And a competitive, profitable industry makes for economic stability.

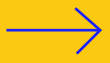
Air transport supports 65.5 million jobs and \$2.7 trillion in global economic activity worldwide³³. With, additionally, 4 billion passengers and 62 million tons of freight carried every year, much rests on the air transport industry's shoulders.

As discussed above, it could be easy for the Googles of the world to move from meta-search to meta-booking. Voice search has the potential to make Alexa into a travel agent instead of a personal assistant, and turn Google from an advertising partner into a travel broker, capitalizing on the unprecedented levels of personal data they hold. In the future, data will continue to be one of the key competition grounds. The travel industry must secure a place and act now and decisively by offering innovative and cost-effective payment methods that meet customers' needs.

³³ https://aviationbenefits.org/media/166344/abbb18_full-report_web.pdf



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