Modulr

Unlocking tomorrow's leisure travel market

Why OTAs need to rethink supplier payments to grow.

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Evolving traveller expectations: the growth opportunity for OTAs

Consumers are spending more on leisure travel, even as they limit spending in other areas. And it's not expected to abate any time soon: Boston Consulting Group forecasts that globally the market will triple from $5 trillion in 2024 to $15 trillion by 2040[1].

But this positive outlook comes at a time that the travel industry is experiencing a paradigm shift. As artificial intelligence becomes embedded in the day-to-day lives of people around the world, many are turning to it to help them find better deals and curate trips: a Booking.com survey published in July 2025 showed that 67% of travellers have already used AI when going on a trip.[2]

According to the online travel giant 66% of travellers are using AI to "make informed decisions and find authentic experiences", and 41% are interested in using AI to "curate trips, opening the door to itineraries that encourage deeper, more positive connections".[3]

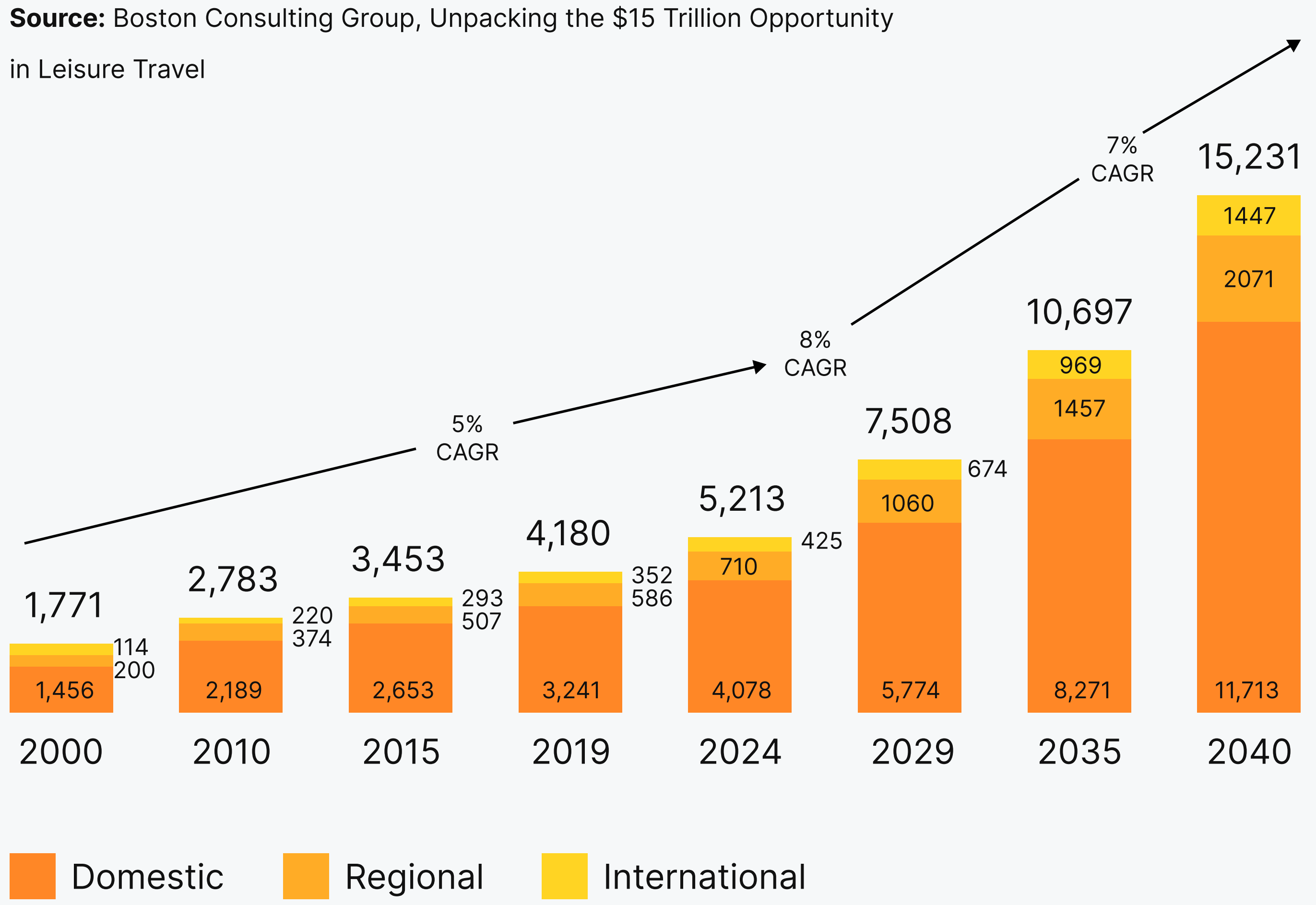
The change in how people research and book leisure travel is leading to more sophisticated traveller expectations, and actual data from travel businesses and online platforms shows that this is already affecting the market.

A 2025 report by the travel operating platform WeTravel shows that 43% of travel businesses are getting more requests from travellers that want to customise their trips.[4]

And in their 2025 Travel Trends Report Viator, a marketplace for travel experiences, notes that "travellers want more personal, immersive experiences … that offer a deeper dive into a destination's unique traditions, history and local life."

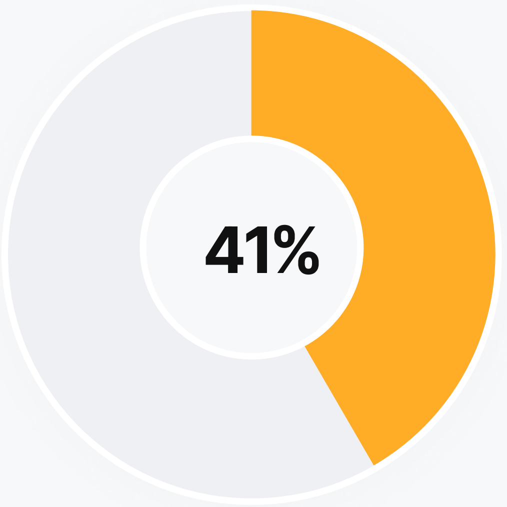
Leisure travel spending ($billions)

Source: Boston Consulting Group, Unpacking the $15 Trillion Opportunity in Leisure Travel



Travellers want to use AI to curate itineraries

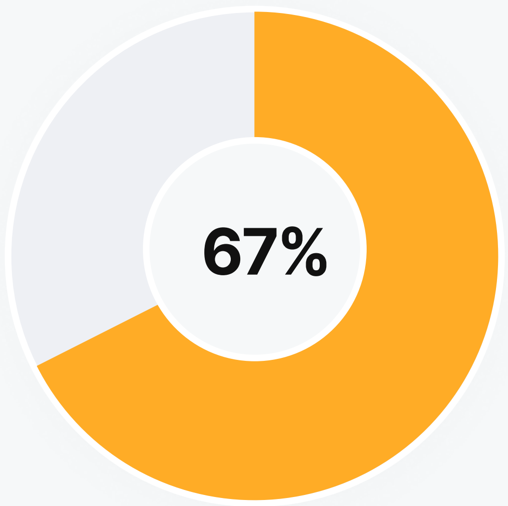
Nearly half of travellers that are interested in using AI to curate their itineraries



Source: *Booking.com, Defying convention to deepen connections: Booking.com's nine predictions for travel in 2025.*

The majority of leisure travellers are already using AI

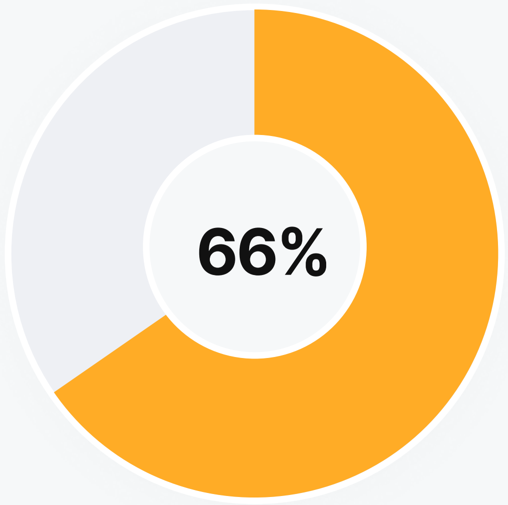
Two-thirds of travellers that have used AI when going on a trip



Source: *Booking.com, The Global AI Sentiment Report*

Travellers are turning to AI to learn about destinations and find authentic experiences

Two-thirds of travellers using AI to make informed decisions about their trip and find authentic experiences

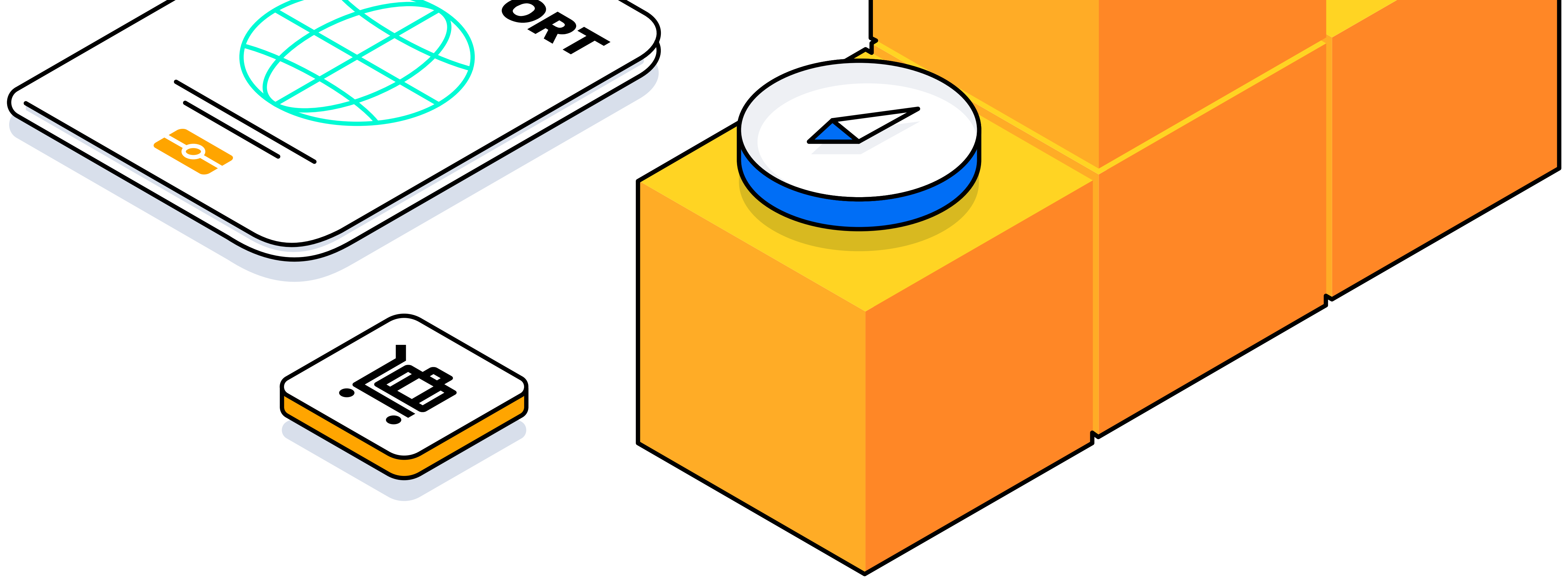


Source: *Booking.com, Defying convention to deepen connections: Booking.com's nine predictions for travel in 2025.*

43% of travel businesses say they're getting more requests for custom itineraries

Source: *WeTravel, Travel Trends Report 2025*

You need to adapt to capture demand



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For online travel agencies (OTAs) this represents both an opportunity and a challenge. Consumers are showing they're willing to spend on travel, but their expectations are increasingly sophisticated.

Travellers are seeking more tailored experiences, whether that's a private cooking class in a Tuscan farmhouse, eco-friendly boutique lodges, wellness retreats with specific dietary options or the ability to take their animal companion with them.

And to capture that demand, you need to expand the supplier base that you're working with to offer your customers broader and deeper options when booking through you.

You'll need to

Expand supplier diversity: Go beyond major hotel chains and airlines to include niche, local and specialist providers.

Onboard at speed: Contract, verify and activate new suppliers quickly, even those without sophisticated booking systems.

Offer flexible payment options: Support multiple currencies, payment terms and payout methods that suit different suppliers.

Handle complexity in real time: Manage varied booking terms, cancellations and add-ons without creating operational bottlenecks.

But can your supplier payments keep up?

If you have a merchant-of-record business model, increasing your product offering is complicated by the need to pay suppliers in different countries, with different expectations of payments terms, preferred methods of payments and levels of technological sophistication.

Despite the huge amount of money flowing through the travel industry, OTAs still operate on payment infrastructure that wasn't designed with the complexities of modern travel selling in mind.

Currently, most OTAs pay their suppliers through a patchwork of banks and separate payment service providers (PSPs) that help facilitate payments via different methods and into different countries. Reconciling a single booking means pulling data from multiple platforms, in multiple formats and working with different reporting cadences. All too often, manual work is a core part of this process.

Your ability to meet future demand is dependent on your ability to work with an increasing selection of suppliers, from independent hotels to tour operators providing bucket list experiences. But adding and scaling with new partners can be difficult due to the inherent complexity of how travel supplier payments work today.

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The payments challenge
Why supplier payments are holding OTAs back

Imagine a traveller books a trip consisting of two flights, serviced by two different carriers, a shuttle transfer and a hotel stay.

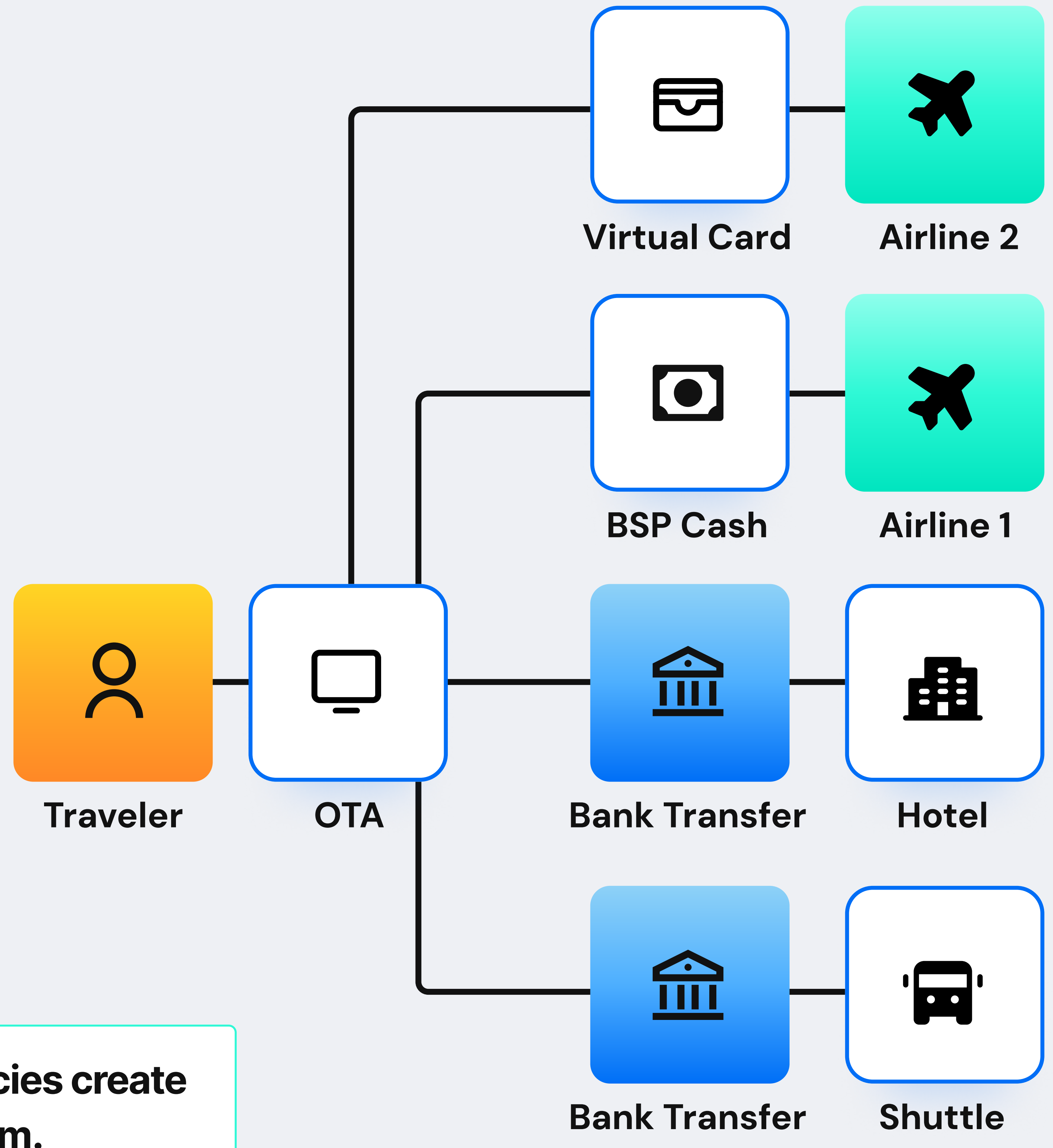
The traveller only makes one payment to the OTA, but the OTA needs to pay four different suppliers. And those four suppliers all need payment through different methods: the airline running the first flight is a full-service carrier and wants payment through IATA BSP, the second is a low-cost carrier and needs to be paid with a virtual card. The shuttle service needs to be paid via bank transfer and the hotel room also needs to be secured with a virtual card.

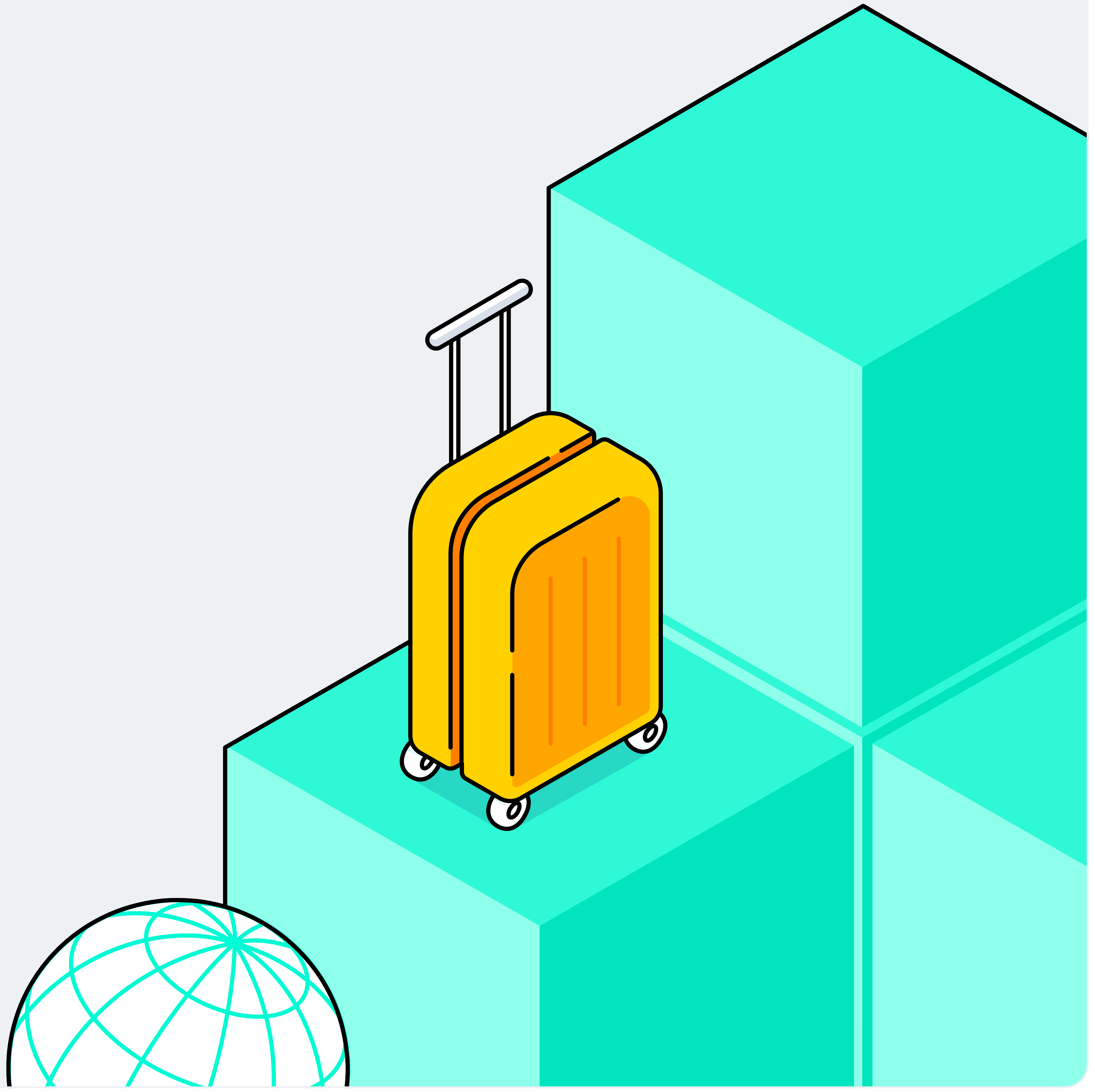
There is a difference between hotel and airline payments, in that airlines need immediate payment and hotels often want to secure it but only need payment later on.

All these payments need to be executed at different times and be reconciled back to the original booking.

As an OTA, you don't just work with multiple banks and PSPs, you often need several providers doing the same job in different regions. Over time, this patchwork of systems creates complexity, manual work and inefficiencies that slow your team down.

This ebook highlights four common ways these built-in inefficiencies create barriers that hold back OTA growth and what you can do to fix them.





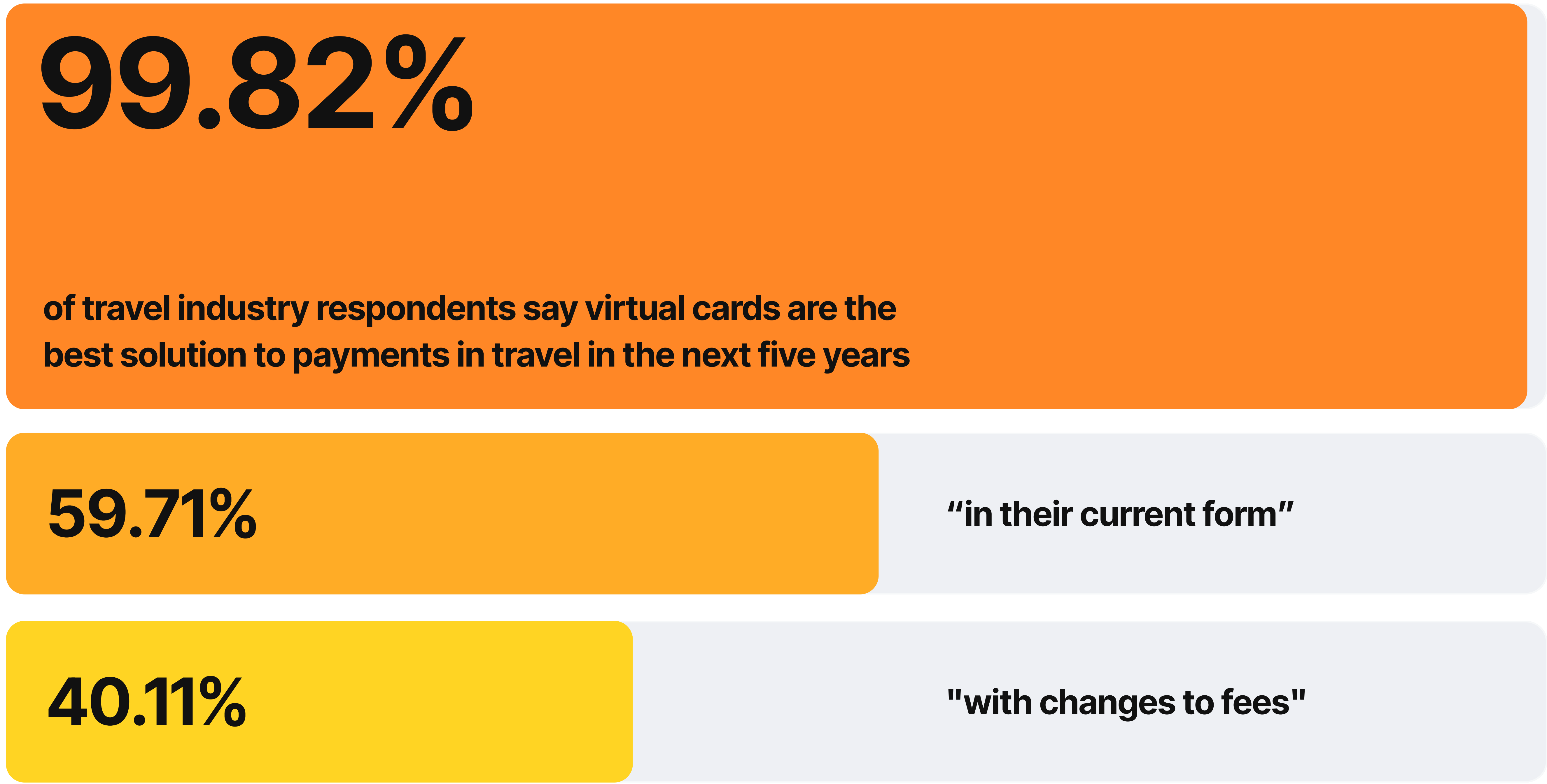
Barrier 1: Virtual card adoption is rising, but acceptance isn't universal

Virtual cards are increasingly popular with OTAs for paying suppliers. They simplify reconciliation for multi-component bookings and can generate interchange revenue on every transaction.

But supplier acceptance isn’t universal. The majority of OTA supplier spend goes towards paying hotels and airlines, but both have hurdles to virtual card acceptance.

Nearly 60% of industry respondents in a recent Modulr survey see virtual cards as the best payment solution for travel in the next five years, and another 40% agree if fees are reduced.

Travel intermediaries agree virtual cards are the best solution



Source: *Modulr, The hidden Costs in Travel Payments*

Turbulence in virtual card acceptance

Why hotels struggle with virtual card acceptance

Hotels are the biggest source of friction when it comes to virtual card acceptance. Much of it stems from industry processes and outdated systems, and the problem is often more pronounced with smaller or independent hotels. Unlike large chains, they typically lack the budget to invest in newer technology that would make accepting virtual cards easier.

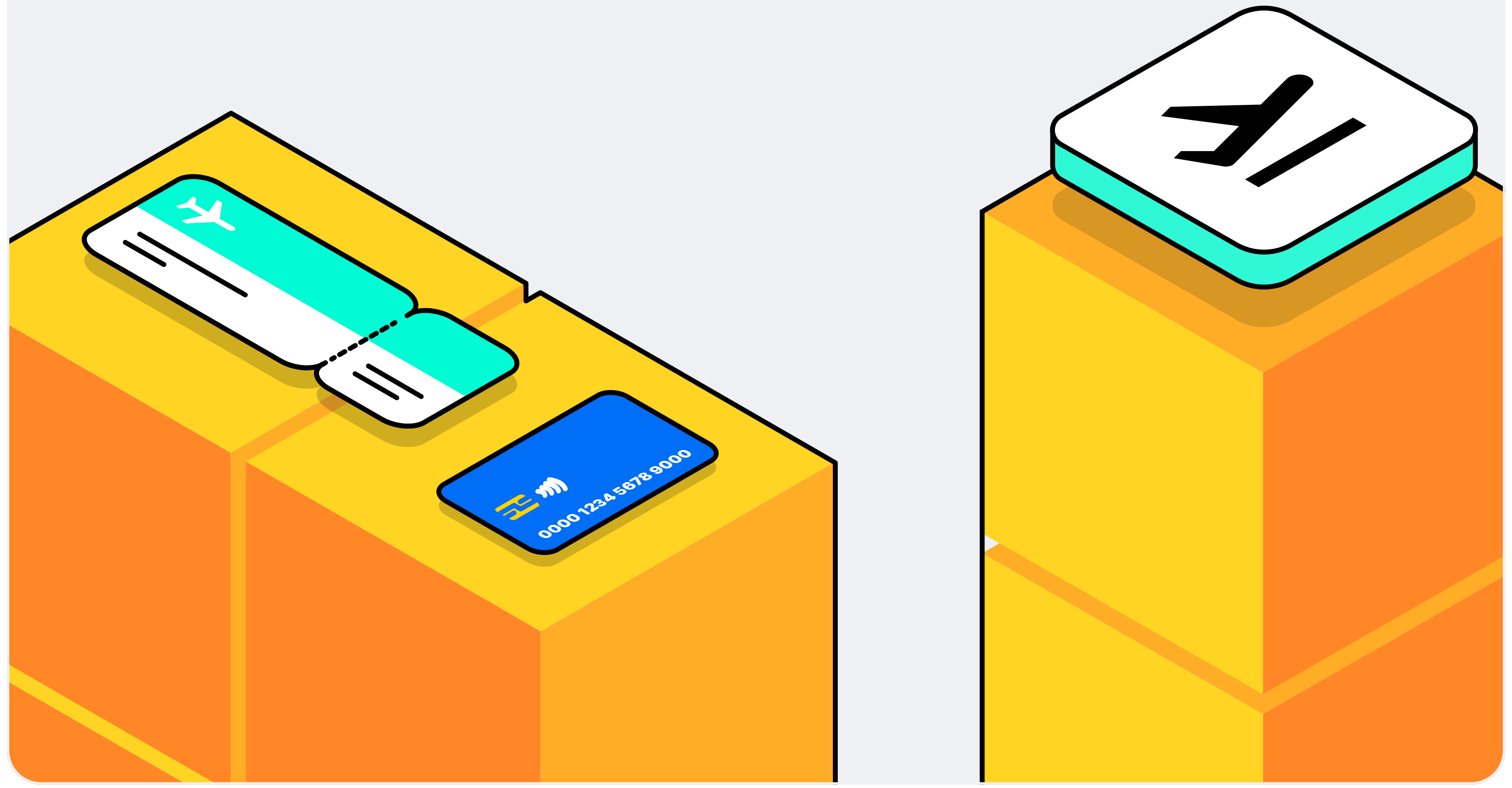
Barriers to acceptance include:

- **Front desk uncertainty:** High staff turnover leaves staff unfamiliar with virtual card processes and instructions on their use go unnoticed, leading to failed payments and problems for customers at check-in or check-out.
- **Outdated systems:** Legacy property management systems (PMS) and Point-of-Sale (POS) platforms can't always process virtual cards efficiently; with ~3% still sent by fax. This outdated practice increases risk of errors.
- **Incidental holds:** Virtual cards usually cover room and tax only, leaving no allowance for deposits. Guests are then asked for a personal card, creating a confusing two-card process.

Understanding airline resistance to virtual cards

Unlike hotels, the main barrier to virtual card acceptance among airlines is not operational but financial. With airlines, virtual card acceptance is largely a binary outcome based on the carrier's commercial policy and the cost they're willing to accept for a given distribution channel, booking, route, ticket class or even time of year.

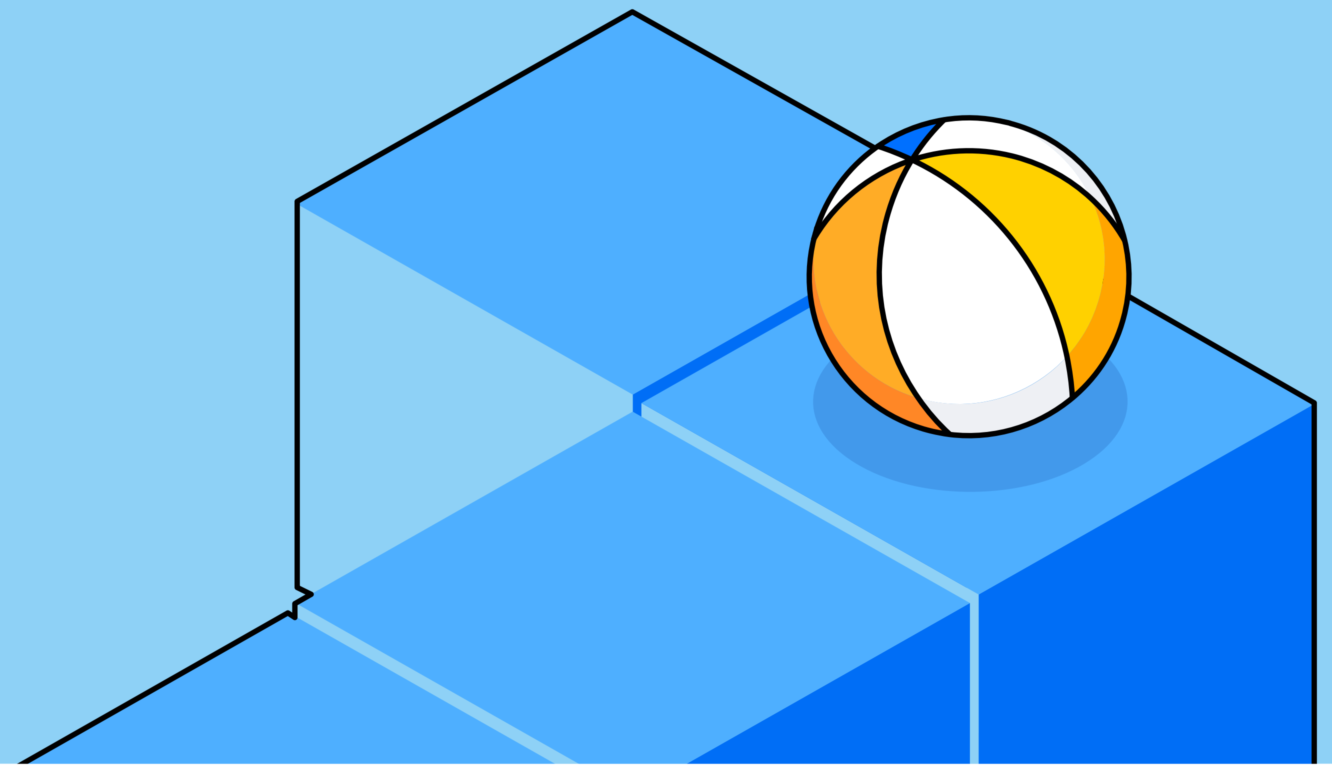
This can often result in blocking or surcharging to offset higher costs of virtual card payments, creating significant operational hurdles for OTAs.



The price of low virtual card acceptance

As an OTA, you can't meet rising demand for tailored travel if you're unable to pay both global hotel chains and independent hotels in a scalable way. Without flexible payment options and reliable card delivery mechanisms that make applying card payments straightforward you risk losing access to the niche suppliers and market share in the growing demand for personalised travel.

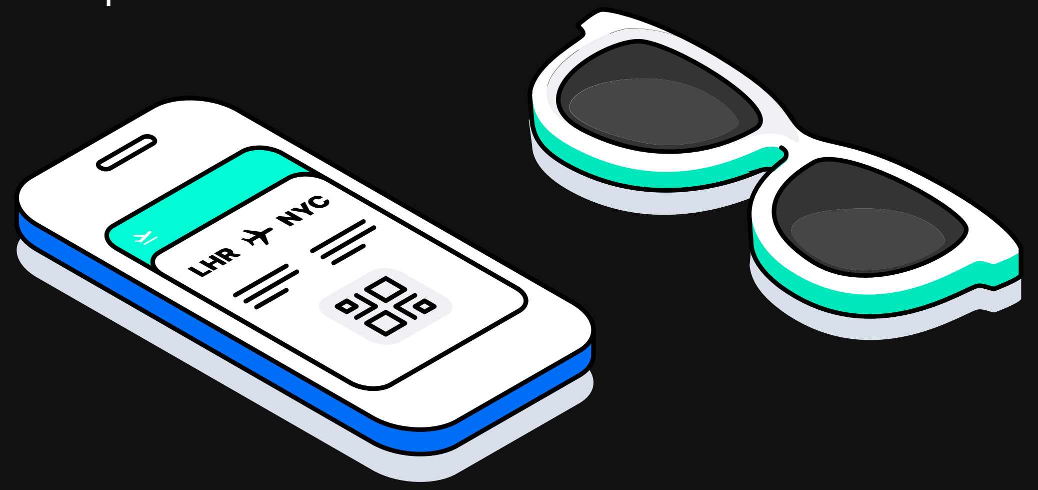
Airlines pose a different challenge. Every declined payment forces a rebooking, often at a higher fare. You can pass that cost to the traveller, hurting the customer experience and long-term loyalty, or absorb it yourself, further squeezing already thin margins. Neither choice is sustainable and finding solutions that increase acceptance in a reliable and predictable way is paramount.



Increasing virtual card acceptance with key suppliers

As travellers demand more personalised trips, you need access to a wider mix of suppliers, including boutique hotels, niche experience providers and regional airlines. But without the ability to pay them reliably, that growth opportunity slips away.

Raising your virtual card acceptance rates and supporting account-to-account payments is essential. It means you can work with more suppliers, protect margins, and deliver the seamless booking experience customers expect.



Develop solutions for hotels that can't accept virtual cards

If a hotel is reluctant to accept virtual cards, OTAs can still ensure smooth supplier relationships by offering alternative payment methods that suit the hotel's operational needs.

Bank transfers and instant payouts through local rails are often the most effective substitutes, giving hotels the reassurance of funds directly deposited into their accounts without the fees associated with accepting virtual card payments.

For the foreseeable future, OTAs will likely have to adopt hybrid models that combine virtual cards for properties that prefer them with account-to-account methods for those that don't.

You can achieve a hybrid model, without increasing the amount of manual reconciliation that your finance team must do, by working with a PSP that doesn't just issue virtual cards, but also the account that the cards are attached to. That allows you to use one provider for all your accommodation suppliers, simplifying reporting and reconciliation.

Increasing acceptance with airlines

The choice of card product is central to airline acceptance due to the variable cost of accepting them.

The costs of card products are determined by:

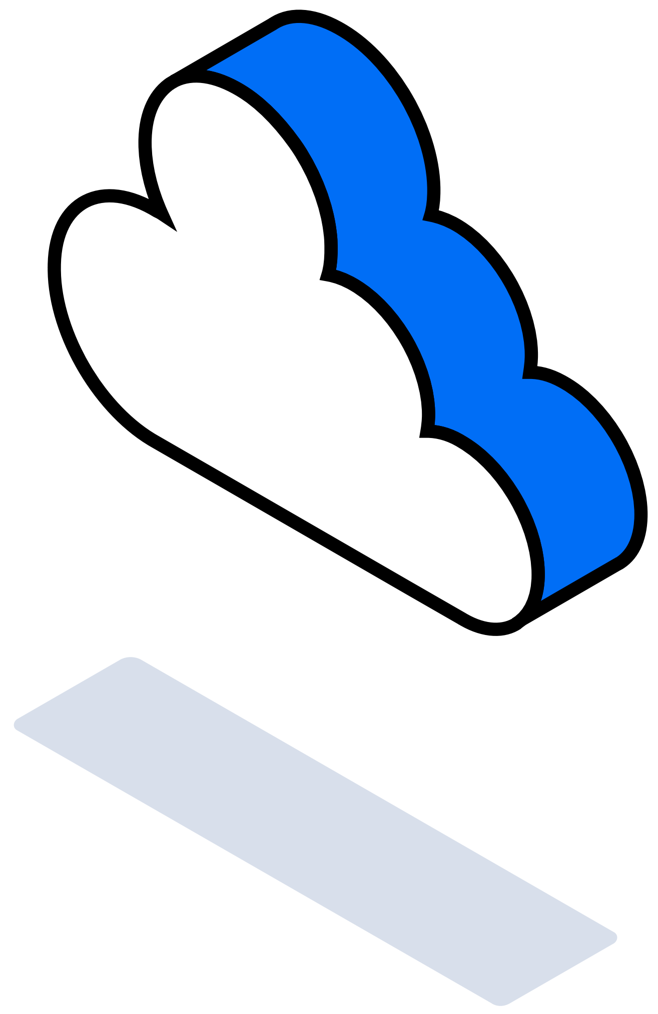
- The network it operates on (Visa or Mastercard)
- The type of card product used: travel, procurement, corporate or business which determines the interchange fees

There's no one-size-fits-all strategy for airline virtual card acceptance. A card that has a high acceptance rate with a low-cost carrier might suffer from high decline rates with a full-service airline.

By ensuring that you have access to a broad range of products, the ability to use alternative cards when a transaction is declined and the mechanisms in place to capture acceptance and decline rates for different airlines you can systematically optimise virtual card acceptance.

But often these capabilities are not built into payment service providers' product offering and require manual work or expensive workarounds on your part.

Barrier 2: Prepaid cards lock up working capital



Prepaid virtual cards, which require a balance to be loaded onto a card before it can be authorised, were one of the first travel-focused payment tools to come to the market. Because of the increased security they provide against overcharging by suppliers, they're still widely used by OTAs today.

But while online travel has surged, prepaid cards haven't kept pace. Innovation has stalled and the hidden cost to your business is bigger than you might think.

When transactions are authorised against the balance on a prepaid card, three problems hit your bottom line:

Cash locked up on every card, often for extended periods

For large OTAs, pre-funding requirements can run into millions held idle at any one time. That's money you can't use for urgent supplier payments, marketing or developing new platform capabilities.

This is a common issue if you're making large volumes of payments to hotels, where cards are usually pre-funded near check-in or check-out.

Failed bookings because the pre-funded amount was too low

Insufficient funds is one of the most common reasons OTA card payments fail, and with a solution that requires you to correctly forecast what level of funding your cards are going to need, you're bound to see a higher rate of failed authorisations, especially in hotel payments where the final amount due can fluctuate.

Extra work to recover leftover balances

Once a supplier has been paid, there's often a small balance left over on each card. Each balance needs to be moved (or swept) through periodic (once a week or month) process or manually, adding hours of low-value finance work every week and delaying the use of those funds elsewhere.

How much cash is potentially being locked up every week on prepaid cards?

Cards funded per day	Average Transaction Value	Amount on card, assuming overfunding of 2%	Total amount of cash flow locked up over a three-day period
500	€400	€408	€612,000
1,000	€400	€408	€1,224,000
18,000	€400	€408	€22,032,000

Cards that require pre-funding don't just slow your cash flow, they stop you from deploying capital into developing new capabilities and onboarding new suppliers, delaying innovation that will allow you to meet changing consumer demand.

1 in 4

OTAs experience cash flow inefficiencies due to inefficient payments.

Source: *Modulr, The Hidden Costs in Travel Payments*

Alternative solution: How account-funded virtual cards work for OTAs

Prepaid cards are still popular in travel payments, but they're not the only option. By working with a PSP that issues both the account and the card, you can remove the drag on your liquidity caused by pre-funding each card individually.

With an account-funded model, cards are linked directly to an account in your business's name:

- **No pre-funding of individual cards:** Cards are created at the time of booking, either as single or multi-use with specific spend limits and are authorised against your central account balance. Funds on your account are reserved at time of authorisation and reduced at card settlement, and only for the exact amount. That means no cash tied up in advance, and less risk of a booking failing due to low funds.
- **No leftover balances:** Because you're not loading money onto individual cards, there's no need to manually sweep unused funds back. Your team spends less time on admin and more on higher-value work.
- **The result:** better liquidity, fewer declines, and a simpler, more efficient payment process.

*The table on the top left is based on virtual card spend with hotels. We assume an average booking value of €400, with an average overfunding amount per card of 2% and an average pre-funding period of 3 days.

Barrier 3: Your business works 24/7, but PSPs only work 9-5

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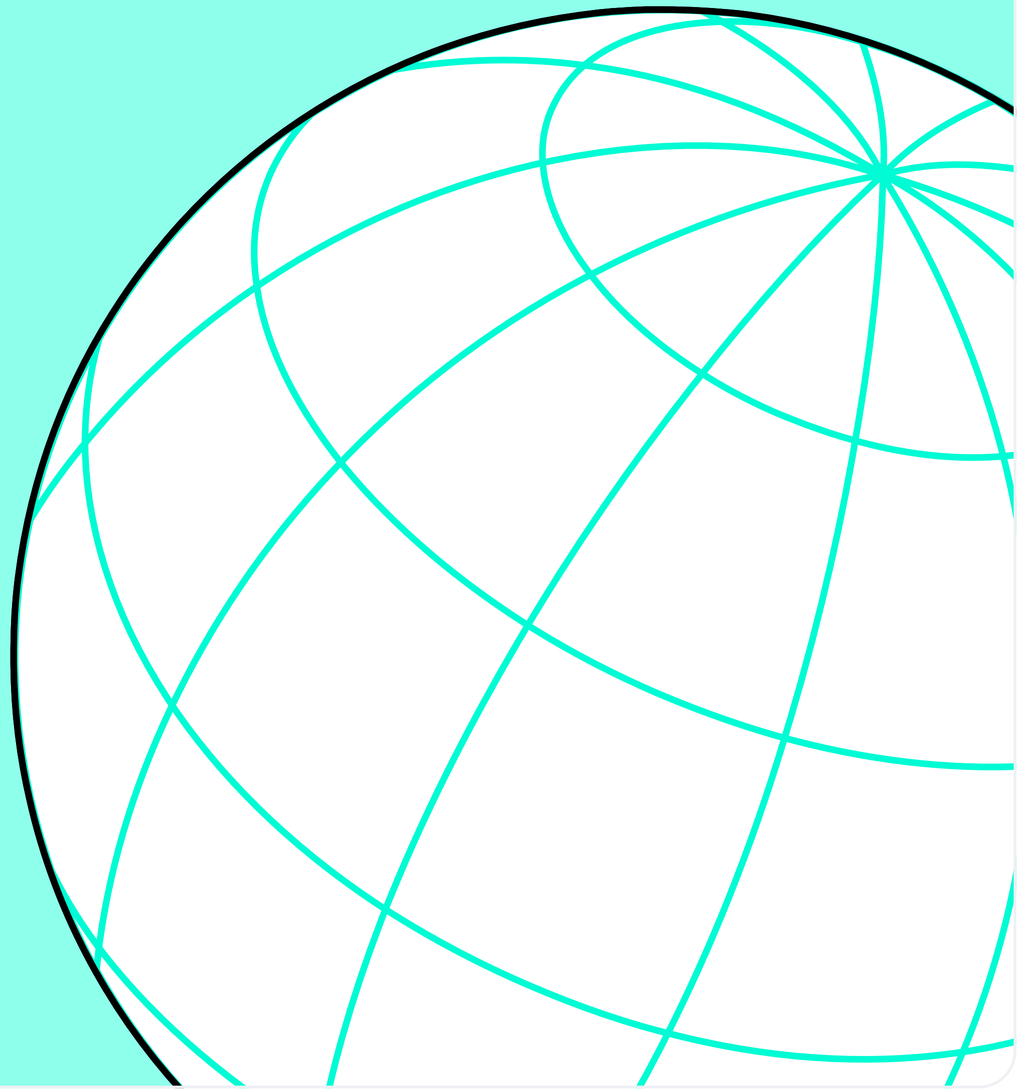
OTA supplier payments are complex. You're paying different suppliers, in different countries, using different methods and on different schedules.

Not only does doing that involve working with different PSPs to handle different pay-out methods, but you often need to work with multiple providers that do the same thing for different geographies.

On the surface, these providers may look the same. But behind the scenes, they can work in very different ways. Many rely on third-party banks to hold and move your funds, adding extra steps and more points of failure.

Here's how the problem plays out:

Your virtual card issuer uses a third-party bank for the account linked to your cards. You transfer money into that account (held in the issuer's name), the issuer updates their ledger to show your available balance, and those funds are used to pay suppliers.

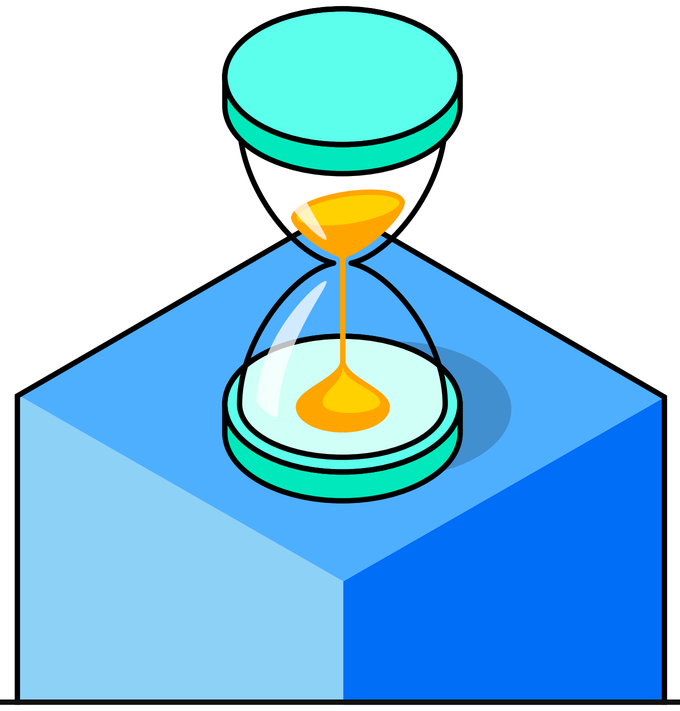


But...

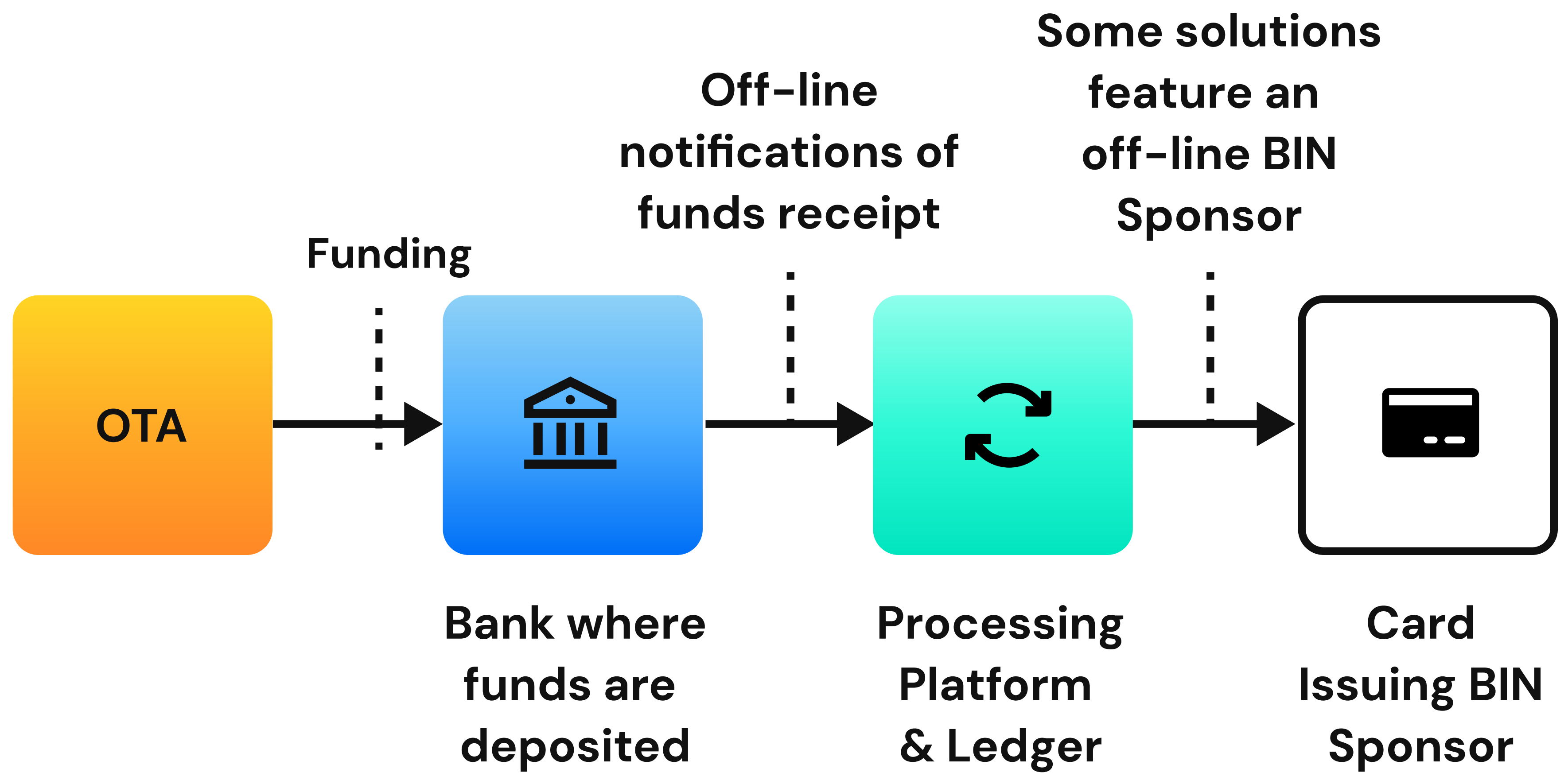
- Because the account's not directly connected to your virtual card issuer, it can take up to three days for your transfer to land in the account. This is particularly harmful over weekends or holidays, which is often when bookings spike.
- Once it's there, synchronisation issues or manual errors with the issuer's ledger can mean bookings are declined or suppliers go unpaid, despite you having funded the account.

Additionally, some card issuers are not direct members of major card networks such as Visa or Mastercard and rely on other PSPs or banks to sponsor their access. This is known as BIN sponsorship.

Since BIN sponsors manage settlement to card schemes and the funding account and in turn might rely on another bank for management of funding accounts, this adds another point of delay or potential failure when you're trying to fund your cards for a busy period.

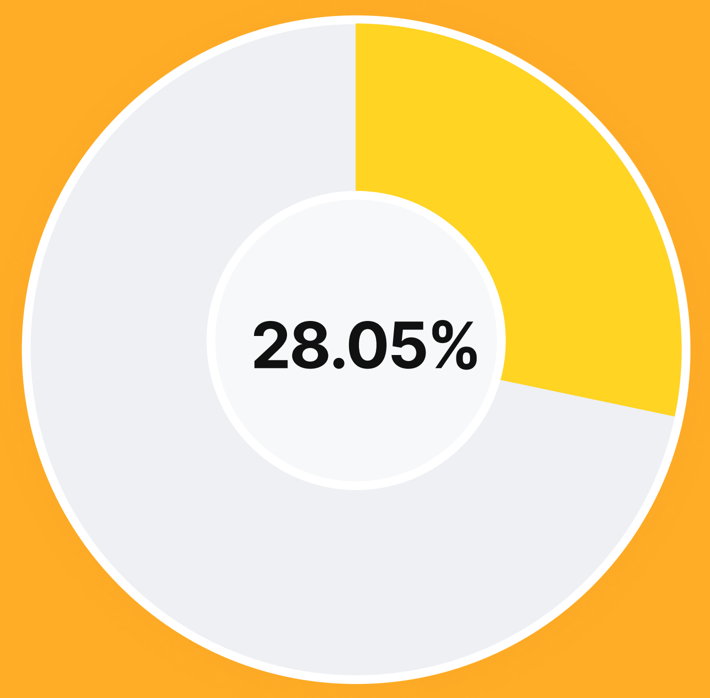


The complexity of layered payment flows



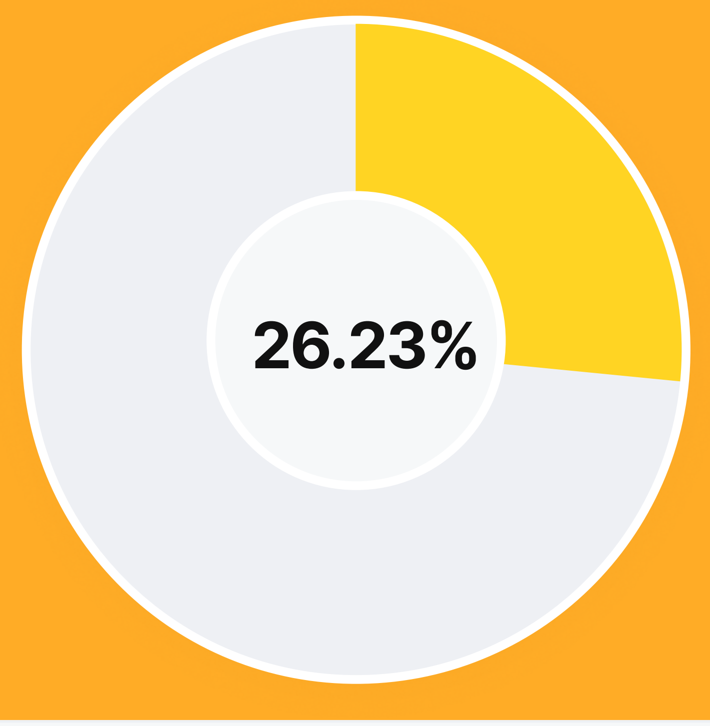
Failed payments can derail bookings, harm supplier relationships and cost you sales. And the timing is rarely in your favour. Spikes in demand often happen over weekends or holidays, exactly when bank or PSP support is unavailable or limited, leaving you scrambling for a workaround.

How payment inefficiencies harm your bottom line



of OTAs say they've lost customers due to payment inefficiencies

Source: *Modulr, The hidden costs in travel payments*



of OTAs say they struggle with cancelled or incomplete bookings due to payment inefficiencies

Source: *Modulr, The hidden costs in travel payments*

Barrier 4: Manual payment reconciliation - the hidden cost to outdated processes

A 2024 Modulr survey of 500 travel intermediaries has shown that nearly all spend at least 10 hours per month on manual payment reconciliation tasks, and almost half spend over 20 hours per month. As companies grow, the administrative burden on their teams expands.

How inefficient payments keep your team from focussing on growth

99%
of OTAs spend 10+ hours per month on manual reconciliation

49%
spend 20 - 30 hours on manual reconciliation a month

51%
spend between 10 and 20 hours on manual reconciliation

Source: *Modulr, The hidden costs in travel payments*

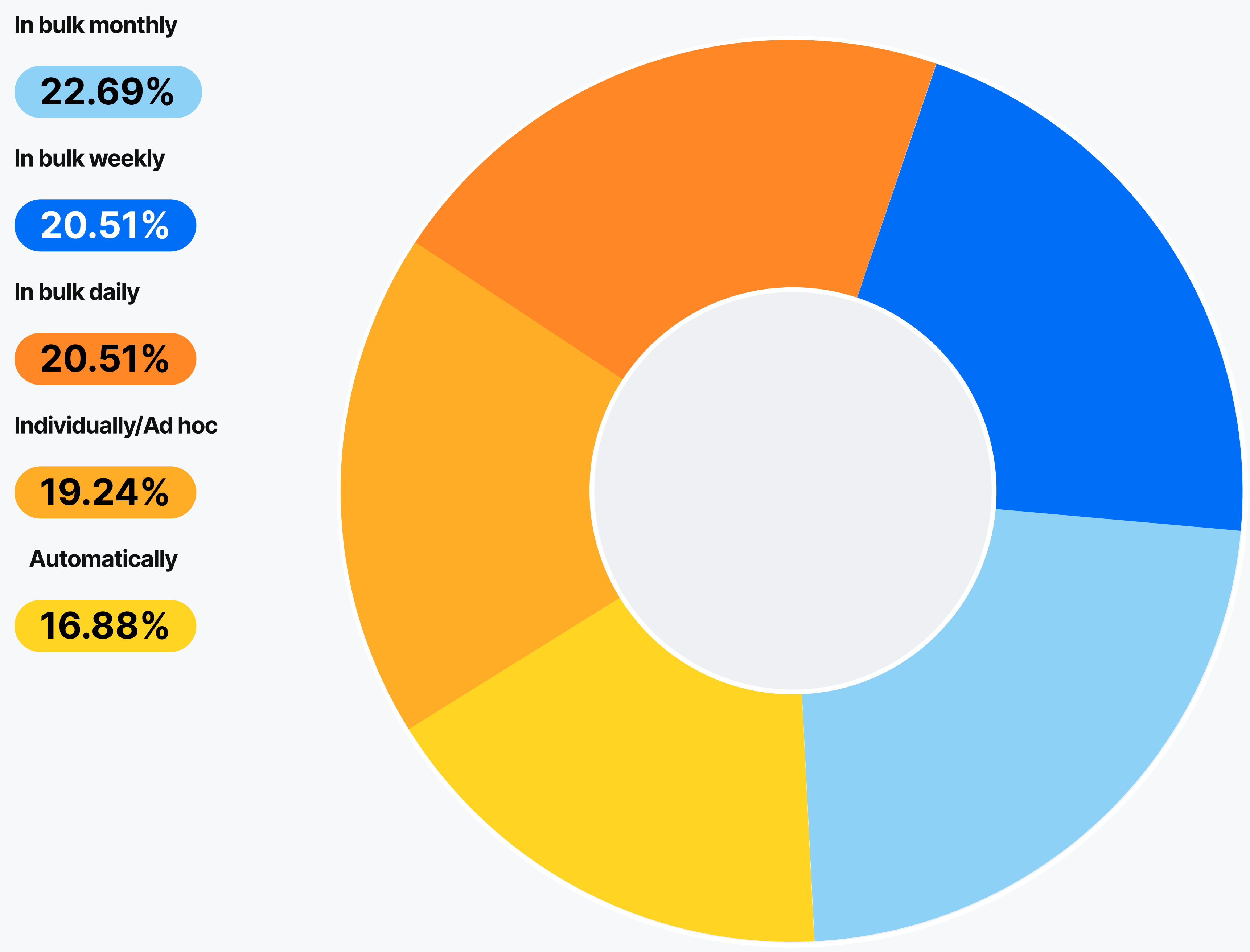
Onboarding more suppliers means more manual reconciliation

Supplier payments are inherently complex. One booking can trigger multiple pay-outs, each with different rules.

For most OTAs, each method runs through a different payment provider. That means reconciling bookings against multiple platforms, formats, and schedules. It's not just inefficient; it creates constant room for errors. Teams spend hours matching invoices to bookings, updating spreadsheets, and chasing missing details instead of focusing on growth.

And the more suppliers you add, the heavier the burden of manual reconciliation becomes on your team. Without automation, scaling simply means more admin, more headcount, and more risk of failed or delayed payments.

How OTAs currently execute supplier payments



Source: *Modulr, The hidden costs in travel payments*

How APIs help reduce the manual burden on your team

An API (Application Programming Interface) is a set of digital connections that allow different systems to talk to each other automatically. Many PSPs and some banks now offer APIs to access their services.

For OTAs, this means their booking engines and finance platforms can be linked with payment systems eliminating manual processes.

How OTAs can use APIs

Booking platforms: Push booking and payment details directly into supplier systems, reducing errors from email or fax-based confirmations.

Finance systems: Sync payments, refunds, and settlements instantly with accounting tools, eliminating the need for manual uploads.

Payment service providers: Connect to your PSP's API so that card issuance, funding, and reconciliation can happen in real time.

Why it reduces manual reconciliation

→ Every booking and its payment are automatically matched in the system.

→ Reduces human error from manual data entry.

→ Speeds up month-end close, with finance teams spending less time chasing unmatched payments.

→ Creates a clear, auditable trail for every transaction.

The bottom line: APIs turn fragmented, manual processes into seamless data flows, allowing OTAs to scale supplier payments without adding back-office workload.

Conclusion: As travel evolves, so must your supplier payments

Consumer demand for leisure travel is growing, and your ability to capture that demand is dependent on working with a wider selection of suppliers to offer your customers more choice.

OTAs that can adapt their supplier networks, onboarding processes, and payment operations will be the ones to capture that opportunity. But the reality is, many current payment processes weren't built for the speed and complexity of modern travel sales.

- Funding delays and inefficient payment flows leave you stranded when things go wrong.
- Limited options in virtual card products can lower acceptance, locking out some supplier segments and reducing OTA margin.
- Pre-funded cards tie up cash you could be using to invest in growth.
- And the complex and inherently manual nature of travel supplier payments stop you from scaling.

It doesn't have to be this way. By working with a payments partner that understands the travel industry's complexity and can give you instant funding, higher acceptance rates, and streamlined operations you can turn payments from a bottleneck into a competitive advantage.

The growth is out there. The only question is whether your payment infrastructure is ready to capture it.

What does a payments solution built for travel look like?

Wide virtual card product range	To increase virtual card acceptance rates, you need access to a broad range of virtual card products. Look for issuers that are direct members of Visa and Mastercard, have access to a mix of commercial, consumer and travel-specific cards, and multiple BIN ranges.
No pre-funding of individual cards	Pre-funded cards harm your cash flow and stop you from investing in what matters most. Instead, virtual cards that are authorised based on the balance in your account and funded only when payment is due to be taken mean you never have to lock up funds.
No third parties in the payment flow	Card issuers that require a third-party banking partner and BIN sponsor add in unnecessary complexity and can cause delays when trying to fund your cards.
Multi-rail flexibility	Look for partners that combine cards with account-to-account options in one platform to allow you to work with more suppliers, without increasing the manual burden on your team.
API-first	Leverage APIs to automate pay-outs and reconciliation.

About Modulr

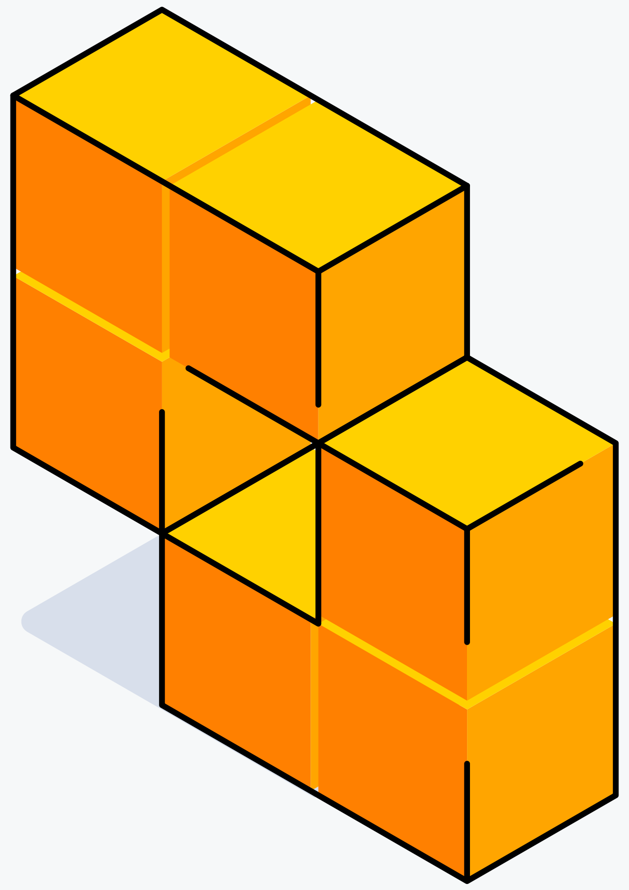
At Modulr, our vision is a world where all companies are powered by embedded payments. We enable thousands of businesses, from SMEs to enterprises, to efficiently pay-in, collect and disburse funds instantly via a range of payment methods, accounts and card products.

Modulr processes over 340m transactions and over €180bn of payment value on its platform, on an annualised basis.

Our portal and API integrations offer access to Faster Payments, Bacs, CHAPS, Open Banking, SEPA and SWIFT and we are principal issuing members of Visa and Mastercard across the UK and Europe.

We are regulated as an Authorised Electronic Money Institution (AEMI) in the UK by the Financial Conduct Authority and in the Netherlands by De Nederlandsche Bank.

Learn more at modulrfinance.com



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