



Darren Blair on:

How Should Businesses Pay For Air When Travelers Start Flying?

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The travel industry is in survival mode, with airlines, airports and Travel Management Companies (TMC's) all desperate to conserve their cash reserves, while their normal revenue streams have dried up.

As news comes that United Airlines scrapped the \$200 charge to change a ticket for domestic travel, it is becoming clear that to restore travel confidence, flexibility around all aspects of travel management, including how payments are made is a necessity.

We have never been in a situation before where the value of refunds is greater than incoming revenue. Airlines, TMC's, as well as their corporate clients are now looking for more efficient payment processes. To see travellers on the road again it is important to ensure they are not left out of pocket waiting for reimbursements. More businesses will look to get paid quicker while extending their own settlement periods, leveraging existing banking relationships and credit lines.

Under the current BSP (billing and settlement plan) arrangement, airlines and TMCs alike are facing difficulties. This was evidenced in the discussions around whether airlines should be issuing vouchers vs reimbursements. TMC's are under pressure to issue refunds at a time when airlines need to preserve liquidity. Earlier this spring, IATA's CEO said that the association is allowing BSP settlements to be made a bit later, without penalties. But does this offer enough flexibility?

While everyone is trying to preserve cash, a TMC's invoice settlement by their corporate is typically longer than the payment terms operated through BSP. This leaves the TMC in a difficult position. Many are now faced with the task to find alternative ways to help them stay afloat.

The traditional lodge account has got renewed attention. This could eliminate the invoice process and pass the credit line to the corporate client. However, in this scenario many challenges remain. Lodge cards don't offer payment controls and are open to fraud. Managing payment and travel data has always been expensive and cumbersome as they are reliant on 3rd party agency data.

OTAs (Online Travel Agents), have been using virtual cards to pay airlines for a long time. This has meant no intermediaries, longer settlement periods for the credit line holder which can be either the corporate directly or their TMC. Leveraging efficient payment products through existing banking relationships has always been the key to obtaining an effective and flexible payment process. The richer transaction data and automation removes costly overheads, errors and reconciliation issues.

As the world is looking to start travelling again, we expect to see a shift in the payment behaviour for air in the corporate sector.



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<https://news.gtp.gr/2020/04/03/travel-agents-iata-flexible-bsp-payments-picks-vouchers-over-refunds/>

<https://www.bbc.co.uk/news/business-5244165>

