Securing the foundation: how are airline card transactions faring on payment conversion?

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How does the Airline industry compare to other verticals?

**well, you are not comparable !!!**

The Airline industry presents very specific characteristics due to the very nature of their business, customers profiles, global geographical reach and distribution model (Direct vs Indirect sales) that makes **impossible to benchmark from** a payments perspective with **other industries and verticals**.

**Approval rates by channel**

- ECOM: 85% (ECOM), 95% (MOTO), 99% (POS)
- MOTO: 89% (ECOM), 98% (MOTO), 95% (POS)
- POS: 93% (ECOM), 95% (MOTO), 98% (POS)

**Share of transactions**

- Domestic: 87% (Airlines), 66% (Other retailers)
- Cross Border: 13% (Airlines), 34% (Other retailers)

**Share of transactions**

- Commercial cards: 12% (Airlines), 27% (Other retailers)
- Consumer cards: 88% (Airlines), 73% (Other retailers)

**Average Transaction value YTD 3Q’ 23**

- Airlines: $334
- Other retailers: $48
2023 has been so far a great year for the airline industry...

<table>
<thead>
<tr>
<th>Metric</th>
<th>2022 Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval Rate</td>
<td>94.4%</td>
<td>+7.0%</td>
</tr>
<tr>
<td>Fraud Rate</td>
<td>0.07%</td>
<td>-0.03%</td>
</tr>
<tr>
<td>Chargeback Rate</td>
<td>0.09%</td>
<td>+0.7%</td>
</tr>
</tbody>
</table>

- **Increase in approved Average Transaction Value**
- **Decrease in Fraud rates**
- **Increase in approval rates**
- **Additional Sales from increased approval rates: $1.8 Bn**

Source: Mastercard data. Authorisation database (YTD 3Q’2023)
Scope: All Airline transactions (190 airlines)
Key Observations

- Direct sales channel are more impacted by the growth of insufficient funds declines.
- Fraud levels have been reduced thanks to the wider adoption of authentication security solutions.
- Approval rates from the indirect sales channels continue growing due to the larger penetration of commercial and B2B cards, which show consistently higher approval rates.

Recommendations

- Implement tokenisation solutions (CoF and Click to Pay) to reduce addressable declines and improve security.
- Optimise your Authentication strategy to minimise soft declines and abandonment.
- Implement Luhn Algorithm checks on your website.
- Enhance fraud controls for transactions in USA, Brazil and Mexico.
- Implement EMV3DS on e-Comm channels across different geographies with strong focus in Brazil, USA and Mexico.
Embracing a virtual future for B2B travel payments

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Digging into airline approval rates

With the volume of transactions airlines typically see, even the smallest improvements can have a big impact. Overcoming third-party complexities and common misconceptions is just the start.

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Cyber and Intelligence technology advancements are an increasingly important part of the travel industry as AI, behavioral and biometric innovation step in to help airlines mitigate fraud.

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