UATP®

Putting the "S" into OOSD

What's Missing in Modern Airline Retailing Discussions? Settlement.

Industry insights from
Philip Ziegler, Chief Technology Officer of UATP

www.uatp.com

The Missing Piece in Modern Airline Retailing

As the travel industry enters its modern airline retailing moment, the offer-order-settle-deliver (OOSD) framework is dominating strategic discussions. But while plenty of attention is paid to offer creation, order management, and the delivery of various components of the travel journey, the “settle” part of OOSD is largely overlooked. Whether that’s because airlines believe they already have adequate payment processes in place, or because payments are just the least “attractive” part of an industry-wide transformation, it’s a critical oversight.

We’re already seeing the impact of offer and order being central to airlines’ strategic conversations, as reflected in adoption metrics. According to an IATA survey of over 150 airline representatives, 81% now have live New Distribution Capability (NDC) channels, and NDC transactions accounted for 21.2% of total ARC-settled transactions in December 2025, up from 20.3% in December 2024. More than a quarter (27%) of airlines report having advanced their offer and order capabilities, per Atmosphere research.

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This surge in NDC activity suggests that the commercial stakes associated with getting modern retailing right are substantial... and growing. A 2024 McKinsey analysis puts the potential value of better retailing techniques at $45 billion by 2030. Accenture estimates that well-implemented OOSD systems could boost annual airline revenues by 3–6%. Airlines are clearly investing in dynamic content, intelligent bundling, and modular order ecosystems to capture this value.

Yet the "S" in OOSD is getting far less discussion than it deserves. Settlement, primarily taking payment from a customer but also, as ATPCO describes it, “accounting for changes, paying the bills, and billing what is owed to any other airlines and other partners involved in the fare product,” is perhaps the most essential component of any new retailing strategy from a revenue perspective.

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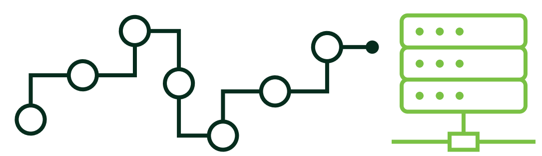


But settlement infrastructure lags in both implementation and airlines’ imaginations, and this strategic gap is increasingly recognized. As Oliver Ranson puts it: "Payment plays a role in the success of the industry and is going to be even more in the future as airlines move to become retailers. That means payment needs to be a priority for airlines."

Airlines adopting a modern retailing approach must treat settlement as a strategic priority. This paper examines why payment processes matter for OOSD success, identifies the limitations of current travel payment systems, outlines the payment capabilities required for implementing modern airline retailing (MAR), and provides an example of a payment processing solution built for today's transition to an offer-and-order world.

Why Efficient Payment Processes Matter for OOSD Transitions

Payment costs are among the airline industry's largest controllable expenses. McKinsey's analysis finds that the industry spends over $20 billion per year on payment costs, or approximately 3% of total revenue and 78% of the industry's net profit. Credit cards, which account for around 70% of retail airline transactions, are a key driver of these costs through interchange fees, processing charges, and chargeback handling.

Cross-border and multi-currency payments add further complexity and expense. The Financial Stability Board notes that high FX conversion fees remain a source of cross-border payment costs, driven by limited liquidity in local-currency markets and overreliance on major reserve currencies.

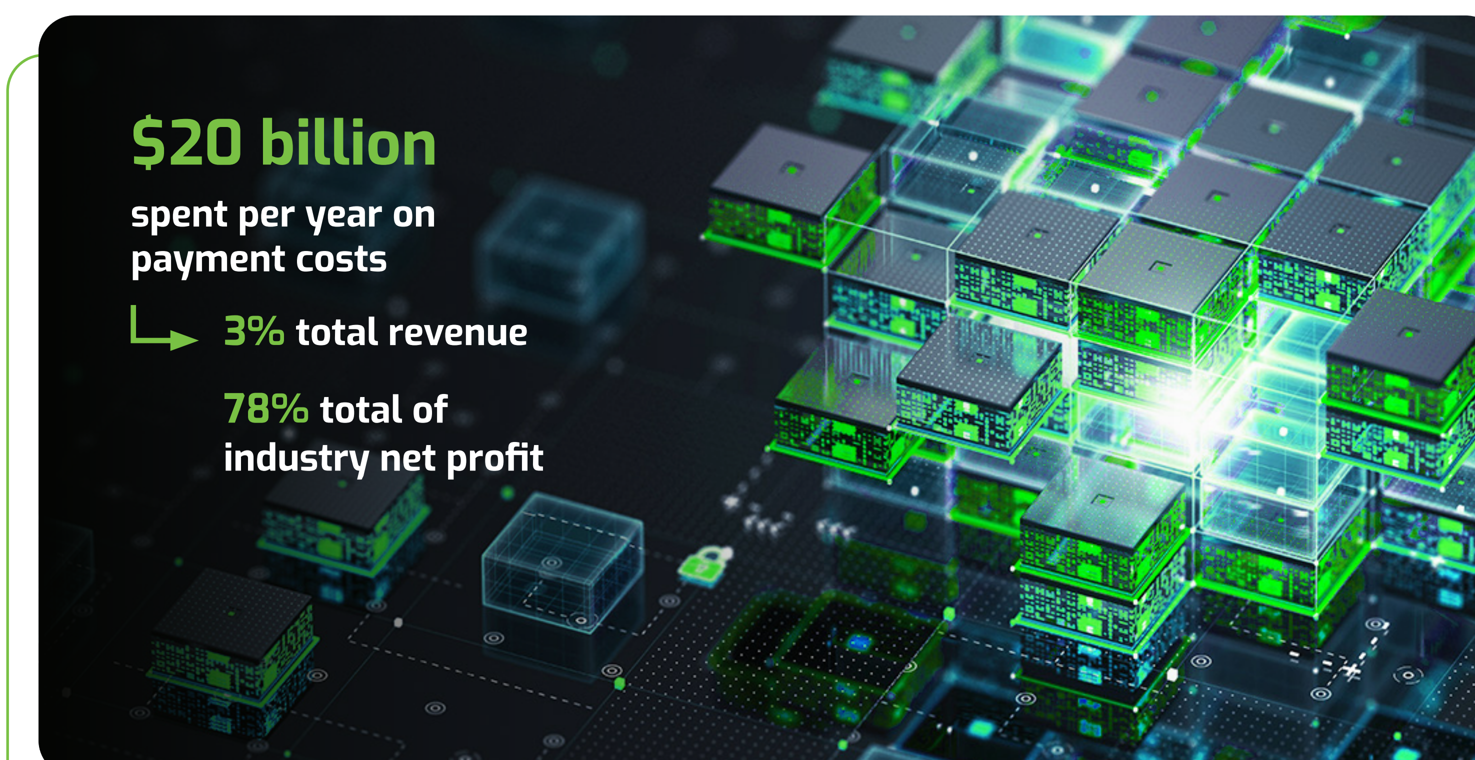
Airlines operating global networks absorb these costs across thousands of daily transactions. Fraud is another challenge; IATA estimates card payment fraud amounts to over $1 billion per year in the airline industry. The combination of high-value purchases, digital delivery, and cross-border sales makes airlines attractive targets.

These figures suggest that payment costs should be a primary consideration in any OOSD discussion. An airline might build sophisticated offer and order systems, yet if every transaction costs too much to process or gets siphoned off by fraud, the commercial gains from dynamic content and intelligent bundling shrink or disappear. Settlement efficiency will ultimately determine whether an investment in modern retailing capabilities pays off.

The Limitations of Current Travel Payment Systems

Per-transaction fees, interchange rates, and fraud were already challenges for airlines long before modern airline retailing joined the fray. Yet existing payment technology stacks have done little to overcome or at least mitigate these issues. Why?

Airlines typically employ a patchwork of payment solutions, all interconnected with other systems, some of which were state-of-the-art 30 or 40 years ago. Changing one requires downstream changes to numerous other systems. The complexity and cost of making those necessary changes will hold airlines back from realizing the full potential of MAR.



Compounding this is the fact that many airlines are treating NDC as a distribution-only initiative, pursuing new sales avenues without rethinking their payment processes. Edgar, Dunn & Company reports that many airlines adopted new distribution channels but inherited legacy payment processes or rushed into suboptimal payment situations. The result is that as airlines prepare to sell through modern distribution channels, they are still processing payments through infrastructure designed decades ago.

Legacy systems' limitations in accepting payment types are one example of how this can negatively impact modern retailing strategies. According to IATA's 2024 Global Passenger Survey, 25% of potential product and service sales during the customer journey could not be completed because of payment issues.

Convenience was the main reason passengers chose a particular payment method (70%), but many airline payment systems are not configured to accept different methods across regions. Digital wallets are preferred by 41% of Asia-Pacific travelers, compared with 15% in Europe. An airline using a payment stack that supports cards but not regional digital wallets obviously loses sales in markets where those wallets dominate.

These shortcomings are revealed in cart abandonment statistics. SaleCycle data show the travel industry has one of the highest cart abandonment rates across all sectors, at approximately 87% – higher than any other industry. If a customer reaches the checkout page but can't pay with their preferred method, or encounters errors during processing, they abandon the cart. Airlines lose the sale, and their investment in creating the offer yields zero revenue.

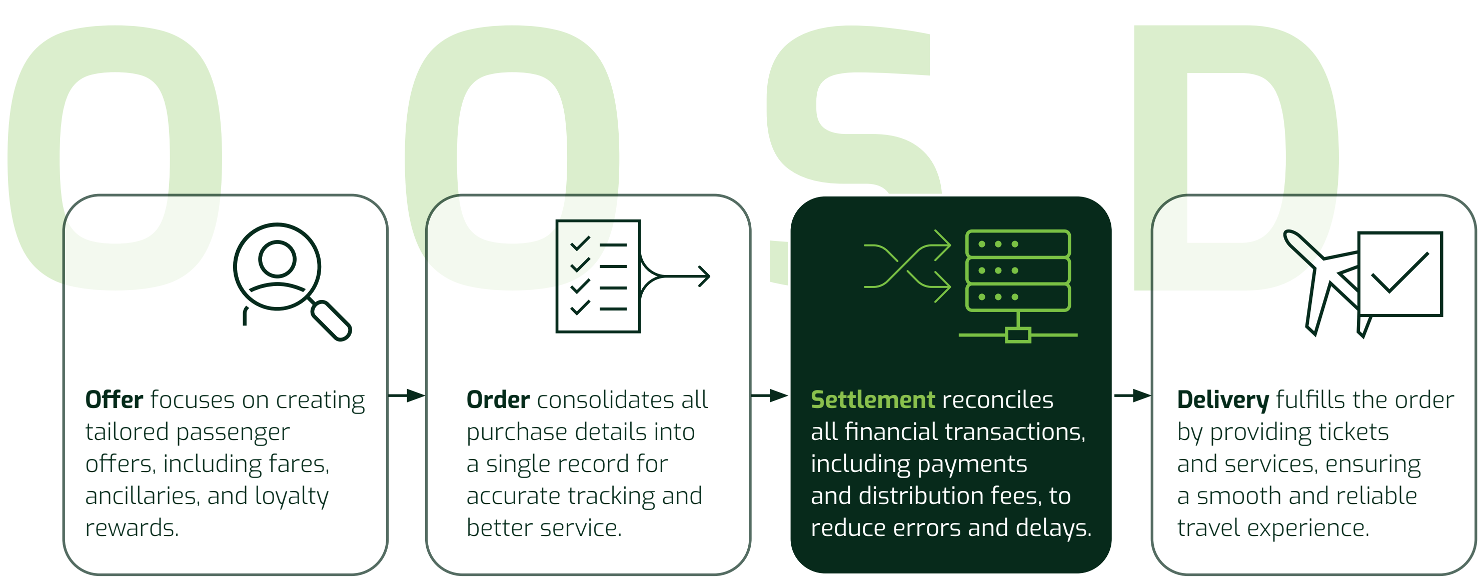
Payment Capabilities for Successful Airline Retailing

How can airlines address these persistent challenges? By identifying, adopting, and implementing payment capabilities that match the sophistication of their offer and order systems. The upside is clear: a $14 billion opportunity for airlines that improve payment performance and integration.

Capturing that opportunity requires payment capabilities that can support modern retailing.

Offer, Order, Settle, Delivery

The comprehensive framework for modern airline retailing is dominating strategy discussions. But getting the "S" right is critical for profits and performance.



Diverse, Regionally Relevant Payment Methods

Customer payment preferences vary by region, and those preferences are shifting. The 2024 McKinsey Digital Payments Survey finds that digital wallet penetration continues to increase, with one in five digital wallet users in the US and Europe often leaving home without their physical wallet.

IATA's 2024 Global Passenger Survey shows that 79% of passengers prefer to pay for travel with a credit or debit card (+ 8% since 2023), followed by digital wallets at 20% (+2%). Airlines need payment systems that can accept cards and alternative forms of payment (AFPs) across all markets they serve.

Integrated Settlement Aligned with Order Management

Modern retailing creates complex orders that may include flights, ancillaries, partner products, and loyalty redemptions. Payment systems must handle settlement for these multi-component transactions. Fortunately, there are standardized protocols to address this: IATA's Settlement with Orders (SwO) framework enables streamlined settlement for NDC, bridging the gap for ticketless carrier settlement, while the broader ONE Order facilitates product delivery and settlement between airlines and partners, eliminating the need for reconciliation exercises between different suppliers.

Real-Time Fraud Prevention and Compliance

With fraud costing the industry over $1 billion annually, payment systems must incorporate real-time fraud prevention aligned with airline-specific risk profiles. IATA's billing and settlement plan (BSP), the foremost BSP for commercial aviation, processed $232.8 billion in 2024 for over 59,000 travel brands and 400+ airlines worldwide; this kind of scale requires sophisticated fraud controls.

Multi-Tender Transaction Support

As airlines bundle more products into single transactions, the value of those transactions grows. Customers want to split payment across multiple cards, combine cards with alternative payment methods, or redeem miles or points alongside cash. Payment systems must handle these multi-tender scenarios without creating friction for the customer or complexity for the airline's back office.

Flexibility for Ancillary Revenue Growth

Ancillary revenue has been growing as a greater share of airline income for decades, and it's likely to surge as

OOSD strategies are implemented more widely. IdeaWorksCompany reports that airlines worldwide will generate a record $157 billion in ancillary revenue in 2025, accounting for 15.7% of total airline revenue, up from 9.1% in 2016. Payment systems must handle diverse product types, dynamic pricing, and bundled offers without making checkout difficult for customers or creating settlement complications on the back end.

$1 billion

in annual fraud losses is pushing airlines to adopt real-time, risk-aware payment systems.

Airlines that invest in offer and order capabilities without modernizing their payment infrastructure face a structural mismatch. The dynamic bundles, personalized ancillaries, and multi-supplier products that define modern retailing require payment systems capable of handling corresponding complexity. A carrier selling a flight, lounge access, ground transportation, travel insurance, and a partner hotel in a single transaction can't rely on a payment architecture designed solely for point-to-point ticketing.

The five capabilities outlined here – support for diverse payment methods, integrated settlement, fraud prevention, multi-tender support, and ancillary flexibility – represent the standard requirements for airlines serious about capturing MAR's commercial value. Airlines that build these capabilities into their payment stack will convert more customers, reduce processing costs, and minimize the revenue leakage that plagues legacy systems. Those that don't will find their investments in offers and orders constrained by payment infrastructure that can't keep pace.

One Payment Solution Built for Modern Retailing

Assembling all these capabilities might require an airline to contract with several service and solutions providers, from payment orchestrators to PSS systems. Or they can find a ready-made suite of merchant payment services through a single trusted provider. UATP One, a full-service payment processing platform built for the travel industry, addresses the settlement challenges airlines face as they transition to OOSD. The solution aligns payment processing with MAR requirements across several dimensions.

Full OOSD Framework Support

UATP One supports the complete offer-order-settle-deliver framework with particular emphasis on streamlined settlement processes. Airlines gain universal access to IATA billing and settlement plans, with global coverage and multi-currency support to address cross-border complexity. The solution handles the settlement requirements of modern retailing, including multi-component orders, diverse payment methods, and complex reconciliation scenarios, all without requiring airlines to build custom integrations for each market or channel.

Flexibility for Today's Transitional Environment

Most airlines operate in a hybrid environment where legacy systems and MAR-oriented solutions must coexist for years. UATP One ensures backward compatibility between legacy systems and new approaches. The solution connects airlines to all 150+ BSPs with no technical integration required, enabling airlines to receive a single settlement covering all indirect sales. This is a critical efficiency advantage as airlines manage an expanding array of distribution channels.

Cost Optimization and Fraud Mitigation

UATP One reduces payment processing costs compared to traditional card-based methods. Given that the industry spends $20 billion annually on payment processing, even modest percentage improvements translate to considerable savings. Integrated fraud prevention addresses the industry's particular vulnerability to payment fraud.

Strategic Partnership with IATA

UATP participates in IATA discussions and decision-making as OOSD and MAR continue to develop. Airlines adopting UATP One gain a payment partner that helps shape the direction of airline retailing rather than reacting to changes after the fact.

$20 billion

spent annually on payment processing. Even the smallest improvements will make a substantial impact.

Airlines pursuing OOSD need a settlement partner that understands the unique demands of airline commerce, the high transaction values, global customer bases, complex multi-component orders, and legacy systems that define the industry.
UATP is that partner, and UATP One addresses airlines' needs through universal BSP connectivity, backward compatibility, cost optimization, and ongoing participation in industry standards development.

The solution allows airlines to modernize their payment approaches incrementally rather than requiring wholesale infrastructure replacement. For carriers navigating the transition from traditional distribution to modern retailing, settlement capability determines whether commercial ambitions translate into realized revenue, and UATP One provides the payment foundation airlines need to capture the full value of their OOSD investments.

The Critical Role of Settlement in OOSD

The transition to modern airline retailing will succeed only if airlines prioritize payment at the core of their retailing strategy. Payment is now treated as a CEO-level agenda item, as demonstrated at the 81st IATA AGM. Senior leaders are beginning to understand that sophisticated offer and order capabilities mean little if their payment processes can't support them.

The reason is simple: airlines could gain $8 billion in revenue from enhanced customer reach, ancillary growth, and payment flexibility, and $6 billion in cost savings by modernizing their payment stacks. Airlines that align their payment infrastructure with OOSD will capture the full commercial value of the framework; **those that neglect the "S" risk leaving billions on the table.**

UATP One is positioned to support airlines through this transition. It offers immediate access to all 150+ BSP connections, providing the flexibility and cost optimization needed to realize the promise of modern airline retailing.

As UATP One continues to evolve to meet the needs of airlines transitioning to OOSD, additional settlement-focused functionality will be integrated into the core offering, including expanded support for complex payment methods and transaction types, enabling airlines to broaden their payment approaches alongside their retailing strategies. And that's an advantage every airline needs in the OOSD era.

The UATP Advantage

As the world's most secure closed-loop network, UATP combines a proven reputation with extensive industry expertise to design, create, and implement high-performance payment solutions 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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1629 K Street NW Suite 300, Washington, DC 20006
+1 (202) 774-5065 | marketing@uatp.com | www.uatp.com