

▶ ▶ WHY IS THIS IMPORTANT?

- ▶ Industry airline payment costs exceed \$7 billion.

 They are one of the main distribution costs next to Global Distribution Systems (GDSs), marketing and incentives
- ▶ With the New Distribution Capability (NDC) standard, new workflows will emerge and the industry will be in the position to benefit from all the upcoming opportunities in payment such as open banking, real time bank transfer etc.
- ▶ This is only the start of "disruption" in payment and during the next 2-to-5 years there will be many opportunities which will either reduce costs in the area of payment and/or improve the customer experience.

▶▶▶ ZOOM INTO THE TOPIC

Payment context

The payment environment is evolving rapidly, driven by three trends:

- ▶ New consumer expectations (multi-channel purchase, fast and simple experience etc.)
- ▶ Digital innovation, new entrants (mobile, In-App payment, etc.)
- Regulatory changes-in particular PSD2 (Payment Service Directive 2) - in Europe bringing standards for
 - ▶ Open banking and access to account
 - ▶ Real time banking
 - ▶ Strong customer authentication (SCA)

NFC/ Contactiess Mobile Wallets Digital Assistants Alternative Pay with your name Wulti-channel

While managing payment, the airlines aim for the following objectives:

- Lower fraud costs
- ▶ Lower cost of payment (both in terms of internal processing costs and merchant fees)
- Increase the number of payment methods accepted; and possibly tailor-made by country and customer
- Increase revenue by expanding reach

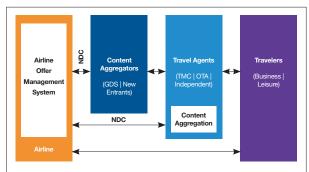
▶ THE OPPORTUNITY WITH NDC

In today's legacy process, there are two forms of payment:

- ▶ Card: when card payment details are entered in the GDS (in the case of sales through the travel agent)
- ▶ Cash: for other forms of payment and where the money is remitted and settled with the airlines using the Billing and Settlement Plan (BSP).

When a GDS is used, card details are entered in the customer PNR. The GDS creates an authorization request routed all the way to the card issuer – that authorizes the payment. There is no extra authentication (like 3-D secure).

NDC brings the opportunity for airlines to have a better management of their payment strategy and the resulting costs. An airline should be in a position to create products and associate them to their preferred/more convenient payment method.



The function of the intermediary is changing.

Offer creation, all the way to payment, is done in the airline environment.

The GDS – or any new entrant – acts as aggregator and sends the order request and payment details to the airline