



Payments Industry White Paper:

"Trimming the Fat"

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This white paper is a primer that informs airlines and travel merchants about how they can find cost savings through unified payment strategies and tools that drive greater operational efficiency.

Executive Letter

Trimming the Fat



Travel merchants' payments strategies can offer tremendous cost-saving and revenue optimization opportunities.

While payments are the connector between commerce and the digital economy, they are also often the most visible part of the customer experience—and the one with the most risk for creating a poor brand impression and losing revenue through abandoned transactions. In a constantly evolving economic environment, proactively counteracting these challenges by preventing them before they occur is the best way forward for many merchants.

In this white paper, we explore how travel merchants can save costs by creating more efficiency through their payment processes within the context of larger macroeconomic trends. By optimizing routing, reducing fraud, shortening settlement cycles and gaining data-rich insights from their transactions, airlines and travel merchants can reduce payment costs significantly and maximize their profitability.

While the last 18 months found the travel industry focused on capacity expansion, the next year will see travel brands prioritizing efficiencies to optimize their processes or hedge against unforeseen economic developments. How can companies achieve this?

First, by implementing tools that increase end users' flexibility and optimize business transaction success. Flexibility in payment routing and settlement is the clearest path to transaction cost reduction and higher acceptance rates, translating to a more positive experience for the end user.

Just as flexibility is essential, stabilizing sometimes unpredictable payment and acceptance mechanisms is equally critical. A payment platform is only as functional as it is reliable, and stability is the core aspect of reliability.

When searching for payment platforms that are reliable, consider exploring the following questions with potential solution providers:

- What are the benefits of a physical vs. cloud-based architecture?
- How does the platform manage the synchronization of payments data and code changes across environments?
- How has the PSP modularized key components to allow travel merchants to only utilize the services needed?

Travel merchants can optimize their payment processes by implementing comprehensive monitoring tools to more effectively identify cost outliers and prevent fraud and by fine-tuning their settlement tactics to maximize cash flow and minimize cost.

As this white paper examines, travel merchants that pursue flexibility, stability and effective monitoring in their payment strategies can put themselves in the best possible competitive position, no matter what macroeconomic trends may emerge. This is one of our bedrock principles at UATP®, which is why we've developed advanced travel merchant payment solutions like UATP One, specifically developed to help businesses gain visibility into their payment costs, reduce the cost of acceptance and optimize their payment transactions.

We offer these solutions so airlines and travel merchants can achieve the best practices that enable them to have sustainable success in a dynamic marketplace. Through this white paper, let's look at what those best practices are and how travel merchants can start trimming the fat from their payments processes, beginning with a more flexible strategy.



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A Flexible Strategy

Travel brands want—and need—to offer their passengers and guests a sufficient array of relevant payment options. Most airlines and travel merchants already accept all the major card schemes, and usually, when expanding payment options is introduced, the conversation trends toward support for alternative payment methods like digital wallets and account-to-account payments. But while those are important for meeting customer expectations, something equally important can have a substantial impact on transaction completion rates: support for payment capability in travelers' chosen country or currency.

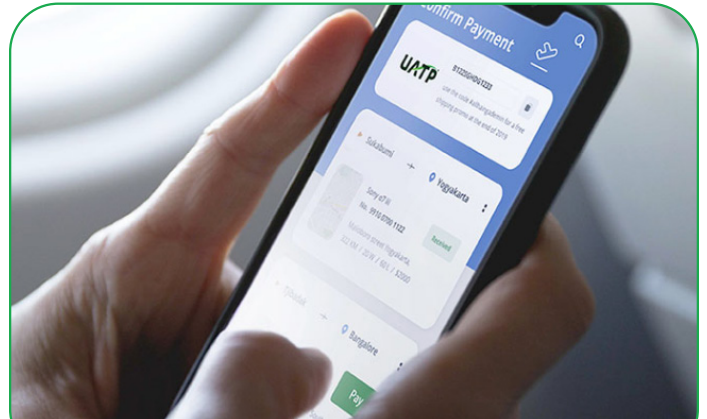
People want more options and more familiarity with how they pay. Yet, travel vendors don't necessarily have the technology in place to support payments native to each market efficiently and profitably. Not being able to support payments in individual markets goes beyond the inconvenience of not allowing customers to use Apple Pay (for example) when they prefer to. In the worst case, it can prevent a transaction from happening at all, essentially forcing the travel brand to forego that revenue. In the best case, it increases the transaction cost for the airline or travel merchant.

People want more options and more familiarity with how they pay.

Many companies think they need to establish individual connections to billing and settlement plans (BSPs) in all the markets they serve. BSP is a system administered by the International Air Transport Association® (IATA), in which IATA pays airlines in bulk for all travel agent bookings in a given BSP market, within a specified timeframe. BSPs are an integral aspect of travel sales. However, this piecemeal approach to BSP connectivity can add unnecessary cost and complexity and in the end, may not deliver the levels of flexibility and acceptance that companies and their customers need.

Instead, travel merchants can choose to prioritize flexibility and work with a payment service provider (PSP) that facilitates entry to new markets with just one connection to a centralized platform. Working with this type of provider also allows merchants to efficiently

implement settlement solutions for their indirect sales channels. By automatically connecting to global BSPs through a single integration, travel merchants can shorten their settlement cycles, gain more visibility into the cost of payment acceptance and reduce the cost of transactions in international markets.



Travel merchants can choose to prioritize flexibility and work with a payment service provider (PSP) that facilitates entry to new markets with just one connection to a centralized platform.

A PSP with centralized connections to BSPs in multiple markets also provides more comprehensive reporting and transparency, which has knock-on effects on efficiency and cost reduction. When airlines and travel merchants can implement these capabilities using existing connections and relationships (and therefore requiring minimal to no development effort), they can maximize their efficiency gains and achieve the flexibility they need to stay competitive, especially when it comes to cross-border payments.

Stability & Security

The ability to accept payments in new markets quickly and seamlessly is just one component of a winning payment strategy. Another aspect—one of the most important—is the security and stability of the payment platform itself. Here, we're not talking about the data security and uptime reliability that are table stakes; instead, we're assessing the stability of a payment platform in terms of cost variability, acceptance and completed transaction rates, and the ability to maintain consistent cash flow.

Each of these contributes to the stability and long-term viability of a payment strategy and should be examined individually, starting with cost.

1. Cost variability

All global companies like airlines must contend with fluctuating and inconsistent cross-border payment costs, foreign exchange, card acceptance, swipe and local acquirer fees. Due to the volatile nature of these costs (both across markets and vendor rate changes), companies must manage their profitability by constantly adjusting their top-line pricing to match the costs in each market where they do business.

The solution is to work with a robust portfolio of partners that can offer competitive pricing in each part of the payment value chain (acquiring, processing, payment methods) and deploy intelligent routing technology to determine the optimal path for every transaction. Travel merchants should work with a PSP that can consistently minimize transaction costs and keep overall cost variability low.

2. Acceptance and the path to completed transactions

A completed transaction is the ultimate goal of every customer interaction. A travel merchant devotes significant resources towards acquiring a lead, converting the customer and walking the customer through each purchase step. When payments fail, the abandoned cart isn't just an extra expense; it's a lost opportunity to drive revenue. This makes profits variable and unstable and adds risk to the part of the sales process that should be the easiest.

This challenge manifests itself in multiple ways: lack of support for a specific currency, which could cause

a cross-border transaction to fail, or the inability of a payment platform to identify upfront that the transaction won't work.

The best solution to these problems is to work with a PSP whose platform can analyze acceptances and rejections and provide visibility to the company as to why they are occurring—and, ideally, have enough versatility in its platform to detect and prevent them before they occur as well as offer solutions to improve acceptance rates.

3. Reliable cash flow

Travel merchants need to access their funds quickly to keep their operations running smoothly and to invest in building the travel experience for their end customers. This is the PSP platform's most important contribution in terms of stability.

Implementing tools and processes that expedite and streamline the BSP settlement process can significantly affect a travel merchant's cash flow. These tools can include complete dashboard visibility for indirect sales channels (travel agency sales), accelerating payouts on BSP cash sales and reducing or eliminating delayed settlement for BSP credit sales. By providing more visibility into travel agency sales and settling transactions faster, travel merchants can not only realize the revenue on sales more immediately, but they can also improve cash flow visibility and more accurately forecast and plan cash flow levels. These cash flow benefits all have a positive impact on travel merchants' profitability and ability to grow their business.

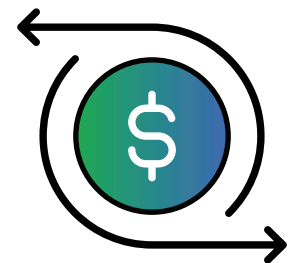
1 Cost variability



2 Acceptance and the path to completed transactions



3 Reliable cash flow



Data and Reporting

While working with a payments provider that can ensure reliable cash flow and service a company's payment needs cost-effectively is critical, specific tools can also be deployed to generate efficiencies across systems and processes. Comprehensive payment data and reporting capabilities can offer valuable transparency, yield more precise customer insights and ultimately drive profitability. A PSP that offers deep data analysis and reporting will enable companies to manage this need effectively and maintain healthy budgets.

Why is this level of insight into payment processes necessary? Because the ability to monitor and analyze detailed transaction-level data enables travel merchants to identify the true cost of transactions and more accurately identify inefficiencies and outliers related to payments. For airlines, whose payment costs can amount to nearly 3%¹ of their total revenue, more effective monitoring can lead to efficiency gains that translate to real bottom-line impact.



An efficient, sustainable payment strategy for airlines and travel merchants starts with embracing flexibility, stability and transparency

Advanced data and reporting capabilities go beyond simply identifying potential inefficiencies at the transaction level. Eliminating redundancies and automating manual back-end processes can allow employees to focus on more value-driven activities, creating additional efficiencies and advantages beyond reducing transaction costs.

A PSP that offers comprehensive reporting can enable companies to minimize administrative costs. And a PSP platform that is built around robust data and reporting also gives airlines and travel merchants access to rich, actionable data that can be mined to improve operational processes, sales and marketing strategies and pricing tactics. When that platform is widely adopted across the travel sector, it can provide nuanced insight into transaction costs and provide reliable recommendations.

Partnering with a PSP provider that offers a feature-rich payments dashboard and control panel along with single settlement reporting across both direct and indirect sales channels simplifies reconciliation and is the best way for airlines and travel merchants to gain true visibility into their payment, acceptance and settlement processes. With that insight, companies can understand the real cost of acceptance and take steps to minimize those expenses, leading to more efficient operations and greater profitability.

Creating Efficiencies

An efficient, sustainable payment strategy for airlines and travel merchants starts with embracing flexibility, stability and transparency. A flexible payment platform enables travel merchants to quickly enter new markets and meet customers' needs worldwide. A stable and secure platform minimizes cost variability, maximizes acceptance rates and generates reliable cash flow. A payment platform with advanced data and reporting capabilities provides transparency into transaction costs and can also create efficiencies on the administrative side.

Achieving these three standards should be the goal of every travel merchant's payment strategy. Their payoff for doing so is optimized payment routing and acceptance and reduced transaction costs, translating to increased revenue and more profits, respectively. In a dynamic marketplace where macroeconomic trends impact demand (and therefore revenue), establishing hyper-efficient payment processes can be a valuable hedge against uncertainty and a competitive advantage over contemporaries utilizing outdated legacy payment technology.

How can airlines and travel merchants better optimize their payment strategies? The most important step is

¹ <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/airline-retailing-how-payment-innovation-can-improve-the-bottom-line>

finding a payment solutions partner with the necessary capabilities to take their payment processes to the next level. That partner will offer an end-to-end processing network that accepts a broad selection of payment types and cross-border payments, enabling the travel merchant to seamlessly service its markets. It will feature advanced analytics and reporting capabilities down to the itinerary level, facilitating the identification of inefficiencies and cost outliers.

The right partner will provide comprehensive access to global BSPs through a single connection and allow merchants to monitor and manage transactions made through those BSPs on an easy-to-use dashboard. And finally, that partner's solution will be able to be implemented quickly and with minimal cost and disruption, allowing the travel merchant to reap the advantages of optimized payments immediately.

Many PSPs are available to airlines and travel merchants, but only some offer the ideal combination of flexibility, stability and visibility specifically for businesses in the travel industry. Even fewer are backed by the experience and expertise of UATP®, which sets the standard for payment excellence in the global travel sector. UATP One Merchant Services embodies all the critical capabilities and advantages of the best-in-class PSP described in this white paper and is now available to airlines and travel merchants.

Companies that choose UATP® as a partner will be well on their way to trimming the fat from their payment processes and creating lean, efficient operations that maximize profitability.



The UATP Advantage

We've been laser-focused on delivering high-performance payment solutions to the airline industry for many years. Our proven reputation, combined with our extensive industry expertise, enables us to design, create and implement specific solutions for the travel industry. Supported by company ownership of the airlines we serve as customers, we bring you the most reliable airline transaction network in the world at a competitive cost, without sacrificing quality of service.

To learn how UATP can help improve your payments strategy, visit www.uatp.com.



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