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# How the COVID-19 crisis is accelerating transformation of travel payments

By Mitra Sorrells (/Mitra-Sorrells) | May 21, 2021

As the travel industry recovers from the COVID-19 crisis, signs are emerging that the business of payments – both for businesses and consumers – is changing rapidly.

"COVID-19 has accelerated the rate of innovation within the payments space to quickly form the 'next normal,' requiring payment firms to be digital masters almost overnight," says Anirban Bose, CEO of Capgemini's Financial Services and group executive board member.

For B2B payments, **a new study from Amadeus (<https://amadeus.com/en/insights/research-report/accelerating-the-virtual-road-to-recovery>)** finds trends that were emerging pre-pandemic -

especially related to the adoption of alternative payment methods - are quickening across all sectors as travel companies prioritize profitability as they recover.

Research conducted by Coleman Parks on behalf of Amadeus during the first quarter of this year finds that “improving profit margins” is the biggest pressure cited by travel agents (74%), international airlines (70%) and hotel chains (60%) – compared with just half that indicated that as the primary factor pre-COVID.

This prioritization of profit is clearly related to the challenges suppliers faced related to the unprecedented volume of refunds they had to process during the last year, which impacted their bottom lines in multiple ways.

According to the report, 93% of respondents had to increase staffing to deal with higher refund volumes.

Since the early 2000s, **virtual cards have been gaining traction** (<https://www.phocuswire.com/Payments-month-part-3-virtual-cards>) as a payment option that simplifies and speeds up reconciliation and minimizes risk.

“There is a clear correlation between payment method, manual resources required and ultimately, costs. In fact, virtual cards have been shown to significantly reduce reconciliation processes. One reason for this is that, unlike bank transfers which require manual reconciliation, virtual cards can link the passenger number (PNR) to a one-time pass code allowing refunds to be tracked automatically across the ecosystem,” says the Amadeus report.

While respondents acknowledge many benefits to virtual card payments, only 60% say they are using them. But Amadeus’ head of payer services, Damian Alonso, expects that number to increase.

“As the pressures of the pandemic continue, the travel industry is accelerating the switch to digital B2B payments. This means that agents don’t need to lock up funds as a guarantee in traditional industry settlement schemes, and providers get paid in near real-time, securing vital cashflow,” Alonso says.

“It’s true that some merchants historically questioned the acceptance of virtual cards due to a perception of higher costs but those days are coming to an end as the pandemic has highlighted the tangible efficiency gains of being paid digitally.”

In fact the research found a clear correlation between virtual cards and reconciliation due to COVID. Only 20% of agencies that pay suppliers with virtual cards said they had to hire extra staff to deal with refunds and chargebacks, but 80% of those not using virtual cards did have to add staff for this purpose.

## Traveler payments

The pandemic has also accelerated alternative payment options for consumers. Capgemini's survey for its **World Payments Report 2020** (<https://worldpaymentsreport.com/>) found 41% of respondents who said they often use cash have tried a contactless card during the pandemic. Additionally, of survey participants who often use a card, 35% have tried a digital wallet and 27% have tried QR code-based payments.



*As the pressures of the pandemic continue, the travel industry is accelerating the switch to digital B2B payments.*

Damian Alonso - Amadeus

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These trends reflect the rise of interest in all things "**contactless** (<https://www.phocuswire.com/Touchless-Tech>)" during the past year.

Recent research from Guestline finds 20% of its hoteliers in the United Kingdom and Ireland say contactless payment solutions are the technology that received the greatest share of their investment budget in 2020 and more than a third (38%) say they plan to make investments in contactless payment technology this year.

On Monday, Guestline released an upgrade to its online check-in solution GuestStay to include payments and checkout.

"The last 12 months have necessitated the need for smarter and safer guest experiences. One of the lasting legacies of the pandemic will no doubt be the development of new technologies and platforms to achieve this, which are set to pave the way for recovery as hoteliers finally prepare to re-open and welcome guests back," says Andrew Metcalfe, chief technical officer at Guestline.

"Certainly the contactless experience, whether that be check-in, checkout or payments, has been one of the defining developments of the past year. It is encouraging to see that both hoteliers and their guests recognize the benefits that this technology offers and have been keen to adopt it."

Along with new payment methods, the pandemic is accelerating payment plans options - which give consumers greater flexibility when booking big-ticket items such as airfare.

Earlier this month **Fly Now Pay Later raised \$14 million in Series A funding** (<https://www.phocuswire.com/Fly-Now-Pay-Later-adds-10M-to-Series-A>) to grow its operations in the United Kingdom and Germany and to launch in the United States.

Uplift is also seeing traction, **announcing a \$68 million credit line** (<https://www.phocuswire.com/Uplift-secures-68M-credit-line>) in January and a partnership with Southwest Airlines in April.

And in reporting its fiscal 2021 third quarter financial results earlier this month, flexible payment provider Affirm says it is seeing growth in gross merchandise volume accelerate in certain categories including "travel and ticketing." Affirm says GMV for that category grew by more than 50% year-over-year and nearly tripled compared to the second quarter of fiscal 2021.

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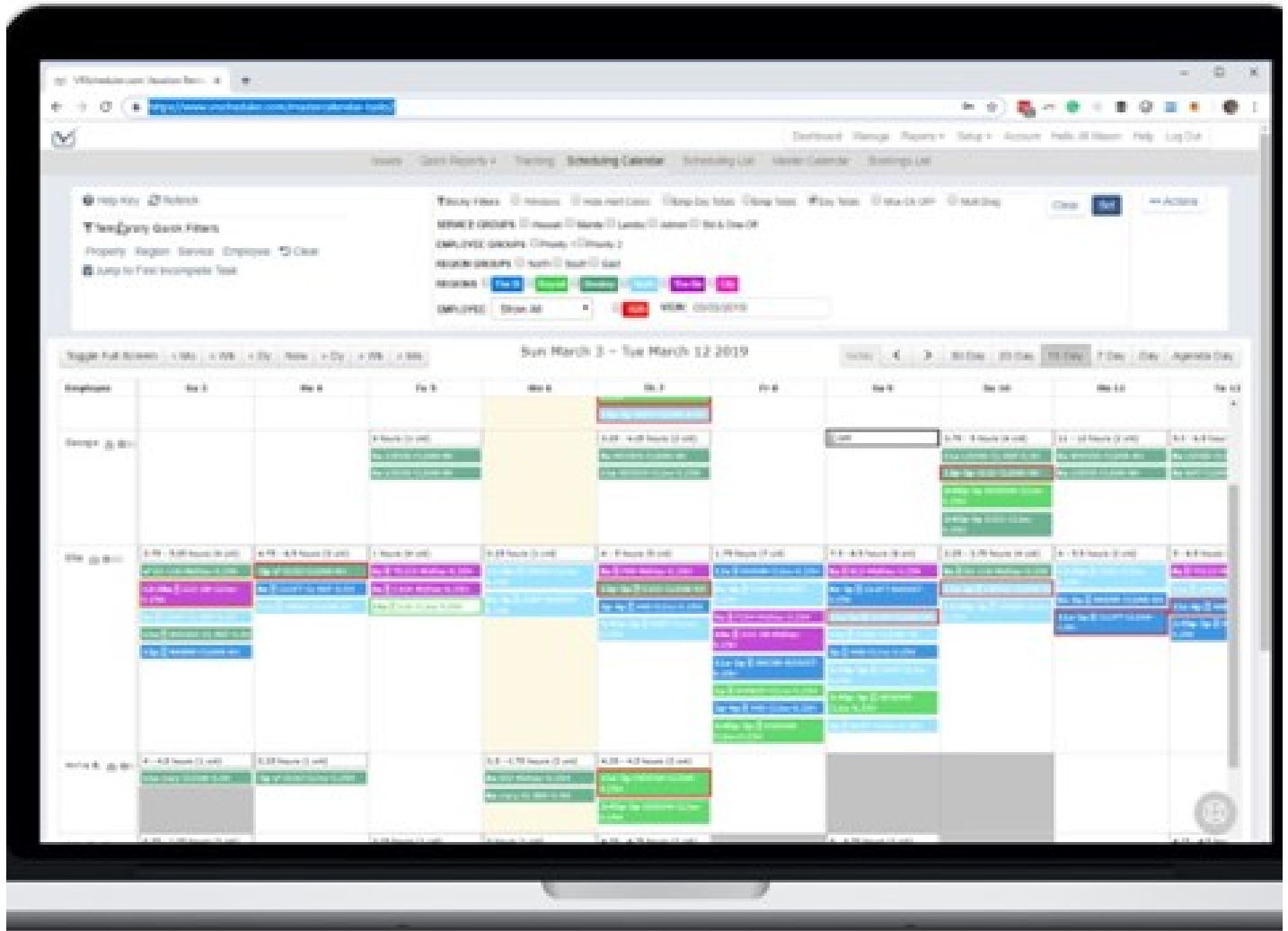
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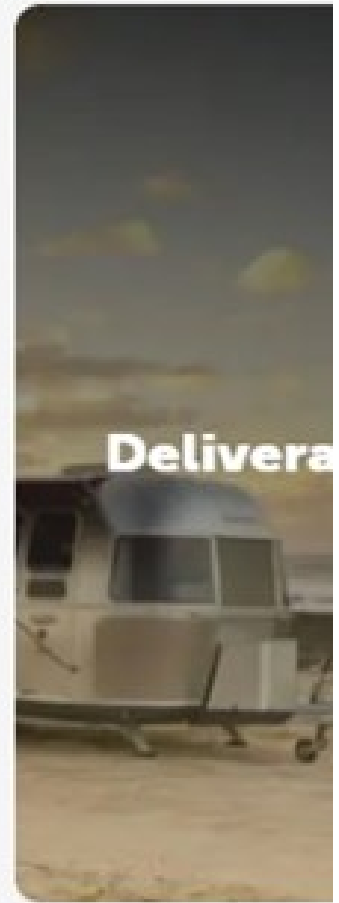
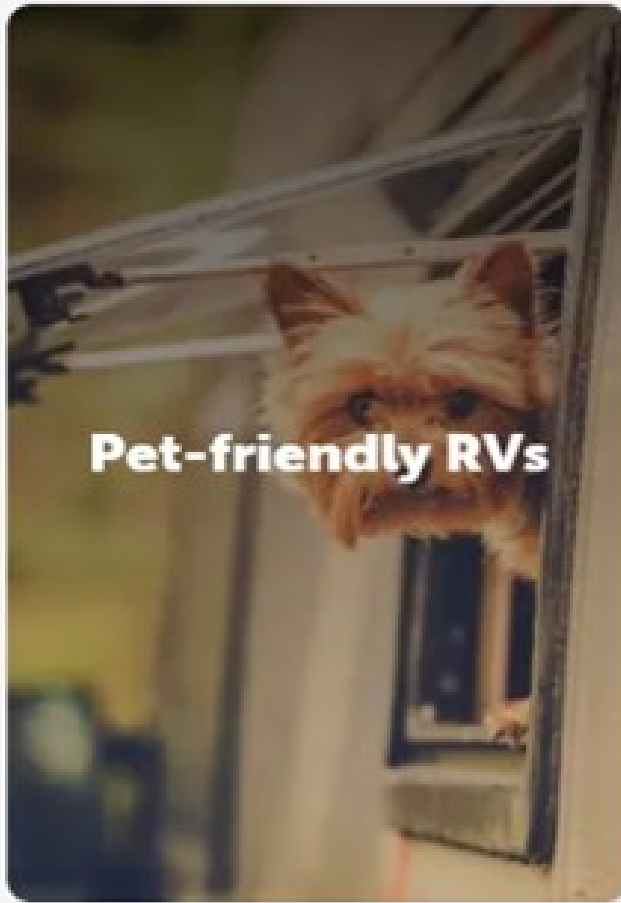
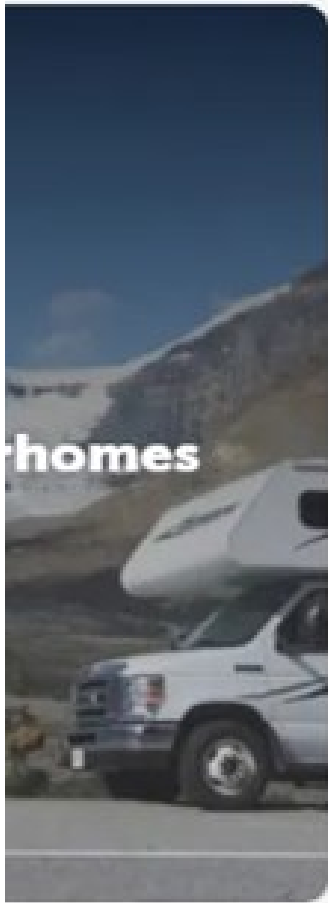
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