IS CREDIT GIVEN TOO MUCH CREDIT?

LET'S GET REAL ABOUT THE TRUE COST OF PAYMENTS

"Major changes in the travel industry, shorter credit terms, and immediate payment discounts mean we need to get real about the benefits of credit. Travel companies should be looking at alternative payment methods to better match today's travel landscape, lowering operating costs and generating new revenues." says Anthony Hynes, eNett Managing Director and CEO.

Over the last few years the travel industry has seen rapid and dynamic changes. There are new economic and competitive pressures, business models and technologies that are prompting travel companies to change their business practices to better match the new landscape.

However, one area which is often overlooked by travel companies is payments. Credit is the default choice, whether that's lodge cards, company credit cards or customers' personal cards. But in today's travel landscape, do the benefits of credit really stack up when compared to alternative payment methods? It's time to get real about credit.

Less credit

Before the credit crunch, access to credit was easy, with travel companies able to negotiate 60-day payment terms with suppliers. Those days are unequivocally over. Payment terms are much shorter, and even though the global economy is recovering, news of emerging markets not living up to expectations will continue to make access to credit difficult. All this means that credit is becoming less beneficial and attainable for travel companies.

Value back on supplier payments

Paying on credit also involves fees and interest, increasing the cost of payment for travel companies. This is especially costly for international payments, where travel companies can end up on the wrong side of currency fluctuations. Having to set-up banking arrangements in foreign jurisdictions can also be time, and money, consuming. One widely used option is to pass customer credit card details directly to the supplier, but this brings no tangible reward for the agency.

Alternative payment methods offer FX management options to protect companies from FX fluctuations, and lower the cost of international payments through better rates, and local funding and settlement. Travel companies can also generate value back on supplier payments in the form of rebates. These rebates significantly lower the cost of payment, and can also be given back to customers in the form of discounts, to ensure the lowest possible prices.

Discounts for immediate payment

Added to this, the rise of the Low Cost Carrier model, coupled with more digitally savvy consumers using comparison sites, has led travel suppliers to focus on optimising inventory. One prevalent tactic is to offer big discounts on fares and rates that are settled at the point of booking. Taking advantage of dynamic pricing has become a key strategy to remaining profitable, and offering customers the best deals.

Taking advantage of these discounts requires immediate payment methods. Using traditional cards is an option, but sharing card details increases fraud risks, and multiple transactions on a company card can cause problems with reconciliation. Using customers' cards to pay makes travel companies responsible for any fraud or misuse of the customer's card details by the supplier.

PAYING ON CREDIT.

- No value back on payments
- Sharing credit card details increases risk of fraud
- Shorter credit terms
- Fees and interest increase cost of payments

eNett
Redefining payments

COP_GetRealCredit 05/06/16

IS CREDIT GIVEN TOO MUCH CREDIT?

LET'S GET REAL ABOUT THE TRUE COST OF PAYMENTS

What's the alternative?

The great news is that there are alternative payment methods that are better matched to today's travel landscape, while also offering a range of additional efficiency and cost benefits.

One such solution is Virtual Account Numbers (VANs). VANs are automatically generated unique16-digit MasterCard numbers making it a secure way to pay. Processed like a traditional card and accepted wherever a MasterCard is online, an increasing number of leading global players are now using VANs. This includes some of the world's largest online travel agencies (OTAs), leisure agents and consolidators who have mandated VANs as their preferred method of paying suppliers.

VANs have been designed to streamline payment processes through seamless integration with booking and accounts payable platforms. This enables payment from within existing agency workflows and, importantly, automates reconciliation. Representing significant efficiency and cost savings, we have customers who have seen exponential business growth, but the automation afforded by VANs has eliminated the need to take on more accounts staff.

Unlike paying by credit, VANs actually lower the cost of payments. VANs can be generated in over 30 currencies, 17 of which enable local funding and settlement. This eliminates the need to start new banking arrangements in each jurisdiction, and you won't be charged cross-border fees or be exposed to FX fluctuations on VANs funded and paid in the same currency. A suite of FX options give travel companies better control over foreign exchange timing and rates. And VANs actually give travel companies money back on their supplier payments by providing a rebate on transactions[1].

But VANs don't just provide benefits for travel companies. For suppliers, offering and maintaining credit agreements with buyers is an administrative burden. This gets even worse if travel agencies default. Through VANs, suppliers gain immediate, guaranteed payment and access to agents throughout a market. As VANs are accepted the same way a credit card is online, there isn't any need to make process changes. VANs enable suppliers to lower the cost of processing payments, creating incentives for agents to book with them, and pass on the savings to their customers. AirAsia recently signed a first of its kind deal which means travel companies paying by VANs will forego the current surcharges applied to traditional credit card payments, making VANs the cheapest form of credit card payment for AirAsia flights.

More and more travel agencies are demanding streamlined payment methods that support their business goals as well as provide value back from their supplier payments. We have seen phenomenal growth in VAN adoption in the last four years, as travel companies look to alternative payment methods that better match today's travel landscape.

PAYING BY VANS.

- Rewards on supplier payments
- Unique numbers minimise payment risks
- Lowers the cost of payments
- Streamlined integrated payments
- Better control over FX
- Automates reconciliation

If you would like more information on how VANs can help your business visit:
www.enett.com

1 Terms and conditions apply.

eNett
Redefining payments

COP_GetRealCredit 05/06/16