

+ Payment: the next game changer in airline distribution

▶▶▶ 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)

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.

