

Overview card payment current workflow

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Current generic payment workflows: the following slides describe a simplified view of the current generic payment workflows

Three workflows are mapped out describing the current situation:

- Direct sales via airline.com
(airline = Merchant of Record - MOR)
(out of scope of this project)

- Indirect sales via travel agent
 - Travel Agent = MOR, with a BSP “cash” transaction (out of scope of this project)
 - Airline = MOR, with a BSP “card” transaction

Note: in an airline environment, the authorisation/capture is usually based on a dual message communication (versus a single message, where the authorisation and capture happen simultaneously)

Each workflow shows three key steps

- Step 1: the authorisation request / authentication stage for a payment transaction
 - This is typically undertaken at time of purchase (i.e. when consumers/buyers provide their payment details and proceed with the “buy” button)

- Step 2: exchange of payment data used for clearing (so called “invoice file” or “capture”)
 - This typically involves a daily exchange of files (e.g. at the end of each business day)

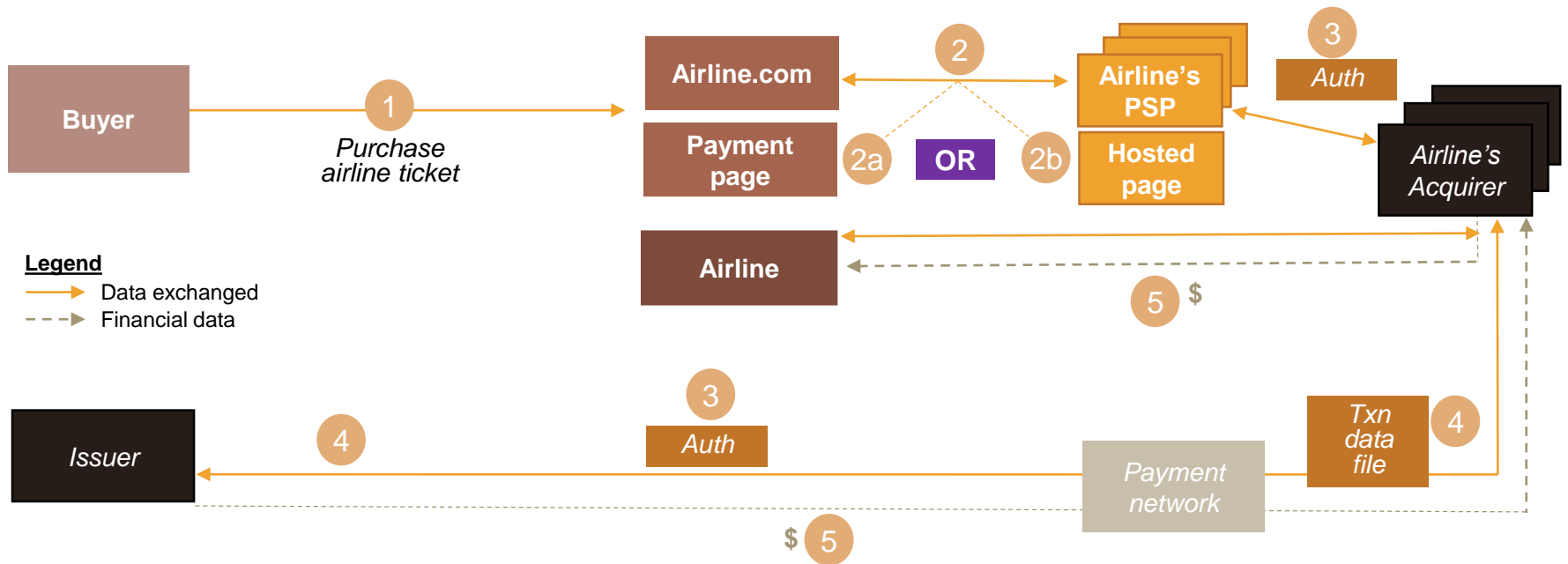
- Step 3: financial settlement whereby the merchant is paid
 - This is typically a daily credit transfer into the merchant’s bank account X days after clearing

Current generic payment workflows

Direct sales via airline.com - Airline is MOR

Current situation - Direct sales - Airline = MOR - Generic flow

Typical transaction flows of an airline ticket purchase with a bank card through direct channel

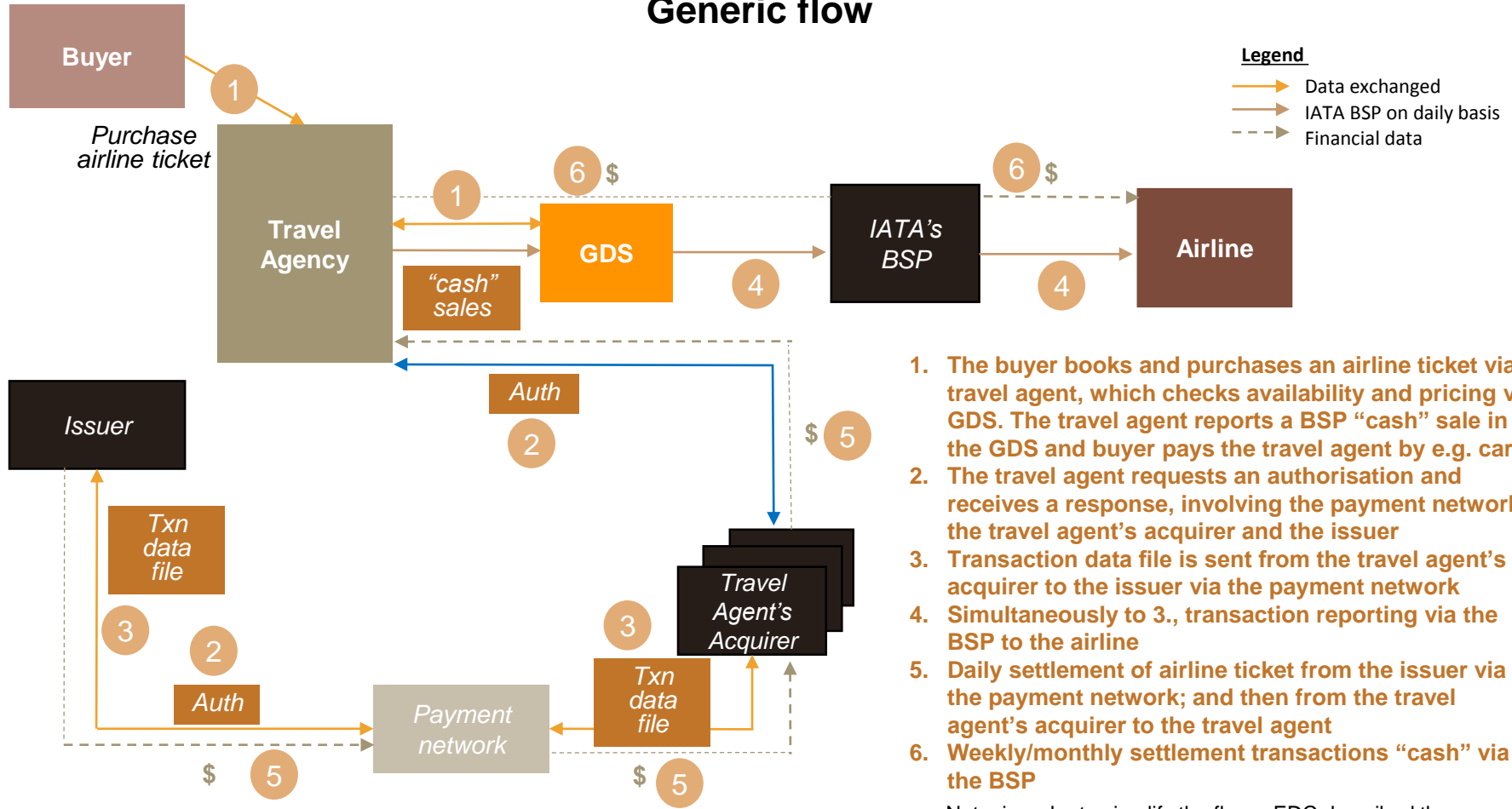


1. The buyer purchases an airline ticket on airline.com
2. The buyer pays on the airline's payment page or is redirected to the PSP's hosted page (if this set up is in place - a token is often created by the PSP and shared with the merchant)
3. The PSP requests an authorisation and receives a response, involving the payment network, the airline's acquirer and the issuer
4. Transaction data file (can be referred to as "capture" or as "billing file") is sent from the airline's acquirer/PSP to the issuer, via the payment network - Clearing
5. Settlement takes place from the issuer, via the the payment network; then to the acquirer/PSP and airline

Current generic payment workflows

Indirect sales via travel agent - B2.1 Travel Agent = MOR, with a BSP “cash” transaction

Current situation - Indirect sales - TA = MOR - Generic flow



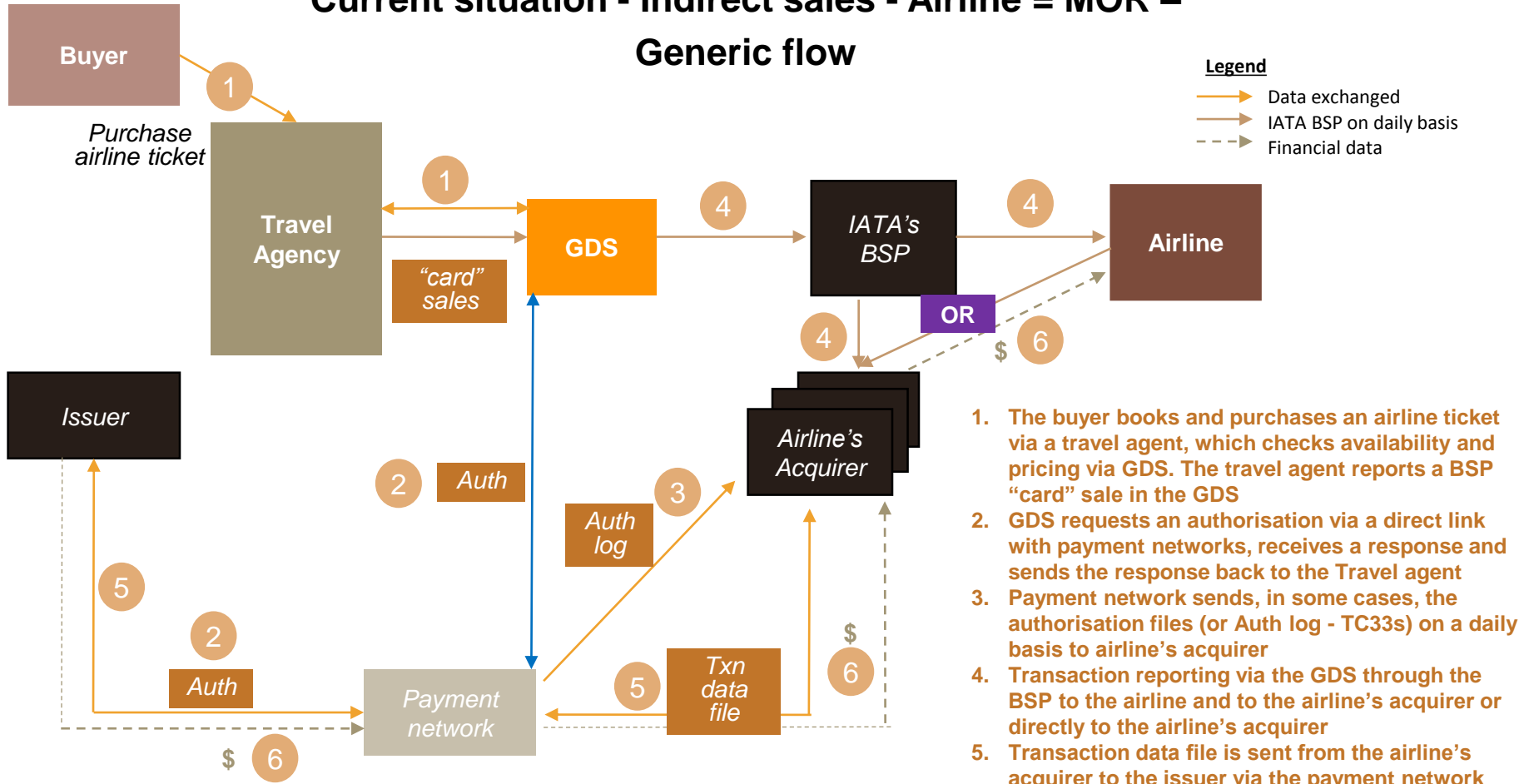
- The buyer books and purchases an airline ticket via a travel agent, which checks availability and pricing via GDS. The travel agent reports a BSP “cash” sale in the GDS and buyer pays the travel agent by e.g. card
- The travel agent requests an authorisation and receives a response, involving the payment network, the travel agent’s acquirer and the issuer
- Transaction data file is sent from the travel agent’s acquirer to the issuer via the payment network
- Simultaneously to 3., transaction reporting via the BSP to the airline
- Daily settlement of airline ticket from the issuer via the payment network; and then from the travel agent’s acquirer to the travel agent
- Weekly/monthly settlement transactions “cash” via the BSP

Note: in order to simplify the flows, EDC described the payment flow in a non-e-commerce environment, hence no PSP involved

Current generic payment workflows

Indirect sales via travel agent - B2.2 Airline = MOR, with a BSP "card" transaction

Current situation - Indirect sales - Airline = MOR - Generic flow



Note: in order to simplify the flows, EDC described the payment flow in a non-e-commerce environment

Currently, for some of the use cases, the infrastructure and set up in place do not enable airlines to be the MOR

Current situation: purchase of an airline ticket via a travel agent

➤ The airline cannot be the merchant of record in three cases:

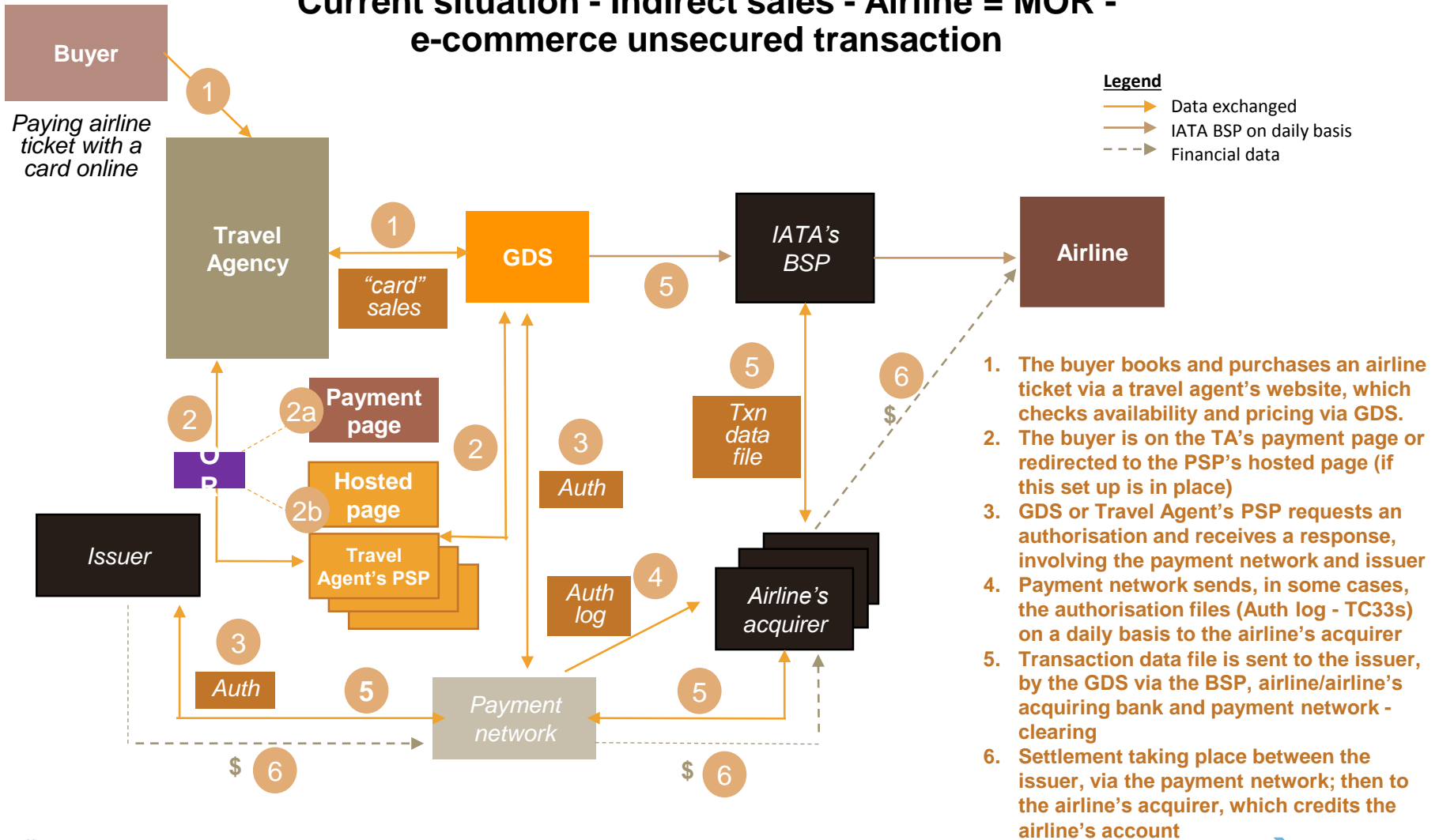
- Purchase online with a “secured” authentication including, e.g. 3D Secure authentication
- Purchase online with a wallet such as PayPal
- Purchase online where the buyer pays with a bank transfer

Purchasing an airline ticket via a travel agent - Use cases	Travel agent is MOR	Airline is MOR
E-commerce “unsecured” transaction	✓	✓
E-commerce “secured” transaction	✓	✗
E-commerce purchase with a wallet	✓	✗
E-commerce purchase with a bank transfer	✓	✗
Call centre purchase with a lodge card	✓	✓

E-commerce “unsecured” transaction - Airline is MOR



Current situation - Indirect sales - Airline = MOR - e-commerce unsecured transaction

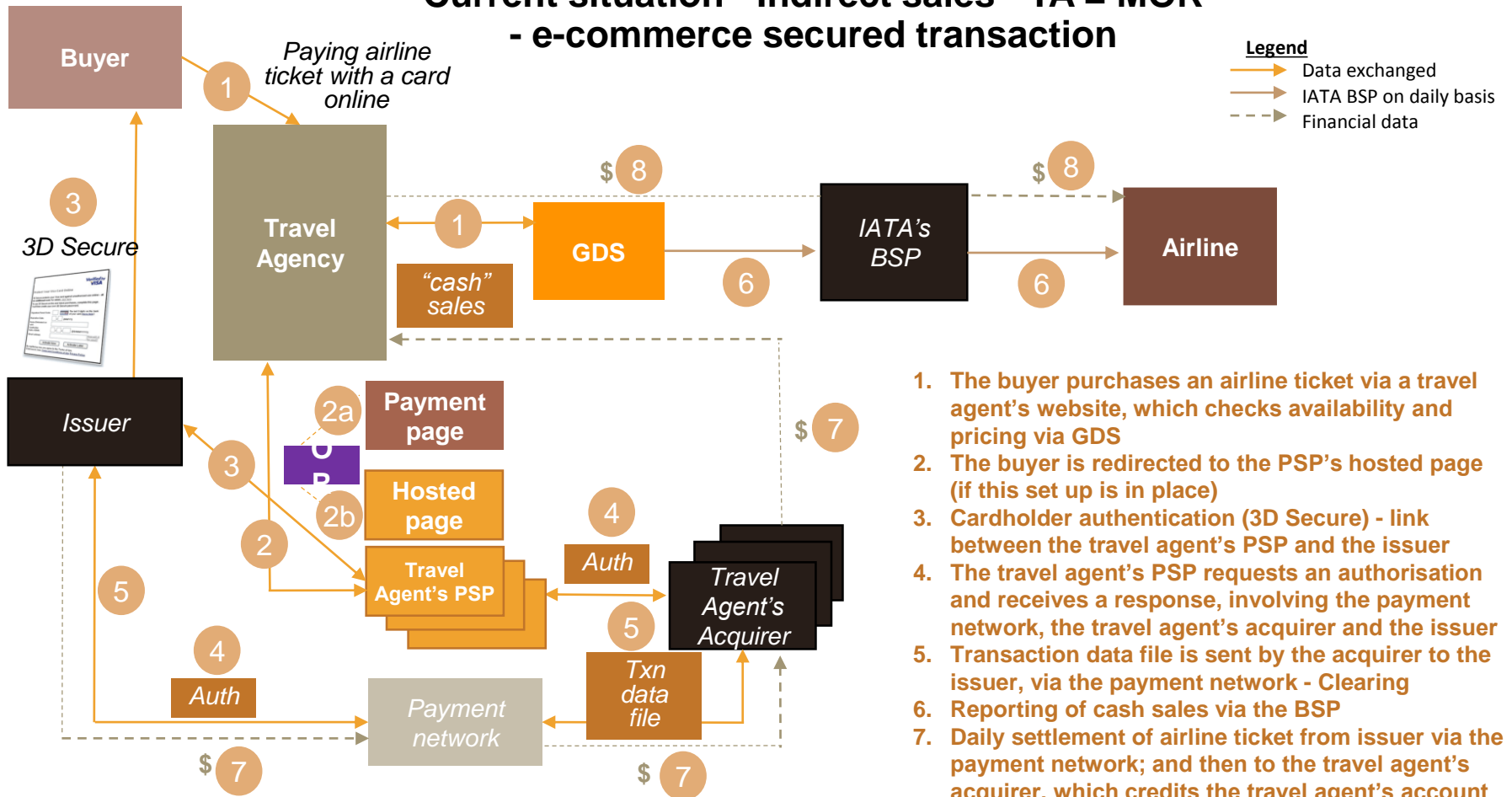


E-commerce “secured” transaction

- Travel agent is MOR



Current situation - Indirect sales - TA = MOR - e-commerce secured transaction



Note: it is currently not possible for the airline to be MOR in the case of a secured transaction, with 3D Secure

E-commerce purchase with a wallet, e.g. PayPal

- Travel agent is MOR

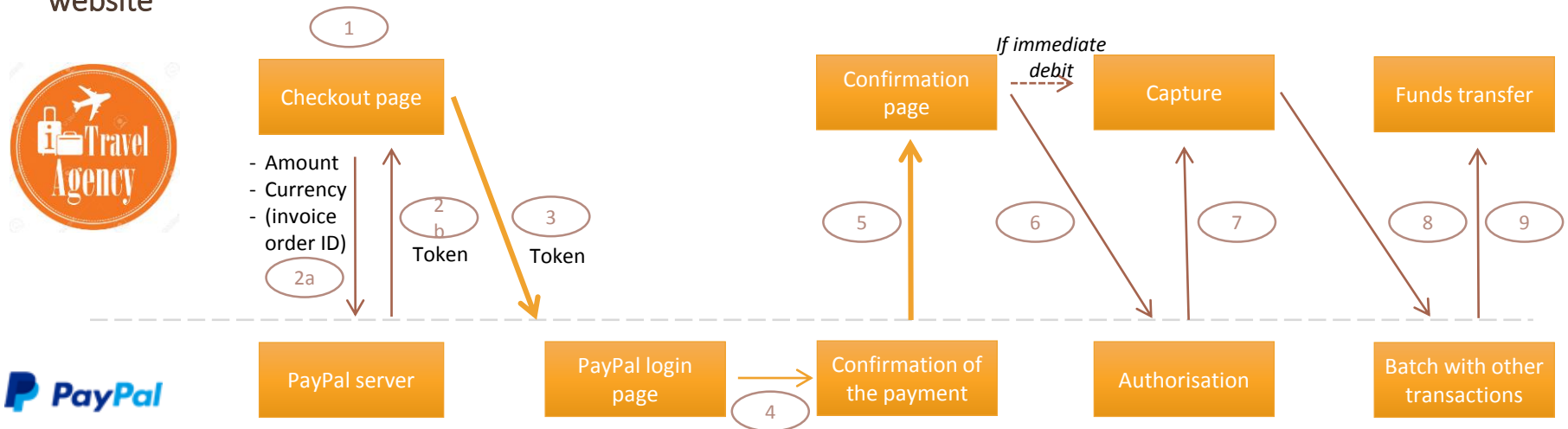


Current situation - Indirect sales - TA = MOR - wallet

Legend

- Technical flows
- Customer experience

PayPal – General flows for direct connections to PayPal (API calls) when a buyer purchases on travel agent’s website



Flows in details:

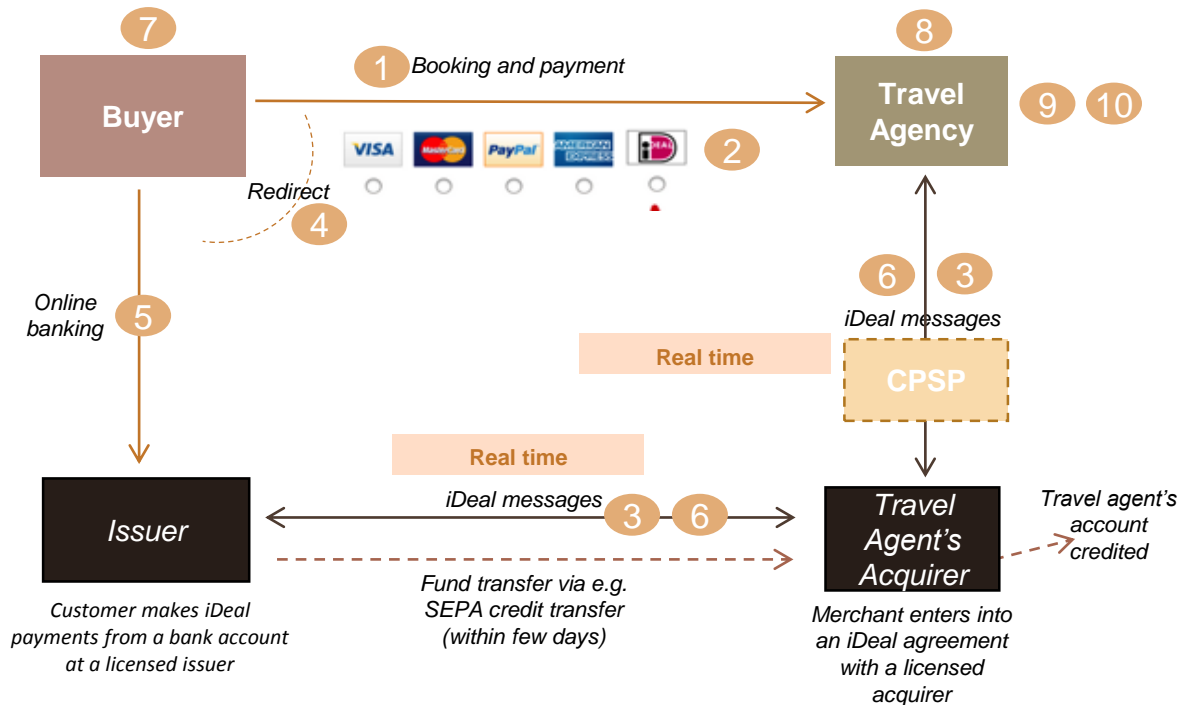
1. The buyer clicks on the PayPal button
2. 2a) API call to PayPal’s server
2b) A token is created and sent to the travel agent
3. The buyer is redirected to PayPal login page for authentication
4. The buyer confirms the transaction, chooses form of payment and the delivery address (list of payment methods available varies per country)
5. The travel agent receives the authentication confirmation
6. The travel agent requests the authorisation (or can skip and go to immediate debit / capture)
7. Authorisation accepted (but does not provide any guarantee)
8. Capture → Can be accepted or declined by PayPal – Must be initiated BEFORE the ticket is issued. If PayPal accepts this transaction, it does not provide a full guarantee (to be negotiated with the merchant)
9. A bank transfer is automatically processed the following day to the travel agent’s bank account. As soon as the settlement is processed, the travel agent would receive a daily file (via secure FTP server) with all the transactions occurred or cancelled from PayPal, with details for reconciliation

Source: PayPal

E-commerce purchase with a bank transfer, (iDEAL) - Travel agent is MOR



Current situation - Indirect sales - TA = MOR - bank transfer



1. The buyer selects the items to purchase
2. The buyer selects iDeal as a payment method and selects his issuing bank
3. An iDeal message is exchanged between the travel agent's acquirer and the issuer
4. The buyer is redirected to the bank of his choice (his issuer). The issuer presents the 'landing page' to the buyer, which offers the option to complete the iDeal payment on the online banking interface
5. The buyer logs in, confirms the pre-filled iDeal payment and authorises it
6. Once completed, the issuer immediately sends a payment guarantee to the travel agency via the acquirer
7. After completion of the payment, the buyer is shown the result of the payment by the issuer. The buyer is redirected back, by his bank, to the travel agent's web page using the merchantReturnURL
8. The travel agent displays the buyer the confirmation of the iDeal payment
9. Reporting of cash transaction sales via the BSP
10. Weekly/monthly settlement "cash" transactions via the BSP

Note 1: CPSP = collecting payment service provider - with a role of collecting funds - optional to select one iDeal is offered by around 8-9 acquiring banks and 60 CPSPs. If a merchant would like to offer iDeal to customers, they will need to agree a contract with one of these parties. They will also provide the merchants with support in the technical implementation of iDeal within their online checkout system

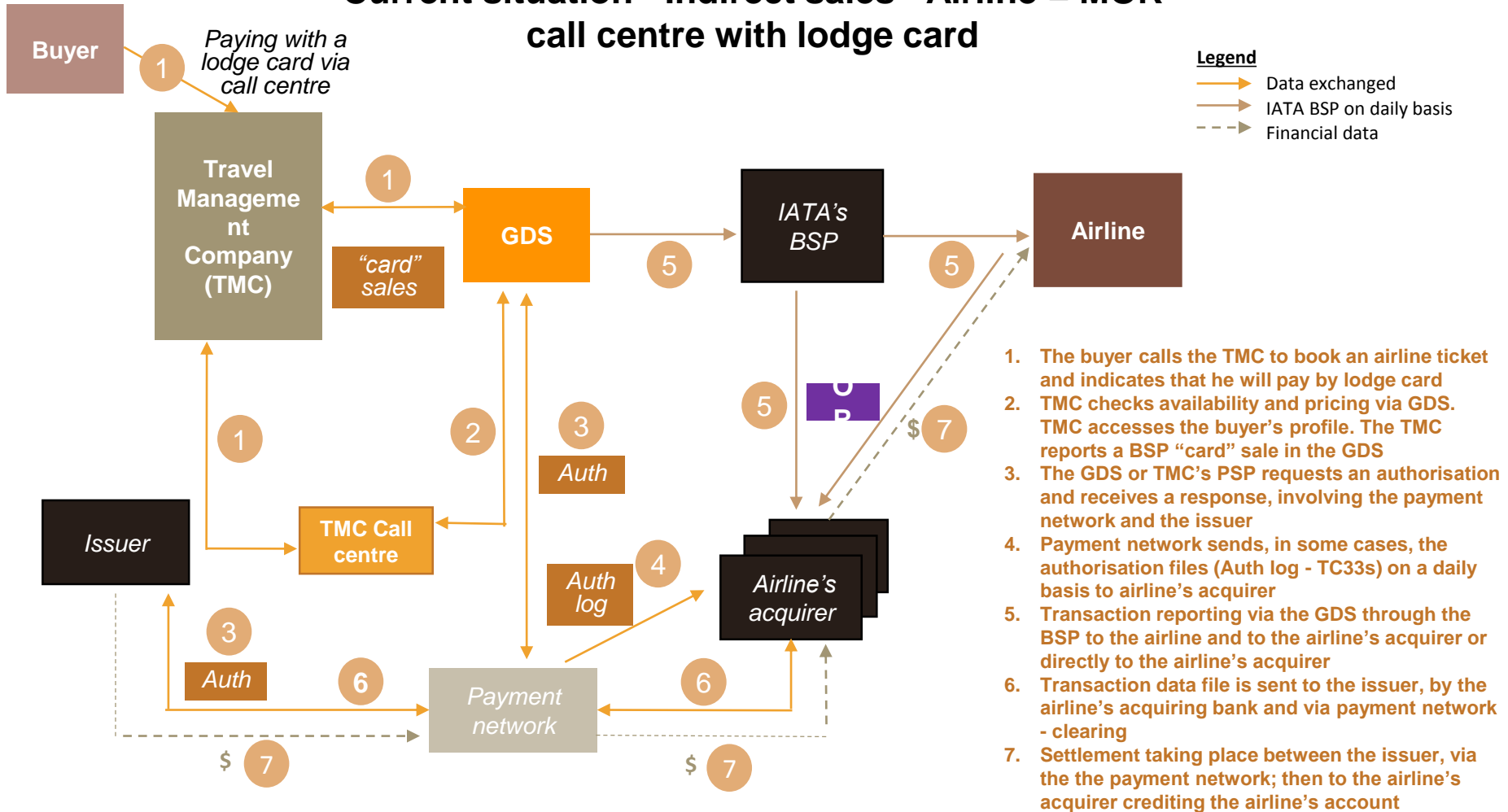
Note 2: The buyer sees CPSP as the beneficiary of the payment on bank's statement; and the "airline" in a reference field/line. This is standard procedure for all iDEAL payments (~ 50%) with a CPSP involved

Source: iDEAL

Call center purchase with a lodge card - Airline is MOR



Current situation - Indirect sales - Airline = MOR call centre with lodge card





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