THE TRUE COST OF PAYMENTS.

LET'S GET REAL ABOUT THE TRUE COST OF PAYMENTS

WHITEPAPER

Many travel companies continue to calculate the cost of payments based on direct costs, such as fees and surcharges. However, failing to factor in indirect or 'hidden' costs mean travel companies don't know the true cost of payments – and paying more than they need to as a result.

So what are these costs that make up the true costs of payments?

Manual payments handling

A common mistake is that travel companies only look 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[1]. Based on an average consultant salary of around $15 per hour, manual payment processing is costing agencies at least US$300 per week[2]. The time wasted on manually processing and reconciling transactions could have been 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.

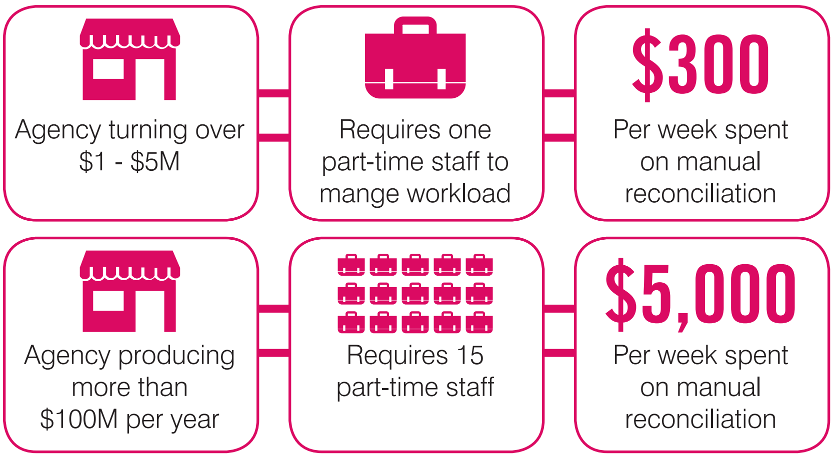
Today there are alternative payment methods which integrate with booking and accounts platforms, allowing payments within the same workflow and automating reconciliation. This greater efficiency creates time and cost savings that can bring down the true cost of payments significantly.

40%

of agencies settle payments through manual processes

Example

An agency turning over $1 million to $5 million typically needs one part-time staff member to manage reconciliation, fraud handling, processing of chargebacks and related functions. And larger agencies, those producing more than $100 million per annum, need 15 part-time staff members to manage payments, incurring costs in excess of $5,000 per week.



1 Phocuswright payments unsettled report 2013
2 eNett analysis of Phocuswright Payments Unsettled Report 2013
3 eNett analysis of Phocuswright Payments Unsettled Report 2013 and IATA

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The risk of fraud and supplier default

Stories of card details being stolen by hackers has become commonplace in line with more transactions being carried out online. The Association for Financial Professionals reported that 62% of organizations were targets of payment fraud in 2014; in a third of these, company credit or debit cards were targeted[4]. And there's little protection against the supplier's employees misusing the information. It is estimated that card fraud costs the airline industry alone over a billion dollars a year[5].

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 of 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.

Foreign Exchange risks and charges

Today, travel companies are transacting in more currencies than ever before, 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% more when compared to alternative options[6]. 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 good news is that there are multiple options available to lower the risks, and costs, of FX. By looking beyond banks for options, you can lock-in the rate at the time of booking for margin certainty, or fund and pay in the same currency for lower cost cross-border payments.

The cost of credit

Paying on credit is still considered the traditional and most cost effective way of making payments for many agencies. But today's landscape shows shorter payment terms and limited access to credit dependant 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, credit 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 which return a rebate on transactions for money back on your payments, creating a new revenue stream that can outweigh the financial benefits of credit.

62%

of organizations were targets of payment fraud

Example

eNett International provided support for a European OTA customer after a low-cost carrier went bust. The OTA was able to recover more than $1.3 million in just three months by claiming chargebacks through the MasterCard network.

Leading European OTA customer

Low-cost Carrier supplier went bust

MasterCard deployed chargeback capability

$1.3M

Recovered in just three months

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4 AFP (2015), Payments Fraud and Control Survey, www.afponline.org/fraud/
5 Travel Payments Insider, Issue 2 (November 2014), www.uatp.com/files/uploads/PDF/TravelPaymentsInsider-Issue2B.pdf
6 eNett analysis of bank fees and charges

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Bonding

Finally we have bonding. Requirements for long-haul airline payments means tying up a large amount of cash, with no tangible return. This represents a significant opportunity cost, when the money could be spent in 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 solution?

The true cost of payments can be complex, but with alternative options out there finding a solution is simple. It's time travel agencies reassessed how they make payments, and chose a method that can address both the direct and indirect costs that make up the true cost of payments.

One increasingly popular solution is to pay by eNett Virtual Account Numbers (VANs).

Introducing eNett VANs

VANs are unique 16-digit MasterCard numbers used for supplier payments. VANs address each element of the true cost of payments by:

Automating payments processing and reconciliation

Because each VAN can be directly linked with a specific transaction, and data is captured at the point of sale, VANs automate reconciliation. In addition, seamless integration with agency booking tools enables payments from directly within existing agency workflows, saving agents time which can be spent with customers.

Minimising the risk of fraud

The single most important way VANs combat fraud is that they replace a single card number used for every transaction, with unique card numbers for each specific transaction. This eliminates the need for a traditional plastic card altogether. And users can set payment parameters to ensure it can only be used upon meeting pre-set criteria. This includes value (fixed or with tolerance), date range validity, and merchant category code. In short, VANs cannot be stolen, reused or misused.

And VANs are also protected under the MasterCard guarantee, meaning chargeback capabilities can be deployed in the event of supplier default – reducing risks.

Bringing down the risks and costs of FX

eNett VANs can be generated in over 30 currencies and support transactions in over 100 currencies via a wide range of FX options designed to reduce costs and risks. Offering solutions including local funding and settlement, through to real-time conversion that allows agents to lock-in rates at the time of booking, eNett puts control of the transaction back into the agent's hands. And by eliminating the need to set-up expensive banking arrangements in each jurisdiction, eNett enables agencies to expand their reach without increasing their cost base.

Lower bonding requirement

As VANs are pre-funded, using VANs to pay airlines can reduce the amount of bond required. Freeing up this valuable cash resource, gives travel companies the ability to invest for growth.

Rewards and rebates

Paying by VANs returns a rebate on your transactions[7], returning tangible value back on supplier payments. And due to the immediate nature of VANs, agencies can profit from the better rates and dynamic content offered by suppliers.

PAYING BY VANS.

Automated reconciliation

Minimises the risk of fraud

Lower cost cross-border payments

Lowers bonding requirement

More rewards on your supplier payments

7 VANs terms and conditions apply.

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About eNett

eNett International simplifies the complexities of payments by connecting travel industry specialism with payments expertise.

We pioneer innovative B2B payment solutions that reduce risk and facilitate even more travel content, at a lower cost. Easily integrated into existing travel booking workflows, our payment solutions deliver financial, data and efficiency rewards for travel agents and industry suppliers.

Our secure Virtual Account Numbers (VANs) enable travel agencies of all sizes to automatically generate a unique MasterCard number and pay their suppliers from directly within their booking flow. And our exclusive, long-term partnership with MasterCard provides access to the world's fastest payments processing network and 35.9 million payment locations worldwide, wherever a supplier accepts MasterCard online.

We are majority owned by Travelport, which is listed on the New York Stock Exchange, and our VANs are seamlessly integrated into its Travel Commerce Platform.

Further strengthened by our global banking services partner and shareholder Optal, eNett is building a reputation for trusted and practical B2B payment solutions for the travel industry and beyond.

Find out more

For more details on how VANs can lower the true cost of payments, contact us or go to our website for more information.

E: Info@enett.com

W: www.enett.com

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

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