LET'S GET REAL ABOUT THE TRUE COST OF PAYMENTS

eNett

Redefining payments

Fees, surcharges, bonds, subscriptions, head count. For most travel companies, these are some of the direct costs associated with making supplier payments.

Having facilitated tens of billions of dollars in payments across the travel industry, we thought it was time the true costs of payments were brought to light. While the obvious costs are easy to calculate, it's the hidden costs that can really derail a payment program. Often caused by exposure to risks, poor processes and out-of-date payment methods, failing to address these costs can render travel companies vulnerable to unexpected charges and undermine business growth.

It's time to get real about the true cost of payments. Please use this eBook to familiarise your business with all the related costs and then take the opportunity to calculate the cost of payments for yourself.

COLD HARD FACTS

The true cost of payments is a mystery for most travel companies. Some costs can be calculated. However, hidden costs and risks often skew the picture and create a gulf between ‘perceived’ and ‘real’ costs. With research showing that alternative payment methods can be up to 37% cheaper than traditional payment methods[1], understanding the real cost of payments can return rich rewards.

Finding out the true cost of payments is the first step in bringing them down.

Manual payments handling

Companies often look only at merchant fees and surcharges without considering the cost of manually processing and reconciling transactions across multiple payment platforms. Research shows that around 40% of agencies still settle and reconcile payments manually[2]. The time wasted on manually processing and reconciling transactions can be better spent on growing the business. It's no wonder that it is estimated to cost the global travel industry US$1.5 billion[3] a year.

The risk of fraud and supplier default

The risk of fraud has always been high on the agenda of travel companies. Around 40% of travel companies cite credit card fraud as their top payments challenge[4]. Stories of card details being stolen by hackers have become commonplace in line with more transactions being carried out online. And there's little protection against the supplier's employees misusing the information. Consumer demand for more exotic locations has also meant travel companies are increasingly finding themselves doing business in new markets, with previously unknown suppliers. Not only does this increase the risk of fraud, but also supplier default.

It's not just the potential cost of the fraud itself, but also the cost to reputation and goodwill that needs to be factored in. Traditional payment methods are limited in the amount of protection they can provide, but alternative methods can lower the risk of fraud and maximise protection against supplier default.

1 MasterCard and Kaiser Associates, Commercial Card Acceptance Cost-Benefit Study, November 2012
2 Phocuswright payments unsettled report 2013
3 eNett analysis of Phocuswright Payments Unsettled Report 2013 and IATA
4 Phocuswright payments unsettled report 2013
5 eNett analysis of bank fees and charges

Foreign exchange risks and charges

Greater globalisation means travel companies are transacting in more currencies, and incurring high costs from FX and cross-border fees as a result. Travel companies are unaware of how much their banks are charging for FX fees, and could be missing out on the best rate. Traditional payment methods also incur surcharges and fees, which can be avoided by funding and settling in the same currency. In fact, our analysis shows relying solely on your bank for international payments could mean paying up to 3% compared to alternative options[5].

Added to this is the risk of currency fluctuations, which can increase the cost of sale dramatically. The rate at the time of booking can be very different by the time of settlement, eroding margins. And don't forget about the high set up costs of banking arrangements in each new jurisdiction.

The cost of credit

For many agencies, paying on credit is still considered the traditional and most cost effective way of making payments. But today's landscape shows shorter payment terms and limited access to credit is dependent on ever-changing economic indicators. The result is that credit is becoming less beneficial and attainable for travel companies. And as many suppliers now offer big discounts for immediate payment bookings, paying on account can mean losing out on the best deals.

Paying on credit also involves fees and interest, increasing the true cost of payments for travel companies. What's more, there are options that return a rebate on transactions for money back on your payments, creating a new revenue stream that can outweigh the financial benefits of credit.

Bonding

Airline payment requirements means tying up a large amount of cash, with no tangible return. This represents a significant opportunity cost, when the money could be spent on revenue-generating activities. Too many travel agencies are unaware that some pre-funded options can actually lower the bonding requirement, allowing them to generate greater returns on their cash.

WHAT'S THE ALTERNATIVE?

One payment method that has been growing globally is payment by Virtual Card or Virtual Account Numbers (VANs).

eNett Virtual Account Numbers are unique 16 digit MasterCard numbers travel companies can use instead of traditional methods for lower cost, lower risk and more rewarding supplier payments. Today, eNett VANs reduce the cost of payments for customers in over 47 countries.

Not all virtual card programs, however, are equal. Boasting the lowest cost virtual card offering, uniquely created for the travel industry, eNett is committed to ensuring transparency and exposing the real costs. Please use these videos, insights and fact sheets to find out more.

COLD HARD FACTS

LET'S GET REAL ABOUT THE TRUE COST OF PAYMENTS

REAL PROOF

Our customers got real about the true cost of payments, and looked to eNett Virtual Account Numbers (VANs) for more efficient, lower cost and lower risk payments.

MetGlobal wanted to “generate real benefits…in terms of saving time and lowering costs”. Frequent Flyer Travel Paris wanted to reduce the amount of fraudulent transactions, while becoming “more efficient, more effective and more productive”. And Club Travel wanted to “get more value out of supplier payments”.

Visit Real Proof to see how changing to VANs for supplier payments helped these companies achieve real results.

REAL PROOF

CALCULATE YOUR COSTS

Travel companies like yours are under constant pressure to reduce costs and increase efficiency. But some don't look to payments for the solution.

We've developed a cost of payments calculator to unravel and quantify the true cost of B2B payments relating to the travel industry. This tool will give you a clearer idea of the true cost of payments for your organisation and how much you could save by better managing these costs.

So, what are your payments really costing you?

CALCULATOR

www.enett.com/CostOfPayments