SMART**RECEIVABLES**
PLAYBOOK

Rethinking Payments Processing
After The Pandemic

TRAVEL AND TOURISM

The Smart Receivables Playbook,
a PYMNTS and Flywire collaboration,
offers a front-line perspective of the
pandemic's impact on travel and tourism firms
and how they view payments challenges going
forward. The report draws on findings from
Payments 2021, a companion study based on
extensive surveys of financial leaders in the
technology, education and travel sectors, as
well as new interviews.
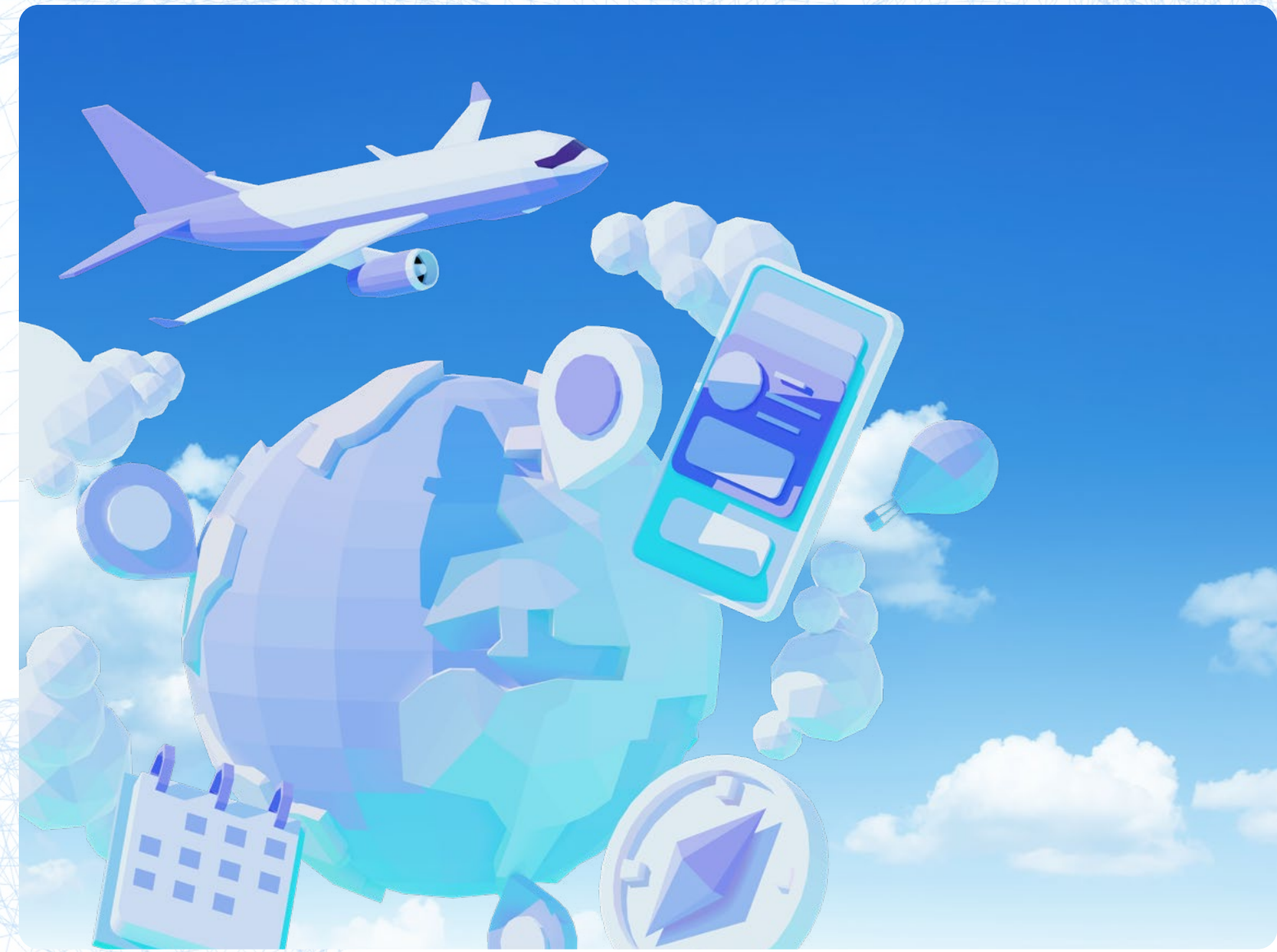
SMART**RECEIVABLES**
PLAYBOOK

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The Smart Receivables Playbook was done in collaboration with
Flywire, and PYMNTS is grateful for the company's support and insight.
PYMNTS.com retains full editorial control over the following findings,
methodology and data analysis.

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EXECUTIVE
SUMMARY

Travel and tourism have become one of the most dynamic and successful parts of the world's economy. The World Travel & Tourism Council (WTTC) estimates that travel and tourism accounted for 10 percent of global gross domestic product (GDP) — $9.2 trillion — and 11 percent of worldwide employment in 2019, before the temporary disruptions caused by the COVID-19 crisis.[1]

The pandemic led to travelers canceling nearly one-quarter of their bookings with large travel and tourism companies — those with between $100 million and $1 billion in annual revenue — in the United States and rescheduling another 20 percent, according to PYMNTS' research. The

sector is bouncing back, but this experience pushed travel and tourism firms to reevaluate how much they spend on payments. Such spending exceeds 3 percent of their annual revenue, on average — a share significantly larger than that observed in the other sectors we analyzed in the same study.

PYMNTS' Smart Receivables Playbook series examines how financial leaders across several industries are approaching longstanding accounts receivable (AR) frictions along with new challenges in the ever-evolving payments space. In this Playbook, we turn our attention to travel and tourism, sectors that faced unprecedented obstacles during the height of the pandemic.
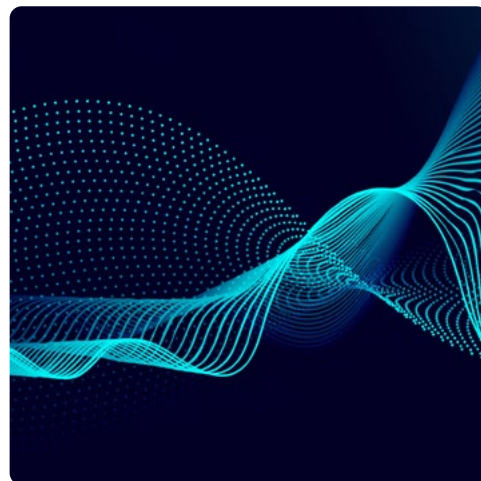
The Smart Receivables Playbook: Rethinking Payments Processing After The Pandemic, a PYMNTS and Flywire collaboration, offers a front-line perspective of how the pandemic impacted businesses in the travel and tourism sectors and how these firms view payments management challenges. The report draws on findings from Payments 2021, a companion study based on extensive surveys of financial leaders in the technology, education and travel sectors, as well as new interviews with financial professionals and executives representing the travel space.

Here's what we learned.

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[1] Author unknown. Travel & Tourism: Economic Impact. World Travel & Tourism Council. 2021. https://wttc.org/Portals/0/Documents/EIR/EIR2021%20Global%20Infographic.pdf?ver=2021-04-06-170951-897. Accessed November 2021.

A SECTOR
DISRUPTED

Nearly half of all bookings with large travel and tourism firms in the United States had been canceled or rescheduled as of late 2020.

FIGURE 1:

Canceled and rescheduled travel
Share of bookings that were canceled or rescheduled

Canceled
24.2%

Neither canceled
nor rescheduled
56.0%

**TRAVEL AND
TOURISM**

Rescheduled
19.8%

Source: PYMNTS | Flywire Smart Receivables Playbook

T he health crisis sent shockwaves through the travel and tourism sectors. As of late 2020, nearly half of the bookings at large companies in the space had been impacted, according to PYMNTS' research. These firms' customers canceled 24 percent of their trips and postponed another 20 percent.
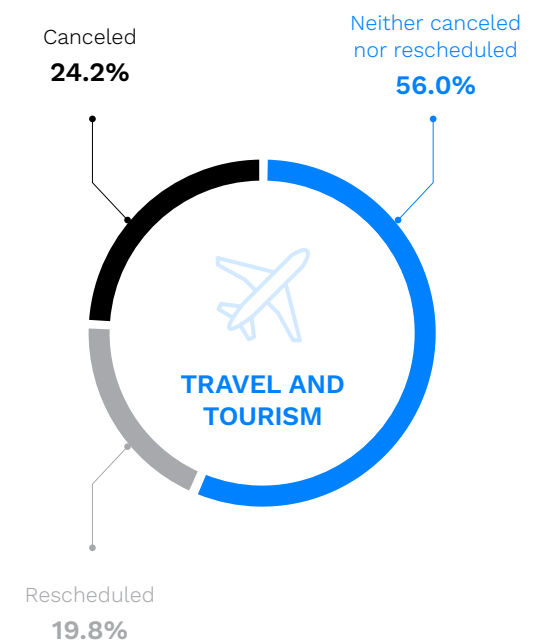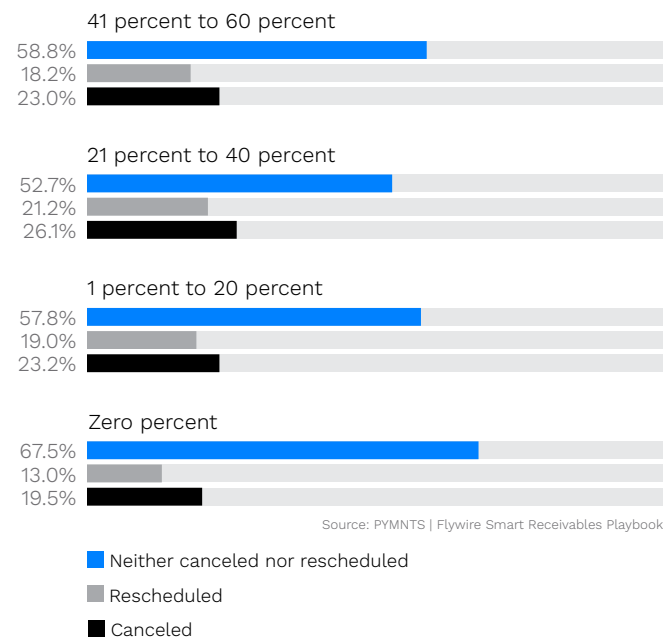
FIGURE 2:

Canceled or rescheduled travel by portion of sales outside the U.S.
Status of travel bookings, by customers outside the U.S.

41 percent to 60 percent
58.8%
18.2%
23.0%

21 percent to 40 percent
52.7%
21.2%
26.1%

1 percent to 20 percent
57.8%
19.0%
23.2%

Zero percent
67.5%
13.0%
19.5%

Source: PYMNTS | Flywire Smart Receivables Playbook

■ Neither canceled nor rescheduled
■ Rescheduled
■ Canceled

Travel and tourism businesses responded by offering travelers greater flexibility, allowing them to reschedule otherwise nonchangeable reservations and waiving booking-change deadlines and fees. This helped keep customers happy and allowed many travelers to adjust their plans rather than cancel them entirely but also made cash flows even more unpredictable.

International travel became especially difficult during the pandemic and more prone to cancellations and rebookings. Our data shows that travel and tourism companies with customers outside the U.S. suffered much higher rates of cancellation and rescheduling — between 41 percent and 47 percent — than those with only domestic ones (32 percent).
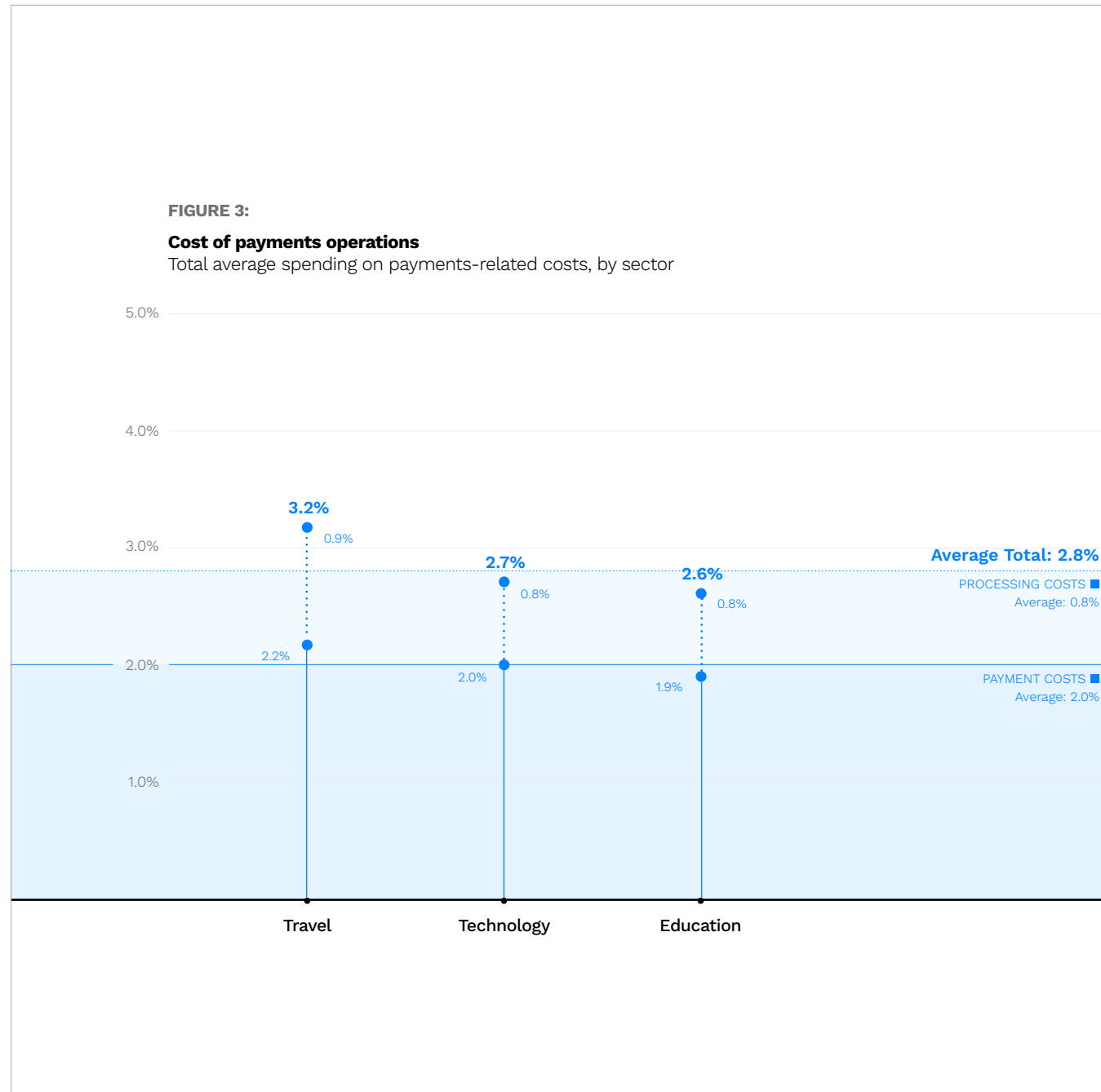
PAYMENTS **PAIN POINTS** FOR TRAVEL AND TOURISM
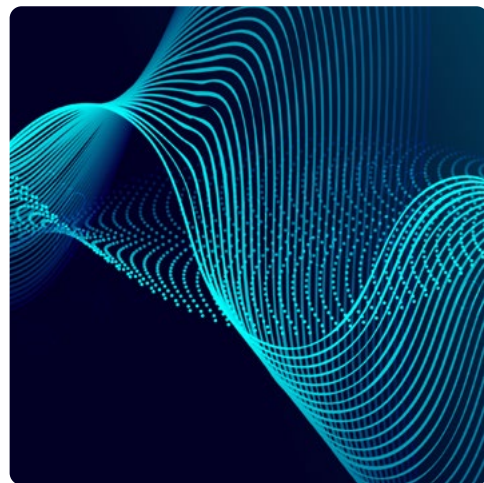
Payments processing costs travel and tourism firms over 3 percent of their revenues, on average, and many spend more than 4 percent.

Travel and tourism businesses spend

3.2%

of revenue on **payments-related costs.**

The sudden loss of revenue and uncertainty of future cash flows has put intense pressure on travel and tourism firms' finance divisions to improve AR processes — a challenging task even under normal circumstances. PYMNTS' research found that businesses in the sector spend 3.2 percent of their annual revenues on all of their payments-related costs, on average — substantially more than their counterparts in the technology (2.7 percent) and education (2.6 percent) sectors. Nineteen percent of travel and tourism firms report spending more than 4 percent of their revenues on payments-related costs.
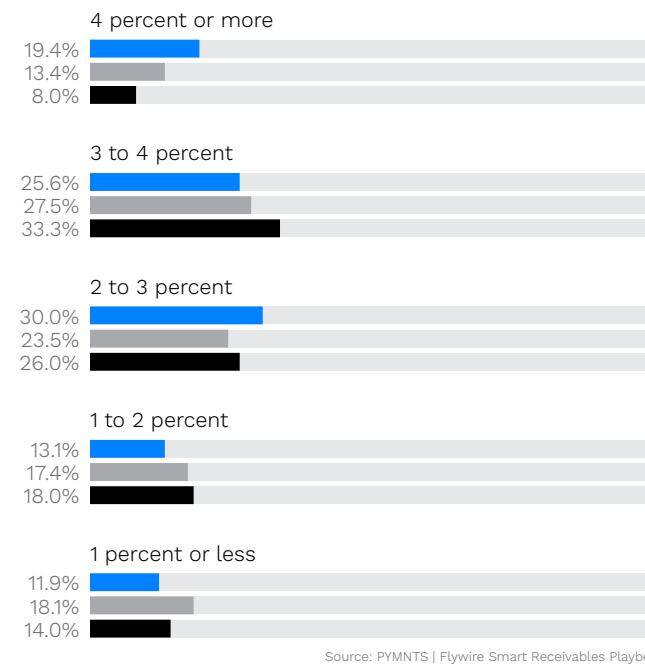
FIGURE 3:

Cost of payments operations
Total average spending on payments-related costs, by sector

Average Total: 2.8%

Travel: 3.2% (Processing 0.9%, Payment 2.2%)
Technology: 2.7% (Processing 0.8%, Payment 2.0%)
Education: 2.6% (Processing 0.8%, Payment 1.9%)

PROCESSING COSTS ■ Average: 0.8%
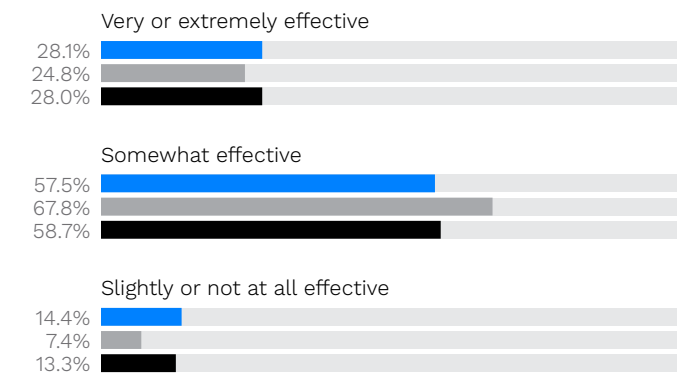PAYMENT COSTS ■ Average: 2.0%

Source: PYMNTS | Flywire Smart Receivables Playbook

FIGURE 4:

Total spending on payments-related costs
Distribution of average spending on payments-related costs, by level of spending and sector

4 percent or more
19.4% / 13.4% / 8.0%

3 to 4 percent
25.6% / 27.5% / 33.3%

2 to 3 percent
30.0% / 23.5% / 26.0%

1 to 2 percent
13.1% / 17.4% / 18.0%

1 percent or less
11.9% / 18.1% / 14.0%

Source: PYMNTS | Flywire Smart Receivables Playbook

SECTOR
■ Travel ■ Technology ■ Education

Our research shows that most large companies in the travel and tourism sectors are unhappy with their approaches to payments management. The majority (58 percent) rate their firms' payments operations as only "somewhat" effective, and 14 percent say their systems are ineffective — a higher share than that cited in the other two sectors we studied. Just 28 percent of travel-sector respondents indicated being satisfied with their current approaches.

FIGURE 5:

Effectiveness of current payments operations
Share of respondents, by sector

Very or extremely effective
28.1% / 24.8% / 28.0%

Somewhat effective
57.5% / 67.8% / 58.7%

Slightly or not at all effective
14.4% / 7.4% / 13.3%

Source: PYMNTS | Flywire Smart Receivables Playbook

32%

of travel and tourism firms cite **payments questions from customers** as a key pain point.

Why are so many financial professionals in travel and tourism dissatisfied with their current payments operations? PYMNTS' research identifies dealing with payments-related questions from customers as the most common complaint, indicated by 32 percent of respondents, as well as the difficulty of managing multiple vendor relationships (cited by 26 percent) and excessive time needed to introduce new features to market (24 percent). All three issues require significant labor and time to address, highlighting the value of effective payments systems that streamline related processes.

Another key pain point is international payments processes, which more respondents identified as their top challenge than any other issue, at 16 percent. International transactions are especially critical for the travel and tourism industries, as these segments' customers and vendors frequently hail from various regions and therefore use different currencies and payment methods. One other notable finding is that 8 percent of firms say they decline too many good customers, suggesting that better payments management that ensures customers can smoothly check out with their preferred payment types can substantially boost revenue.

TABLE 1:

Travel and tourism firms' leading pain points in payments management
Share of respondents citing select pain points, by rank

| PAIN POINTS	RANK			TOTAL
	1st place	2nd place	3rd or lower	
Insufficient ability to handle payment questions from customers	6.9%	8.8%	16.3%	**31.9%**
Too complicated to manage multiple vendor relationships	13.1%	2.5%	10.6%	**26.3%**
Too long to get new features into the market	6.3%	8.1%	10.0%	**24.4%**
Length of time required to receive payments is too long	6.3%	9.4%	8.1%	**23.8%**
Difficult to obtain real-time access to sales and transaction data	9.4%	6.9%	6.3%	**22.5%**
Process to accept international payments	15.6%	4.4%	1.9%	**21.9%**
Difficult to keep track of payments to suppliers	4.4%	9.4%	7.5%	**21.3%**
Insufficient ability to handle recurring payments	5.0%	6.3%	7.5%	**18.8%**
Too many exceptions that require manual intervention	6.9%	5.0%	6.9%	**18.8%**
Currently not optimized or streamlined for easy checkout	3.8%	10.6%	1.9%	**16.3%**
Financial suffering as a result of fraud	6.9%	3.8%	3.8%	**14.4%**
Payment reconciliation/reporting processes are cumbersome	6.3%	3.1%	5.0%	**14.4%**
Unable to settle transactions for merchants in the platform	2.5%	3.1%	5.6%	**11.3%**
Decline too many good customers	2.5%	1.9%	3.1%	**7.5%**
Current providers are unable to serve industry or business needs	4.4%	0.6%	0.6%	**5.6%**

Source: PYMNTS.com

THE TOP 5
AR PAIN POINTS
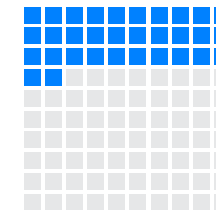FACING BUSINESSES
IN THE **TRAVEL AND
TOURISM** SECTOR

**SHARES OF FINANCIAL EXECUTIVES IN
THE TRAVEL AND TOURISM SPACE IDENTIFYING
TOP CHALLENGES:**
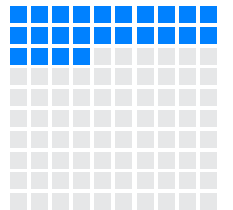
It takes too long
to get new features
to market:
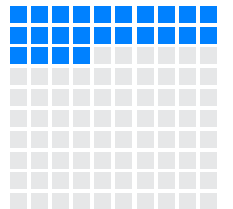
24%

Insufficient
ability to handle
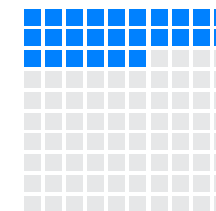payment questions
from customers:

32%

It takes too long
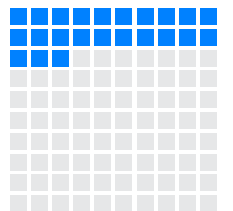to receive
payments:

24%
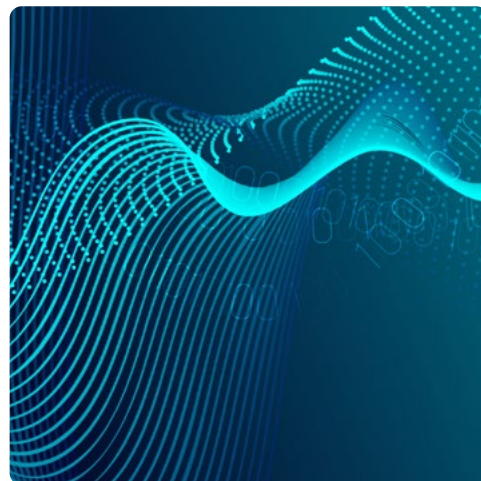
The complexity of
managing multiple
vendor relationships:

26%

It is too difficult to obtain
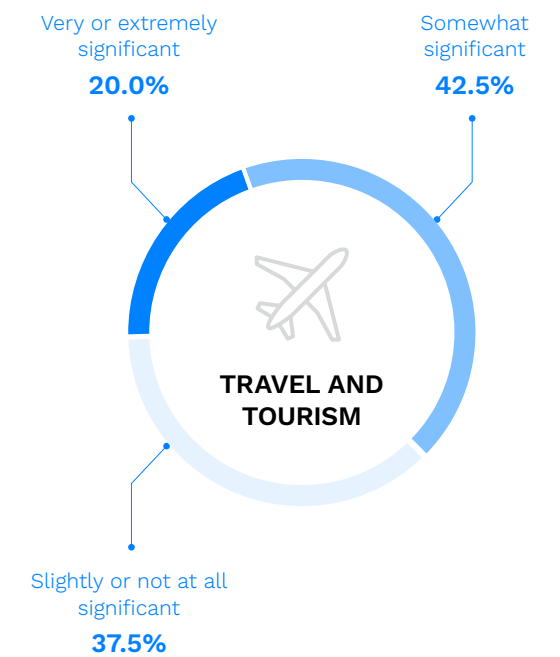real-time access to sales
and transaction data:

23%

THE PAYOUTS
PROBLEM

One-fifth of travel and tourism businesses find business-to-business (B2B) payouts to be a severe pain point.

The B2B payouts pain point
Share of respondents, by level of significance

Very or extremely
significant
20.0%

Somewhat
significant
42.5%

**TRAVEL AND
TOURISM**

Slightly or not at all
significant
37.5%

B2B payments between merchants and the end-providers of services are a fundamental part of the travel and tourism sectors. Vendors often sell services that are ultimately provided by other firms that require payment — an online travel site that offers hotel and flight packages, for example, must pay the hotels and airlines involved.

FIGURE 7:

Likelihood of switching payment processors
Share of respondents claiming they have select likelihoods of switching payment processors

Very or extremely likely
23.4%

Somewhat likely
38.3%

TRAVEL AND TOURISM

Slightly or not at all likely
38.3%
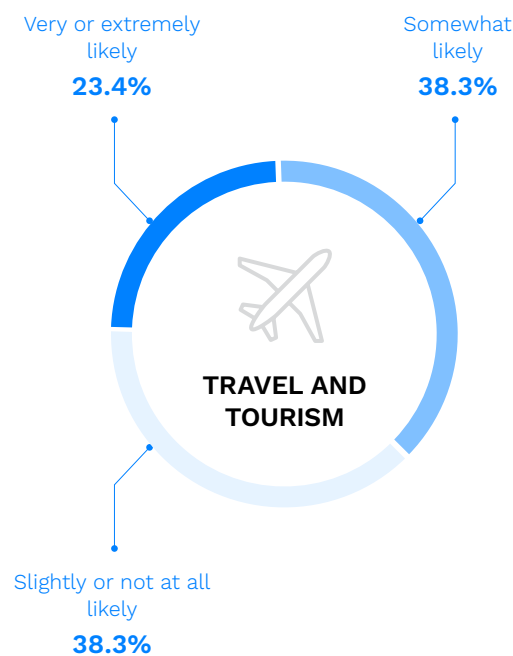
Source: PYMNTS | Flywire Smart Receivables Playbook

PYMNTS' research found that 62 percent of travel and tourism businesses cite these B2B payouts as at least a "somewhat" significant pain point, and one-fifth say they are a "very" or "extremely" significant issue. These transactions may be a normal part of doing business in the travel and tourism space, but the management and execution of these payments can be very complex, especially when customers require refunds or reschedule their travel.

The B2B payout headache makes a large share of travel and tourism businesses interested in switching payment processers. Sixty-two percent of respondents say that they would be at least "somewhat" likely to change to a new payment processor if the provider would make payouts easy and convenient, and 23 percent would be very or extremely likely to do so.

INDUSTRY FOCUS:
TRAVEL

Why effective AR management is critical in the travel and tourism sectors

☐ **INTERNATIONAL PAYMENTS:**
Many transactions involve customers and vendors in foreign markets, necessitating payments in foreign currencies and the acceptance of different preferred payment methods than those popular in a firm's home market.

☐ **B2B PAYMENTS BETWEEN MERCHANTS AND PROVIDERS:**
Many merchants sell services that other firms (such as hotels and airlines) will eventually provide, and these require management of B2B payments linked to customers' original purchases.

☐ **FLEXIBLE BOOKING CONDITIONS:**
Costumers want flexible booking conditions that allow cancellation, rescheduling, and refund guarantees. It is important that AR systems can handle this without a lot of manual intervention.

☐ **HIGH PAYMENT PROCESSING COSTS:**
Travel and tourism businesses report higher average payment costs than the technology or education sectors, according to PYMNTS' research.

THE BOOKING-COLLECTIONS COST TRADEOFF:
TAPPING THIRD-PARTY AGGREGATORS

Travel intermediaries have played a key role in the industry for years. The rise of third-party aggregators like Cheapflights.com, Expedia and Travelocity has fundamentally reshaped how travel and hospitality businesses manage their bookings and payments processes, however — often for the better.

Third-party aggregators have been especially helpful when it comes to collections, according to Howard Weissman, corporate comptroller at Extended Stay America, an extended-stay hotel chain headquartered in Charlotte, North Caro-

lina. He explained that sales made using the chain's proprietary channels are often higher margin, yet the payments from these bookings often cost the company more to collect than those made via third-party aggregators.

"The higher-margin sales sometimes come with a little bit of a greater cost on the collection side as opposed to when we deal with Expedia [or] Travelocity and we can get paid in bulk for all the reservations that occur under that distribution channel," he explained.

Weissman said that it is often easier for hotels and other lodging companies to manage payments and collections when they originate from the same source rather than from countless individual travelers. Third-party digital aggregators can also help reduce the credit risks that businesses in the accommodations industry assume when booking customers.

"If you book a thousand rooms through Expedia, it can sometimes be a more efficient and effective process to receive payment for all thousand rooms, get a data upload [and] apply all of that as opposed to taking the collection and credit risk on all individual 1,000 customers at the desk," Weissman explained.

High commission and booking costs are nevertheless a key challenge that travel and hospitality businesses face when using third-party aggregators. Many find themselves weighing trade-offs as they

delicately balance high booking and collections costs as well as credit risks. There is no one-size-fits-all method of determining the right balance when considering these three issues, but Extended Stay America depends on a number of factors, including which intermediary is used and its size.

"Depending on who the intermediary is and the size of the intermediary, the way we work with them from a collections perspective is going to differ," Weissman explained. "It impacts what we do and what we think of as the cost of collection quite a bit."

It takes time for a company to determine how best to manage its costs. This means that individual businesses must have flexible payments infrastructures that allow them to adapt their processes to payments needs that can evolve over time.

> **Higher-margin sales sometimes come with a little bit of a greater cost on the collection side.**

HOWARD WEISSMAN

corporate comptroller, Extended Stay America

HOW **INTEGRATED PAYMENTS**
TAKE THE MYSTERY OUT OF CROSS-BORDER TRANSACTIONS

Image: Joern Rohde

The last 20 months have been a whirlwind for travel and hospitality companies. From the initial shock of the pandemic's onset to widespread travel restrictions and business closures to consumers' changing demands and more, the travel sector has grappled with an ever-expanding list of trials, and many were not sure if they would be able to weather the storm.

This was precisely the situation John Forrest faced during the early days of the pandemic as the president and general manager of British Columbia-based boutique travel business Northern Escape Heli-Skiing.

"When things shut down in March, we really had no idea if we were going to open up again in the following season, so that led us to really scale back everything we were doing — everything from accounts receivable and payable," Forrest said in a recent interview with PYMNTS.

Many of the business's competitors responded to the situation simply by closing. Luckily, Forrest has seen a 180-degree turnaround since March 2020, with stir-crazy travelers from across the globe eagerly booking tickets to new, exciting locations to enjoy the outdoors.

> We are booked **about 100 percent more than we ever have been** in our seasons past … and this season is stacking up to be the busiest season I've ever seen.

JOHN FORREST

president and general manager,
Northern Escape Heli-Skiing

"We are booked about 100 percent more than we ever have been in our seasons past. I've been doing this now 35 years … and this season is stacking up to be the busiest season I've ever seen," he said.

PYMNTS spoke with Forrest about how switching to an integrated cross-border payments solution helped the business manage the massive influx of international customers. He also discussed the concrete ways in which the solution has helped streamline and improve guests' booking and payment experiences as well as precisely what a streamlined experience looks like in a cross-border context.

A LOOK BACK:

NAVIGATING THE CROSS-BORDER TERRAIN

Cross-border payments have always been an integral part of Northern Escape Heli-Skiing's business, according to Forrest, who estimates that 98 percent of the business's clientele travel to British Columbia from abroad. The trouble is that processing international transactions has not always been easy.

International transactions have historically been made with either credit cards or, more often, bank transfers. These processes were usually highly friction-laden and cost a great deal in terms of both time and effort.

"Doing a bank transfer involved getting on the phone, arguing with your bank, arguing with them for an hour to figure out how to send a bank wire to Canada, getting it wrong and then spending another hour two weeks later trying to get it right," Forrest explained.

Even when international customers chose to pay via credit card, those credit card payments would have to be processed manually over the phone with an employee writing down and processing customers' credit card payments by hand. It was not uncommon for the entire payment process to drag on for days or even weeks, he said.

A lack of speed was not the only cross-border payments friction they faced, either. These transactions also often come with hefty bank and transfer fees, which could confuse and frustrate international customers who might not understand why the price they ended up paying was higher than what they first saw online.

"A lot of the behind-the-scenes fees that people pay when they make international payments [are] totally misunderstood. They completely miss the idea that there [are] fees for moving money across borders — there are bank fees," Forrest said.

This could potentially result in an opaque and confusing payments experience and displease customers.

REMOVING THE MYSTERY:
SIMPLIFYING INTERNATIONAL PAYMENTS

Northern Escape Heli-Skiing has removed nearly all the cross-border frictions that once encumbered its payments processes by implementing an integrated payments solution from Flywire. Now, instead of spending hours on the phone

trying to work through bank and routing information, travelers can book and pay entirely online.

"When you push the 'book now' button on our website, you automatically get [an] invoice and then you are given an option of how to pay it," Forrest said.

Buyers will then receive a link to Flywire's site via email, which takes them to a page where they are able to choose to pay via credit card, bank wire or a variety of payment options. This means that both Northern Escape employees and their customers spend less time and effort trying to make sure they have the right information for a wire transfer.

Flywire's solution also helps ease the friction associated with unforeseen banking and transfer fees. It does so by pre-calculating the fees that will be applied to

each transaction and then displaying that price to customers before they pay.

"They just get an invoice, click pay and put in their payment method. That's what the exchange is; there you go and that's done," Forrest explained, adding that the solution takes a lot of the mystery out of the cross-border payment equation.

"Fifty percent of our guests book directly online, and I've never even spoken to them," he said regarding the solution's ease of use.

Such a small thing as accepting payments without speaking over the phone may seem routine in a world where many transactions are made online, but in an industry in which payments had been mired in frustrating and messy bank transfers for years, the shift to online-only booking and payments processes is nothing short of a miracle.

CONCLUSION

The past 20 months have shed light on longstanding inefficiencies plaguing travel and tourism businesses' payment operations, especially those involving cross-border transactions. This realization is driving many businesses to take a hard look at the payment frictions holding them back and reimagine their AR and AP optimization approaches. The key to streamlining these inefficiencies going forward will be to invest in digital innovations that break down cross-border barriers, reduce excessive payment costs and build futureproof payment operations that can position them for long-term success on the international stage.

ABOUT

■ METHODOLOGY

The data in this Playbook comes from the Payments 2021 Report, which is based on a survey of 459 payments professionals that was conducted between Oct. 30, 2020, and Nov. 12, 2020. Respondents hailed from firms across three different sectors: travel, technology and education. The survey was limited to respondents working in payments at organizations generating between $100 million and $1 billion in annual revenue. Our analysis focused on identifying the most common frictions in payments operations and determining how organizations are planning to mitigate these pain points to achieve their strategic goals.

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

flywire

Flywire is a global payments enablement and software company. We combine our proprietary global payments network, next-gen payments platform and vertical-specific software to deliver the most important and complex payments for our clients and their customers.

Flywire leverages its vertical-specific software and payments technology to deeply embed within the existing A/R workflows for its clients across the education, healthcare and travel vertical markets, as well as in key B2B industries. Flywire also integrates with leading ERP systems, such as NetSuite, so organizations can optimize the payment experience for their customers while eliminating operational challenges.

Flywire supports more than 2,400 clients with diverse payment methods in more than 140 currencies across 240 countries and territories around the world. The company is headquartered in Boston, MA, USA with global offices. For more information, visit www.flywire.com. Follow Flywire on Twitter, LinkedIn and Facebook.

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