

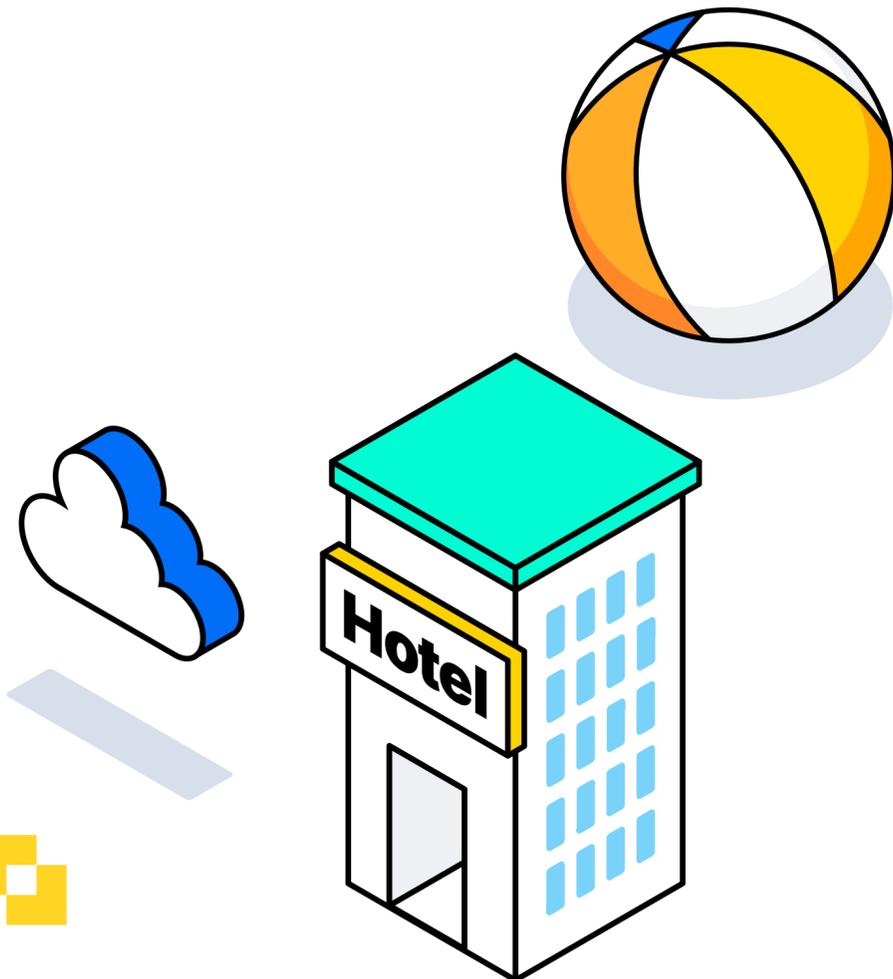


Payments in the Travel Industry:

The hidden costs in travel payments



Contents



01

Executive
Summary

03

Introduction

05

1 The Hidden Costs of
Fragmented Payment Systems

09

2 Adapting to New Payment
Demands

13

3 Rising Risks in a Competitive
Market

16

Key Takeaways

18

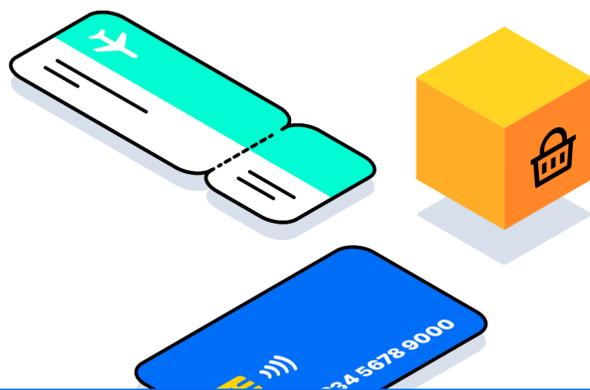
Let us show you what is
possible through payments

19

About the report

Executive Summary

Despite payment innovation making consumer payments in travel increasingly efficient, between the nearly 590,000 businesses working in travel agency services worldwide, payments remain mired in inefficiency, creating substantial unnecessary operational and financial burdens.



While it's never been easier for consumers to book and pay for an incredible holiday, behind the curtain the inefficiency of payments between travel suppliers is stark.

This whitepaper examines the responses of 551 travel sector payments leaders across the UK, France, Spain and Italy, to understand how payments between suppliers are enabling or restricting the growth of the travel sector, as well as exploring what the opportunity that a strategic response to payments might look like for a travel business.

Focused purely on the business-to-business (B2B) transactions that take place between the businesses that make up the travel trade, rather than the consumer payments made by travellers themselves, the research explored in this paper reveals an array of challenges travel businesses face when making payments:

- 44%** of businesses waste more than 1.5 hours per person on payment processing inefficiencies each week, with larger organisations carrying the greatest burden
- 83%** of businesses report increased fraud risk compared to three years ago
- 89%** express serious concerns about no-fee cancellation risks affecting their financial planning
- 100%** of businesses regularly need to pay across 5-10 payment types

This landscape is severely limiting growth opportunities and businesses are despondent about the potential for payments processes to improve.

Our research reveals that nearly all businesses surveyed (**96%**) believe their payment processing could be more efficient, with **70%** stating it could be by "much more."

Nearly half (**45%**) of the respondents we surveyed have allocated at least **1%** of their budget to improving payment capabilities. Yet, despite this clear recognition of the need for change, an overwhelming **91%** do not see clear growth opportunities through current payment processing methods. **Put simply, the travel industry is not clear on how to address its problem with payments.**

Efficiency and scalability of business payments in travel are pivotal to financial and overall health for these businesses. These attributes help ensure reliable cash flows, secure bookings, generate revenue and capture essential data.

[Read on...](#)

However, we would argue that the range of challenges identified in this report should be viewed **collectively** rather than in isolation.

These hidden costs represent not merely individual operational inconveniences but a **coherent business threat that demands immediate attention.**

Similarly, we would argue that addressing this threat as a single issue represents an opportunity.

In doing so, travel businesses can address fragmentation and efficiency head-on and mount a coordinated and strategic response to gain genuine competitive advantage in an increasingly competitive travel market.

This could look like:

- **Dedicated transformation plans targeting efficiency gains in all pay-ins and pay-outs**
- **Rationalising of payment methods through gateways or embedded payments and prioritisation of rails that offer the greatest financial or user-experience benefits to customers and suppliers**
- **The embracing of automation at scale, with clear ambition to reduce manual work, avoidable processing stages and the opportunity for human error**



Introduction

The themes explored in this whitepaper build upon insights derived from our research with Flagship Consulting in 2023, discussing the impact of manual processing upon travel businesses, the drain on resources that payment inefficiency poses and the hurdles presented by manual payment processes within travel businesses.



Key points

Flagship Advisory Partners, 2023



Online Travel Agents (OTAs) act as C2B and B2B payment facilitators, connecting properties and tour packages to customers, collecting funds from the customers and disbursing them to travel partners such as airlines, accommodation partners, car rentals or trip planners.

As such, managing pay-outs remains a core component of an OTA's business model.

However, only large and global OTAs tend to have a mature embedded business pay-outs product for their partners. Global enterprise OTAs play active roles in the flow of funds and the payment experience for users, while smaller OTAs offer far less flexibility on pay-outs, leaning heavily towards bank transfers and often relying on a single domestic provider such as a bank for all business transactions.

While there are early trends towards creating new experiences for travellers through branded cards and enhanced user experiences through embedded payments, capabilities remain behind market expectations when it comes to innovation.

While fast, easy and trusted payments underpin the consumer experience in travel, this paper highlights how businesses are leaking significant time and money through wide-ranging B2B payment inefficiencies.

These inefficiencies arguably represent a significant opportunity cost, impacting financial performance at precisely the time that competition is accelerating within the travel sector.

As the world has shrunk, increasing numbers of people have gained the ability to travel anywhere with ease.

The World Travel and Tourism Council recorded that in 2023, **the travel and tourism sector contributed 9.1% to global GDP**; an **increase of 23.2%** from 2022 and only 4.1% below the 2019 level.

The recovery appears set to continue, with a forecasted compound annual growth rate (CAGR) of roughly 5.5% between 2024 and 2032.

But as travel becomes more accessible, the expectations and demands travellers put on the system that supports it have also increased.

If booking a two-week long-haul family holiday is as easy as booking a taxi, consumers expect paying for it to be equally simple. For the companies delivering that trip, the reality is anything but. The immense challenge of navigating currencies, cancellations, concessions, commissions and more means that for many travel businesses, managing the flow of payments is becoming more difficult, particularly in the face of heightened consumer expectations at the front end.

The role of cards

Leisure travel is extremely price sensitive, and while virtual cards have solved many of the issues outlined here, they are no panacea.

While virtual cards are well-liked for their security, flexibility, scalability and well-established card networks and chargeback protection, 40% of respondents indicate that fee structure changes are necessary for them to be appealing to a wider pool of suppliers.

In a hyper-competitive market, OTAs increasingly rely on incentives from card usage, and while cards bridge many other challenges across travel's fragmented and dynamic marketplace, from the reliability of data to fraud management, ease of large-scale automation or transparent currency/FX conversion, they continue to struggle with acceptance among some suppliers, or small independent operators, who don't have the operational scale to absorb them.

How will the payment infrastructure of travel evolve to address these concerns? And how can the market look collectively at them within the wider options available, whether with a ubiquitous alternative payment method, a change in fees or some form of incentive to offset the charges suppliers may face?



Core virtual card capabilities:

- + Single and multi-use cards
- + Card creation and spending controls
- + Card updates – ID, limit, cancellation date, authorisation window, custom fields, cancellations, block/unblock, MCC profiles and more
- + Real-time card funding – authorised from account balance but funds only required at point of authorisation
- + Account balance check – via API or on Portal
- + Real-time notifications – Card Creation, Card Authorisation, Card Refund, Card Settlement, Card Status
- + Reporting – Wide range of reports via API such as card activity or funding account report
- + In-built dispute and chargeback capabilities

Payments via agency or merchant models

The agency business model used by many travel operators and aggregators is commission-based, which means that they have no control over the final payment method and do not get access to valuable analytics about the customer – not to mention that the reverse flow of commissions from suppliers can impact cash flow.

The merchant of record model, meanwhile, puts agents' name on the customer's bill, and offers travel operators access to better data, greater control over pricing (since they can easily add markups without the mediation of an airline/hotel or altering the payment process), as well as receipt of customer money upfront, instead of waiting for payment from their suppliers when – and sometimes after – they themselves take the traveller's money.

However, this model puts more operational and administrative burden on the travel agent. Such work also demands integration with a payment gateway that will charge service fees for each transaction and eat into the profit made on each customer. Today, this is the dominant model in the market.

The challenge today

Within the context of the increasing diversity of payment methods, our research reveals a sector grappling with manual processes, rising fraud risks and increasing customer demands – all while trying to maintain competitiveness in a rapidly evolving market.

The findings suggest that these challenges, while significant, also present opportunities for businesses willing to take a strategic approach to payment transformation. By considering the potential efficiencies and upsides of **a change in payment preference, automation and integration** (both within travel businesses' own financial systems and between different businesses), we believe that there is **great opportunity for enhanced partnerships and improved competitiveness** for those that take advantage.

The Hidden Costs of Fragmented Payment Systems

1

Key points

99%



Nearly all businesses report concerning and potentially costly payment friction within the travel industry, linked to the complex interactions between its stakeholders.

91%



The vast majority of businesses do not see growth opportunities within their existing payment frameworks. Even so, most are exploring unified payment solutions between acquirer and issuer to reduce complexity and find efficiencies.

96%



Businesses are overwhelmingly aware of the time wasted by manual processing, with larger organisations wasting almost twice as much time proportionally, despite greater investment and larger teams.



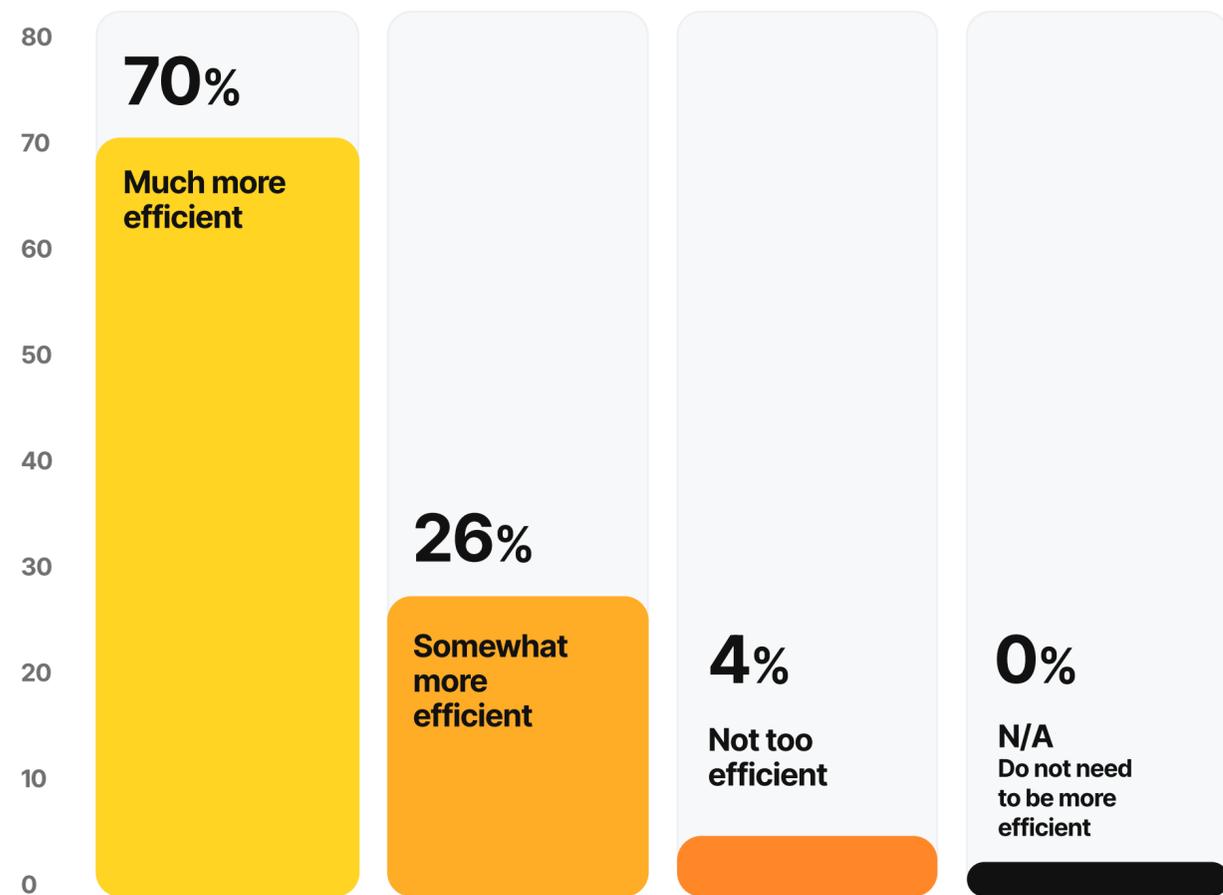
Significant concerns were raised about the impacts payment processing could be having on customers, fraud exposure, market access, fees, bookings, FX risk, settlement and liquidity.



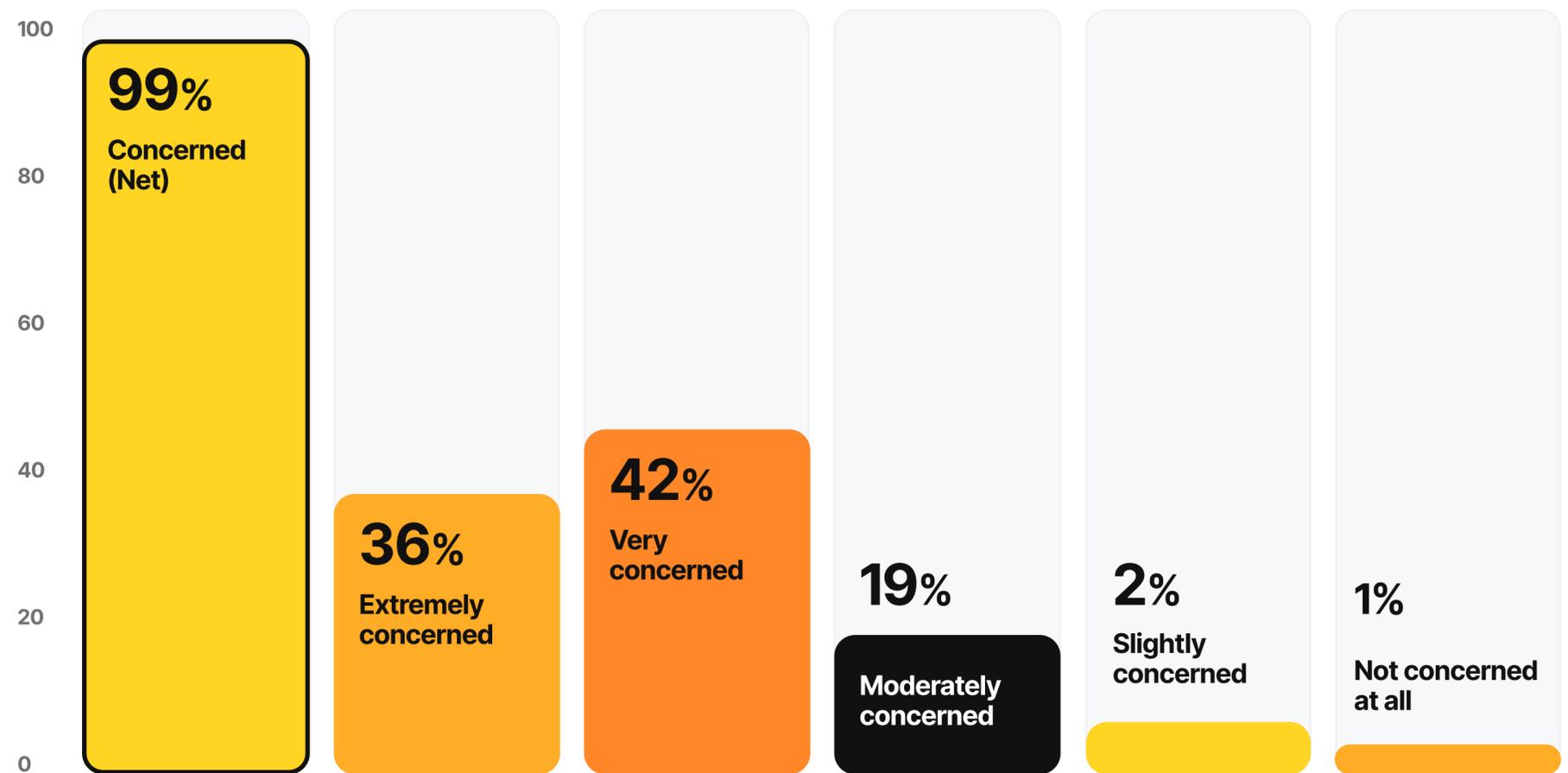
Travel payments exist in a broken, fragmented system that leaks costs from businesses that do not choose to address the problem with their payments.

Our research reveals that more than 99% of the respondents were concerned about friction in payments within the travel sector. Such sentiment is echoed by the fact that nearly all businesses (96%) believe their payment processing could be more efficient, with 70% stating it could be “much more.”

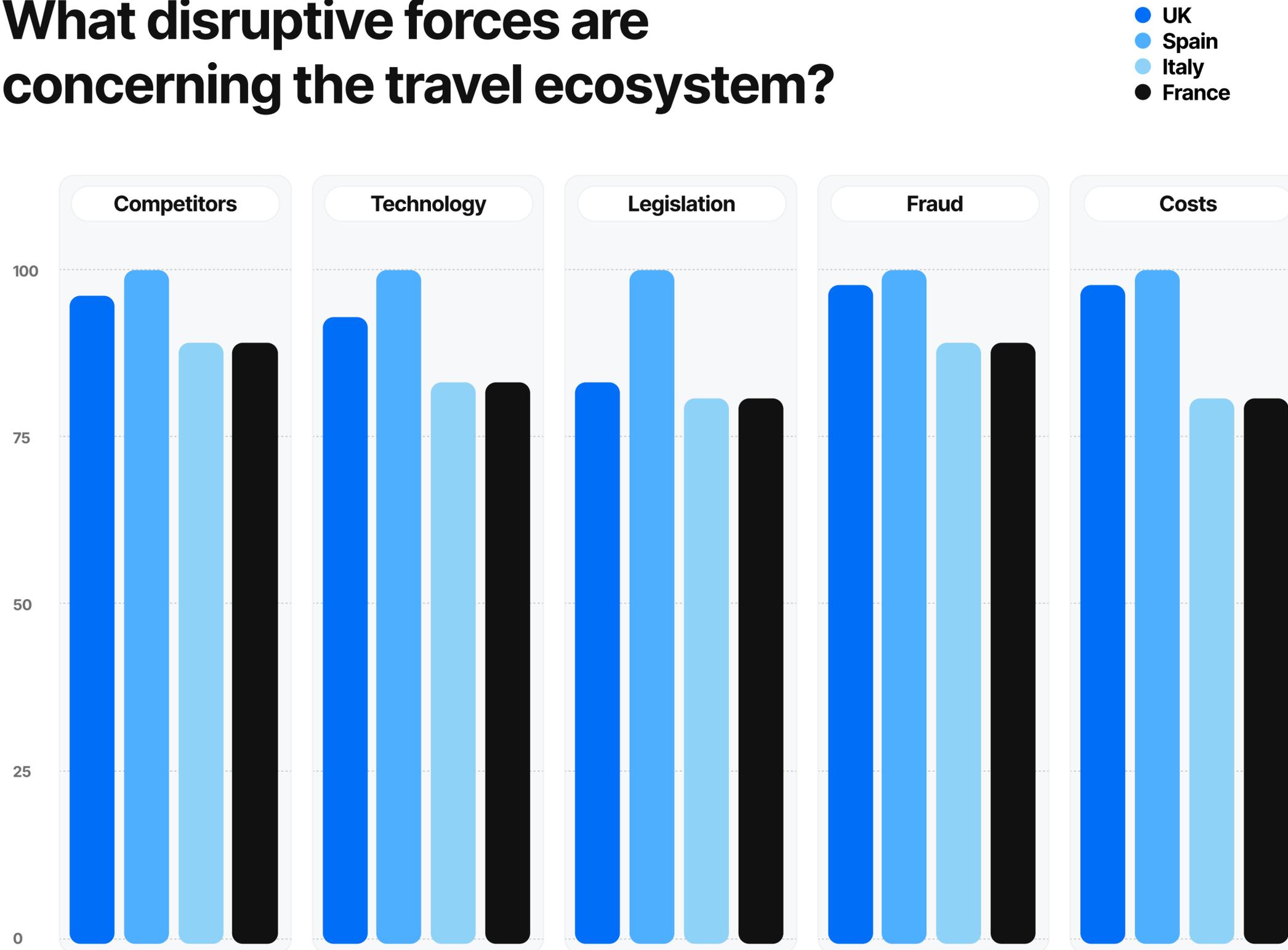
How much more efficient, if at all, do you feel your current payment processing could be?



How concerned, if at all, are you about the friction within payment processes in the travel sector?



What disruptive forces are concerning the travel ecosystem?



Disruption in the travel ecosystem

Concern about disruption in the travel ecosystem is widespread, with Spain particularly worried among the nations surveyed. Fraud is a consistent concern among all respondents, as is competition, while France and Italy were less concerned about changes to operating costs, technology and legislation than the UK and Spain, who were consistently more concerned across all areas. It's worth noting though, that while friction and disruption poses a negative impact on current ways of working, there is the potential for positive disruption in travel payments that should be explored.

Around a quarter of respondents were already experiencing negative impacts from payment inefficiency in terms of loss of customers, exposure to fraud risk, lack of access to markets, avoidable fees, cancelled or incomplete bookings, FX issues, settlement issues and cashflow issues.

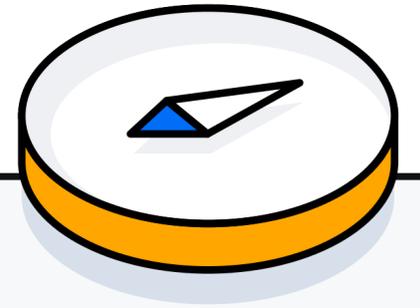
The travel market appears despondent with the situation – 91% do not see clear opportunities for growth or increased profitability in addressing problems with payment processing.

This is surprising given the striking impact of manual work:

All but three respondents saw their business spending 10-30 hours a month on manual processing and 44% of businesses report wasting over 1.5 hours per person weekly due to payment processing inefficiencies.

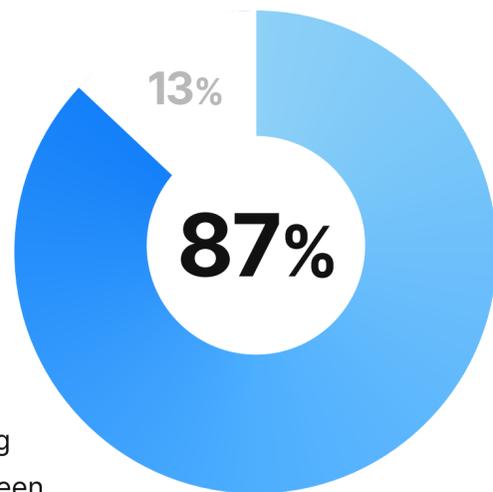
This burden increases significantly with organisation size – companies with over 250 employees show notably higher inefficiencies, with 24-31% wasting over 3 hours per person weekly compared to 7-13% in smaller businesses.

More than 97% of respondents believe their business is wasting resource due to inefficiencies or limitations in payment processing.



Bulk Supplier Payment Challenges

The majority of businesses (**64%**) execute supplier payments in bulk (daily/weekly/monthly) rather than automatically at time of booking, with only **17%** turning to automation to do so. This increases operational complexity and could see organisations face potential inventory access delays as payments wait to be processed.



One positive is that **87%** of businesses are actively exploring or considering unified payment solutions between acquirer and issuer, recognising the potential for reduced complexity and improved efficiency.

Revenue and Growth Implications

Despite respondents' awareness of wasted effort and cost, the data suggests that the current payment landscape is severely limiting growth opportunities.

91%

of businesses do not see clear business improvements through current payment processing methods.

45%

have allocated at least 1% of their budget to enhancing payment capabilities, indicating recognition of the need for change.

Regional Market Variations:

The North-South Divide

Significant regional variations exist in payment technology adoption and market outlook:

Northern markets (**UK/France**) show significantly higher automation levels (**19-23%**) compared to southern markets (**Spain/Italy: 11%**)

UK shows highest pessimism about growth (**98% seeing no opportunities**) versus more optimistic southern markets

Italy reports highest inefficiencies with **25% wasting over 3 hours per person weekly**

Market-specific priorities emerge: Italian respondents are particularly concerned about what they see as avoidable payment processing fees (41%) while those in Spain emphasise exposure to fraud risk (36%)

Adapting to New Payment Demands

2



Travel businesses must adapt their liquidity strategies and payment processing to stay nimble while tackling inefficiencies and meeting growing expectations from travellers.

The travel industry faces mounting pressure to modernise its payment capabilities while managing increasing complexity in customer expectations and operational requirements.

Key points

Travel buyers expect to pay in their preferred method and travel businesses are no different.

Suppliers and buyers may find it advantageous to explore different payment options that offer benefits to both buyer or seller.

Even so, most businesses are struggling to keep up with B2B demand for faster payment processing...

...and only 17% have adopted automated B2B payments. Virtual cards remain the preferred rail but have numerous critics demanding alternative options or reduced fees.

Nearly half of businesses have dedicated specific budget to improving their payment capabilities.

But the impact hasn't been seen yet, and few see a clear path towards significant improvements.

Evolution of Payment Preferences

Travel intermediaries such as agents are managing an increasingly diverse range of payment methods, due to travellers wanting flexibility and supplier payments often spanning different regions, individual and bulk purchases and protracted booking-to-purchase-to-settlement times for flights, hotel rooms or car rentals.

These methods include a range of rails: physical and virtual cards, direct debit, bank transfers and local alternative payment networks, such as Africa's popular M-pesa for mobile payments or Alipay in China. While complex, respondents perceive that this diversity offers several advantages for business payments in travel (below):

If more parties are able to access more payment methods without incurring significant costs, the data suggests that businesses feel it may help them meet evolving traveller expectations and leverage that flexibility and efficiency across their B2B payments in the same way.

34%

Already see increased processing speed

34%

See enhanced innovation capabilities

33%

Experience reduced systemic risk and increased resilience

[by having access to multiple payment mechanisms]

33%

Enjoy greater operational agility

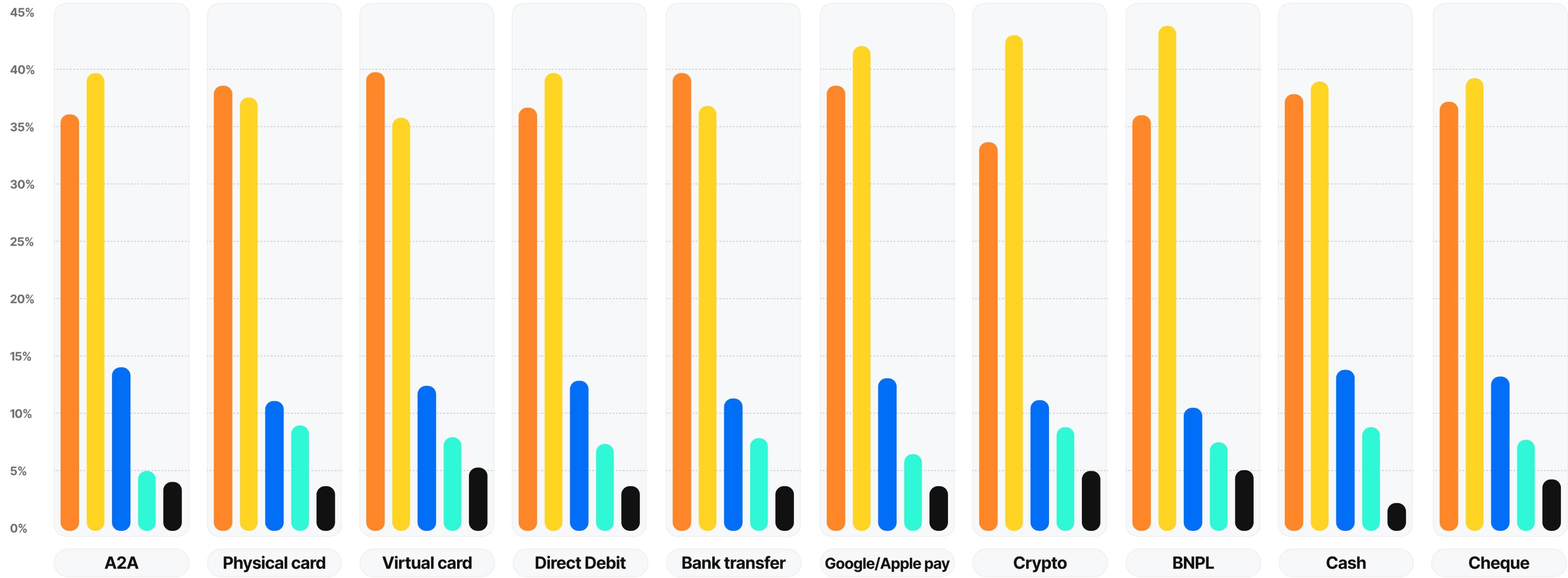
Account-to-Account rails explained

Account-to-Account payments directly transfer funds from one account to another, without the use of intermediaries like credit card networks or payment processors. They can be faster and more cost-effective than traditional payment methods and support real-time payments for both consumer and business use cases around the world, with examples such as ACH or FedNow in the US, Faster Payments in the UK, and SEPA Instant in Europe.

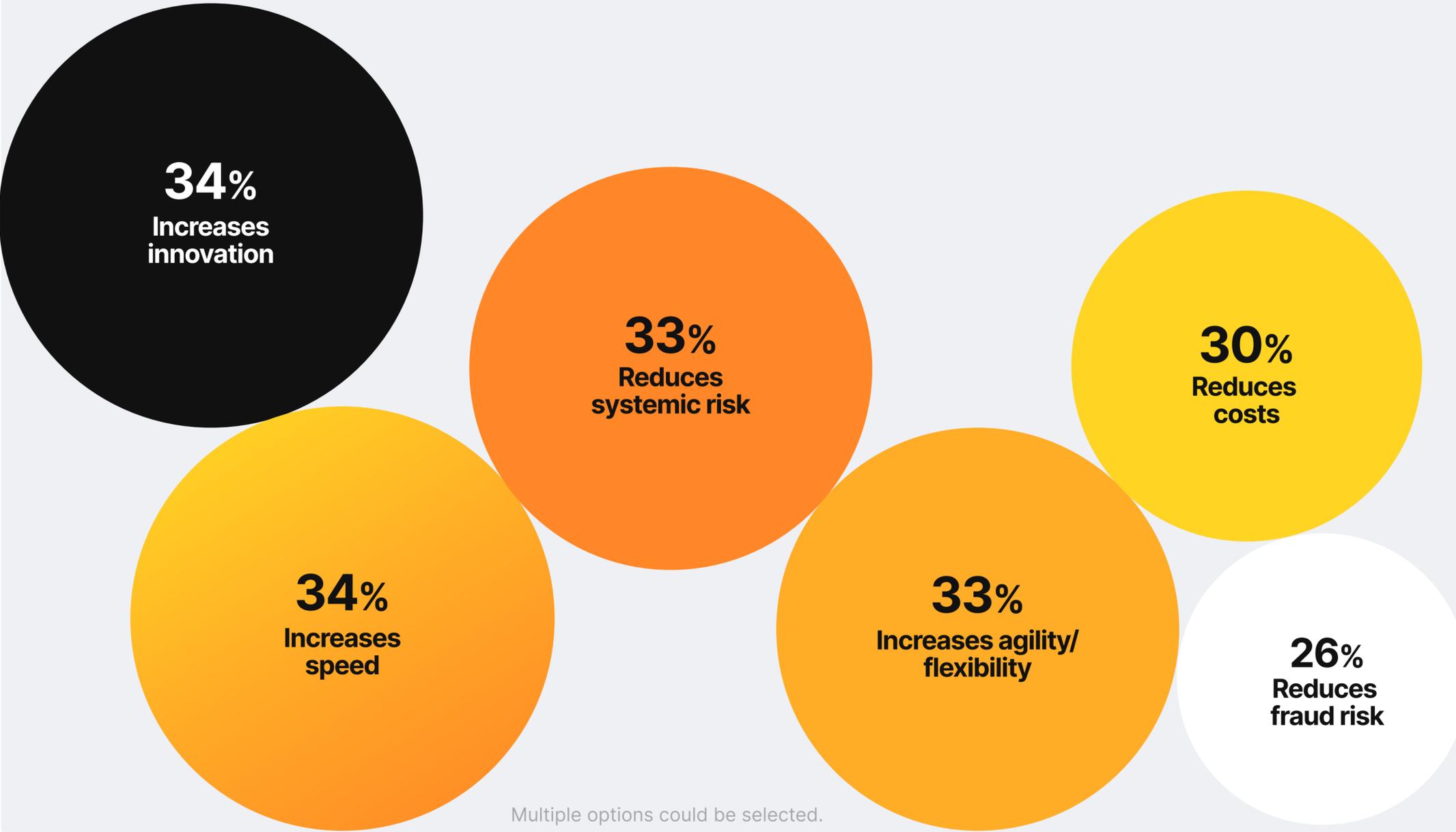
How regularly do you transact using these methods?

Payment type by frequency

Always Often Sometimes Rarely Never



What, if any, are the main benefits of using multiple payment options?



B2B: The Future of Virtual Cards Payments?

Virtual cards are the preferred payment solution in travel, with 60% of businesses viewing them as the optimal path forward for travel pay-outs. While virtual cards are well-liked for their security, flexibility, scalability and established card networks and chargeback protection, not to mention the reduction in manual processes they can enable, 40% of respondents indicate that fee structure changes are necessary for them to appeal to a wider pool of suppliers – potentially through greater flexibility in interchange or other fees.

The Virtual Card Evolution: Adoption Patterns and Challenges

Virtual cards represent both opportunity and challenge:

- Security benefits drive interest, particularly for larger organisations
- Integration challenges remain a key adoption barrier
- Regional variations in acceptance and implementation

60%
see virtual cards as the optimal future solution

40%
require fee structure changes for adoption

Rising Risks in a Competitive Market

3

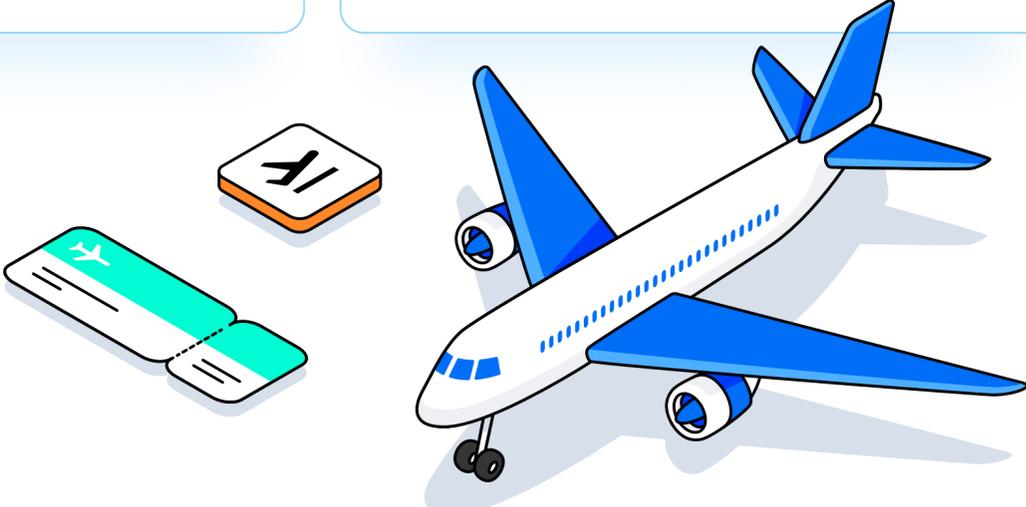
Key Points

More than four in five respondents believe competition risk is rising rapidly.

Nearly all also see threats from technology, legislation, costs and fraud.

Within this context of consumer pressure, competition and risk, travel businesses are investing.

While the response is notable, uptake of automation is very slow and the approach is inconsistent.



The travel market remains ultra-competitive and risk is increasing, especially from fraud, making financial security considerations particularly pertinent.

Escalating Threats

The vast majority of travel businesses report a range of risks that they are more concerned about compared to three years ago:

Competitor threats	95% concerned
Technology disruption	93% concerned
Legislative changes	93% concerned
Rising costs	93% concerned
Fraud	83% concerned

The pressure is on organisations in travel to increase their resilience against these threats. Finding opportunities to reduce or remove unnecessary financial and operational costs will free up the intellectual, operational and financial capital to address them.

Financial Planning Challenges

A particular challenge presented to travel businesses is the consumer expectation for no-fee cancellation.

While the ability to identify and hold a hotel room or tour many months in advance is a huge selling point for travel agents, the payment flows initiated when a customer requests such products are very difficult to reverse should they change their mind.

99%

of businesses express serious concern about no-fee cancellation risks affecting their financial planning and stability.

This universal concern highlights the need for more robust financial management tools and strategies and forms part of the considerations needed collectively to adapt virtual card use in a way that is favourable to more players in the market. While chargeback protection is a huge appeal of virtual cards and a well-established precedent, the fact that nearly all travel organisations are worried about its impact conveys the appetite for alternative payment methods that can offer greater security to cash flows.

Organisation size significantly impacts payment processing efficiency:

Investment patterns vary: larger companies (250+ employees) allocate more budget but expect greater efficiency gains

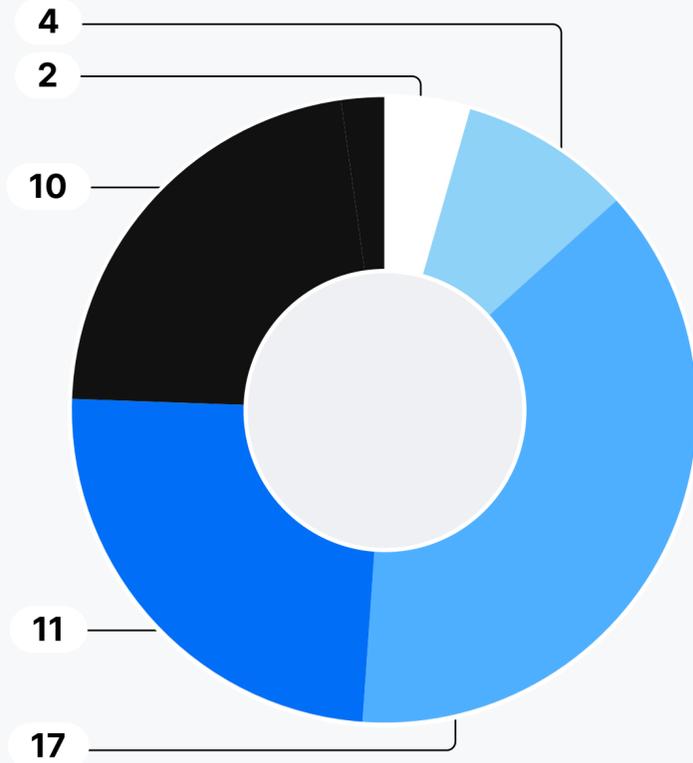
Larger organisations face disproportionate challenges with 24-31% reporting high time wastage

Enterprise-specific challenges require tailored solutions, particularly in reconciliation and integration – these can come with a higher cost than off-the-shelf alternatives

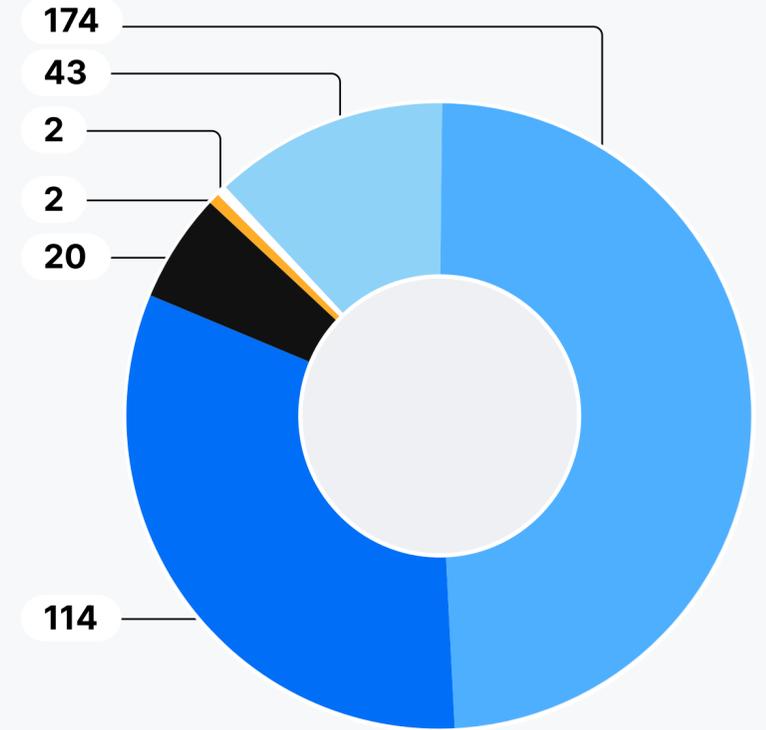
Budget allocation to improving payments, by company size

- None*
- Up to 0.5% of turnover
- Over 0.5% up to 1%
- Over 1% up to 3%
- Over 3% up to 5%
- Over 5%

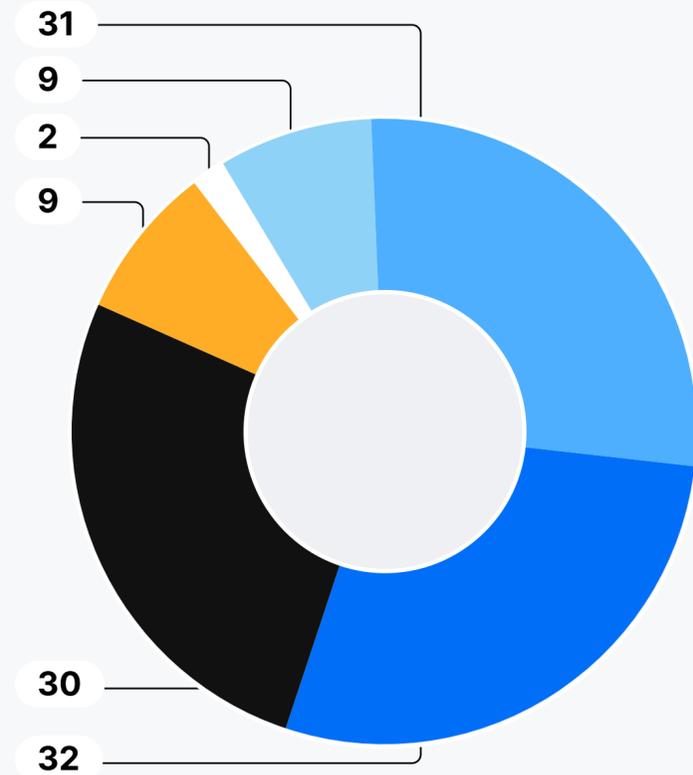
10-49 employees



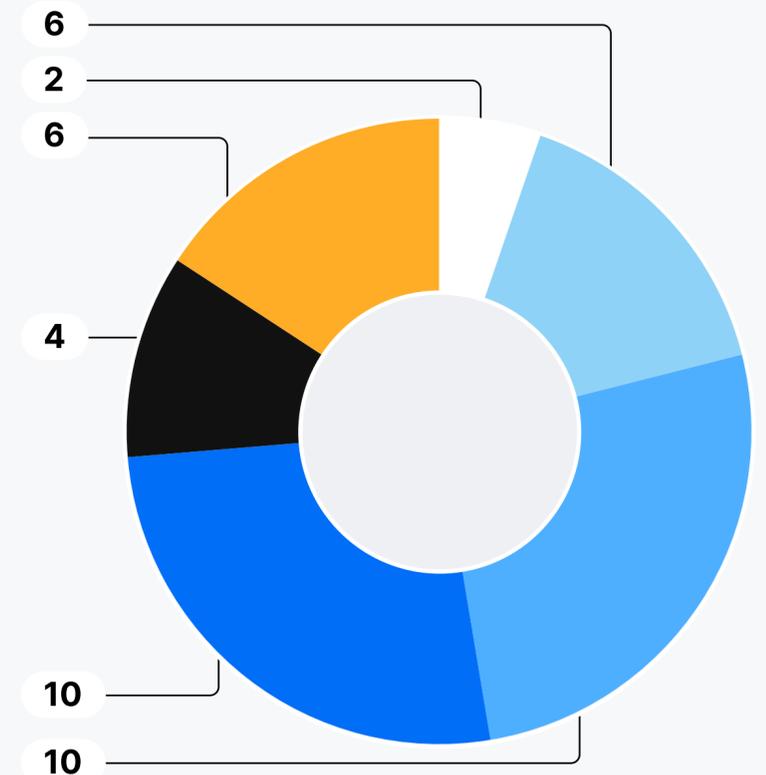
50-250 employees



251-1000 employees



1000+ employees



Key Takeaways

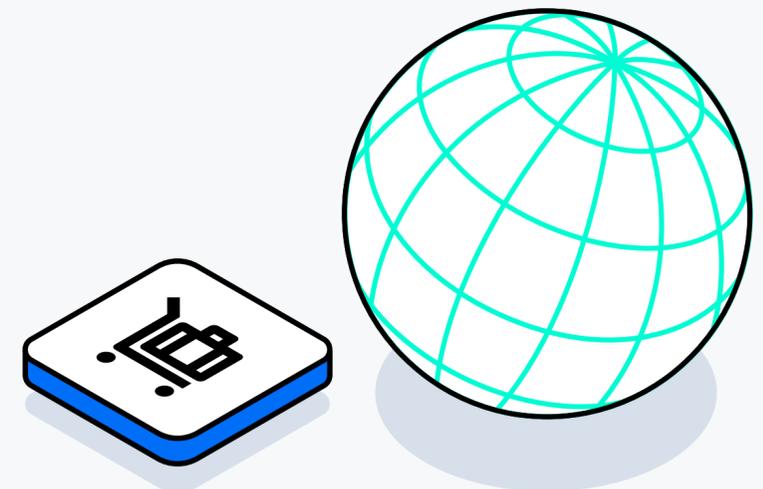
The travel industry stands at a critical juncture in the evolution of its payment infrastructure.

While virtual cards are a key component of the payment ecosystem, the market must consider them within a broader context of payment modernisation.

The data in this report reveals that the challenges posed by payments within a fragmented travel market are less random than they first appear. For example, that only 17% have automated their payments simultaneously represents an operational inefficiency, a customer service limitation and a competitive vulnerability. Addressing it represents opportunity in all those areas.

By examining the data through the lenses of hidden costs, market changes and rising risks, it is possible to see more clearly how payment challenges impact every aspect of travel businesses, from daily operations to customer satisfaction and market positioning.

Solutions to these challenges will likely centre upon integrated, broadly capable payment systems, data sharing and automation. Reaching compromises between market participants on best methods of payment will also play a part in developing standards and practices that can be applied across the travel sector's diverse geographies, markets and business models.



We see four key areas where these solutions could be found:

Businesses within travel work hard to differentiate themselves from their competitors while aligning their technology seamlessly with their partners. They should embrace those dual perspectives and apply the same balanced approach to create real strength through efficient and effective embedded payments that serve both strategic and operational needs.

Integration Priority

With 87% of businesses exploring unified solutions, the industry must work together to ensure that there is effective interoperability between potential 'walled gardens', using trusted and standardised payments with acceptable fees.

Many payment methods are not equally favourable to payer and paid, and where regular supplier relationships merit it, both parties might work together to understand where fees and costs could be managed to mutual advantage if there are clear benefits in speed, security or data.

Automation Imperative

The low current automation rate versus high manual processing burden indicates substantial room for efficiency gains.

Organisations should assess the impact of 'business-as-usual' payment processing to fully understand the opportunity cost.

Risk Management

Rising fraud concerns (83%) and near-universal cancellation risk worries (99%) demand robust financial security and cancellation workflow solutions.

Continued focus on payment methods that secure against fraud will allow businesses to concentrate on performance, rather than risk.

Strategic Investment

While 45% of businesses are allocating budget to payment capabilities only 8% see clear areas for growth or profitability.

More strategic and coordinated investment approaches are needed and travel businesses should explore the opportunities to do more with their payments.

Let us show you what is possible through payments

Modulr works with businesses across the travel sector and many other segments to make payments work better.

Through virtual cards, embedded payments and powerful integrations we offer an industry-leading payments platform trusted by thousands of businesses every day.

If you would like to start your travel payments journey, speak to a member of the team today.



Contact Us

Andrew Dellow
Andrew.dellow@modulrfinance.com



Contact Us

Gordon Mitchell
Gordon.mitchell@modulrfinance.com

About Modulr

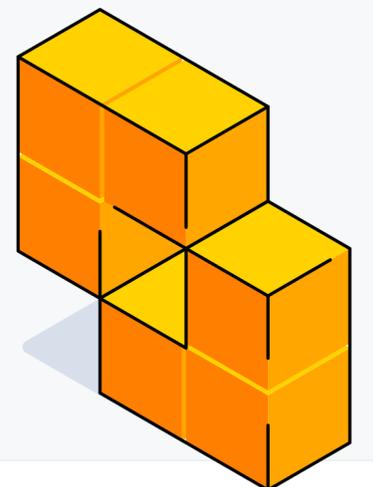
At Modulr, our vision is a world where all companies are powered by embedded payments. We enable thousands of businesses, from SMEs to enterprises, to efficiently pay-in, collect and disburse funds instantly via a range of payment methods, accounts and card products.

Modulr processes over 200m transactions and over £150bn 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.

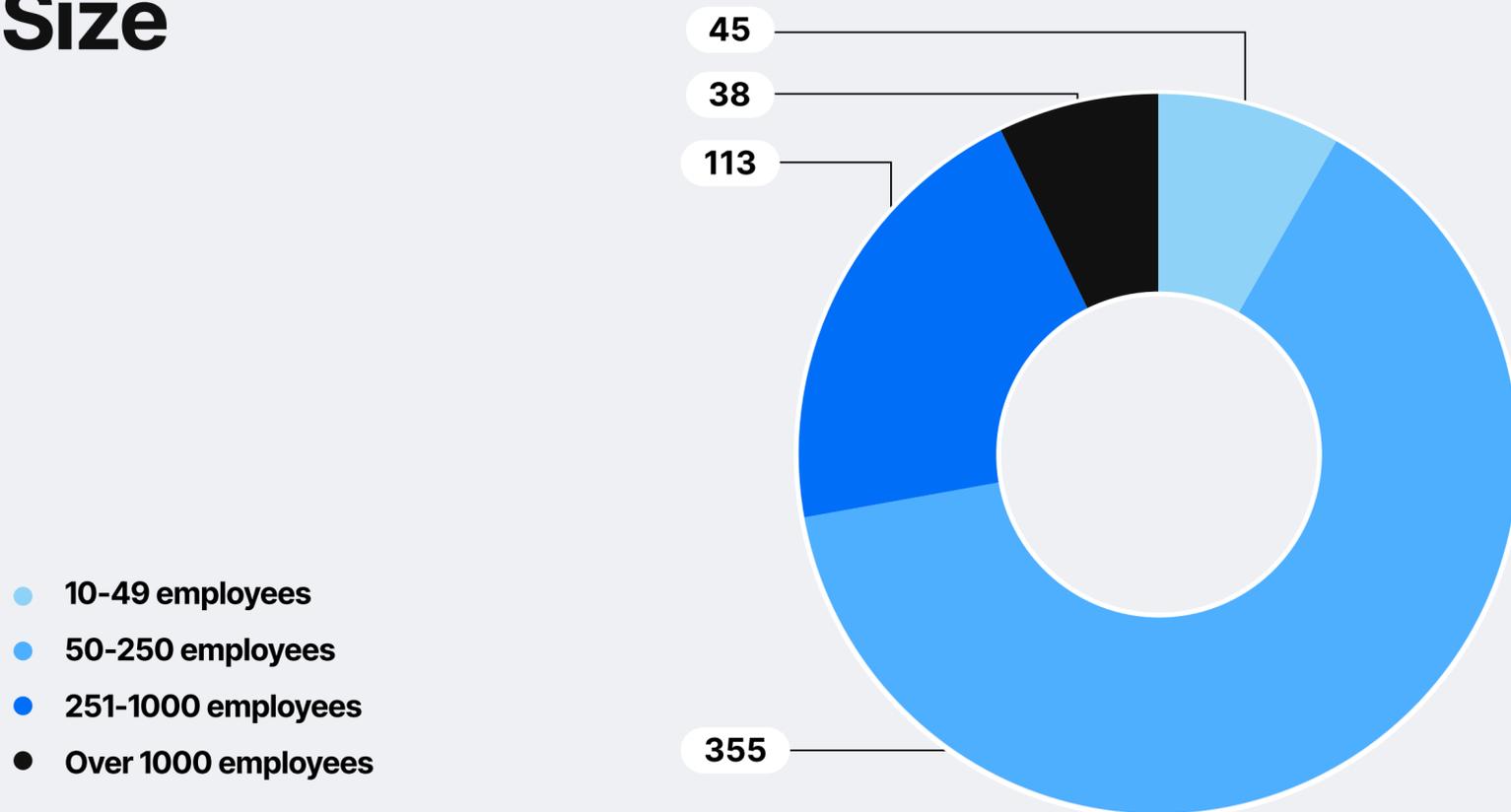
Learn more at modulrfinance.com



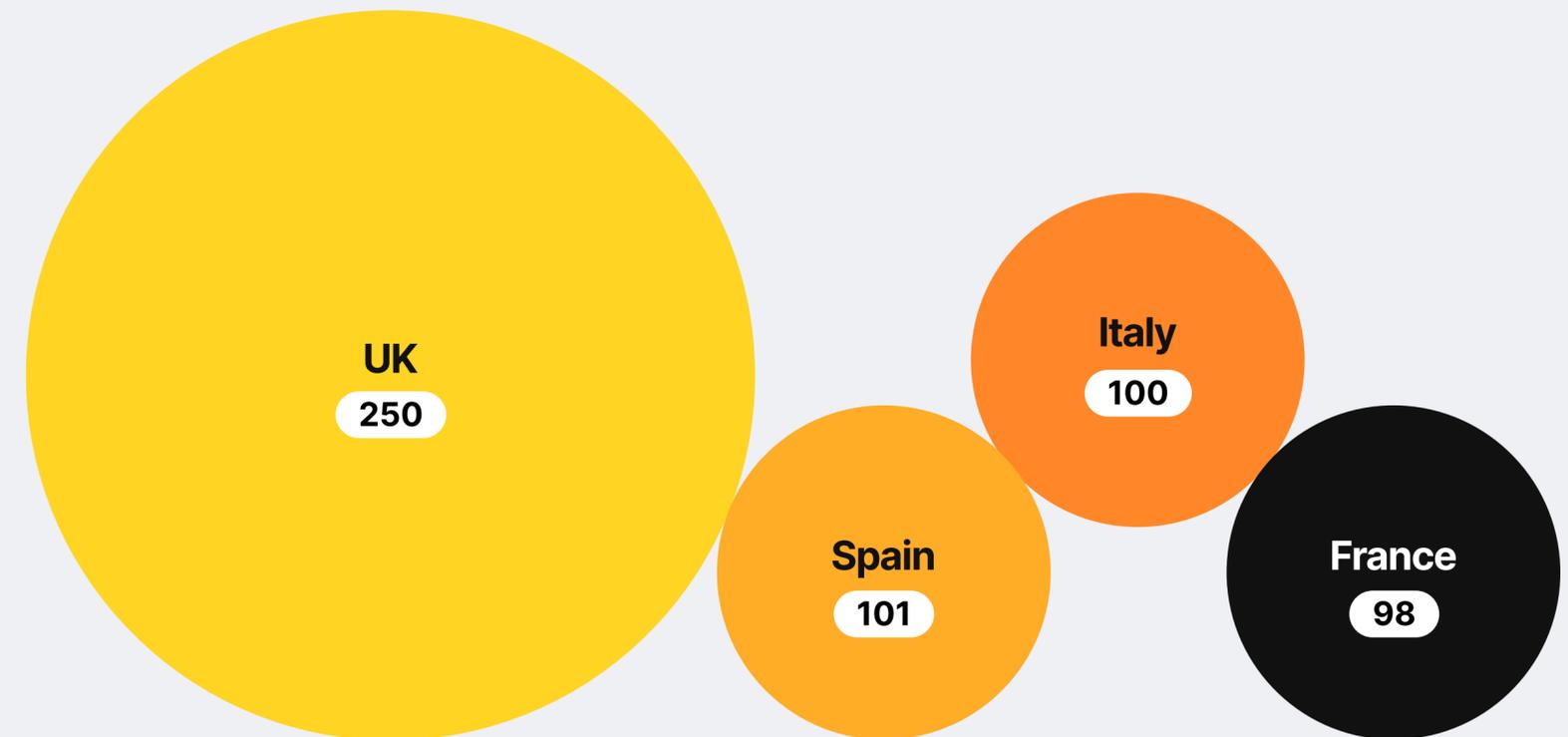
About the report

The research was conducted by Censuswide, among a sample of **551 Senior+ level respondents** across the UK, France, Italy and Spain (**aged 25+**) including: CEO, CPO, CTO, CRO/ Head of Payments / Head of Product / Head of Operations / Head of Logistics in companies with **10+ employees**. The data was collected between **18.10.2024 - 04.11.2024**. Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct and ESOMAR principles. Censuswide is also a member of the British Polling Council.

Size

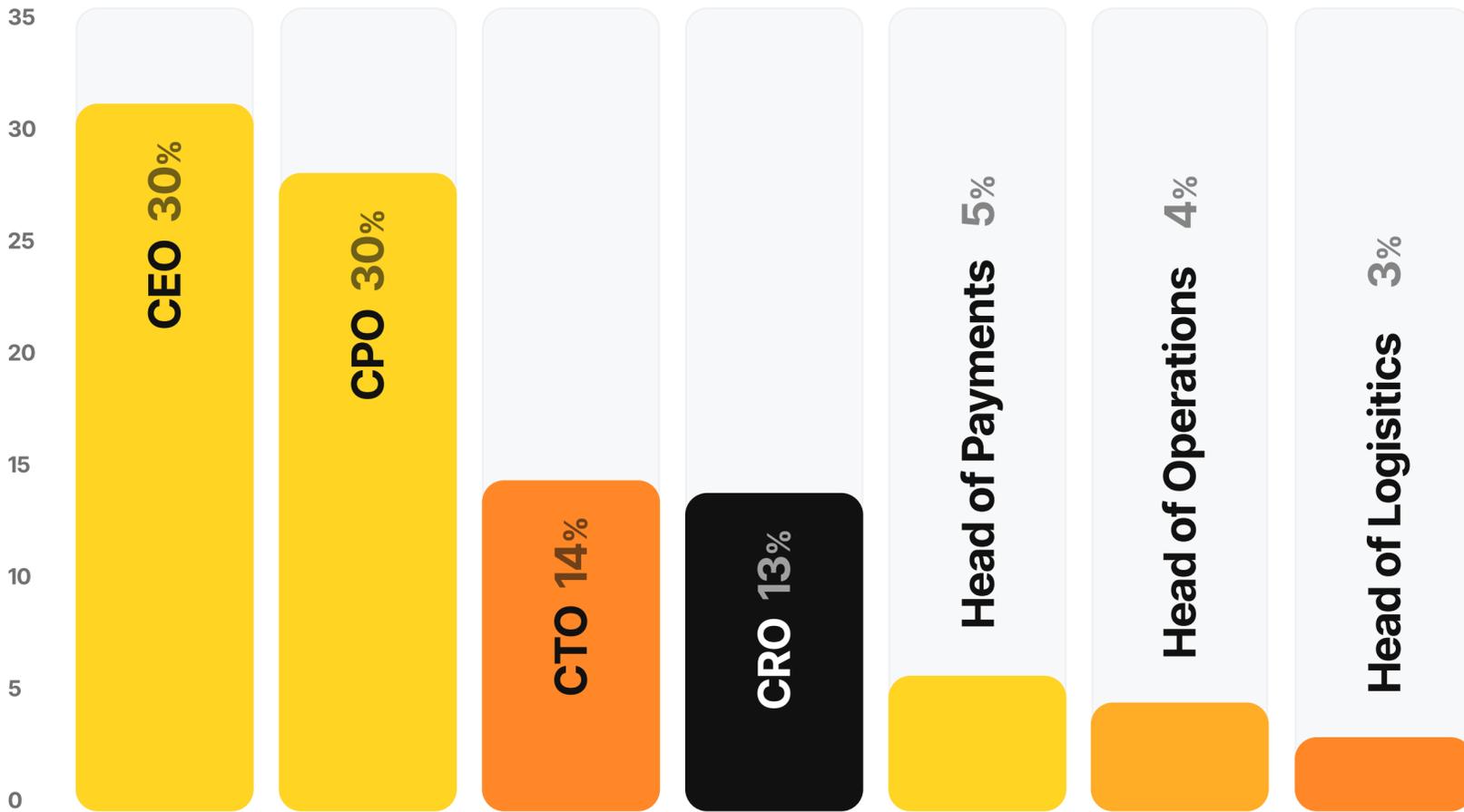


Location



About the report

What best describes your job title?



What is the value of your annual booking volume (£m)?

