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Latest Developments in Payments

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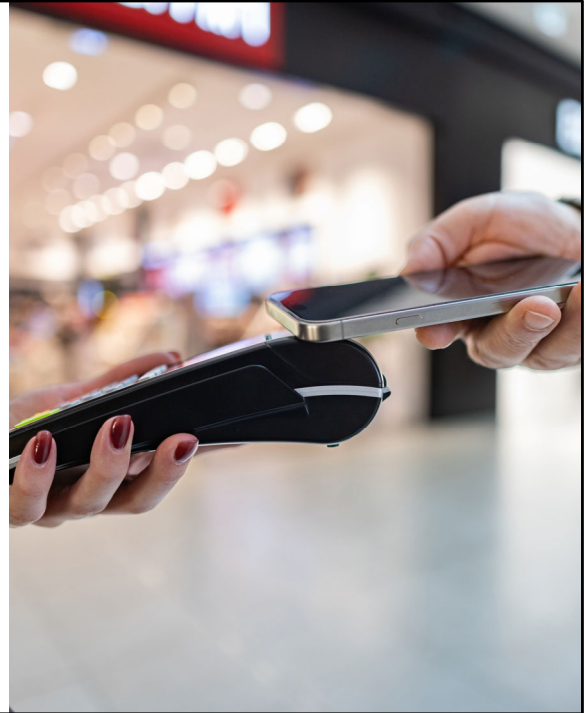Director Industry Payment Programs

Cost-effective payment is vital to airline retailing

USD977bn in payments processed by airlines

- **80%** related to passenger and ancillary revenue
- **$91bn** related to processing of third-party taxes, fees and charges

- IATA does an airline industry **payment cost study refresh** every 2-3 years **with Edgar Dunn & Company. Our latest** edition published in 2024, based on **2023 data:**

- **Airlines process almost $1 trillion** of payment value through their systems every year, of which:
    - **80% of passenger revenue** including **ancillaries**
    - But a **big part** relates to **governments taxes** and **airport charges**— **$91bn**—which is collected by the airlines and handed over directly to relevant collecting authorities. But airlines are picking up the cost.

- This is also equivalent to **~2 billion of transactions**

- The **smallest process issue** repeated across **hundreds of millions of transactions** impact both **customer experience, revenue and costs**

Airlines face three payment challenges

Cost of payment and revenue loss	Reliability of payment options	Evolving customer preferences

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Looking at areas where things **are not working smoothly,** we see the impact this creates:
- **Cost of payment and revenue loss**
- **Reliability of payment options**

In addition, we are **also observing:**
- **Evolving customer preferences**

The airline payment challenge

Today airline payment is a major **$22bn cost**
Payment cost per passenger = **$4** vs industry net profit per passenger of **$7.90**

Industry will capture **$14bn** in revenue and cost savings by adopting **new standards** and **payment preferences**

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First, let's start with payment costs:

The $1 trillion of payment value processed cost airlines $22bn par year, of which:
- **$18bn (80%)** are **Payment Fees** (the direct cost of completing each transaction)
- **$4bn (20%)** are **airline operating costs** (various payment systems, adapters, compliance, FX, …)

Another breakdown of the $22bn to keep in mind:
- **Consumer** payments cost **$15bn**
- **Corporate** payments cost **$7bn**

To make these figures more tangible:
- Industry net profit is equivalent to $7.70 per passenger (2025)
- **Payment cost is equivalent to $4 per passenger**
- In this **razor thin-margin** industry, **airlines don't have the choice** to **innovate** in payment and aim **both to increase revenue and reduce costs**

On the flip side, IATA contributed to a **McKinsey** research work in 2022, which concluded

that:

- If **airlines include** payment in their **commercial strategy**, it can generate **$14bn of value by 2030**
- **Both driven** by **increasing** customer reach, **reduce friction** and **cost saving** opportunities

Payment frustration leads to lost revenue

1/6
of passengers dissatisfied with their air ticket payment experience

1/5
of passengers did not purchase ancillaries because of a payment issue

1/5
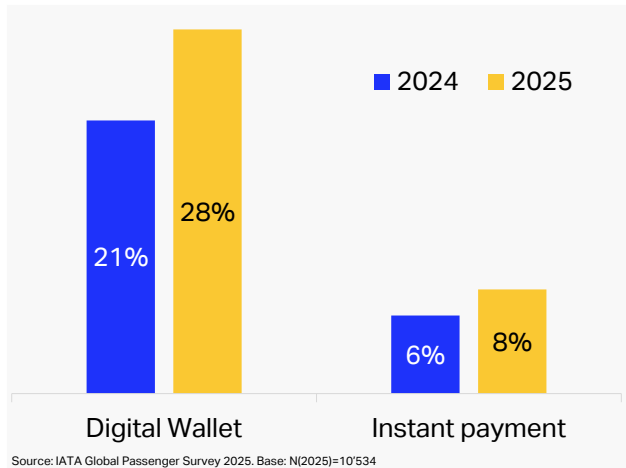of card transactions are not successfully executed by airlines

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Second, let's look at the customer experience.

The IATA Global Passenger Surveys indicate that:

- **Customers** are facing noticeable **payment issues**

- This leads to **customer dissatisfaction** and **revenue loss for airlines**

Source: IATA Global Passenger Survey 2025. Base: N(2025)=10'534

Passengers preferred payment options are changing: While cards still dominate, other options such as instant payment and digital wallets are growing

Global:
- 78% of all passengers want to use a smartphone that combines a digital wallet, digital passport, and loyalty cards to book, pay, and navigate airport processes
- 87% Of passengers aged 25 or under want to use a smartphone that combines a digital wallet, digital passport and loyalty card.

There are major regional difference too:

Europe:
- Have a strong preference for booking through airline websites and paying by credit / debit card more than the global average (81% vs 72%).

Asia Pacific:
- Show the world's strongest preference for using digital wallets (PayPal, Alipay, Apple Pay, etc.) (46% vs 28% globally), to pay for travel with usage among passengers under 25 reaching 63%.
- Least likely to pay for travel with a credit card (55% vs 72% globally).

There are also significant generational differences in choice of payment services.

How is the industry responding to these changes?

So how are we as an industry responding to this changing landscape?

Standards

Today	Tomorrow
• We **rely on outdated payment technology and standards** developed in the 1980s • **Lack of alternative options** leads to high rates of payment drop out, lost revenue and passenger dissatisfaction	• Adoption of **nexo ISO** standard could reduce fragmentation and complexity • To support this transition to nexo requires **industry-wide adoption**

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Standards
- Standards are the **invisible connectors** that everybody assumes **are there and works**
- But **what happens** when they **do not fulfil their purpose anymore**?

Today
- **Current payment messages** are based on **standards from 1987** and the **same** can be said about the **supporting technology**
- In addition, payment actors have **drifted away** from this standard over time, which is **not maintained anymore**
- This created the need for **many translation layers and tools**, and **data gets lost**
- This **impacts customer experience** and leads to **inefficiencies** and **costs**

Tomorrow:
- The **nexo association** developed 10 years ago a **new ISO standard** for payment messages
- It is **now implemented** in **31 countries**, and **5 billion** payment **transactions** are processed annually
- We are now working with airline members and the payment actors to assess this standard for the airline industry

- The implementation of this new standard **needs to be implement across the industry** (as no airline can do this in isolation / given the high interconnected nature of air transport)
- The preliminary results are promising.

Speed of adaptation

Today

- **9-12 months** to launch a single new payment option with current technology and standards
- **Slow airline response** to new payment preferences
- **Can't reduce costs** without innovation in payment

Tomorrow

- New instant payment solutions: **IATA Pay** supports instant payments solutions at virtually zero cost
- Nexo standards **support emerging payment options**
- Follow initiatives like the ECB digital Euro

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Today
- **While customer needs change rapidly,** Airlines face **all sorts of challenges** to adapt
- Each new payment instrument is a bespoke implementation: Taking **9-12 months** to launch a single new payment option with current technology and standards
- This is **slowing airline adoption** of new payment methods
- With no innovation, **the opportunity to meet customers demand, to reduce transactional and operational costs is difficult.**

Tomorrow:
- New instant payment solutions: **IATA Pay** supports instant payments solutions at virtually zero cost
- Nexo standards **support emerging payment options**
- The **ultimate goal** is to make most of payment instruments **"Plug & Play"**
- Additionally **central banks are also innovating:**
  - **Digital Yuan** in China
  - **Pix** in Brazil
  - **Digital Euro** project by the **ECB**

Finally, let's look at corporate customers
- Corporate travel was also developed in the 1980s
- It is a mere copy paste from the consumer process both in terms of distribution and payment
- As previously mentioned, this imposes a **$7bn cost annually**
- Unlike other industries, we don't have a B2B industry purchase flow

To address this:
- In 2025, B2B procurement flows work completely differently
- Think about when your company purchases a laptop
- It creates a Purchase Order, receives an invoice and payment is done through an inexpensive bank transfer
- As an additional benefits, it provides corporate automation, and employees don't have to do an expense reports
- Last year IATA successfully conducted a **payment flow proof of concept with the Lufthansa Group and one of their corporate client**
- We are now working with airlines on the procurement flow with their clients

The industry must move from a legacy system to embracing modern standards

In **conclusion**, we believe that the **time has come**:
- To **retire old standards**
- Move to **new** and **innovative standards** and **business processes**

This will drive:
- **Better customer experience**
- **Reduce friction**
- **And reduce costs**

Thank you