

**VISA**



# Air travel payments: latest developments and the virtual solution

**How airlines can facilitate greater B2B payments  
acceptance by unlocking the benefits of agent cards**



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## Introduction

The B2B travel payments landscape has seen a significant shift towards digitalization, largely driven by the Covid-19 pandemic.

A recent research report predicts that the total number of B2B transactions with virtual cards, including those in the travel sector, will increase to 740.7 million by 2028, from 189.9 million in 2023.<sup>1</sup> What's more, by the year 2028, B2B payments are forecasted to make up the majority of virtual card transaction value; accounting for up to 77.8% of the total value, at \$10,771.3 billion.<sup>2</sup>

The implementation of agent cards is a key driver of this growth, with the travel sector seeing increasing prevalence, due to the financial benefits and enhanced security they offer. However, the acceptance of agent cards by some travel suppliers remains a barrier to adoption across the ecosystem.

The leading reason cited by airlines for not fully accepting agent cards is typically cost. While a focus on merchant fees can lead to the perception of agent cards as more costly than traditional methods, a thorough cost and benefit analysis would highlight significant revenue opportunities.

**Read on to discover how airlines can benefit from agent cards and implement a successful acceptance policy.**

<sup>1</sup> Virtual Cards Data Forecasting, Juniper, September 2023

<sup>2</sup> Virtual Cards Data Forecasting, Juniper, September 2023

# Market landscape

## An industry in recovery

The airline industry is recovering, heading beyond pre-pandemic levels of activity and The International Air Transport Association (IATA) have estimated a 3.4% year-on-year growth in air travel demand until 2040.<sup>3</sup> What's more, the average ticket fare has shown an upward trend post-Covid due to increased cost of flights.<sup>4</sup>

As the industry continues to improve and recover, ensuring efficient payment processing is becoming increasingly crucial to achieve long-term sustainability and profitability.



## The momentum of agent cards

The use of agent cards had at one point started to gain momentum in B2B travel, accelerating the digitization of payments. But today, after extensive disruption from the pandemic, there remains a hesitation in the acceptance of agent cards by travel suppliers – especially airlines. The acceptance of agent cards is going to play an important role in the commercial and operational relationships between travel intermediaries and travel suppliers over the next few years.

Recent research suggests that B2B payments will make up the majority of agent card transactions.<sup>5</sup> This is due to multiple factors, including speed of transaction, added security and integration into payments software. The latter is an important consideration during the journey to digitalization, as an ever-greater portion of business is done online, and many companies – including airlines – face increasing fraud risks.

## Relationships with travel intermediaries

Today, there can be tension between travel intermediaries and airlines when it comes to virtual card payment acceptance policies, leading to occasional friction. Collaboration between the two parties is critical for success and it's therefore essential to have a balanced approach that presents benefits for both airlines and travel intermediaries.

It's also important to consider that even between different airlines, there are differing perspectives about virtual payments – specifically in terms of whether they should be regarded as impacting distribution costs, or as strategic investments that enable commercial opportunities and growth. This differing view reflects the nuanced nature of the travel industry.

<sup>3</sup> Global Outlook for Air Transport, IATA, June 2023

<sup>4</sup> 7 Key Recommendations to Optimize Payments Between Travel Agents and Airline, Visa sponsored research, September 2023

<sup>5</sup> Virtual Cards Data Forecasting, Juniper, September 2023



## Benefits of agent cards

### Financial benefits

Agent cards can typically attract higher ticket values compared to alternatives, which airlines see as a point of preference towards other card payments.<sup>6</sup>

However, when looking at the bigger picture, with a full cost and benefit analysis, we can see that agent cards provide boosts to an airline's bottom line that aren't seen with traditional payment methods, like physical cards and BACS transfer.

### Increased security

Fraud and security breaches are a constant challenge within the travel sector, driving demand for more secure payment services.

Research by Datos Insights found 35% of surveyed businesses not yet using virtual cards cited fraud concerns as a barrier.<sup>7</sup> Yet the reality is, fraud prevention is a key feature of agent cards, and there is a marked difference between other payment alternatives: 66% of companies across all industries paying by check experience real or attempted fraud, compared to 34% using ACH debits, and just 3% using agent cards.<sup>8</sup>

6 7 Key Recommendations to Optimize Payments Between Travel Agents and Airline, Visa sponsored research, September 2023

7 Virtual Cards Business Misconceptions and Opportunities, Datos Insights, December 2021

8 Payment Fraud and Control Survey Report, The Association for Financial Professionals (AFP), 2021

## Cost benefit analysis

The below diagram<sup>9</sup> outlines the perceived cost concerns airlines have, alongside the potential benefits they could see should they implement agent cards.

Cost (airline perspective)				Potential benefits (airline perspective)
Cash flow	Risk & fraud management	Operational expenditure	Distribution and payment fees	Sales
Cash flow delays	Currency hedging	BSP fees	Distribution fees	Higher market share among existing agents
Funds repatriation	Credit loss	Reconciliation costs	Merchant fees*	Higher conversion rates
Currency conversion	Impact of fraud	Other back-office costs		Geographic exposure / market reach
	Data infringement			Increase ancillary sales
				Higher pricing

\*Note: interchange fees, scheme fees and acquirers' fees were not collected as part of discussions with interviewees



## Approaching an acceptance policy

### Background

Agent cards continue to gain popularity, with Visa transactions witnessing large growth and more than tripling in volume, mainly in Europe and in North America.<sup>10</sup>

It's clear that, to support increasing sales, airlines should look to work closely with travel intermediaries to build a transparent acceptance policy.

Travel intermediaries sometimes face challenges in identifying and understanding airlines' policy, which may be complicated. However, there are actions airlines can take to streamline the process of developing a suitable acceptance policy.

### Moving to a segmented policy

The airline industry is moving away from a 'one-size-fits-all' approach towards more tailored strategies. Research shows that, instead of applying a blanket policy for agent cards, airlines are increasingly defining policies specific to individual agents, markets, or channels.<sup>11</sup> These segmented policies allow airlines to accommodate different intermediaries needs.

Looking ahead, it could be envisaged that an airline's segmented policy could become as granular as a policy by route or even at the flight level or ticket level in real-time. Airlines that change their revenue management or pricing approach towards offers involving dynamic pricing, continuous pricing, and dynamic bundling can improve customer relationships, and gain differentiators from their competition.<sup>12</sup>

<sup>10, 11</sup> 7 Key Recommendations to Optimize Payments Between Travel Agents and Airline, Visa sponsored research, September 2023

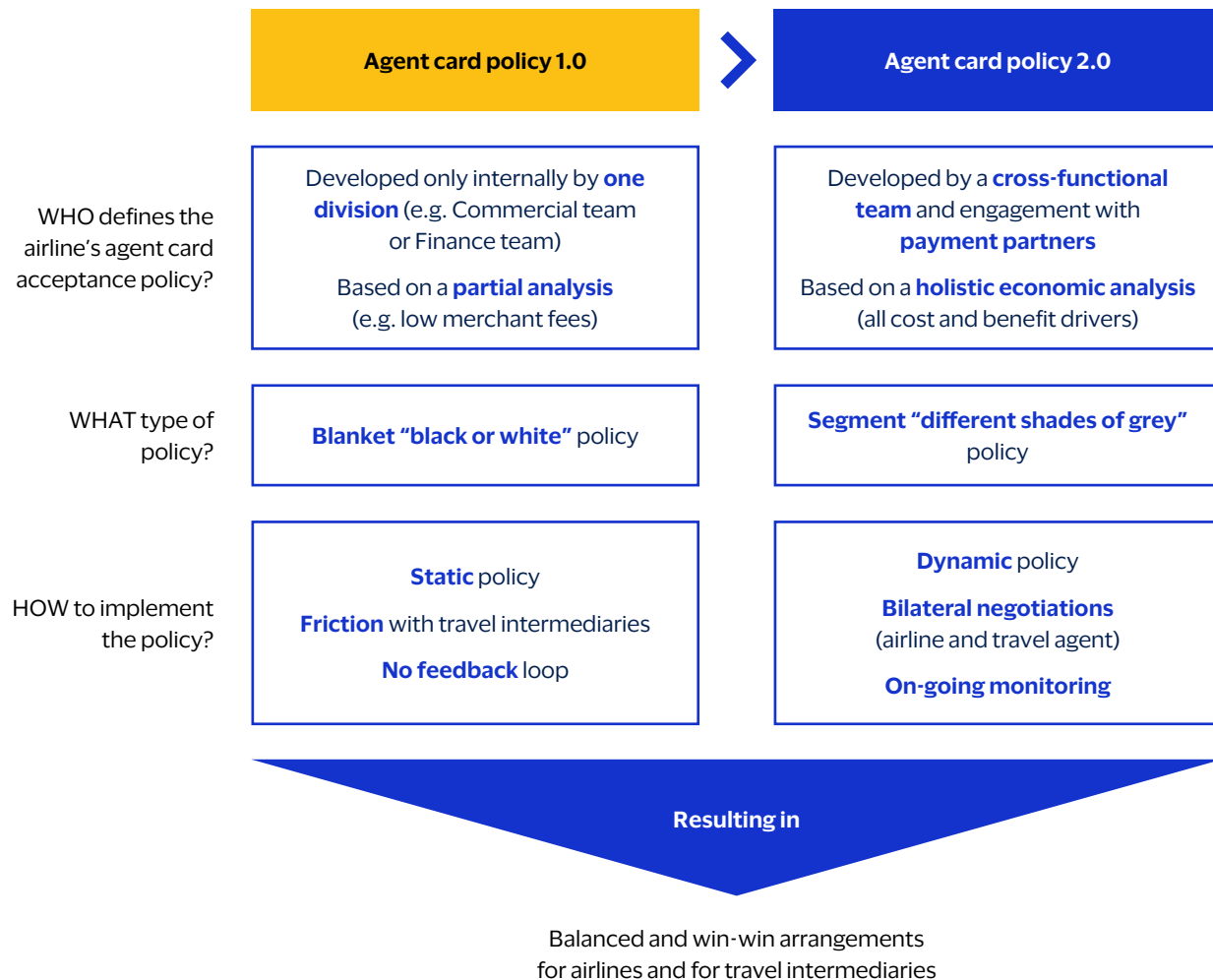
<sup>12</sup> Dynamic Offers Fact Sheet, IATA

There has also been a clear increase in bilateral negotiations between airlines and travel intermediaries.<sup>13</sup> Building stronger relationships leads to better resolutions around complex topics such as pricing, allowing both parties to reach mutually beneficial agreements. Ultimately, integrations between agent cards and travel intermediaries can lead to simplified payments and services between multiple vendors.

In the past, airlines and card issuers have focused discussion on co-branded card programs – mostly targeted at consumers. Today, some airlines have started bilateral discussions with specific card issuer(s) to agree a commercial framework as a basis for accepting agent cards. This suggests the travel ecosystem is shifting its approach to find a value equilibrium across the value chain.

## Agent card policy 2.0

Considering this new approach, airlines should look to develop their acceptance policy in line with the diagram below. By implementing these changes, airlines can drive better business outcomes for all parties.





# How to maximize the benefit of agent cards

There are multiple ways for airlines to accept agent cards to make data-driven informed decisions, and tailor payment acceptance policies to their unique needs. By considering all relevant factors, airlines can find a balanced value proposition that benefits all parties.

Acknowledging that there is no “one-size-fits-all” solution, an “agent card policy 2.0” model encourages

airlines to consider the complexities and nuances involved in accepting agent cards to implement a successful acceptance strategy.

**Here are our seven key recommendations to move towards this model, that can help you maximize the benefits and ensure successful partnerships with travel intermediaries and suppliers:**

- 1 Internal cross-functional team:** establish a team with relevant internal departments that will be responsible for coordinating the ongoing development and updates of the airline’s agent card acceptance policy. This can help ensure that the policy takes into account the varying internal requirements, and avoids one-sided or local decisions that could negatively impact the airline.
- 2 Holistic economic analysis:** undertake a broad analysis across all costs and potential benefits. Making data-driven decisions and accessing reporting on agent card data is crucial for accurately quantifying costs and potential benefits and can help agent cards contribute to airline profitability.
- 3 Utilize relationships with key payment partners and acquirers:** collaborate closely with payment partners and acquirers to address topics such as chargebacks and refunds. This utilizes external data sources as input for the economic analysis, and influences the product roadmap of payment partners helping to create frictionless payment across the customer journey.
- 4 Comprehensive and consistent payment acceptance policy:** develop and communicate a complete and standardized payment acceptance policy for agent cards in collaboration with internal teams, across different departments, supported by thorough documentation. This can help the airline operate cohesively and avoid friction, such as Agency Debit Memos that can generate manual work and tensions with travel intermediaries.
- 5 Segmented and dynamic policy:** segment the airline’s policy to accept agent cards, depending on factors such as geographies, travel intermediaries segments (for instance, IATA and non-IATA), sales channels (such as GDS vs. NDC), type of fares (differentiating between economy and premium), type of sales (for example, selling flight tickets vs ancillary sales), or type of agent card products (such as prepaid, debit or credit). Having a more flexible approach is more likely to generate revenue-side benefits for airlines that currently do not accept agent cards.
- 6 Agent cards as a strategic tool:** strategically use agent cards as powerful incentives during bilateral negotiations with travel intermediaries to boost volume and yield. Including agent cards explicitly in airlines’ commercial negotiations with travel intermediaries fosters a balanced value proposition that benefits both parties equally.
- 7 Closely monitor agent card usage:** carefully assess usage, supervise channels, and assign internal responsibility for tracking KPIs related to agent cards policy. This can help identify and address errors or misuses, and that there is a feedback loop to continuously update the airline’s agent card policy.

## Partner with Visa

Backed by Visa’s commercial payments network, using agent cards can unlock growth opportunities for airlines, helping them to pay suppliers quickly and securely, streamline the payments experience, and maximize the return of card programs.

### Benefits for airlines:



## Moving forward

As agent cards continue to build momentum in the indirect travel space, airlines have an opportunity to review the way they receive payments from travel intermediaries.

Thanks to shifting attitudes and evolving technology, agent cards are set to be the future of B2B travel payments – and airlines are best placed to embrace this opportunity.

Crucially, partnering with Visa can help you unlock commercial growth by giving your customers more choice and flexibility, and driving more card-based payments volumes.

Through communicating the value on both sides of the payment transaction, Visa’s holistic approach can help increase transparency and build strong, sustainable business relationships. This also allows you to realize the long-term benefits of working more strategically with suppliers.





**Are you ready to unlock commercial growth?  
Visa is driving change in the commercial  
payments ecosystem.**

**Contact us today to learn how Visa can help  
you capture the value of agent card payments.  
[B2BTravellInfo@visa.com](mailto:B2BTravellInfo@visa.com)**

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