



Simplify Airline Payments to Unlock Hidden Revenue



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➡ Introduction

After a tumultuous period of disruption, the travel industry is recovering steadily. In August 2023, industry-wide revenue passenger-kilometres hit **95.7% of their pre-pandemic level**.

But as customers regain the confidence to travel, it's clear that their expectations have changed. Having grown accustomed to digital-first connectivity, travellers now expect fast, intuitive and hyper-personalised experiences across the entire customer journey. This extends to how they pay for what they buy along the way.

In fact, **90% of customers** now see payments as important to their overall travel experience. They want flexible and joined-up payment experiences, in the right place, at the right time.

This includes supporting the full range of local, alternative, and digital wallet-based payment methods. It also means providing contextual value-adding services such as ancillary services, tailored loyalty programs and flexible exchange policies.

But this is easier said than done when managing a highly complex travel and hospitality ecosystem. After decades of disparate tech adoption, airlines must deal with a sprawling network of payment systems and processes, spanning booking companies, in-transit services, payment gateways, fraud security platforms and acquirers.

None of these were designed to interoperate natively, and many systems are straining under the complexity of the infrastructure. This also makes it difficult to adopt and scale new payment options and context-relevant services across the global value chain.

This paper will go into depth on how you can seize the **\$14 billion opportunity for airlines** that strategically address payments. We'll also outline how you can simplify the back-end payments journey through orchestration and create a comprehensive marketplace to unlock both new and recurring revenue streams.



Support the payment methods travellers want

The modern consumer has a near-limitless degree of choice. She will gladly abandon a purchase at cart or checkout if vendors and service providers fail to offer her preferred payment methods. The airline industry is no exception to this harsh reality.

In 2022, airlines experienced a **staggering 90% online shopping cart abandonment rate**, with a lack of flexibility and contextually relevant payment methods a noted driver. In the wider market, a recent survey by PayPal found that **46% of those who use digital wallets have abandoned a purchase** if they can't use it – and 66% of Buy Now Pay Later (BNPL) users have abandoned a purchase if they can't stagger their payments.

If you don't support your customers' favourite payment methods through your proprietary booking platform, you risk losing revenue and business to competitors. Alternatively, customers may circumvent paying you directly by using an online travel agent (OTA) to pay how they want. However, you may still lose revenue due to fees levied by the OTA, including payment processing fees which exceed those for direct payments.

It's also important to consider the vast – and growing – amount of local payment methods your international travellers may want to use. We've already seen **Malaysia's government offer reward incentives to accelerate the shift to digital payments** – such as its e-Tunai Rakyat e-cash method.

Likewise, India has enjoyed significant support for its **Unified Payments Interface (UPI)**, a real-time payment system that lets users transfer money directly to other accounts. It's fast, seamless, and easy to understand. All it requires is for users to scan a QR code to send an immediate payment to individuals or businesses.

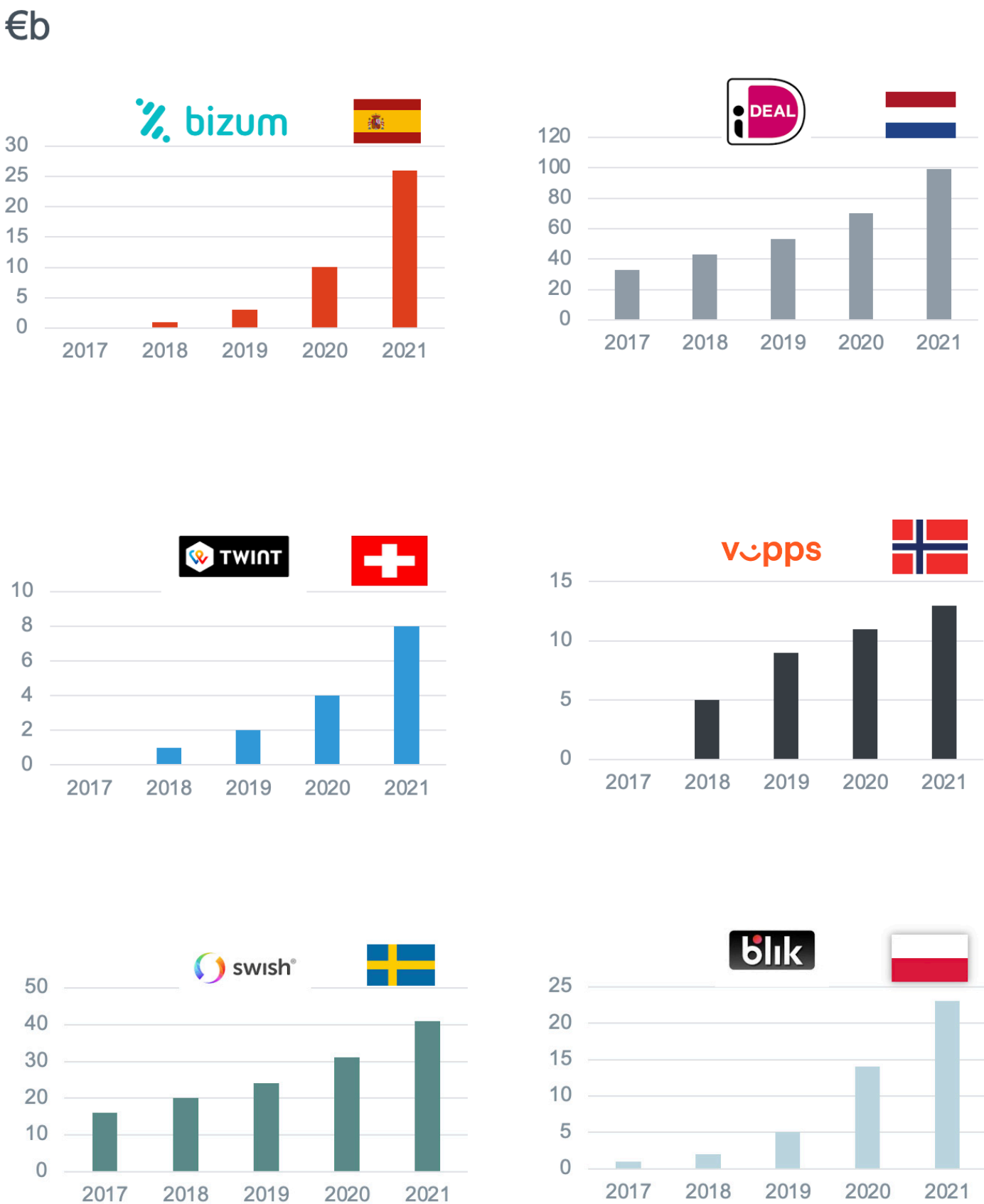


fig. 1. Real-time payments continue to attract strong growth in many regions but often under the support of local A2A schemes. (Source: [Flagship](#))

Getting in on these new payment methods early could help you proactively earn user loyalty. You could even forge strategic partnerships with emerging payment providers, which may result in more favourable transaction rates.

One essential step is to provide mobile point-of-sale (POS) systems across your airline for in-flight and ancillary services. Not only do they improve customer convenience, but many solutions now integrate customer self-service options – including check-in and ancillary upgrades. This gives you a last chance to upsell before passengers board their flight.

The best mobile POS systems also let you track and centralise payment data to help you learn more about customer trends and preferences. This insight can be used to optimise your payment strategy by tracking which methods are favoured by demographics across different flight scenarios. But remember, an effective mobile POS system must be able to process payments and cache data offline to account for network loss and disruption.

However, incoming payments aren’t the only thing you need to consider strategically.

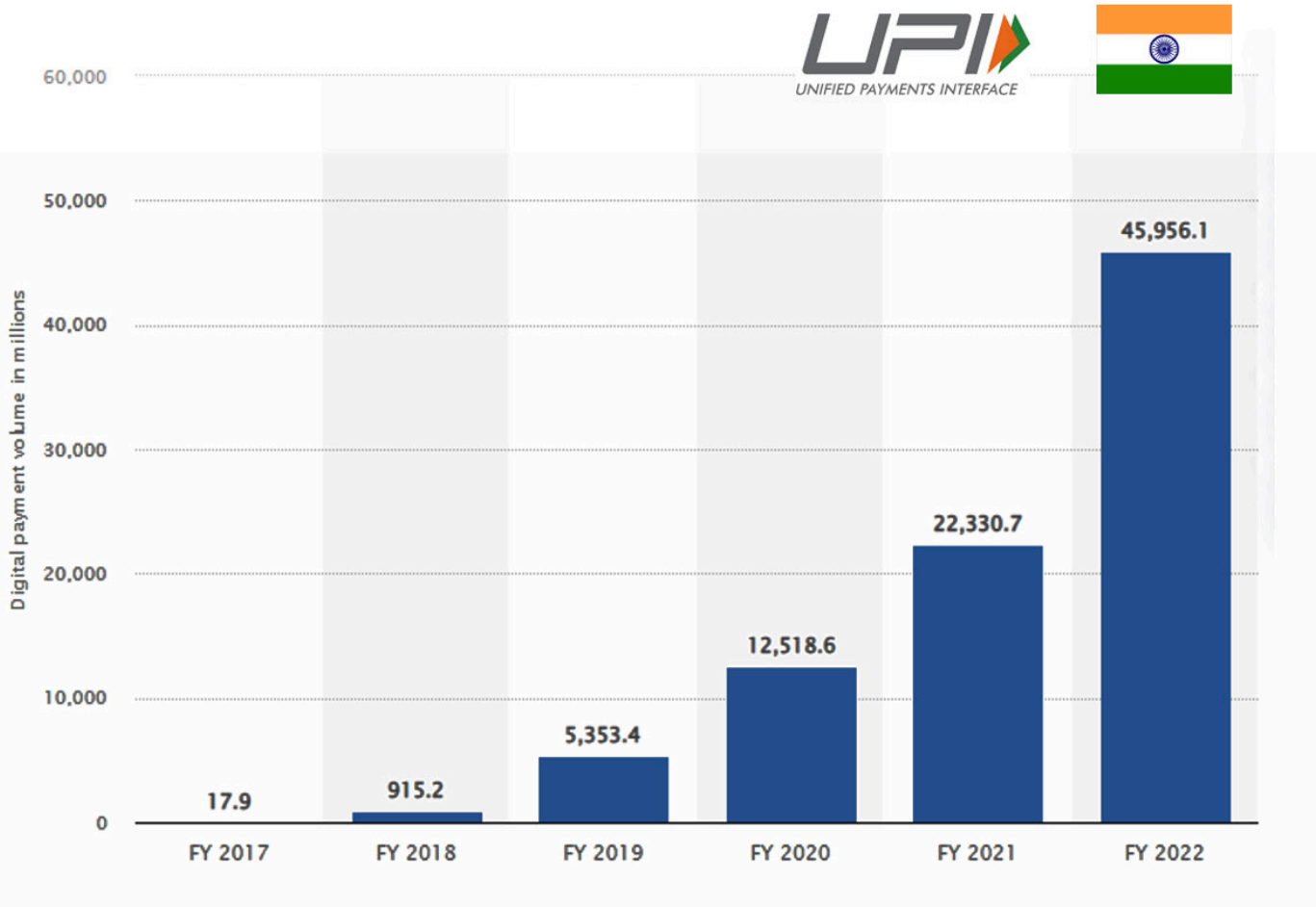
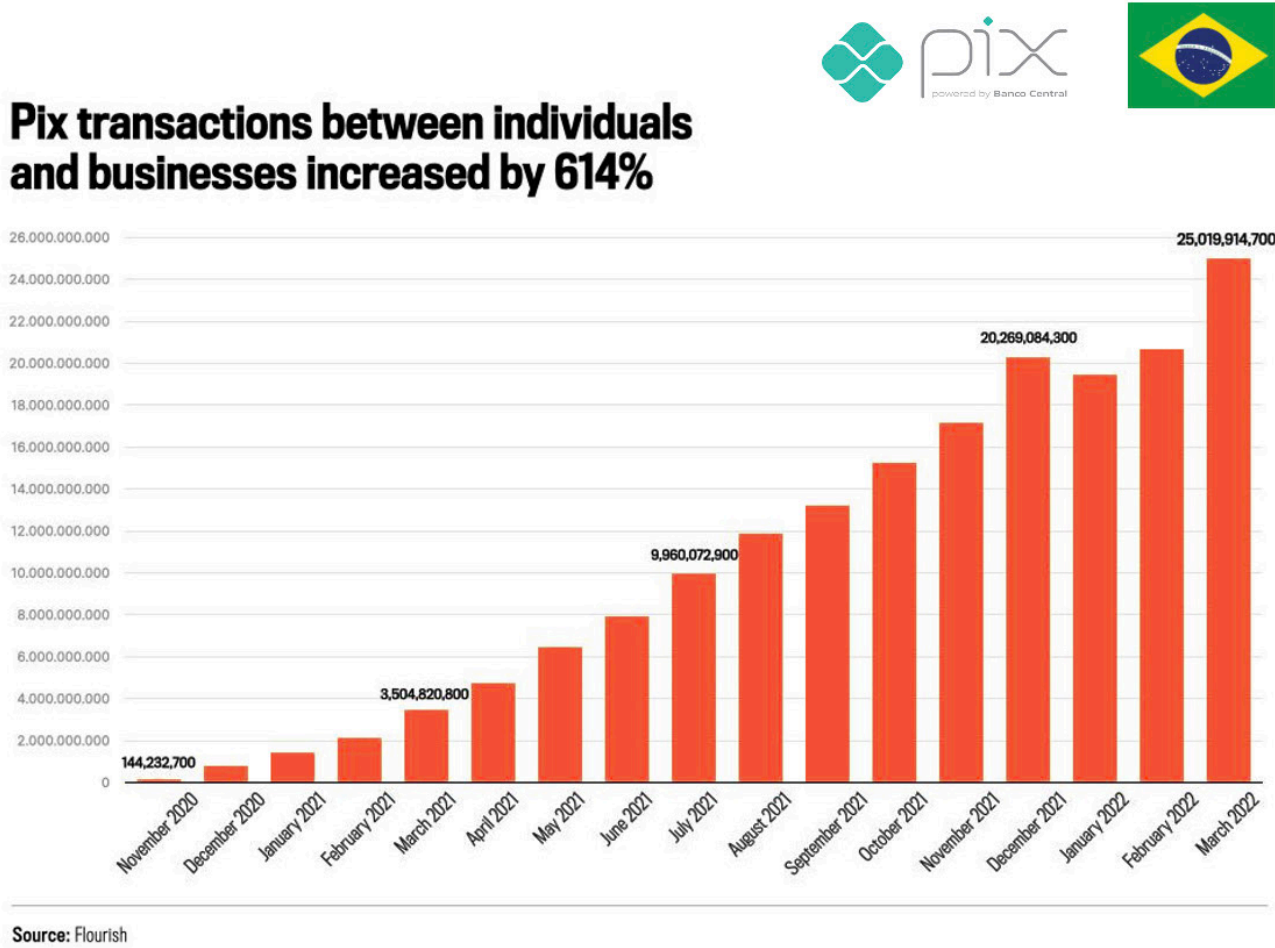


fig. 2. Real-time payments continue to attract strong growth in many regions but often under the support of local A2A schemes. (Source: [Flagship](#))

→ Be mindful of your refund policies

Customers closely scrutinise a company's refund speeds and flexibility – 82% of travellers now spending more time examining airline refund policies ahead of booking.

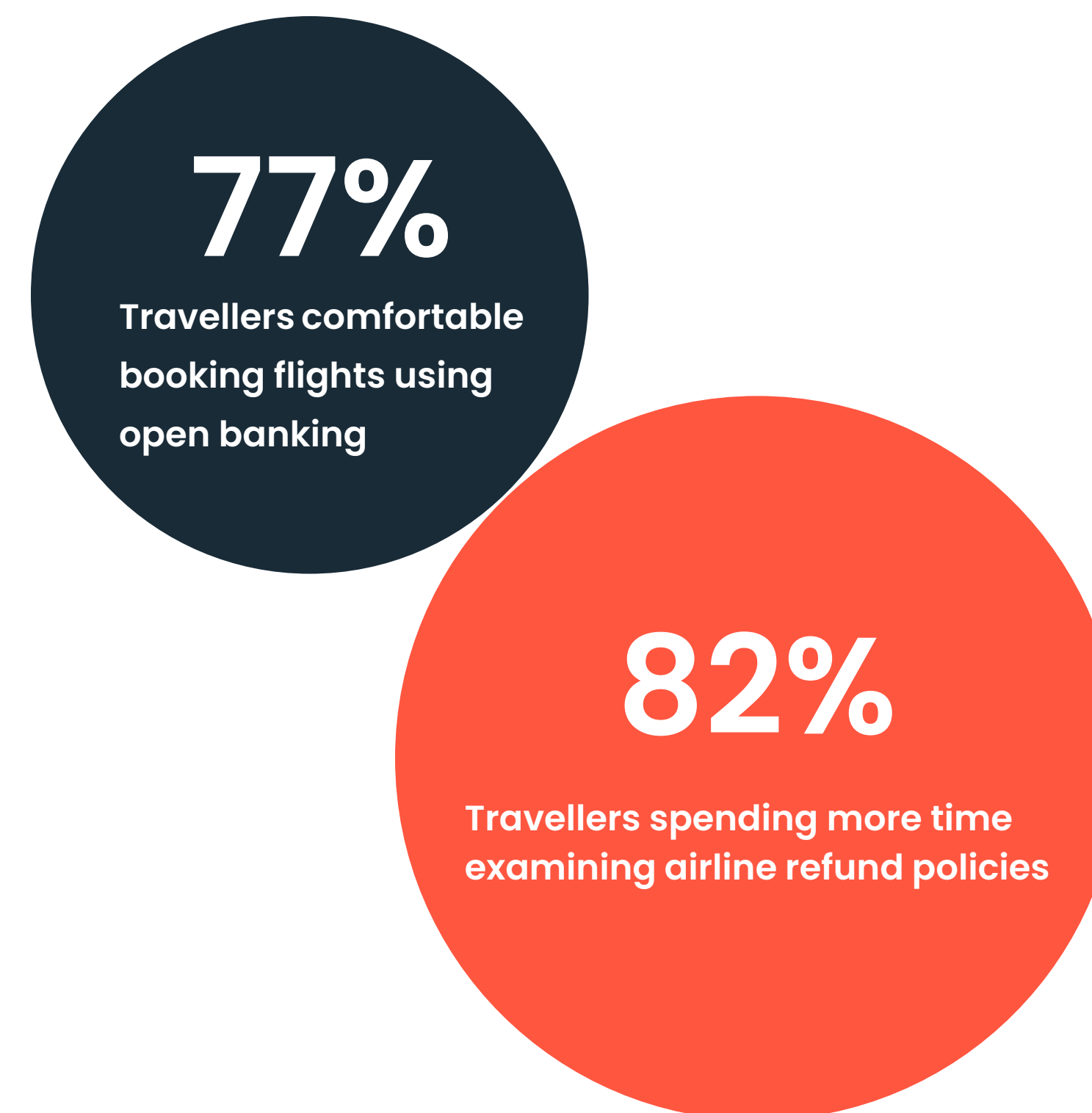
Transparency around refund turnaround times can help you win customer trust and secure custom by providing peace of mind.

For example, online card refunds can take up to five days to clear and even longer for digital wallets. For the average traveller, this isn't good enough. But by supporting emerging methods like open banking payments, you may be able to offer near-instant refunds.

Plus, the benefits of open banking are three-fold. Not only can you accelerate refunds, but payments are often much cheaper to process than traditional methods as they involve fewer intermediaries. Nor is this a niche solution. 77% of travellers say they are comfortable booking flights using open banking.

In the UK, a national "Delay Repay" scheme makes it easier for passengers to claim compensation for delayed train journeys. While scheme conditions vary across train companies, they all face rising pressure to provide frictionless compensation in response to any kind of delay. The airline industry is no different. By implementing such a system now, you can help set a new industry precedent and bolster customer interest.

But achieving all this requires implementing truly integrated and flexible payments, and that's not always easy.



The state of unchecked complexity in airline payments

In a simpler world, airlines would integrate into a single payment vendor system. This would manage all payments in a customer journey in one place, including local and international payment methods used for flights, hotels, travel, ancillaries, and more.

However, the reality is much more complex. Transactions must often go through multiple payment systems, with each feeding into a different payment or POS gateway before reaching the necessary acquirers, wallets, and BNPL and finance providers. And that's before we consider the interplay of fraud, dynamic currency conversion (DCC), and reconciliation platforms.

Ultimately, this web of platforms, systems and gateways makes introducing and scaling new payment methods difficult. This is especially the case if you want to accept direct payments in multiple geographic regions, which requires integration with various payment providers worldwide.

Tracking and reporting on payments is difficult amidst such a disconnected view of the payment ecosystem. This can even lead to undetected process errors that are too complex to reconcile, like incorrectly billed or flagged transactions that can cost millions in avoidable charges.

Untangling the web is a challenge, but the cost of inaction is even greater as travellers flock to competing vendors to get the experiences they want.



Solve the payments puzzle through orchestration

To help simplify your complex payments ecosystem and optimise conversion rates, you can implement a payment orchestration platform (POP).

Payment orchestration integrates and manages the end-to-end payment process in a single, automated platform. In practice, the best POP platforms use intelligent transaction routing to ensure every payment is automatically processed through the best channel for that client or customer.

POP platforms also make it easier to connect your ecommerce platforms with multiple global PSPs, gateways and other necessary systems – like fraud and DCC – to streamline operations.

Payment orchestration benefits and capabilities

The best POP platforms enable and deliver:

- **Simplified end-to-end payment management**
Control, manage and monitor the end-to-end payment journey from a single, secure platform.
- **Smarter transaction routing and flagging**
Define and automate cost-effective transaction routing to minimise false declines and maximise revenue.
- **Automated compliance with the latest regional regulations**
Ensure payments are always processed in compliance with the latest regional and global regulations.
- **Improved payment security and authentication**
Help minimise fraud and compromised payments with integrated fraud detection and prevention tools, including AI and ML-based authentication models.
- **Simple integration with the latest payment methods**
Support and manage the latest local and alternative payment methods with a single integration to improve scalability while optimising customer reach.
- **Increased conversion rates and user satisfaction**
Accept your global customers' preferred payment methods and apply smart routing to increase acceptance rates and improve the end-to-end customer experience.
- **Access to real-time data analytics and reporting**
Unlock valuable insights, identify new revenue opportunities and improve your services.



→ How to choose the right orchestration platform

There are two proven routes you can take to kickstart and implement a payment orchestration strategy.

The first option relies on an orchestration partner to consolidate all payment systems, gateways, and methods in a single platform. The second option requires you to build a dedicated POP platform yourself, which can be extremely expensive. Or you can mix the two approaches with a hybrid model, in which you handle all card transactions while delegating alternative payments to a third party or vice versa.

Before you choose a route, it's important to carefully weigh up the pros and cons by assessing your organisational requirements.

To help, we recommend asking the following questions of your business and any potential POP vendors:



Can the vendor support your payment partners?

Consider your existing relationships and those you have planned for the future. It's rare that any one platform supports everything.

Can the vendor support the complexity of the travel sector?

Level 2 card data is critical for processing airline payments but not all platforms may support it.

Do you need dedicated support for POS solutions?

If you support POS today or have future adoption plans, don't overlook capabilities like mobile POS and integrated self-service platforms.

What is the real cost of integration – financially and operationally?

Introducing orchestration may temporarily disrupt operational continuity, but the long-term benefits can be significant.

Is a single orchestrator or platform viable for your needs?

You may need to consider multiple solutions or a hybrid buy/build model.



Have you considered network token models?

Visa and Mastercard support network token models to improve interoperability and authorisation success, but many providers have yet to support this new standard.

Can the vendor support your existing fraud models?

Take the time to assess your existing vendor's capabilities, as some platforms may require you to change your vendor to unlock all advertised benefits.

How might you consider MCP, eDCC and DCC flows if needed?

Processing multiple currencies and foreign exchange rates may be too sophisticated to process for many retail payment platforms.

What might be the project's total cost of ownership?

Consider every expense – payments is a complex environment which can often hide costs.

Are you looking to consolidate your existing payment relationships or introduce new ones?

Assess whether your existing relationships can help you ease the transition to a payment orchestration and marketplace model.



Seize the marketplace opportunity

Marketplaces are nothing new in the travel industry. Major online travel agencies (OTAs) such as Expedia and Booking.com long ago found great success as early adopters of the model.

Travellers enjoy the convenience and ease of being able to search, arrange and pay for all parts of their journey from one place. To accommodate this, the marketplace collects the funds and manages the payment disbursement to the relevant vendors and merchants.

Many travel providers are building their own marketplaces to expand their brand partnerships, products and services worldwide. Get it right, and you can promote and take payments for hotel services, car hire and transfers, and parking services in the same place your customers book their flights.

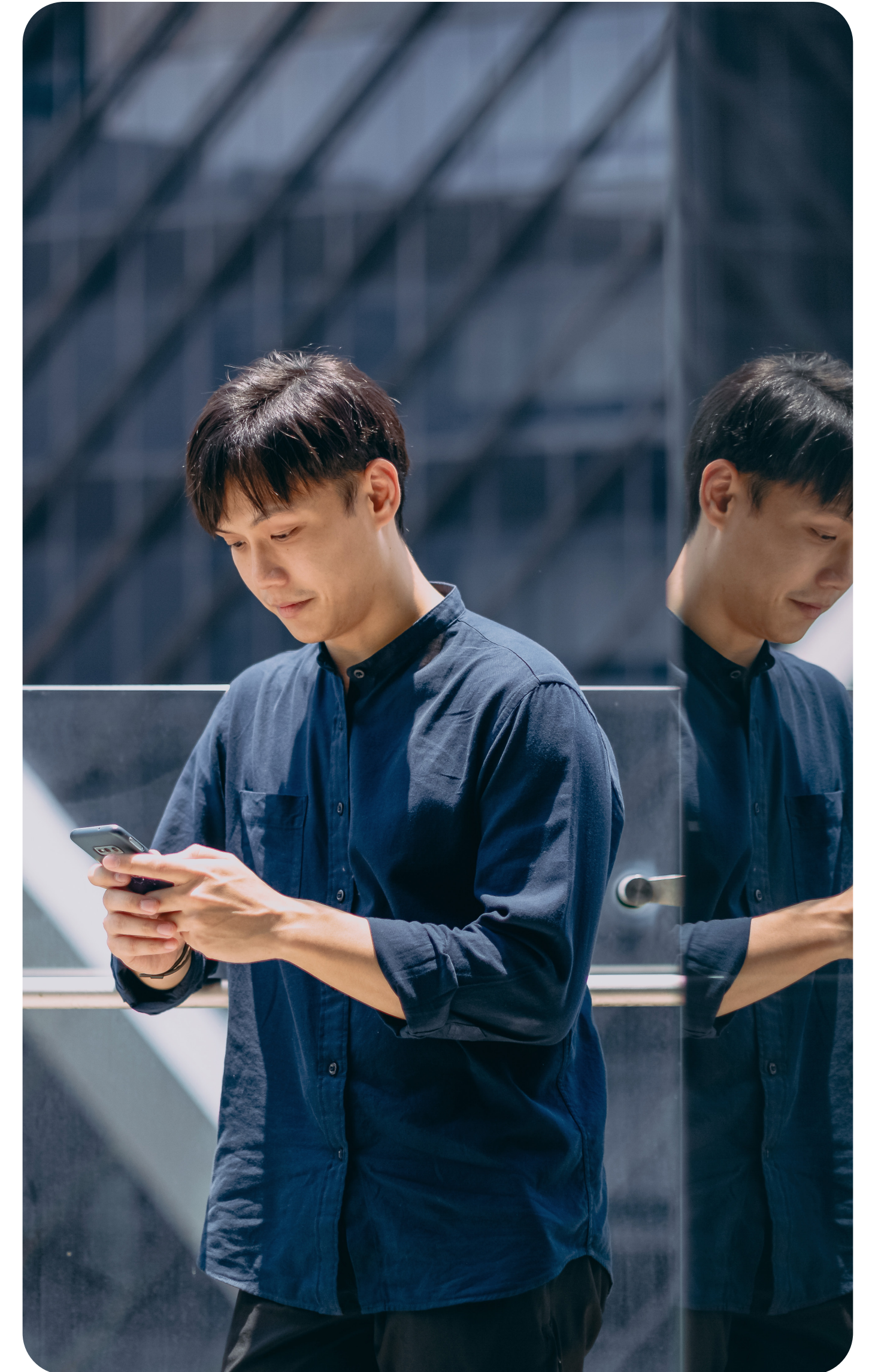
And with the right end-to-end payment partner and a modern payments platform, you can automate marketplace payments, regulatory compliance and vendor onboarding.

Marketplaces aren't only a goldmine of customer data – though that should be in no doubt. By turning their digital real estate into a one-stop-shop for passengers' booking needs, airlines can own a treasure trove of demographic and behavioural metrics. This circumvents the need to negotiate data sharing agreements with third-party OTAs.

By turning this data into actionable insights, you can optimise the customer experience and adapt your services to meet their shifting needs and expectations.

For example, you can use data on consumer spend and behavioural trends to offer highly personalised services and products – in the right place, at the right time. This includes ancillary services such as in-flight entertainment, trip insurance, membership clubs, co-branded credit cards, priority products and more.

Collecting customer data across the traveller journey lets you personalise promotional offers and reward consistent customers with loyalty programmes. But to make all this happen, you need a proven technology partner with experience helping organisations like yours to digitally transform, simplify payment ecosystems and unlock their data's potential.



→ Four steps to build the ultimate marketplace

1

Implement a scalable and global payment acceptance model. The good news is, if you have already addressed the challenges we identified around payment orchestration, you're ready to jump to the next step.

2

You can't collect and transfer money on behalf of other organisations without complying with regional regulations. To ensure compliance, you may want to work with a global payments partner that can process the funds for you.

3

You must be able to charge for your services to generate revenue from a marketplace model. Ideally, a proven technology partner can provide the necessary back-end infrastructure to make this happen.

4

Ensure you can send the money you collect to third-party service providers. This requires a complex network of pay-out partners that can get the funds to the right place, at the right time, every time.



There are many turnkey solutions available on the market that can help you kickstart a successful marketplace model. But be pragmatic and consider all required capabilities, as you may need to use a hybrid set of suppliers to account for all eventualities.



How Aer Lingus transformed its payment infrastructure

Irish airline Aer Lingus needed to update its payments system to keep pace with rising demand for digital payments and services across the end-to-end customer journey.

Endava helped the Irish flag carrier develop a bespoke Payments Hub to accept alternative payments – such as Apple Pay – and enable guests to pay with loyalty points. The Payments Hub also enabled frictionless in-app payments for flights and ancillary services to expand and simplify its ecommerce presence.

By integrating the Hub with its existing systems, Aer Lingus can now easily onboard new payment methods and service providers to help enhance the customer experience. It has also automated many of its back-office processes to improve accuracy and efficiency. This includes the processing of refunds and membership credits.



In this new digital environment, airlines must provide passengers with their preferred payment methods, such as Apple Pay, that work seamlessly on mobile devices.”

– **Vojin Rakonjac**, Endava



 **Watch the full story**

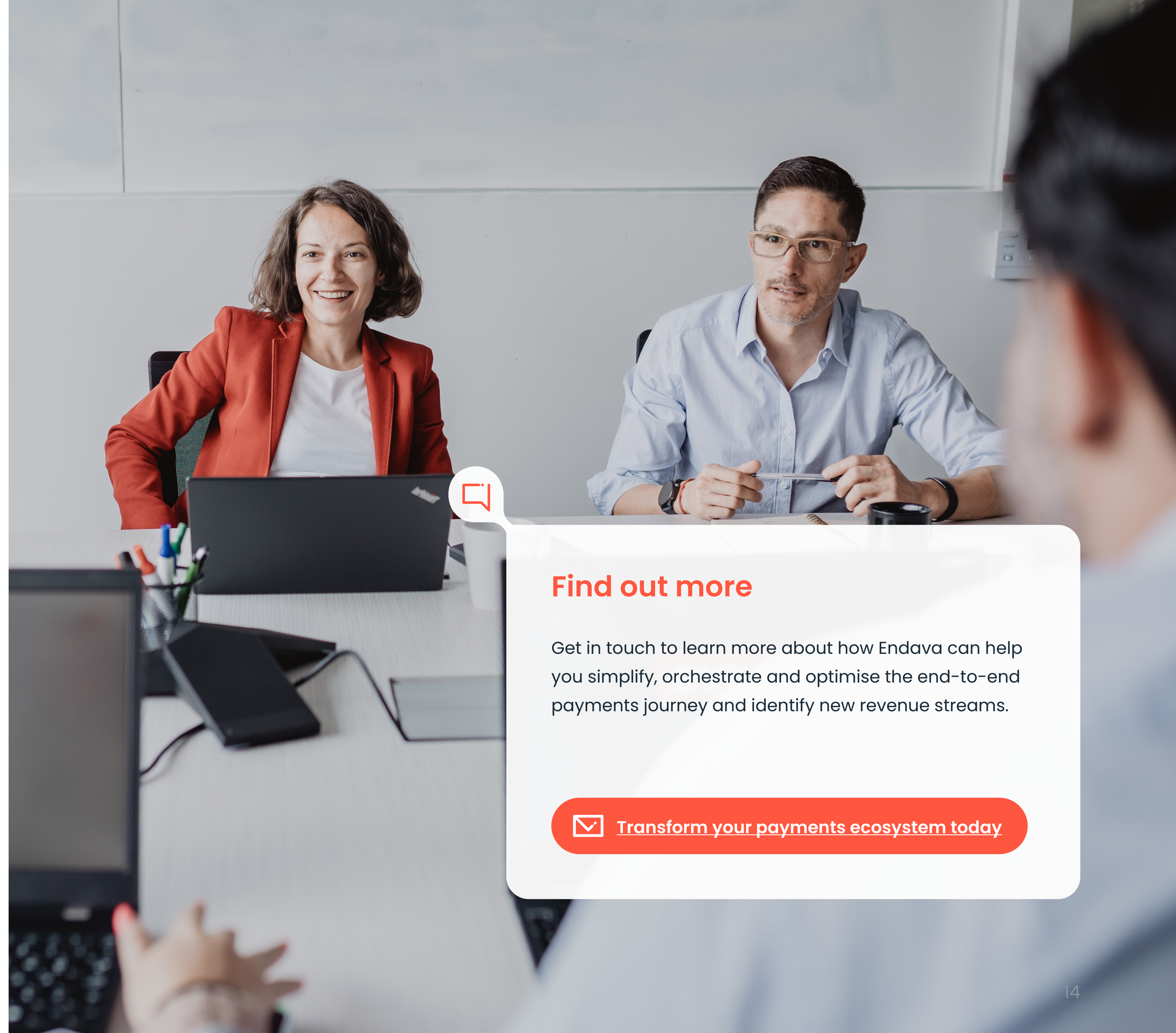


A trusted partner for **payments** **transformation**

Endava has over two decades of experience helping complex organisations modernise payments. Our expertise encompasses development, production and strategic support across the entire transformation journey.

Our close consultation process ensures that every solution fits clients' exact challenges and opportunities.

Together, we can transform your back-end infrastructure and orchestrate your payments ecosystem. We'll help you keep pace with market trends, integrate the latest local payment methods, create a branded marketplace and offer bespoke, personalised experiences to every customer across their whole journey.



Find out more

Get in touch to learn more about how Endava can help you simplify, orchestrate and optimise the end-to-end payments journey and identify new revenue streams.

 [Transform your payments ecosystem today](#)

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